

NSW Trains

2013/14 Annual Report



Letter to Minister from the Chief Executive

The Hon. Gladys Berejiklian MP
Minister for Transport

Parliament House
Macquarie Street
Sydney NSW 2000

Dear Minister

I am pleased to submit for presentation to Parliament the Annual Report for NSW Trains for the financial year ended 30 June 2014; the first year of operations for NSW Trains.

The Annual Report has been prepared in accordance with the *Annual Reports (Statutory Bodies) Act 1984* and the *Annual Reports (Statutory Bodies) Regulation 2010*.

Yours sincerely



Rob Mason
Chief Executive
NSW Trains

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1 Overview

1.1 Report from the Chief Executive



The launch of NSW Trains on 1 July 2013 was a landmark in regional transport. NSW Trains brings together intercity, regional and interstate rail and coach services into a single organisation with the purpose of connecting people and communities throughout NSW. It allows us to provide an integrated service to customers travelling longer distances, who need more comfortable, reliable trains with on-board facilities.

Customers have already benefited from the new arrangements. A key priority early on was to engage directly with customers and regional communities and listen to what they want improved in train and connecting coach services.

Our customers have said they are looking for improvements in the comfort of their trains. It was therefore extremely pleasing that the Minister for Transport and Minister for the Hunter, the Hon Gladys Berejiklian MP, announced plans to purchase 65 new purpose-built Intercity trains at a cost of approximately \$2.8 billion. The first of the new trains are due to be delivered in 2019 and will carry passengers to and from the Central Coast, Newcastle, the Blue Mountains, and the Illawarra.

More than 100 of the 196 V-Set carriages were refurbished during the year. The Minister announced the Hunter carriages would be refreshed and more than \$12 million to be invested in the upgrade of 16 stations.

Also central to the customer experience is the timetable. It is the core offer we make to our customers. To make Intercity services more attractive, the new timetable created extra services on the Central Coast, Hunter, Blue Mountains, South Coast and Southern Highlands lines and introduced more express services to provide a faster commute. The successful implementation of the new timetable in October 2013 was a major achievement early in our first year.

Another milestone in 2013-14 was the roll out of Opal electronic ticketing at Intercity train stations. Intercity customers now all benefit from the cheaper fares available under the Opal Card and the convenience of not having to queue up to buy a ticket.

NSW Trains has also looked at ways to encourage more customers to use our services. In a trial in May and June 2014, customers were able to travel anywhere on the NSW TrainLink regional train and coach network for only \$50 for a one way economy trip.

Other important customer initiatives during the year included:

- Doubling the number of quiet carriages on Intercity services.
- Launching the *Discovery Pass*: a multi-day ticket for train and coach travel anywhere in NSW, and on services to Brisbane and Melbourne.

- Making train travel safer through targeted Police Transport Command operations, co-ordinated with Transport Officers
- Radio School training for intercity guards and station staff for clearer and better quality announcements.

I am encouraged by the response we have had to our *Meet the People* initiative at stations right across the state. At these events our staff talk with customers about their needs well and truly embedding NSW TrainLink in the community and putting us in touch with our customer base.

Almost 90 per cent of our staff provide front line services. They are central to the customer experience and I am delighted at the way staff have responded to being part of a new organisation and a new culture. I take this opportunity to thank all staff, managers and the Executive for their tireless efforts over the year.

Rob Mason
Chief Executive

1.2 About NSW Trains

On 1 July 2013, NSW Trains began operations as the State's first organisation dedicated to intercity and regional customers.

NSW Trains was one of two new specialist organisations created to replace RailCorp. The other organisation, Sydney Trains, services customers in the Sydney suburban area.

NSW Trains was established under the *Transport Administration (General) Amendment (Sydney Trains and NSW Trains) Regulation 2012* to deliver safe and reliable passenger services in NSW in an efficient, effective and financially responsible manner.

The Rail Services Contract, with Transport for NSW, specifies the services and performance measures.

NSW Trains operates its services under the NSW TrainLink brand and provides intercity, regional and interstate rail and coach services for customers travelling longer distances, who need comfortable and reliable services with on-board facilities.

Services reach as far as Broken Hill in the West, Griffith and Melbourne in the South, and Moree and Brisbane in the North. Intercity services operate between Sydney and the Hunter, Central Coast, Blue Mountains, Southern Highlands, Illawarra and South Coast.

NSW Trains employs about 2000 people across the state. The regional structure enables staff to shape the new organisation and provide local input on the needs of customers and the communities in which they live and work.

While staff are dispersed across almost 200 stations, there is a common purpose

to connect people and communities throughout NSW and improve the customer experience on train and coach services.

Features of Intercity services:

- 1023 km network with five lines:
 - Central Coast and Newcastle
 - Hunter
 - Blue Mountains
 - South Coast
 - Southern Highlands.
- 130 stations
- 25 per cent of trips are for business travel (to/from work or other related business)
- 75 per cent of trips are for education/leisure/or other purposes
- 32.9 million passenger journeys
- 3,434 services per week

Features of Regional services:

- 4869 km network
- 67 stations
- 22 services each day
- Destinations which generate the most patronage are: Central (Sydney), Casino (and North Coast), Melbourne, Canberra, Dubbo and Central NSW, Wagga Wagga/Cootamundra and Southern NSW, Bathurst and Brisbane.
- 1.8 million passenger journeys, mostly for leisure
- Average distance travelled is 356km per customer journey
- More than 360 destinations, including coach services.

NSW TrainLink fleet

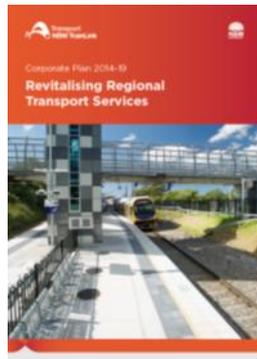
	Fleet	Number of carriages	Operates
	V-Set	196	<ul style="list-style-type: none"> Newcastle & Central Coast Line Blue Mountains Line
	J-Set	14	<ul style="list-style-type: none"> Hunter Line
	Oscar (H-Sets)	221	<ul style="list-style-type: none"> Newcastle & Central Coast Line South Coast Line
	Endeavour	28	<ul style="list-style-type: none"> Hunter Line Blue Mountains Line Southern Highlands South Coast Line
	XPT	79	Links Sydney with Melbourne, Brisbane, Dubbo, Grafton and Casino
	XPLOERER	23	Travel between Sydney and Armidale, Moree, Griffith, Broken Hill and Canberra

1.3 Corporate Plan 2014-19

Corporate planning

The first Corporate Plan was prepared for release in July 2014.

It sets the direction for the organisation over the 2014-15 financial year and beyond. The Plan aligns NSW Trains' objectives to Transport for NSW's result areas: Customer, Travel, Asset, Access, Environment, Safety, Business and People.



As required under the *Transport Administration Act 1988*, the Plan was subject to a consultation period of 30 days (which occurred from 28 May to 27 June 2014). Six submissions were received and the comments were considered during the finalisation of the Plan.

Reviewing and managing performance

Performance against Key Performance Indicators (KPIs) is reported monthly to Transport for NSW and monitored closely by the NSW Trains Executive. This is complemented by a weekly operational management and internal performance review mechanism known as Visual Management Cells (VMC). These meetings give management an oversight of business performance against KPIs and other information to provide insight into current performance. The VMC is used to identify areas of concern that need intervention, support or direction by management.

Our Community Results

Customer



The customer is at the centre of everything we do.

Travel



The door-to-door movement of people is efficient, safe and reliable.

Asset



Transport infrastructure meets acceptable standards.

Access



The accessibility of transport is aligned to the needs of the community and the economy.

Safety



Safety is our number one priority. The safety and security of the transport system is maximised.

Environment



The impact of transport on the environment is minimised.

Business



We provide value for money services.

People



Our workforce is competent, flexible, multi-skilled and mobile and strengthened by diversity and merit.

1.4 Performance overview

NSW Trains uses a range of measures, as specified in its contract with Transport for NSW, to monitor and manage performance, and provide direction in

delivering high quality services. The indicators were monitored throughout the year.

	Key Performance Indicator	Target	Performance FY 13-14
Customer Satisfaction	Overall Customer Satisfaction (Nov 13 survey) ¹	82%	82%
	Customer complaints resolved within specified timeframe – Phone	≥ 90%	97.7%
	Customer complaints resolved within specified timeframe – Website	≥ 90%	95.1%
	Customer complaints resolved within specified timeframe – Letter	≥ 90%	99.4%
Timeliness	Customer delay – Unbooked ² (minutes)	≤ 4:00	4:28
	Punctuality ³ – Unbooked services	≥ 92%	89.3%
	Punctuality – Booked services (trains)	≥ 78%	73.5%
	Punctuality – Booked services (coaches)	≥ 90%	94.8%
Customer service	Service Provision ⁴	≥ 99%	99.4%
	Cleanliness Index ⁵	≥ 2.28	2.15
Safety and environment	Employee injuries (<i>Lost Time Injury Frequency Rate</i>) ⁶	≤ 18.87	33.62
	Greenhouse gas emissions (tonnes) ⁷	-	214,710
Assets (maintained by Sydney Trains under service contracts)	Stations lifts reliability		
	a. Lifts – Mean Time Between Failures (days)	≥ 40	105
	b. Lifts – Mean Time To Repair (hours)	≤ 20	16
	Fleet availability ⁸ (Booked and Unbooked)	≥ 88%	88.4%
	Asset Reliability b. Electric Fleet (<i>Mean Days Between Failure</i>)		
	– Door system	≥ 190	218
	– Integrated Communications and Monitoring system	≥ 410	445
	– Traction system	≥ 400	375
– Brake system	≥ 480	305	
Commercial	Net Operating Cost per Revenue Car km	≤ 8.1	8.14
	Booked Services Load Factor ⁹	≥ 46%	43.6%
People	Employee Sick Leave (days) ¹⁰	≤ 9.0	8.75
	Employee Overtime (as percentage of normal hours worked)	≤ 7%	6.2%
	Workforce Diversity		
	a. Women	≥ 20%	23.3%
	b. Aboriginal and Torres Strait Islander People	≥ 2.3%	1.4%
	Employee headcount (at 30 June)	≤ 2,057	1916

- 1 The percentage of customers satisfied or very satisfied with the service, measured by the Bureau of Transport Statistics.
- 2 The difference between the customer actual arrival time and the scheduled arrival time at the customer destination station.
- 3 The percentage of timetabled peak services arriving on time without skipping stops or being cancelled.
- 4 The percentage of passenger services which are operated and configured in compliance with the timetables specifications.
- 5 Measure of train and station cleanliness, verified independently.
- 6 Number of injuries resulting in time lost from work, per million hours worked.
- 7 CO₂-equivalent emissions arising from various fuel types and electricity from the grid.
- 8 The percentage of all cars that are classified as deployable each morning to operate passenger services.
- 9 Revenue passenger kilometres as a percentage of available seat kilometres.
10. Does not include Carer's Leave.

2 Operational performance

2.1 Safety, environment, quality and risk

NSW Trains is accredited under the Rail Safety National Law 2012 as a rolling stock operator. The Safety Management System (SMS) was established and accredited prior to commencement of operations on 1 July 2013.

In the past year, the environmental management systems and the risk management framework were incorporated into a single integrated management system.

Workplace health and safety

The key performance indicator for employee safety during 2013-14 was the Lost Time Injury Frequency Rate (LTIFR), measuring the number of injuries resulting in time lost from work, per million hours worked.

NSW Trains' LTIFR was 33.62 against a target of 18.87. This measure includes both trauma-related and physical lost time injuries (LTIs).

LTIFR for physical injuries was 19.33, close to the target of 18.87. Trauma-related injuries are experienced predominantly by drivers as a result of the actions of others in the path of a train.

Safety performance as measured by the LTIFR did not meet expectations. Workplace health and safety will continue to be a focus in the coming year through participation in the Target Zero program, trauma support for employees and further improvements to the Safety Management System (SMS).

During the year, health and safety arrangements were refined to better align to the NSW Trains operating model, the geographically diverse nature of the business, and the intention of the *Work Health and Safety Act 2012* (NSW).

Two Technical Reference Groups were established to provide a safety forum involving a cross-section of train crew, and station and travel centre staff, while three

regional safety committees supported more locally-specific review and action. An umbrella Safety Action Group reviewed priority activities monthly, and operated as a subgroup under the auspices of the Executive Safety Committee.

Risk assessment and mitigation

NSW Trains reviewed the adequacy and relevance of its SMS to the operating environment, while continuously improving SMS systems and processes, including:

- proactive hazard reporting to reduce potential for incidents
- refinement of the investigations process to identify incident root causes
- a review of performance reporting to identify specific areas of risk exposure and the development of management strategies.

Target Zero

During the year more than 65 per cent of NSW Trains employees attended a Target Zero course, including a two day workshop for managers and a one day workshop for team members.

The workshops promoted the message that all injuries are preventable. Rather than training in rules, regulations, policies or procedures, the workshops focussed on building a commitment to personal safety behaviours – at work and at home – to reduce employee injuries.

In carriage equipment radio installation

The In Carriage Equipment (ICE) radio system was installed in all diesel trains to improve communication between train drivers, train controllers, signallers and train guards. ICE radio also has a more reliable train tracking system which improves the accuracy of information captured on cancellations and delays.

Level crossings

Level crossing hotspots are identified through incident data and staff reports and contribute to the broader transport strategy for safety improvements at level crossings. In the past year NSW Trains was involved in awareness campaigns at the Kiama to Bomaderry signal upgrade – informing level crossing users of the changes in train stopping patterns around Berry. A new Pearly Gates campaign, developed by Transport for NSW, was featured at the Maitland Steamfest in April.

Platform-train interface

Across the NSW TrainLink network there are 48 platforms where the length of the train is longer than the length of platform.

NSW Trains has implemented a three-pronged approach to mitigate risks and enhance customer safety, including:

- setting and auditing new minimum standards for short platform announcements
- updating customer information channels including the 131 500 call

Safety and environment performance

KPI	Target	Performance FY 13-14
Employee injuries (<i>Lost Time Injury Frequency Rate</i>) ¹	≤18.87	33.62
Greenhouse gas emissions (tonnes) ²	-	214,710

1 Number of injuries resulting in time lost from work, per million hours worked.

2 CO₂-equivalent emissions arising from various fuel types and electricity from the grid.

centre, trip planner and stations guide and posters, so customers have better advice about which carriage to board and alight safely at short platforms

- re-measuring all platforms and planning the repositioning of platform car markers across the network to optimise the number of doors with platform access.

Operational safety index

NSW Trains is working closely with Transport for NSW to develop an appropriate safety index that will include customer risks which can be controlled by the operator.

Operation Rolling Shield

In June 2014 the Police Transport Command (PTC) launched Operation Rolling Shield to target anti-social behaviour on trains and stations. An intelligence-driven initiative, officers are deployed on trains based on intelligence information received from the NSW Police Force, Transport for NSW and NSW Trains security reporting channels.

Greenhouse gas emissions

Greenhouse gas emissions (reported below) arise predominantly from the use of diesel fuel and electricity to provide NSW TrainLink services across NSW, and into Queensland, Victoria and the ACT.

Rail electricity is apportioned between Sydney Trains and NSW Trains, based on kilometre use.

2.2 Customers and communities

In 2013-14, NSW Trains developed its Customer First Program to deliver a better experience for customers at stations, on trains and coaches as well as to restore pride in the railway across NSW. The program addresses key areas of the customer journey including safety, reliability, cleanliness, customer information, access to trains and stations and journey times.

Customer feedback

Customers want to feel safe, have reliable, clean and comfortable services and better information. Some needs are specific to travel purpose:

- Regular commuters value a shorter journey time.
- Business travellers want to be productive while travelling.
- Leisure travellers seek an enjoyable end to end travel experience.
- Community travellers value price and easily accessible services.

NSW TrainLink ran events at various stations to meet customers and seek suggestions on how to improve the customer experience.

In the past year, some 13,500 items of feedback were registered through the Transport Info 131 500 phone service. For Intercity customers, the key issues related to punctuality, journey experience (crowding, air conditioning, connections to other services and unscheduled changes) and scheduling, whereas regional customers were primarily concerned with the ticketing experience and services (including replacement of trains services with buses) and staff.

Most compliments were about staff behaviour on stations and trains.

Customers are able to lodge feedback using a variety of methods including:

- 24-hour Transport Info 131 500
- visit www.transportnsw.info
- 13 OPAL (13 6725) for Opal-specific feedback
- letter to Chief Executive, NSW Trains or NSW TrainLink Customer Relations.

Punctuality

Peak Punctuality is a new performance measure introduced in October 2013 to better monitor the customer experience when travelling on Intercity and Regional services.

It measures services over a longer peak period, for Intercity trains, than the previous on time running measure. It is not adjusted for force majeure (e.g. significant weather events). It considers trains that skip stops and cancelled services as being late. An Intercity service operating to Central Station fails to meet Peak Punctuality if it is six minutes or more late and, for Regional trains, 10 or more minutes late.

Punctuality of NSW TrainLink peak Intercity services was 89.3 per cent, which was below the target of 92 per cent. This was driven by below target performance in the afternoon peak period. Positively, all NSW TrainLink Intercity services performed better than the target in the morning peak period, with an overall result above target at 93.6 per cent.

Punctuality of NSW TrainLink regional services was 73.5 per cent, which was below the target of 78 per cent. This was driven by below target performance across three of its four lines. This was due to factors that included the devastating bushfires in October 2013, and ongoing track condition issues that resulted in speed restrictions and increased journey times. NSW TrainLink is continuing to work closely with Australian Rail Track Corporation, which maintains most of the

track affecting NSW TrainLink regional services, to resolve issues and reduce the effects on customers.

Punctuality for NSW TrainLink regional coach services was 94.8 per cent, exceeding the target of 90 per cent.

Service improvements

NSW TrainLink is committed to delivering services for customers so they arrive at their destination safely and on time. NSW TrainLink worked closely with rail network owners and Sydney Trains fleet maintainers to minimise service disruption during track work and improve service reliability. Other initiatives to put the customer first included:

- Mobile refuelling at key locations to allow services to operate during disruptions or planned track work.
- Additional passenger information screens installed at 10 stations across the network at Thirroul, Cardiff, Broadmeadow, Maitland, Tuggerah, Dora Creek, Morisset, Wyee, Wyong and Woy Woy.
- Refurbishment of more than 100 of the 196 V-Set carriages, improving the on-board experience and making journeys more comfortable for customers on the Blue Mountains, Central Coast and Newcastle Lines.
- Opal card electronic ticketing implemented across all Intercity stations, with more than 410 Opal Card readers installed and 338 staff trained to assist customers.
- Targeted operations with the Police Transport Command and Transport Officers to reduce anti-social behaviour.
- New Twitter handles -specific to each region - to provide travel announcements and disruption information to customers.
- Radio school training for intercity guards and station staff to deliver clearer announcements.

- A new staff uniform to generate pride and present a unified staff appearance to customers.
- The identification of cleaning hot spots and a successful graffiti removal program. New cleaning standards were developed for Intercity and Regional fleet.

Growth and patronage

Marketing efforts and resources were largely focused on patronage, revenue growth and yield management. This included the development and launch of a number of products and pricing pilots, significant re-branding of materials and assets, and the trial of new digital media campaigns.

During 2013-14, a promotional budget of \$2.4 million was allocated to cost effectively achieve sales and marketing goals and honour existing brand or sponsorship commitments. There was also a focus on developing products and programs that were revenue neutral or better, and had a positive return on investment.

Products and pricing trials included the launch of two new Regional travel passes, *DayScape* guides for destinations within two hours of Sydney, promotional campaigns for more than 30 regional and Sydney-based events, and two targeted pricing trials (a 2-for-1 fare special and a \$50 fare cap).

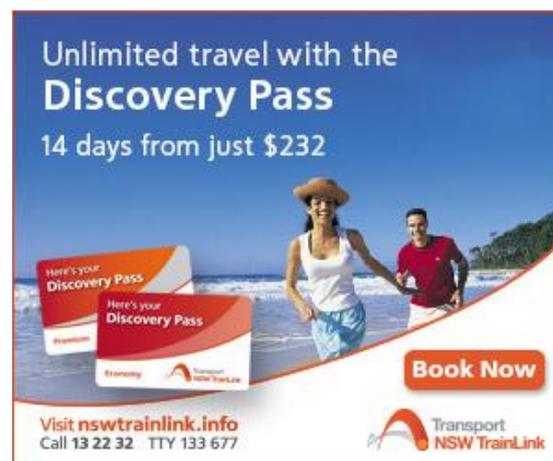
A new brand identity for NSW TrainLink was progressively implemented, aimed at providing customers with a consistent brand experience. The new look and feel was reflected across many activities, such as *DayScape* and tourism brochures, event posters, on-board menus and boards, uniforms, coach signage and luggage tags.

Event packages and pricing trial

Marketing efforts and resources focused predominately on increasing patronage by encouraging customers and others to use NSW TrainLink services and in turn, grow revenue. Products and pricing trials included the launch of two new regional travel passes, Blue Mountains' *DayScope* guide, promotional campaigns for more than 30 regional and Sydney-based events, and two targeted pricing trials: 2-for-1 fare special and \$50 fare cap.

The first *DayScope* campaign, promoting the existing NSW TrainLink Blue Mountains *Explorer Pass*, was launched in March 2014 and generated revenue of \$27,000 in April and May; a revenue increase of 14 per cent year-on-year for the two month period. The new *Discovery Pass* multi-day ticket provides for train and coach travel anywhere in NSW, and on services to Brisbane and Melbourne.

The initiatives contributed to a regional patronage increase of 19,100 passenger journeys (+1.1 per cent year-on-year) and a revenue increase of \$757,600 (+1.7 per cent year-on-year). A \$50 fare cap pricing pilot, which ran throughout May and June, made the largest contribution to target, growing regional patronage by more than 13,000 trips and generating more than \$470,000 in revenue.



Customer satisfaction and service performance

KPI	Target	Performance FY 13-14
Overall Customer Satisfaction (Nov. 13 survey) ¹	82%	Nov 13 - 82%
Customer delay – Unbooked ² (minutes)	≤ 4:00	4:28
Punctuality ³ – Unbooked services	≥ 92%	89.3%
Punctuality – Booked services (trains)	≥ 78%	73.5%
Punctuality – Booked services (coaches)	≥ 90%	94.8%
Customer complaints resolved within specified timeframe – Phone	≥ 90%	97.7%
Customer complaints resolved within specified timeframe – Website	≥ 90%	95.1%
Customer complaints resolved within specified timeframe – Letter	≥ 90%	99.4%
Service Provision ⁴	≥ 99%	99.4%
Baseline passenger journeys – Regional services	–	1,805,855
Baseline passenger journeys – Intercity services	–	32,946,726
Cleanliness Index ⁵	≥ 2.28	2.15

- 1 The percentage of customers satisfied or very satisfied with the service, measured by the Bureau of Transport Statistics.
- 2 The difference between the customer actual arrival time and the scheduled arrival time at the customer destination station.
- 3 The percentage of timetabled peak services arriving on time without skipping stops or being cancelled.
- 4 The percentage of passenger services which are operated and configured in compliance with the timetables specifications.
- 5 Measure of train and station cleanliness, verified independently.

2.3 Assets

NSW Trains does not own any rolling stock, station or infrastructure assets. Maintenance of these assets is managed via service contracts with an accredited engineering organisation, Sydney Trains, in line with the standards and technical maintenance plans approved by the Assets Standards Authority.

Reliability improvement programs

NSW Trains is working collaboratively with Sydney Trains and other network operators to identify improvements in asset management systems to address causes and enhance service reliability.

New fleet acquisition

On 8 May 2014, the NSW Premier and NSW Transport Minister announced a \$2.8 billion project to purchase a new fleet of Intercity trains. Around 65 new state-of-the-art trains, including some 520 new carriages, will carry passengers to the Central Coast, Newcastle, Blue Mountains and Illawarra. The first train is expected to be in service by 2019 and the new fleet will be progressively rolled out through to 2024.

Station upgrades

The Stations Refresh Program aims to improve customers' satisfaction with their travel experience and to generate an increase in public transport use across the rail network. The Program includes:

- building repairs
- landscaping
- deep cleaning
- lighting improvements
- seat, bin and fitting replacements
- painting
- bird proofing
- toilet refresh.

More than \$12 million will be invested to refresh 16 stations including Gosford, Woy Woy, Wollongong, Wyong, Hamilton, North Wollongong, Tuggerah, Katoomba,

Broadmeadow, Dapto, Morisset, Thirroul, Wentworth Falls, Fassifern, Lithgow and Canberra.

V-Set refresh

Work commenced to refurbish 196 V-Set carriages so that customers can enjoy more modern and refreshed interiors. More than 100 V-Set carriages were completed, benefiting customers on the Blue Mountains, Central Coast and Newcastle lines. Features include:

- fresh paint throughout carriage interiors
- new lighting in the carriages and toilet vestibules
- refurbished seat frames, cushions and seat upholstery and arm rests
- new floor vinyl and wall sheeting in the toilet vestibules
- new carpet and mats laid throughout the carriages.

Hunter set upgrade

Work started on the \$5 million investment to upgrade 14 two-car Hunter trains to improve the customer's on-board experience. The Hunter sets are due for planned period heavy maintenance after eight years of service and require a refresh due to general wear and tear of the fleet, vandalism and graffiti. The first sets will be in service in August 2014.

The scope of work was developed to improve customers' on board experience through greater comfort, safety, cleanliness and information and to improve the reliability of the fleet.

Asset performance

KPI <i>(maintained by Sydney Trains under service contracts)</i>	Target	Performance FY 13-14
Stations lifts reliability		
a. Lifts – Mean Time Between Failures (days)	≥ 40	105
b. Lifts – Mean Time To Repair (hours)	≤ 20	16
Cleanliness Index	≥ 2.28	2.15
Fleet availability ¹ (Booked and Unbooked)	≥ 88%	88.4%
Asset Reliability b. Electric Fleet		
<i>Mean Days Between Failure</i>		
– Door system	≥ 190	218
– Integrated Communications and Monitoring (ICM) system	≥ 410	445
– Traction system	≥ 400	375
– Brake system	≥ 480	305

1 The percentage of all cars that are classified as deployable each morning to operate passenger services.

Investment Portfolio Office – key projects

The Investment Portfolio Office supports the NSW Trains Executive in making investment decisions and oversees projects as they are executed. The following projects were initiated as part of the establishment of NSW Trains and many will continue in the 2014-15 year.

Project name	Status	Project description
V-Set Refresh	Implementation	Refurbishment of more than 100 of the 196 V-Set carriages: new paint, lighting, seats, floor vinyl and toilets.
Stations Improvement Program	Completed	Upgrade station facilities. Refurbish, re-paint, new furniture, consistent colour schemes, efficient lighting.
Regional Office Accommodation Program	Implementation	Improve regional staff work areas. New furniture, new facilities, staff kitchen refurbish, new paint.
Rebranding	Implementation	Replace CountryLink branding with NSW TrainLink branding at stations, travel centres and coach stops. Creates public awareness and brand recognition.
NSW Trains - Business Intelligence	Implementation	Support existing IT server environments to produce efficient and timely reporting of results.
NSW Trains Coach & Train Monitoring (4TRAK)	Implementation	Enables fleet monitoring within some rail territories leading to accurate customer information through RMC and NSW TrainLink call centre.
Intercity Radio School	Completed	Training provided to intercity staff to improve announcements made on stations. Helps customers easily understand announcements leading to improved customer satisfaction.
Uniforms Additional (non BAU Opex)	Completed	Standard set of NSW TrainLink uniforms for staff. Generates greater brand awareness and public recognition.
Fleet Maintenance Contract Management + Service Requests	Implementation	Reporting and logging of fleet related faults through a reporting solution leading to improvement in fault turnaround times.
Train Crew Time Upgrade	Implementation delayed to FY 14-15	Enable integration of rostering system for NSW Trains staff only. Provides an efficient and easy way to create rosters for staff.

2.4 People

NSW Trains employed 1916 staff at 30 June, 90 per cent of which are in frontline roles delivering services to customers. The new team brought together employees from the former CountryLink and Intercity operations, and new expertise from outside the industry. A priority in the first year was to build one team to deliver train services that put the customer first.

Employee pulse check

NSW Trains conducted an employee pulse check in April 2014, with 978 employees (50 per cent) completing the survey. It was designed to measure employee perceptions of leadership, customer service and the SPACE behaviours: Safety, Pride, Accountability, Collaboration and Excellence. The results highlighted strengths in safety, passion for the customer and working relationships within teams, while areas for further attention included leadership development and improving collaboration across teams.

Culture change

An organisational development program was put in place to promote the preferred culture at NSW Trains. These activities included performance management, embedding the SPACE behaviours and launching a recognition program.

These activities are supported by engagement of frontline staff with senior management in forums and feedback sessions and through staff newsletters.

Diversity and inclusion

The NSW Trains NSW Diversity and Inclusion Plan aligns with the broader transport cluster plan to create an inclusive work environment and service to customers.

Developing leadership awareness of diversity and inclusion opportunities was a major focus, as well as building awareness of unconscious bias. Other initiatives included leading the Transport cluster Lesbian, Gay, Bi-Sexual, Transgender and Intersex (LGBTI) Employee Resource Group (ERG) and helping the cluster's Aboriginal ERG identify communities and services along the NSW TrainLink network. This knowledge will be used to identify employment and customer support opportunities.

Sick Leave management

The average days Sick Leave per employee was 8.75 days¹, meeting the NSW Trains target of no more than nine days per person per year. Overtime levels also remained within target.

Management recruitment

As a new organisation, NSW Trains successfully recruited 92 of the 97 level one to five management positions. More than 60 per cent of these positions were filled by external applicants, complementing existing rail skills and experience, and providing opportunities for new ideas and innovation. Of the 92 management appointments, turnover was very low at three resignations over the 12 months.

¹ Sick Leave result does not include Carer's Leave

Requirements arising from employment arrangements

Transport for NSW provides human resource support to NSW Trains by embedding staff within the agency. Six Human Resources Business Partners and a Lead Organisation Development Business Partner provide support building employee skills, competence and experience. Legal Counsel is also embedded by Transport for NSW.

Workplace relations

The *RailCorp Enterprise Agreement 2010* (expired 1 April 2014) remained in effect pending the negotiation of a new Agreement with NSW Trains employees.

The unions representing employees agreed that NSW Trains would be covered by its own agreement.

Negotiations for the new agreement are expected to be finalised early in the new financial year.

People performance

KPI	Target	Performance FY 13-14
Employee Sick Leave ¹ (days)	≤ 9.0	8.75
Employee Overtime (as percentage of normal hours worked)	≤ 7%	6.1%
Workforce Diversity		
a. Women	≥ 20%	23.3%
b. Aboriginal and Torres Strait Islander People	≥ 2.3%	1.4%
Employee headcount (at 30 June)	≤ 2,057	1,916

1. Does not include Carer's Leave.

NSW Trains Executive



Rob Mason

Chief Executive

from 1 July 2013

Kieron Ritchard

Director Customer Service Delivery

from 4 June 2013

- Lead Customer Service Delivery in driving a consistent, high quality approach to the delivery of functions that are critical to the integration and improvement of the day-to-day transport experience for customers.
- Provide strategic input to ensure that current and future rolling stock and infrastructure meet customer service requirements and enable the organisation to consistently deliver acceptable levels of service across the network.
- Lead and direct the Customer Service Delivery function, driving workforce competency and coordinating the work of a professionally diverse workforce to achieve the Group's strategic and operational objectives.

Andy Thomas

Director Business Development

from 1 July 2013

- Lead the development of the strategic vision for NSW Trains, in conjunction with the Chief Executive, for a three to five year time horizon, directing the planning, development and management of major projects for NSW Trains.
- Oversee the development and implementation of Business Development strategies, activities and processes to drive the achievement of desired commercial outcomes, including sales and marketing, and contracts and procurement.
- Lead and direct the Business Development Directorate, driving workforce competency and coordinating the work of a professionally diverse workforce to achieve strategic and operational objectives.

Brian Sharp

Director Engineering and SEQR

from 5 August 2013

John Dawes was A/Director SEQR from 1 July to 4 August 2013

- Manage asset configuration and assurance activities in regard to asset integrity and condition.
- Lead the development of fleet plans and modifications in conjunction with Transport for

NSW to support the delivery of systems that satisfy operational, statutory and legislative requirements.

- Oversee the development of the Safety, Environment, Quality and Risk management system.
- Provide expert advice in recognising and implementing SEQR management accountabilities, ensuring that processes and practices are compliant with good governance, legislative requirements and that key risks are appropriately managed.
- Maintain relationships with regulators, driving the acquisition and protection of safety accreditations.

John Hussey

Director People & Corporate Services

from 1 July 2013

- Lead and drive the development and implementation of strategic programs, policies and initiatives within the People and Corporate Services Directorate encompassing workforce planning, workplace relations, training and capability development, communications and internal legal services and governance, providing strategic direction and monitoring delivery of services in alignment with overall vision and objectives to ensure that the management of human resources in the organisation is effectively linked to strategic business plans.
- Lead and direct the People and Corporate Services Directorate, driving workforce competency and coordinating the work of a professionally diverse workforce to achieve strategic and operational objectives.

Ross Pedley

Director Finance and IT

from 1 July 2013

- Lead the development and implementation of financial and IT policy, strategy, planning, budgeting and reporting, providing strategic direction and monitoring delivery in alignment with overall vision and objectives.
- Direct the provision of timely and accurate strategic and operational financial performance reporting and analysis to support enterprise planning and strategic decision making.
- Lead and direct the Finance and IT Division, driving workforce competency and coordinating the work of a professionally diverse workforce to achieve strategic and operational objectives.

2.5 Financial and Economic Factors

For the 2013-14 year, NSW Trains generated \$132.4 million from operating activities, while incurring expenses of \$744.5 million and recording a deficit from operations before government support of \$612.1 million.

Government contributions towards the day-to-day operations of NSW Trains were \$541.3 million, resulting in an operating deficit of \$70.9 million for the year. Government and other contributions towards the NSW Trains capital investment program totalled \$3.2 million and after treating this as income, NSW Trains recorded a deficit for the year of \$67.7 million.

Budget

The deficit for the 2013-14 year of \$67.7 million was \$4.4 million higher than budget (see Appendix 2.13).

2013-14 was the first operational year for NSW Trains and the focus was on establishing the core staff structure, understanding the cost drivers within the business and developing key strategic plans to grow the business. Income from passenger services was on budget which reflected the competitive nature of long distance travel. Budget variations did occur within individual areas but these were contained within the overall total budget.

Commercial performance

KPI	Target	Performance FY 13-14
Net Operating Cost per Revenue Car km	≤ 8.1	8.14
Booked Services Load Factor ¹	≥ 46%	43.6%

¹ Revenue passenger kilometres as a percentage of available seat kilometres

Many of the key maintenance services NSW Trains required were purchased from Sydney Trains. This included the maintenance of rolling stock, and the refurbishment of the V-Set and Hunter trains. In addition, work on refreshing key stations across the network was also undertaken. The relationship with Sydney Trains is governed by a service contract which outlines the services provided and associated cost.

Capital investment

NSW Trains capital expenditure was \$0.6 million in 2013-14. This was spent on IT projects including on board catering and train tracking systems.

Efficiency

The efficiency of operations is measured by cost per revenue car kilometres. The result for 2013-14 was in line with the target of 8.1.

Load Factor

Load Factor measures revenue as a percentage of available seat kilometres. The performance over the full year was less than target and, while slow to begin, showed an improving trend in the second half of the year following the introduction of new products.

3 Financial Statements

NSW Trains

Financial Statements for the period

7 December 2012 – 30 June 2014

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3.1 Statement by the Chief Executive

In relation to the Financial Statements for the period ended 30 June 2014

Pursuant to section 41C (1B) of the *Public Finance and Audit Act 1983* and clause 7 of the *Public Finance and Audit Regulation 2010*, I declare that:

- (a) In my opinion, the accompanying financial statements, read in conjunction with the notes thereto, exhibit a true and fair view of the financial position of NSW Trains as at 30 June 2014 and of their financial performance for the period from 7 December 2012 to 30 June 2014.
- (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 2010*, the Australian Accounting Standards, which includes Australian Accounting Interpretations, and Treasurer's Directions.
- (c) I am not aware, as at the date of this statement, of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Rob Mason
Chief Executive

17 September 2014

3.2 Financial Statements

(Start of audited financial statements)

Statement of Comprehensive Income for the period ended 30 June 2014

	Note	7 December 2012 - 30 June 2014 \$'000
Income		
Passenger services revenue		99,575
Non passenger revenue	3.1	30,291
Interest		2,490
Income from operating activities		132,356
Expenses		
Operating expenses		
- Payroll costs and other employee benefits	4.1	228,929
- Other operating expenses	4.3	514,915
Depreciation and amortisation	7.2, 8.2	643
Total expenses		744,487
Deficit from operations before Government contributions		(612,131)
Government subsidies		468,784
Government concessions		72,494
Deficit from operations before Capital contributions		(70,853)
Contributions for capital expenditure	3.2	3,200
Deficit for the period from continuing operations		(67,653)
Other Comprehensive Income		
Items that will not be reclassified to surplus/deficit		
Superannuation actuarial losses on defined benefit schemes	12	(26,383)
Other Comprehensive Income for the period		(26,383)
Total Comprehensive Income for the period		(94,036)

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

Note: NSW Trains started trading on 1 July 2013.

Statement of Financial Position as at 30 June 2014

	Note	30 June 2014 \$'000
Current assets		
Cash and cash equivalents	5.1	33,808
Trade and other receivables	6.1	24,987
Total current assets		58,795
Non-current assets		
Property, plant and equipment	7.1	676
Intangible assets	8.1	1,337
Total non-current assets		2,013
Total assets		60,808
Current liabilities		
Trade and other payables	9.1	79,912
Provisions	10.1	69,693
Total current liabilities		149,605
Non-current liabilities		
Provisions	10.1	95,028
Total non-current liabilities		95,028
Total liabilities		244,633
Net Assets		(183,825)
Equity		
Contributed equity	11.1	(89,789)
Retained earnings	12	(94,036)
Total equity		(183,825)

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

Statement of Changes in Equity for the period ended 30 June 2014

	Note	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 7 December 2012		-	-	-
Deficit for the period		-	(67,653)	(67,653)
Other Comprehensive Income				
Superannuation actuarial losses on defined benefit schemes	10.2.6, 12	-	(26,383)	(26,383)
Total Other Comprehensive Income for the period		-	(26,383)	(26,383)
Decrease in net assets from equity transfers (contribution by owners)	11.2	(89,789)	-	(89,789)
Balance as at 30 June 2014		(89,789)	(94,036)	(183,825)

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

Statement of Cash Flows for the period ended 30 June 2014

	Note	7 December 2012 - 30 June 2014 \$'000
Cash flows from operating activities		
Cash received		
Passenger services		103,783
Other receipts from customers and others		41,031
Government subsidies and concessions		541,278
Interest received		2,490
Total cash received		688,582
Cash used		
Payments to suppliers, employees and others		(687,733)
Total cash used		(687,733)
Net cash from operating activities	5.2	849
Cash flow from investing activities		
Cash received		
Capital grants		3,200
Total cash received		3,200
Cash used		
Property, plant and equipment and intangible assets acquisitions		(424)
Total cash used		(424)
Net cash from investing activities		2,776
Net increase in cash and cash equivalents		3,625
Cash and cash equivalents at beginning of period		
Cash and cash equivalents at beginning of period		-
Cash transferred in from equity transfers	11.2	30,183
Cash and cash equivalents at end of period	5.1	33,808

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

Note 1 Reporting entity and Financial Statements

(i) Reporting Entity

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

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

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

(ii) Authorisation of the Financial Statements

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

Note 2 Summary of significant accounting policies

2.1 Basis of preparation

The Financial Statements are general purpose Financial Statements prepared in accordance with Australian Accounting Standards, which includes Australian Accounting Interpretations, the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010*, and specific directions issued by the Treasurer.

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

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

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

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

Note 2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Despite current liabilities exceeding current assets at period end, NSW Trains' continued operations and ability to pay its debts are satisfied because of the following:

- NSW Trains will be funded by grants from Transport for NSW to support its financial operations; and
- A letter of support received from NSW Treasury, confirming its commitment to ensuring the financial viability of NSW Trains for 15 months from the date of signing of the NSW Trains statutory accounts so NSW Trains can pay its debts as and when they fall due.

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

This is NSW Trains' first period of operation. The Financial Statements are for the period from 7 December 2012 to 30 June 2014. The entity started trading on 1 July 2013. No comparative information is available.

Change in accounting policy

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

2.2 Adoption of new and revised Accounting Standards

The Financial Statements have adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to NSW Trains effective for the reporting period beginning on 7 December 2012. The adoption of these new and revised Standards and Interpretations has not resulted in any significant changes to NSW Trains' accounting policies.

NSW Trains has early adopted the following Accounting Standards to the reporting period from 7 December 2012 to 30 June 2014:

- AASB 13 – Fair Value Measurement
- AASB 119 – Employee Benefits

This has been approved by NSW Treasury.

The following new Accounting Standards and Interpretations have not yet been adopted and are not effective as at 30 June 2014. The standards are effective for annual reporting periods commencing on or after 1 January 2014.

AASB/ Amendment	Title	Issue Date	Application Date
AASB9	Financial Instruments	Sep 2012	1 Jan 2017
AASB 1031	Materiality	Dec 2013	1 Jan 2014
AASB 2010–7	Amendments to Australian Accounting Standards arising from AASB 9	Sep 2012	1 Jan 2015
AASB 2011–7 (NFP)	Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards	Dec 2012	1 Jan 2014
AASB 2012–3	Amendments to Australian Accounting Standards Offsetting Financial Assets and Financial Liabilities	Jun 2012	1 Jan 2014

Note 2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised Accounting Standards (continued)

AASB/ Amendment	Title	Issue Date	Application Date
AASB 2013 – 3	Amendments to AASB 136 - Recoverable Amount Disclosures for Non - Financial Assets	Jun 2013	1 Jan 2014
AASB 2013 – 8	Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities - Control and Structured Entities	Oct 2013	1 Jan 2014
AASB 2013 – 9 (Part B)	Amendments to Australian Accounting Standards Conceptual Framework, Materiality and Financial Instruments	Dec 2013	1 Jan 2014
AASB 2013 – 9 (Part C)	Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments	Dec 2013	1 Jan 2015
AASB 2014 – 1 (Part A - C)	Amendments to Australian Accounting Standards	Jun 2014	1 Jul 2014
AASB 2014 – 1 (Part D)	Amendments to Australian Accounting Standards	Jun 2014	1 Jan 2016
AASB 2014 – 1 (Part E)	Amendments to Australian Accounting Standards	Jun 2014	1 Jan 2015

The impact of these standards and interpretations on the Financial Statements is not expected to be significant.

2.3 Financial instruments

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

(i) Recognition

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

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

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

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

(ii) Measurement

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

After initial recognition, receivables and payables are carried in the Statement of Financial Position at amortised cost, which is a reasonable approximation of their fair value. Their fair value at period end is disclosed in note 16.

Note 2 Summary of significant accounting policies (continued)

2.4 Taxes

(i) Income tax equivalents

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

(ii) Goods and Services Tax

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

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

2.5 Leases

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

Accounting treatment – operating leases

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

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

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

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

Note 2 Summary of significant accounting policies (continued)

2.6 Income

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

(i) Passenger revenue

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

(ii) 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.

(iii) 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 Contributions. That presentation has been adopted as it is a more informative representation of the operating result with reference to NSW Trains' sources of funding.

(iv) 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

(v) 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.

Note 2 Summary of significant accounting policies (continued)

2.7 Cash and cash equivalents

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

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

2.8 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 right to future cash inflows from it expire or are transferred.

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

If there is objective evidence at period 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 period and bad debts are written off against the allowance when those are determined to be irrecoverable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that trade receivables are impaired.

2.9 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 NSW Trains will not be able to collect all amounts due. The calculated impairment loss is recognised in the Statement of Comprehensive Income as an allowance to reduce the carrying amount of the financial asset.

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

Note 2 Summary of significant accounting policies (continued)

2.10 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 NSW Trains, is expected at acquisition to be used for more than 1 year, has a cost or value that can be measured reliably and exceeds the capitalisation threshold.

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

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

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

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

(ii) Measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Replacement cost is the written-down cost of an optimised modern equivalent asset. Non-specialised assets with short useful lives are measured at depreciated historical cost as a proxy for fair value.

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

(iii) Depreciation

Each item of 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.

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.

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

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

Note 2 Summary of significant accounting policies (continued)

2.10 Property, plant and equipment (continued)

(iii) Depreciation (continued)

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

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

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

(iv) Derecognition

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

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

2.11 Intangible assets

(i) Recognition

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

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

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

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

(ii) Measurement

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

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

Note 2 Summary of significant accounting policies (continued)

2.11 Intangible assets (continued)

(iii) Amortisation

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

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

The expected useful life of an item of software ranges between 2 and 5 years.

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

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

(iv) Derecognition

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

2.12 Trade and other payables

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

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

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

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

2.13 Provisions

(i) Provisions generally

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

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

Note 2 Summary of significant accounting policies (continued)

2.13 Provisions (continued)

(i) Provisions generally (continued)

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

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

(ii) Employee benefits

Short – term obligations

Liabilities for short-term employee benefits including wages and salaries and non-monetary benefits are measured at the amount expected to be paid when the liability is settled, if it is expected to be settled wholly before twelve months after the end of the reporting period. Non-accumulating sick leave is recognised when the leave is taken and measured at the rates payable.

Other long – term obligations

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

Note 2 Summary of significant accounting policies (continued)

2.13 Provisions (continued)

(ii) Employee benefits (continued)

Retirement benefit obligations

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

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

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

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

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

Termination benefits

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

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

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

Note 2 Summary of significant accounting policies (continued)

2.15 Critical accounting estimates

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

(i) Judgements

Note 13 - Expenditure commitments: whether an arrangement contains a lease

(ii) Assumptions and estimation of uncertainties

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

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

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

Note 3 Income

3.1 Non passenger revenue

	7 December 2012 - 30 June 2014
	\$'000
Labour cost recovery for assigned staff	373
Cost recovery for services performed	12,058
Catering revenue	6,995
Recoveries for interstate services	9,087
Other revenue*	1,778
Total non-passenger revenue	30,291

*Other revenue comprises a number of items which individually are not material.

3.2 Contributions for capital expenditure

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

Note 4 Expenses

4.1 Payroll costs and other employee benefits

Employee related expenses include the following items:

	Note	7 December 2012 - 30 June 2014 \$'000
Salaries and wages		154,484
Annual leave		16,781
Long service leave		8,732
Superannuation-defined benefit plan	4.2	5,105
Superannuation-defined contribution		9,379
Workers compensation		4,111
Payroll tax and fringe benefits tax		9,981
Redundancy		446
Personnel services*		16,747
Other payroll costs		3,163
Total payroll costs and other employee benefits		228,929

* Personnel services include salaries and related costs of staff assigned from agencies within the Department of Transport group.

4.2 Defined benefit superannuation expense

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

Note 4 Expenses (continued)**4.3 Other operating expenses**

	7 December 2012 - 30 June 2014
Note	\$'000
Subcontractors	5,681
Materials	6,533
Operating lease non-contingent rents (including rail access fees)	37,427
Insurance costs	568
Computer expenses	1,321
Corporate and shared services costs from TfNSW	12,405
Advertising and marketing	689
Printing and stationery	669
Audit fees	200
Recovery of impairment of trade receivables	(9)
Services costs from Sydney Trains and RailCorp	440,266
4.4	
Other	9,165
Total operating expenses	514,915

4.4 Services costs from Sydney Trains and RailCorp

	7 December 2012 - 30 June 2014
	\$'000
Asset maintenance	375,929
Customer service	30,543
Operations	21,423
Other	12,371
Total services costs from Sydney Trains and RailCorp	440,266

Note 5 Cash and cash equivalents**5.1 Cash and cash equivalents**

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

Note 5 Cash and cash equivalents (continued)

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

	30 June 2014
	\$'000
Deficit for the period	(67,653)
Cash capital grants	(3,200)
Depreciation and amortisation	643
Recovery of impaired trade receivables	(9)
<i>Net movements in assets and liabilities applicable to operating activities:</i>	
Increase in trade and other receivables	(11,038)
Increase in trade and other payables and provisions	82,106
Net cash from operating activities	849

5.3 Non-cash investing activities

During 2013-14 RailCorp transferred assets and liabilities to NSW Trains by way of equity transfers. The net transfer represents a non-cash decrease of \$120m in Net Assets. Refer Note 11.2 for details.

5.4 Credit standby arrangements and loan facilities

The credit standby arrangements and unused amounts available are:

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

Note 6 Trade and other receivables

6.1 Analysis of trade and other receivables

	30 June 2014
	\$'000
Current trade and other receivables	
Trade receivables	1,110
Other receivables	23,598
Less: allowance for impairment	(74)
	24,634
Prepayments	353
Total current trade and other receivables	24,987

Movements in the allowance for impairment were as follows:

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

6.2 Impaired trade and other receivables

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

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

6.3 Past due but not impaired receivables

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

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

Note 6 Trade and other receivables (continued)

6.4 Nature and extent of risk arising from receivables

Information about NSW Trains' exposure to credit risk in relation to trade and other receivables is provided in Note 15.4.

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

Note 7 Property, plant and equipment

7.1 Classes

	30 June 2014 \$'000
Plant and machinery	
Gross carrying amount	1,423
Less accumulated depreciation	946
Total plant and machinery	477
Capital works in progress	
Other works in progress	199
Total capital works in progress	199
Total property plant and equipment	676

7.2 Asset class movement

	Plant and machinery \$'000	Capital works in progress \$'000	Total \$'000
Gross carrying amount			
Balance at 7 December 2012	-	-	-
Additions	-	199	199
Transfers from RailCorp	1,423	-	1,423
Balance at 30 June 2014	1,423	199	1,622
Accumulated depreciation			
Balance at 7 December 2012	-	-	-
Depreciation for the period	(205)	-	(205)
Transfers from RailCorp	(741)	-	(741)
Balance at 30 June 2014	(946)	-	(946)
Net carrying amounts			
At 7 December 2012	-	-	-
At 30 June 2014	477	199	676

Note 8 Intangible assets

8.1 Classes

	30 June 2014
	\$'000
Software	
Gross carrying amount	9,001
Less accumulated amortisation	8,383
Net carrying amount of software	618
Software works in progress	719
Total intangible assets	1,337

8.2 Asset class movement

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

Note 9 Trade and other payables

9.1 Current trade and other payables

	30 June 2014
	\$'000
Trade payables	3,079
Accrued salaries and wages	8,211
Other payables and accruals	65,670
Deferred revenue	2,952
Total current trade and other payables	79,912

Note 9 Trade and other payables (continued)**9.2 Fair value**

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

Note 10 Provisions**10.1 Provisions**

	Note	30 June 2014 \$'000
Current provisions		
Annual leave (see note (a) below)		22,200
Long service leave (see note (a) below)	10.3	42,014
Pay in lieu of certain holidays worked (see note (a) below)		4,734
Total current employee benefits		68,948
Workers' compensation	10.5	745
Total current provisions		69,693
Non-current provisions		
Superannuation	10.2	90,617
Long service leave (see note (a) below)	10.3	2,073
Total non-current employee benefits		92,690
Workers' compensation	10.5	2,338
Total non-current provisions		95,028
Total provisions		
Superannuation	10.2	90,617
Annual leave		22,200
Long service leave	10.3	44,087
Pay in lieu of certain holidays worked		4,734
Total employee benefits		161,638
Workers' compensation	10.5	3,083
Total provisions		164,721

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

Note 10 Provisions (continued)

10.1 Provisions (continued)

	Within 12 months \$'000	Later than 12 months \$'000	Total \$'000
30 June 2014			
Long service leave	4,815	39,272	44,087
Annual leave	13,516	8,684	22,200
Pay in lieu of certain holidays worked	4,734	-	4,734
	23,065	47,956	71,021

10.2 Superannuation

10.2.1 Overview

Nature of the benefits

There are three defined-benefit superannuation schemes administered by the SAS Trustee Corporation (STC): the State Authorities Superannuation Scheme (SASS), the State Authorities Non-Contributory Superannuation Scheme (SANCSS) and the State Superannuation Scheme (SSS), which together form the Pooled Fund. Each scheme is closed to new members and its investments are held in trust by the Pooled Fund. At least a component of the final benefit is derived from a multiple of member salary and years of membership.

Regulatory framework

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

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

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

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

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2012.

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.1 Overview (continued)

Responsibilities for the governance of the fund

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles: administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules, management and investment of the fund assets, and compliance with other applicable regulations.

Risks

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

* Investment risk - The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.

* Longevity risk – The risk that pensioners live longer than assumed, increasing future pensions.

* Pension indexation risk – The risk that pensions will increase at a rate greater than assumed, increasing future pensions.

* Salary growth risk - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.

* Legislative risk - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

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

Financial impacts

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

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

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

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

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

Note 10 Provisions (continued)**10.2 Superannuation (continued)****10.2.1 Overview (continued)****Financial impacts (continued)**

30 June 2014	SASS	SANCSS	SSS
Member numbers			
Contributors	589	590	1
Pensioners	3	-	-

10.2.2 Reconciliation of the present value of the defined benefit obligation

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

10.2.3 Reconciliation of the fair value of fund assets

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

Note 10 Provisions (continued)**10.2 Superannuation (continued)****10.2.4 Reconciliation of the assets and liabilities recognised in the Statement of Financial Position**

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

10.2.5 Expense recognised in the Statement of Comprehensive Income

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

10.2.6 Amounts recognised in Other Comprehensive Income

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

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.7 Fund assets

The percentage invested in each asset class at the Statement of Financial Position date is as follows:

	30 June 2014 %
Short Term Securities	6.5
Australian Fixed Interest	6.2
International Fixed Interest	2.3
Australian Equities	30.9
International Equities	28.8
Property	8.6
Alternatives	16.7
Total	100

10.2.8 Fair value of Fund assets

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

Asset category	Total (\$'000)	Quoted prices in active markets Level 1 (\$'000)	Significant observable inputs Level 2 (\$'000)	Unobservable inputs Level 3 (\$'000)
Short Term Securities	2,452,755	1,572,615	880,140	-
Australian Fixed Interest	2,365,014	10,928	2,354,086	-
International Fixed Interest	880,529	-	880,529	-
Australian Equities	11,738,636	11,494,549	241,423	2,664
International Equities	10,953,329	8,172,677	2,780,531	121
Property	3,272,986	894,113	692,296	1,686,577
Alternatives	6,329,410	565,401	4,897,152	866,857
Total	37,992,659	22,710,283	12,726,157	2,556,219

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

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

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

Note 10 Provisions (continued)

10.2 Superannuation (continued)

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

a) Valuation method

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

b) Economic assumptions

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

c) Demographic assumptions

The demographic assumptions at 30 June 2014 are those that were used in the 2012 triennial actuarial valuation. The triennial review report is available from the NSW Treasury website.

10.2.10 Fair value of entity's own financial instruments

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

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

Note 10 Provisions (continued)**10.2 Superannuation (continued)****10.2.11 Sensitivity analysis**

The entity's total defined benefit obligation as at 30 June 2014 under several scenarios is presented below.

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	3.57%	2.57%	4.57%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	343,180	378,827	314,121

	Base Case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above
Rate of CPI increase	2.50%	3.00%	2.00%
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	343,180	348,639	338,226

	Base Case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (\$'000)	343,180	353,828	333,081

	Base Case	Scenario G +5% pensioner mortality rates	Scenario H -5% pensioner mortality rates
Defined benefit obligation (\$'000)	343,180	342,345	344,061

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

Note 10 Provisions (continued)**10.2 Superannuation (continued)****10.2.12 Funding arrangements for employer contributions****(a) Surplus / deficit**

The following is a summary of the 30 June 2014 financial position of the Fund calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans*:

	SASS	SANCSS	SSS
30 June 2014	\$'000	\$'000	\$'000
Accrued benefits	223,845	22,752	291
Net market value of Fund assets	(228,375)	(23,682)	(507)
Net surplus	(4,530)	(930)	(216)

(b) Contribution recommendations

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

(c) Economic assumptions

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

Weighted average assumptions

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

(d) Expected contributions

	SASS	SANCSS	SSS
	\$'000	\$'000	\$'000
Expected employer contributions for 2015	-	-	-

(e) Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 12.3 years.

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.13 Nature of asset/ liability

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

10.3 Long service leave

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

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

The liability for long service leave was assessed by a consulting actuary, Mercer Consulting (Australia) Pty Ltd. The actuary assumed a discount rate of 3.5 per cent per annum and a salary growth rate of 2.5 per cent per annum with immediate effect on 1 April 2014 and then 3.5 per cent per annum thereafter.

10.4 Movements in provisions (other than employee benefit provisions)

	Carrying amount at start of period	Increase in provision	Discounting adjustment	Subtotal	Payment of claims	Carrying amount at end of period
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Workers Compensation	-	4,284	(173)	4,111	1,028	3,083

10.5 Workers' compensation

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

The workers' compensation liability at period end was assessed by McMahon Actuarial Services assuming a discount rate ranging from 2.5 per cent to 4.3 per cent per annum over the next 10 years and a future wage inflation rate of 4 per cent per annum over the next 10 years.

Note 11 Contributed equity**11.1 Contributed equity**

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

11.2 Net liabilities contributed by the Government

	\$'000
Assets transferred	
Cash assets	30,183
Trade and other receivables (current)	13,940
Property, plant and equipment (net)	682
Intangible Assets (net)	1,399
Total assets transferred	46,204
Liabilities transferred	
Trade and other payables (current)	12,993
Provisions (current)	61,821
Provisions (non-current)	61,179
Total liabilities transferred	135,993
Net liabilities contributed by the Government	(89,789)

Note 12 Retained earnings

		7 December 2012 - 30 June 2014 \$'000
Retained earnings at start of period		-
Deficit for the period		(67,653)
Superannuation actuarial losses	10.2.6	(26,383)
Retained earnings at end of period		(94,036)

Note 13 Expenditure commitments

13.1 Expenditure commitments

	30 June 2014 \$'000
Operating leases	
Within 12 months	31,046
12 months or longer but not longer than 5 years	68,515
Total operating leases	99,561
Total property, plant & equipment (including intangible assets)	317

Other commitments

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

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

13.2 Minimum lease payments committed under non-cancellable operating leases

	30 June 2014 \$'000
Within 12 months	31,046
12 months or longer but not longer than 5 years	68,515
Total committed	99,561

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

Note 14 Contingent liabilities and contingent assets

14.1 Contingent liabilities

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

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

Guarantee

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

Litigation

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

Note 14 Contingent liabilities and contingent assets (continued)

14.2 Contingent assets

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

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

Note 15 Financial instruments

15.1 Financial instruments

NSW Trains holds the following financial instruments:

	30 June 2014 \$'000
Financial assets	
Cash and cash equivalents	33,808
Trade and other receivables*	23,245
Total financial assets	57,053
Financial liabilities	
Trade and other payables**	74,535
Total financial liabilities	74,535

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

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

15.2 Financial risks

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

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

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

Note 15 Financial instruments (continued)

15.3 Market risk

Market risk relates to fluctuations in the fair value of future cash flows of financial instruments because of changes in market prices. This applies to NSW Trains' interest rate risk.

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

15.3.1 Foreign exchange risk

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

15.3.2 Interest rate risk

Interest rate risk refers to the market value of financial instruments or cash flows associated with the instruments fluctuating due to changes in market yields. NSW Trains' main interest rate risk relates primarily to cash at bank.

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

	Interest Rate 30 June 2014 %	Principal Amount 30 June 2014 \$'000
Financial assets		
Not later than 1 year		
Cash on hand and in transit	-	187
Cash at bank	3.35	33,621
Total financial assets		33,808

Interest rate sensitivity analysis

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

	Change in yield	Impact on surplus \$'000	Impact on Other Comprehensive Income \$'000
Bank deposits	-1%	(336)	-
	1%	336	-

Note 15 Financial instruments (continued)

15.4 Credit risk

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

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

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

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

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

Trade receivables

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

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

15.5 Liquidity risk

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

Credit standby arrangements are shown at Note 5.4.

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

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

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

Note 15 Financial instruments (continued)**15.5 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 2014					
Financial assets					
Cash and cash equivalents	33,808	33,808	33,808	-	-
Trade and other receivables	23,245	23,245	23,245	-	-
	57,053	57,053	57,053	-	-
Financial liabilities					
Trade and other payables	(74,535)	(74,535)	(74,535)	-	-
	(74,535)	(74,535)	(74,535)	-	-

Note 16 Fair value measurements

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

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

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

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

	Carrying Amount \$'000	Fair Value \$'000
Financial assets		
Cash and cash equivalents	33,808	33,808
Trade and other receivables	24,987	24,987
Total financial assets	58,795	58,795
Non-financial assets		
Plant and machinery	477	477
Total non-financial assets	477	477
Financial liabilities		
Trade and other payables	79,912	79,912
Total financial liabilities	79,912	79,912

Note 17 Events occurring after reporting date

Administrative orders transferred the majority of staff and associated employee liabilities of RailCorp to Sydney Trains and NSW Trains throughout July and August 2014. The approximate value of the transfer of employee liability to NSW Trains is \$2.7m and is a contribution by owner in accordance with *TPP 09-3 Accounting Policy: Contribution by owners made to wholly-owned public sector entities*.

(End of audited financial statements)

3.3 Independent Audit Opinion



INDEPENDENT AUDITOR'S REPORT

NSW Trains

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of NSW Trains, which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows, for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of NSW Trains as at 30 June 2014, and of its financial performance and its cash flows for the period then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

The Chief Executive's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

Independence

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

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



C J Giumelli
Director, Financial Audit Services

19 September 2014
SYDNEY

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4 Appendices

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- 1.2 Disability Action Plans
- 1.3 Overseas visits
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- 4.1: Changes in Acts and subordinate legislation
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Appendix 1: Access for customers

1.1 Access

NSW Trains operates a network of train and coach services for customers travelling longer journeys outside the Sydney metropolitan area.

Information on services can be obtained 24 hours a day from Transport Info by calling 131 500 or accessed online at www.transportnsw.info.

Customers are able to lodge feedback using a variety of methods including:

- 24-hour Transport Info 131 500
- visit www.transportnsw.info
- 13 OPAL (13 6725) for Opal-specific feedback
- letter to Chief Executive, NSW TrainLink or NSW TrainLink Customer Relations.

NSW Trains is a NSW Government Agency. The Principal Office is located at 470 Pitt Street Sydney 2000, Telephone 8202 2702.

1.2 Disability Action Plan

The Transport for NSW Disability Action Plan 2012-2017 outlines the key initiatives across the transport cluster and, in particular those relating to train services.

An Accessibility Operational Review was initiated to improve accessibility for customers using mobility aids while boarding and alighting services. In the past year NSW TrainLink:

- conducted ramp trials to assess platform to train compliance on XPLOER Services.
- prototyped on board ramp storage cabinets for XPLOER Sets to be installed in July 2014.
- conducted independent load testing of new ramps to ensure safe access for customers.

1.3 Overseas visits

One overseas visit was approved by the Minister in the past year, for travel from London to Brussels and accommodation: an amount of \$710.11.

Officer name	Date	Destination	Purpose of travel
Rob Mason	18-20 Sept 2013	Belgium	Attend the NOVA Phase 16 Management Meeting

1.4 Consumer response

NSW TrainLink received a total of 1,039 compliments and 12,494 complaints in the past year. The majority of compliments (796) were related to staff. (Improvements are detailed in section 2 of this report).

Complaints	
Claim	31
Cleanliness	496
Environment	377
Facilities	498
Information	1,100
Internal Matters	45
Punctuality/ OTR	2,070
Safety	424
Security	783
Service	3,138
Staff	909
Ticketing	1,064
Timetable	1,559
Total	12,494

Appendix 2: Financial and Asset Management

2.1 Grants to non-government community organisations

In relation to the reporting requirement in *Premier's Memorandum 1991-34*:

NSW Trains did not grant any funds to non-government community organisations during the year.

2.2 Consultants

Consultants are reported in accordance with the requirement in *Premier's Memorandum 2002-07*:

Consultant	Project	Cost \$
Contracts of \$50,000 or more		
Organisational review		
PricewaterhouseCoopers	Customer strategy advice	247,685
Ernst & Young	Analysis of Business Operating model	626,748
Kreab and Gavin Anderson	Strategic Communication Plan development	104,500
Total contracts of \$50,000 or more	3 contracts	978,933
Total contracts of less than \$50,000	Nil contracts	-
Total expenditure in 2013-14		978,933

2.3 Payment of Accounts

In accordance with the requirements of the *Annual Reports (Statutory Bodies) Regulation 2010 (NSW)*, performance in paying trade creditors accounts during the year is below.

Quarter	Current	Days overdue			
		<30 days	30-60 days	60-90 days	>90 days
Sept 13Q	2.2	0.4	0.0	0.0	0.0
Dec 13Q	4.1	0.5	0.0	0.0	0.0
Mar 14Q	1.5	0.4	0.4	0.4	0.4
Jun 14Q	3.4	1.3	0.1	0.3	0.2
Small business suppliers					
Sept 13Q	0.3	0.0	0.0	0.0	0.0
Dec 13Q	0.3	0.0	0.0	0.0	0.0
Mar 14Q	0.3	0.0	0.0	0.0	0.0
Jun 14Q	0.1	0.0	0.0	0.0	0.0

Payments to NSW Trains suppliers are made by Transport Shared Services.

2.4 Time for payment of accounts

There were no penalty interest payments made under clause 13(3) of the *Public Finance and Audit Regulation 2010 (NSW)*.

Performance in paying accounts				
Measure	Sept 13 Qtr	Dec 13 Qtr	Mar 13 Qtr	Jun 13 Qtr
Number of accounts due for payment	2,387	3,113	2,725	2,635
Number of accounts paid on time	2,197	2,984	2,550	2,387
Actual % accounts paid on time	92.04%	95.86%	93.58%	90.59%
\$ amount of accounts due for payment	\$87,032,890	\$98,824,147	\$130,411,095	\$138,864,301
\$ amount of accounts paid on time	\$83,696,540	\$97,404,471	\$120,644,681	\$128,610,258
Actual % accounts paid on time (based on \$)	96.17%	98.56%	92.51%	92.62%
Number of payments for interest	0	0	0	0
Interest paid on overdue accounts	\$0	\$0	\$0	\$0
Small Business Suppliers				
Number of accounts due for payment	3	9	7	12
Number of accounts paid on time	2	5	7	10
Actual % accounts paid on time	66.67%	55.56%	100.00%	83.33%
\$ amount of accounts due for payment	\$312,196	\$474,708	\$469,613	\$527,761
\$ amount of accounts paid on time	\$156,362	\$467,767	\$469,613	\$526,862
Actual % accounts paid on time (based on \$)	50.08%	98.54%	100.00%	99.83%
Number of payments for interest	0	0	0	0
Interest paid on overdue accounts	\$0	\$0	\$0	\$0

2.5 Implementation of price determination

NSW TrainLink Intercity service maximum fares are determined by the Independent Pricing and Regulatory Tribunal. The fares are set by Transport for NSW.

2.6 Internal Audit and Risk Management Policy Attestation

I, Rob Mason, am of the opinion that NSW Trains has internal audit and risk management processes in operation that are, in all material respects, compliant with the core requirements set out in Treasury Circular NSW TC 09/08: *Internal Audit and Risk Management Policy*. These processes provide a level of assurance that enables senior the management of NSW Trains to understand, manage and satisfactorily control risk exposures.

I, Rob Mason, am of the opinion that the Audit and Risk Committee for NSW Trains is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08.

The Chair and Members of the Audit and Risk Committee are:

- Peter Mayers, Independent Chair, (term of appointment 3 years)
Start term date: 6 November 2013,
finish term date: 5 November 2016.
- David Antaw, Independent Member 1, (term of appointment 2 years)
Start term date: 6 November 2013,
finish term date: 5 November 2015.
- Shirley Liew, Independent Member 2, (term of appointment 2 years)
Start term date: 11 November 2013,
finish term date: 10 November 2015.



Rob Mason
Chief Executive

19 September 2014

2.7 Risk management and insurance activities

NSW Trains has a comprehensive tailored insurance program in place as part of our risk management strategy.

Our insurance program is to be reviewed annually to protect against insurable risks. These risks could affect:

- Our operations.
- Our legal liabilities to third parties.
- Existing assets and those under construction.

NSW Trains transfers insurable risks by purchasing insurance through the commercial insurance market with established and financially stable insurers.

2.8 Land disposal

NSW Trains holds no land assets and has made no land disposals in the past year.

2.9 Disclosure of Controlled Entities

NSW Trains had nil Controlled Entities during the past financial year.

2.10 Disclosure of Subsidiaries

NSW Trains had nil Subsidiaries during the past financial year.

2.11 Investment management performance

NSW Trains holds nil investments with TCorp.

2.12 Liability management performance

In accordance with *Treasury Circular 09/07*, as NSW Trains had less than \$20 million debt at 30 June 2014, it is not required to report on liability management performance.

2.13 Budget

The 2013-14 budget was the first for NSW Trains.

Budget Summary	2013-14	2014-15
	\$000	\$000
Income		
Passenger Services Revenue	99,806	101,398
Non Passenger Revenue	21,141	20,233
Income from Operating Activities	120,947	121,631
Expenses		
Payroll Costs and Other Employee Benefits	211,470	237,954
Non Labour Direct costs	67,244	71,609
Non Labour Inter Entity costs	446,813	461,026
Total Operating Expenses	514,057	532,635
Depreciation & Amortisation	0	522
Total Expenses	725,527	771,111
Deficit from Operations before Government Contribution	(604,580)	(649,480)
NSW Government Contribution	541,278	539,861
Deficit from Operations before Capital Contribution	(63,302)	(109,619)
Contributions for Capital expenditure	0	5,000
Deficit from Continuing Operations	(63,302)	(104,619)

2.14 Credit Card Certification

Credit card use in NSW Trains has been in accordance with the requirements of the Premier's Memorandum and the Treasurer's Directions.

Appendix 3: People

3.1 Human resources

Exceptional movements in wages, salaries or allowances

There was no increase for NSW Trains employees covered by the *Enterprise Agreement 2010* due to negotiations for a new Agreement.

Industrial relations legislation, awards and agreements

Terms and conditions of employment of NSW Trains' employees are governed by:

- Executive contracts
- *Fair Work Act 2009*
- Rail Industry Award 2010

The *RailCorp Enterprise Agreement 2010* (expired 1 April 2014) remains in effect until a new Agreement is implemented.

Human Resources policies and practices

Since 1 July 2103, a number of human resources initiatives, policies and procedures were implemented to support NSW Trains management and employees including:

- a Reward and Recognition Program
- leadership development programs
- technical competency based programs
- sickness absence improvement initiatives
- a new Transport for NSW cluster policy: *Use of Social Media Policy*
- Headcount and Establishment Review procedure and process.

Headcount as at 30 June 2014

Workforce by Directorate	
Customer Service Delivery	1,854
Engineering and SEQR	14
Business Development	21
Finance and IT	17
People and Corporate Services	10
Total headcount	1,916

Source: *Transport Shared Services HR Reports*

This data excludes Transport for NSW employees who are either embedded or assigned to NSW Trains.

3.2 Workplace health and safety

NSW Trains ran comprehensive health and wellness programs for its employees throughout the year.

While NSW Trains is a self-insurer under the *Workers Compensation Act 1987* (NSW), all workers compensation claims are managed through Transport Shared Services including:

- 157 injury claims accepted by NSW Trains.
- 112 lost time injuries (claims where weekly benefits were paid against the claim).

The average cost of claims was \$5,401.11.

NSW Trains incurred no WorkCover prosecutions during the 2013-14 year.

3.3 Senior executives

Senior Service officers accounted for 1.6 per cent of the Total Employee related expenditure.

NSW Trains – Senior Service Level 2 to 6				
Pay Scale Group	Female	Male	Grand Total	Average Total Remuneration Package
Senior Service 2	2	2	4	\$232,875
Senior Service 3		1	1	\$271,625
Senior Service 4		2	2	\$343,375
Senior Service 5		1	1	\$399,750
Senior Service 6		2	2	\$450,000
Grand Total	2	8	10	

3.4 Workforce diversity

Trends in the representation and distribution of workforce diversity groups appear below.

Table A – Trends in the Representation of Workforce Diversity Groups		
Workforce Diversity Group	Benchmark/Target	2014 Foundation Year
Women	50%	23.8%
Aboriginal and Torres Strait Islander People	2.6%	1.4%
People whose First Language Spoken as a Child was not English	19.0%	3.9%
People with a Disability	N/A	2.7%
People with a Disability Requiring Work-Related Adjustment	1.5%	1.3%

Table B – Trends in the Distribution of Workforce Diversity Groups		
Workforce Diversity Group	Benchmark/Target	2014 Foundation Year
Women	100	86
Aboriginal and Torres Strait Islander People	100	83
People whose First Language Spoken as a Child was not English	100	109
People with a Disability	100	92
People with a Disability Requiring Work-Related Adjustment	100	88

Note 1 A Distribution Index of 100 indicates that the centre of the distribution of the Workforce Diversity group across salary levels is equivalent to that of other staff. Values less than 100 mean that the Workforce Diversity group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the Workforce Diversity group is less concentrated at lower salary levels.

Note 2 The Distribution Index is not calculated where Workforce Diversity group or non-Workforce Diversity group numbers are less than 20.

3.5 Multicultural Policies and Services Program

NSW Trains adopted the Transport for NSW overarching multicultural plan, and aims to make its operations reflect the multicultural nature of its staff and the communities it serves.

NSW Trains celebrated and employees participated in numerous events in the financial year 2013-14, including Harmony Day, Diwali, International Women's Day, Sydney Gay and Lesbian Mardi Gras and NAIDOC Week. The Chief Executive attended and spoke at events including Harmony Day, Diwali and NAIDOC Week.

NSW Trains is committed to developing its multicultural credentials further in 2014-15 through its Diversity and Inclusion Plan and strategic workforce planning activities. The organisation aims to build stronger relationships with communities across its network to better understand their needs and work more closely with culturally diverse stakeholder groups.

3.6 Agreements with the Community Relations Commission

There were no agreements required.

Appendix 4: Government Information and Disclosures

4.1 Changes in Acts and subordinate legislation

NSW Trains is not responsible for the administration of any Acts or subordinate legislation.

4.2 Waste reduction

Sydney Trains maintains the trains and stations operated by NSW Trains. The two organisations worked closely together to maintain existing waste management and recycling procedures in support of the NSW Government Waste Reduction and Purchasing Policy (WRAPP) and to promote the waste hierarchy of 'reduction – reuse – recycle'.

The NSW Government Resource Efficiency Policy is planned to supersede the WRAPP requirements. NSW Trains will continue to work closely with Sydney Trains to monitor its waste streams to maintain compliance with the ongoing reporting requirements.

4.3 Exemptions

NSW Trains neither sought nor received any reporting exemptions under the Annual Reporting provisions of the *Annual Reports (Statutory Bodies) Regulation 2010*.

4.4 Research and development

NSW Trains undertook market research to inform its customer value proposition.

4.5 Digital Information Security Policy Attestation

I, Rob Mason, Chief Executive of NSW Trains, am of the opinion that NSW Trains had an Information Security Management System in place during the financial year being reported on consistent with the Core Requirements set out in the *Digital Information Security Policy for the NSW Public Sector*.

I, Rob Mason, Chief Executive of NSW Trains, am of the opinion that the security controls in place to mitigate identified risks to the digital information and digital information systems of NSW Trains are in most cases adequate for the foreseeable future and that a risk based action plan is in place to address areas where mitigations are deemed to be currently inadequate, by the 30th June 2015.

I, Rob Mason, Chief Executive of NSW Trains, am of the opinion that, where necessary in accordance with the Digital Information Security Policy for the NSW Public Sector, certified compliance with *AS/NZS ISO/IEC 27001 Information technology – Security techniques – Information security management systems – Requirements* had been maintained by all or part of NSW Trains.



Rob Mason
Chief Executive

July 2014

4.6 Government Information (Public Access) Act 2009 (GIPA Act)

Under section 125(1) of the *Government Information (Public Access) Act 2009* (NSW), NSW Trains is required to report annually on details and outcomes of access applications received. Seven applications were received: none were withdrawn, none were invalid, none were determined to have any public interest against disclosure, and all were granted access where the information requested was held by NSW Trains.

As a result of a review carried out by the agency under section 7 (3) of the Act, punctuality data was published on the NSW TrainLink website for regional services and on the Sydney Trains website for Intercity services.

Formal Requests

NSW Trains received two formal requests for information under the GIPA Act; each from a Member of Parliament. Both formal access determinations were decided within the statutory or agreed timeframes and full access was granted where the information was found to be held by NSW Trains.

Informal requests

Five informal requests for information were received. Where the requested information was held by NSW Trains access was granted in full to the applicant within the statutory or agreed timeframes.

4.7 Privacy and Personal Information Protection Act 1998 (PPIPA)

In December 2013, NSW Trains nominated a Privacy Officer to act as a focal point for all matters related to privacy and the handling of personal and health information, including conducting internal reviews into possible breaches of the *Privacy and Personal Information Protection Act 1998* (NSW) and the *Health Records and Information Privacy Act 2002* (NSW).

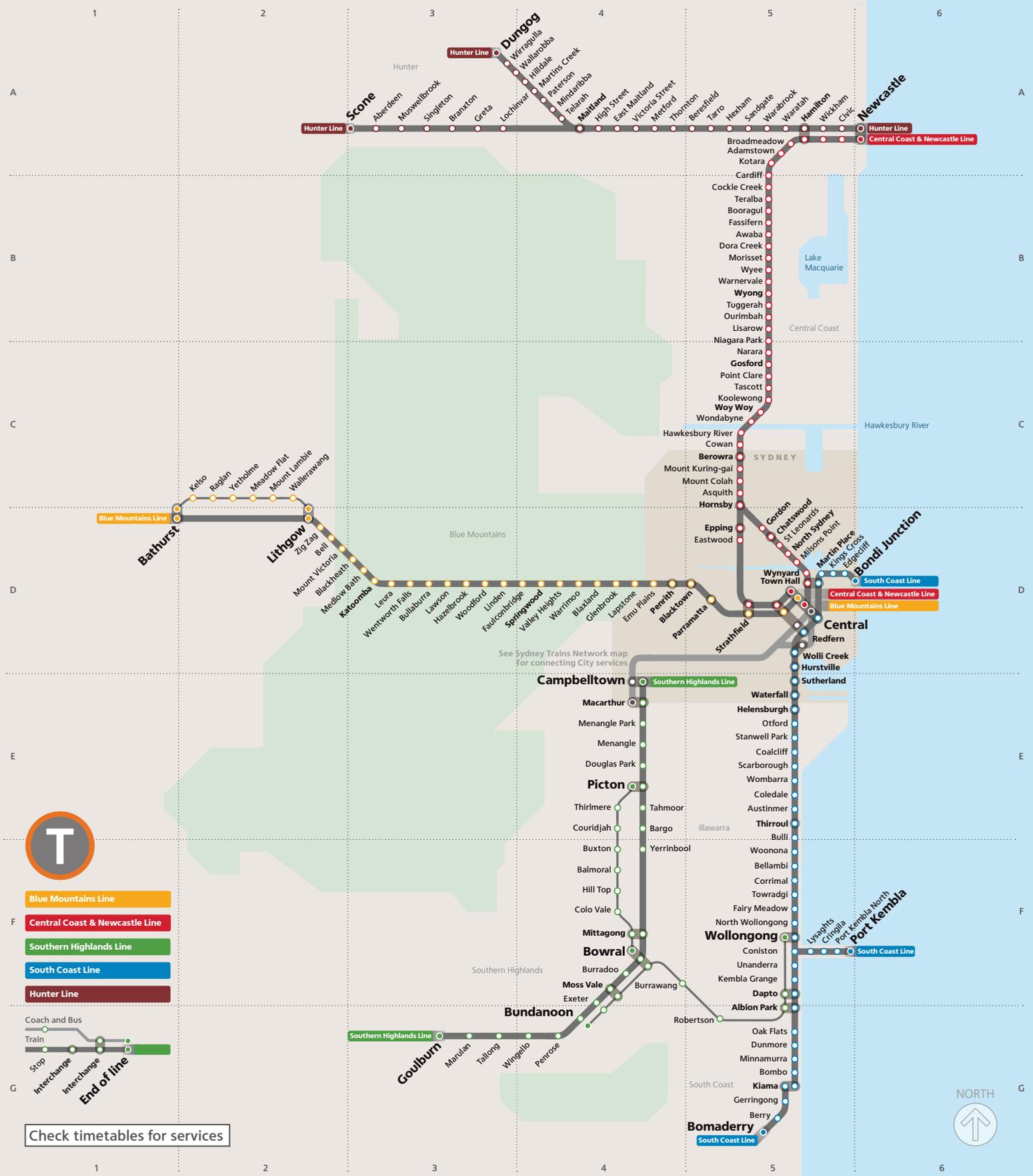
As at 30 June 2014, no privacy complaint or other request for internal review of NSW Trains' conduct had been received by the Privacy Officer.

4.8 Public Interest Disclosures Act 1994 (PID Act)

The NSW Trains *Code of Conduct* was issued to all employees and includes the policy designed to prevent corruption. In accordance with s6E (1) (b) of the PID Act this policy has been highlighted in a circular to all staff, outlining the nominated officers for receiving reports or concerns.

As at 30 June 2014, no Public Interest Disclosures have been received by any of the nominated officers at NSW Trains.

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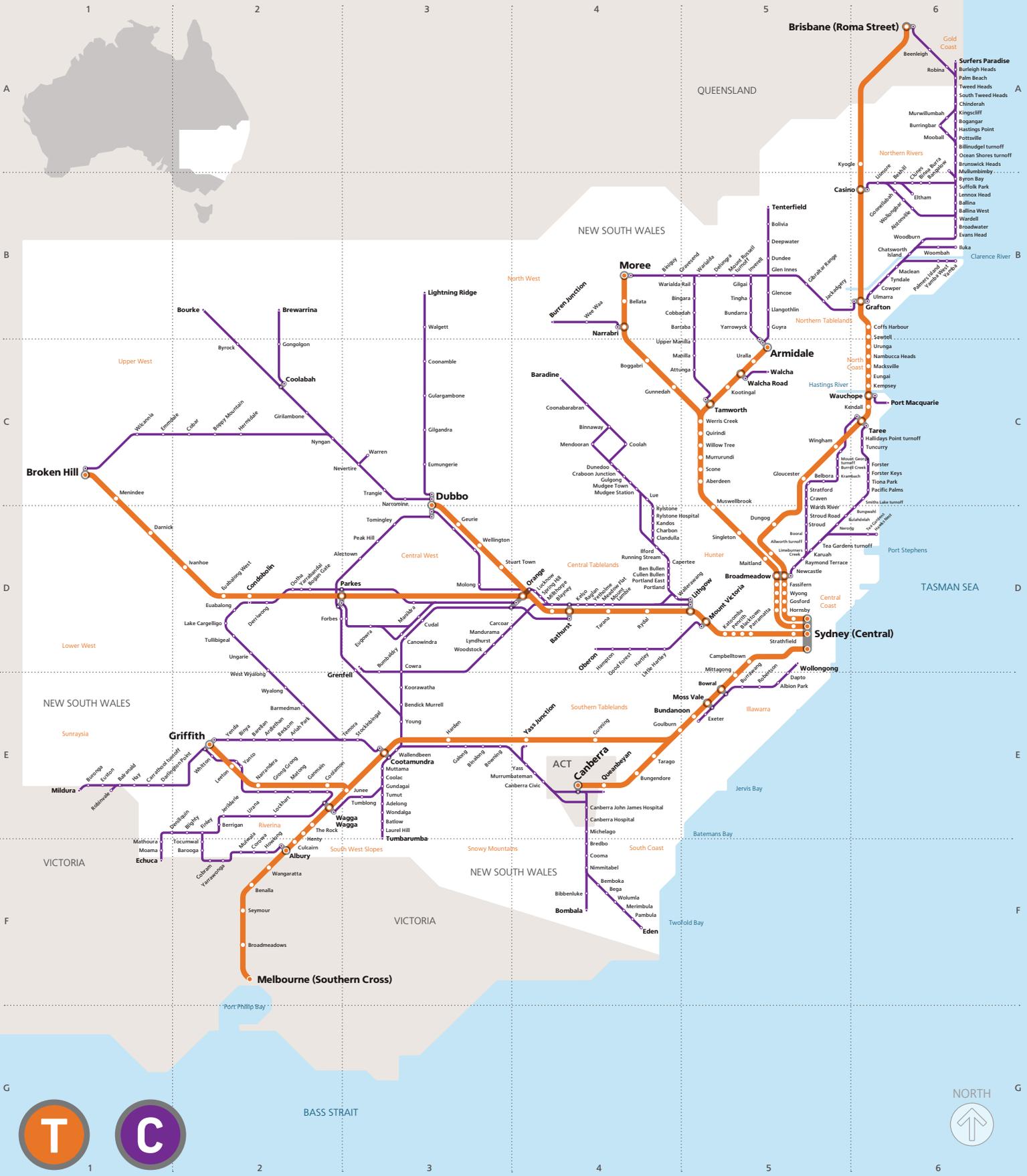


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