

2015-2016

Annual Report



Transport
Sydney Trains

Sydney Trains
Volume 1



Sydney Trains

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Letter of submission

III

The Hon. Andrew Constance
Minister for Transport and Infrastructure

Parliament House
Macquarie Street
Sydney NSW 2000

Dear Minister

It is my pleasure to provide for your information and presentation to Parliament the *Sydney Trains Annual Report* for the year to 30 June 2016.

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

Yours sincerely,



Howard Collins OBE
Chief Executive
Sydney Trains

31 October 2016

Letter of Submission

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1 Foreword



Welcome to the 2015-16 Annual Report for Sydney Trains.

Sydney Trains' focus on delivering safe, customer-focused, reliable and clean rail services over the past twelve months has paid off. Our customer satisfaction remains high, the safety of our customers and staff has improved and our punctuality remains above target.

We're really proud of these achievements — particularly given how busy we've been. In addition to moving 322 million customers and carrying 57.9 million tonnes of freight, we've delivered more than \$600 million worth of projects and managed and maintained more than 700,000 individual assets valued at \$34 billion.

Each day, we safely deliver hundreds of thousands of customers to their destinations within the Sydney metropolitan area. And we've kept Sydney moving — through snow in the Blue Mountains in July 2015, the wettest January since 1988 and the extreme storms in June 2016.

Sydney Trains has also made sure our customers were able to enjoy some of the most spectacular events Sydney has to offer, from New Year's Eve and the Vivid Festival to the memorable night in November 2015 when 150,000 people converged on Sydney Olympic Park for a Taylor Swift Concert, The Stereosonic Music Festival, the AUS-X Open and a swimming championship.

Of course it's important for us to keep improving and benchmarking ourselves against other rail operators across the world. In November 2015, we were privileged to host the International Suburban Rail Benchmarking Group (ISBeRG) summit. ISBeRG brings together a global network of rail leaders to share their knowledge and experience. The 30 international delegates who visited us in November 2015 were able to experience many of our sites, as well as taking a tour of Sydney Metro Northwest.

Preparations for integrating the Sydney Metro are well underway, which will help keep Sydney's ever-growing population moving. Construction has started on our new Rail Operations Centre (ROC), a purpose-built facility with state-of-the-art technology, which will bring together all the information and people we need to better operate our network, minimise delays and provide more accurate information to our customers and staff.

While vandalism remains a challenge, each year we're taking steps to prevent it. This year we completed Phase 1 of our Tangara Doors Technology Upgrade — ahead of schedule and under budget. As well as reducing vandalism, the new doors have reduced the risk of injury to customers and staff.

While we're naturally proud of what we've achieved, it's even more rewarding to receive external recognition. This year, we've been honoured by the Australian Institute of Project Management, the Australasian Rail Industry Awards, the CSIRO, the Permanent Way Institution, the Asset Management Council, and the NSW National Trust.

However, this year we tragically lost one of our long-serving and highly valued employees, Charles Lagaia, through a workplace accident. He is dearly missed by his colleagues and we will continue to support his family in whatever way we can.

This devastating event reminds us that the safety of our staff and customers is paramount and Sydney Trains will continue to focus on our safety performance to ensure that all our staff and customers get home safely.



Howard Collins OBE
Chief Executive
Sydney Trains



2 Overview

2.1 About Sydney Trains

Sydney Trains commenced operations on 1 July 2013 and is the operator of rail services across the metropolitan Sydney area, bounded by Berowra, Emu Plains, Macarthur and Waterfall.

Sydney Trains operates the Rail Management Centre and is responsible for the maintenance of \$34 billion in assets including tracks, trains, signals, overhead wiring, stations and facilities. Sydney Trains also maintains trains and a large proportion of the infrastructure used by NSW TrainLink.

Infrastructure maintained by Sydney Trains is also used by third-party operators who apply for access to the Sydney Trains network, and receive paths on which to operate.

Sydney Trains' vision is to keep Sydney moving by delivering safe, customer-focused, reliable and clean rail services. Sydney Trains recorded an 88 per cent Customer Satisfaction rating and achieved 94.2 per cent peak punctuality against its target of 92 per cent for the year. Customer patronage grew by 10.5 per cent for the financial year 2015-16.

Sydney Trains' aims and objectives

Sydney Trains aims to contribute to the success of transport in NSW by running efficient rail services that exceed our customers' expectations, support growth and contribute to the broader community and the economy.

It has seven strategic objectives:

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

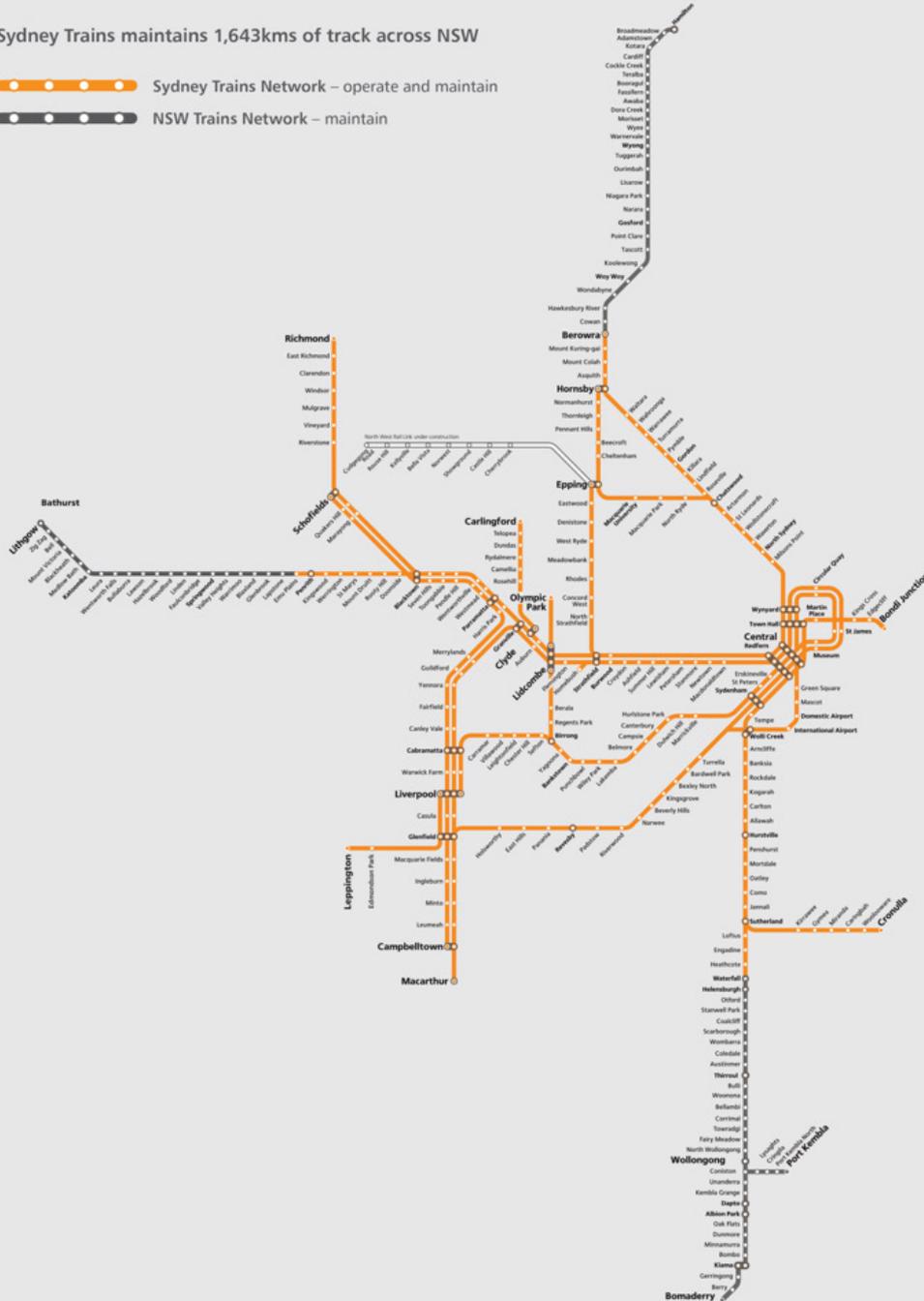
The Transport Charter sets out our high-level strategic priorities, our shared values and how we work together as one organisation to deliver the right transport outcomes to NSW. *The Charter* reinforces the Transport values, which we live through our SPACE behaviours:

- **Safety:** Promoting the core belief that Safety is our greatest priority and that all injuries are preventable
- **Pride:** Taking pride in your role, your presentation and recognising your value within the organisation
- **Accountability:** Owning your actions and being bold and pragmatic in your decision-making, while expecting the same of your team
- **Collaboration:** Promoting open communication, working effectively across lines, accommodating different perspectives and sharing ideas
- **Excellence:** Striving for excellence; focusing on the optimum end result and continuously acting to exceed your expectations and those of the business and customers.

Sydney Trains Infrastructure Map

Sydney Trains maintains 1,643kms of track across NSW

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



2.3 Strategic alignment with NSW Government

Sydney Trains was established under the *Transport Administration Act*. In this context, Transport for NSW (TfNSW) is responsible for managing and shaping the future of the transport system in NSW. TfNSW operates on a funder-purchaser-provider model with primary responsibility for coordinating transport policy, funding allocations and planning for all modes of transport.

Under this model, service level specifications and reporting requirements are set out in performance-based service contracts between TfNSW and the service provider. Sydney Trains operates under a Rail Service Contract (RSC) with TfNSW. The contract stipulates the Government's expectations around service levels, service alterations, community consultation, regular service reviews, performance standards and the handling of complaints. Sydney Trains is committed to the delivery of the NSW Government transport priorities and plans. The Sydney Trains strategy is therefore aligned to a number of key planning inputs and frameworks including:

- The NSW Premier's Priorities, including improving Government services
- NSW State Priorities
- NSW Long Term Transport Master Plan
- Sydney's Rail Future
- TfNSW's purpose
- TfNSW's values
- TfNSW Corporate Plan (Connections towards 2017)
- Transport Outcomes Framework (TOF)
- Services and Operations Plan (SOP)
- Total Asset Management Plan (TAM).

These are briefly described in the following pages.

NSW State Priorities

In 2015 the NSW Government announced 30 State Priorities to grow the economy, deliver infrastructure and improve health, education and other services across NSW.

The two priorities directly related to Sydney Trains are:

1. Expenditure growth to be less than revenue growth

- Strong and sustainable budget management requires that total Government spending does not exceed revenues
- Effective expense management will be key to delivering strong budget results into the future.

2. Maintain or improve reliability of public transport services over the next four years

- Although Sydney is undergoing a large amount of infrastructure construction, we are working to ensure that public transport services continue to run on time
- The Government is also improving integration across public transport services, updating timetables and providing clear information to get people to their destinations on time.

NSW Long Term Transport Master Plan

The *NSW Long Term Transport Master Plan* covers all transport modes across the State. The Plan sets out a clear direction for transport in NSW over the next 20 years, outlining the approach to integrate, grow, modernise and manage the transport system while putting the customer first. Key areas of focus are to improve operational and network efficiencies along with the completion of a new rapid transit system (Sydney Metro), a second harbour crossing and further capacity increases.

Sydney's Rail Future

Sydney's Rail Future is a long-term plan to increase the capacity of Sydney's heavy rail network through investment in new services and upgrading of existing infrastructure. It is a plan to improve the customer's experience by modernising Sydney's rail network.

Sydney's Rail Future is an integral part of the *NSW Long Term Transport Master Plan*, and covers five key stages:

1. Operational efficiencies
2. Network efficiencies
3. New rapid transit system
4. Second Harbour Crossing
5. Conversion of the Bankstown Line to the Sydney Metro.

TfNSW's purpose

To make New South Wales a better place to live, do business and visit by managing and shaping the future of the whole transport system.

TfNSW's values

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

TfNSW's values are:

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

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

TfNSW Corporate Plan (Connections towards 2017)

The *TfNSW Corporate Plan* sets out the priorities, goals and success indications for developing the transport systems through to 2017. Five key strategic priorities have been identified:

1. Focus on the customer
2. Increased productivity and economic development
3. Innovation and excellence in transport delivery
4. A safer and more sustainable transport system
5. An agile, high-performing and collaborative business.

Transport Outcome Framework (TOF)

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

The TOF is comprised of two elements:

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

TfNSW Services and Operations Plan (SOP)

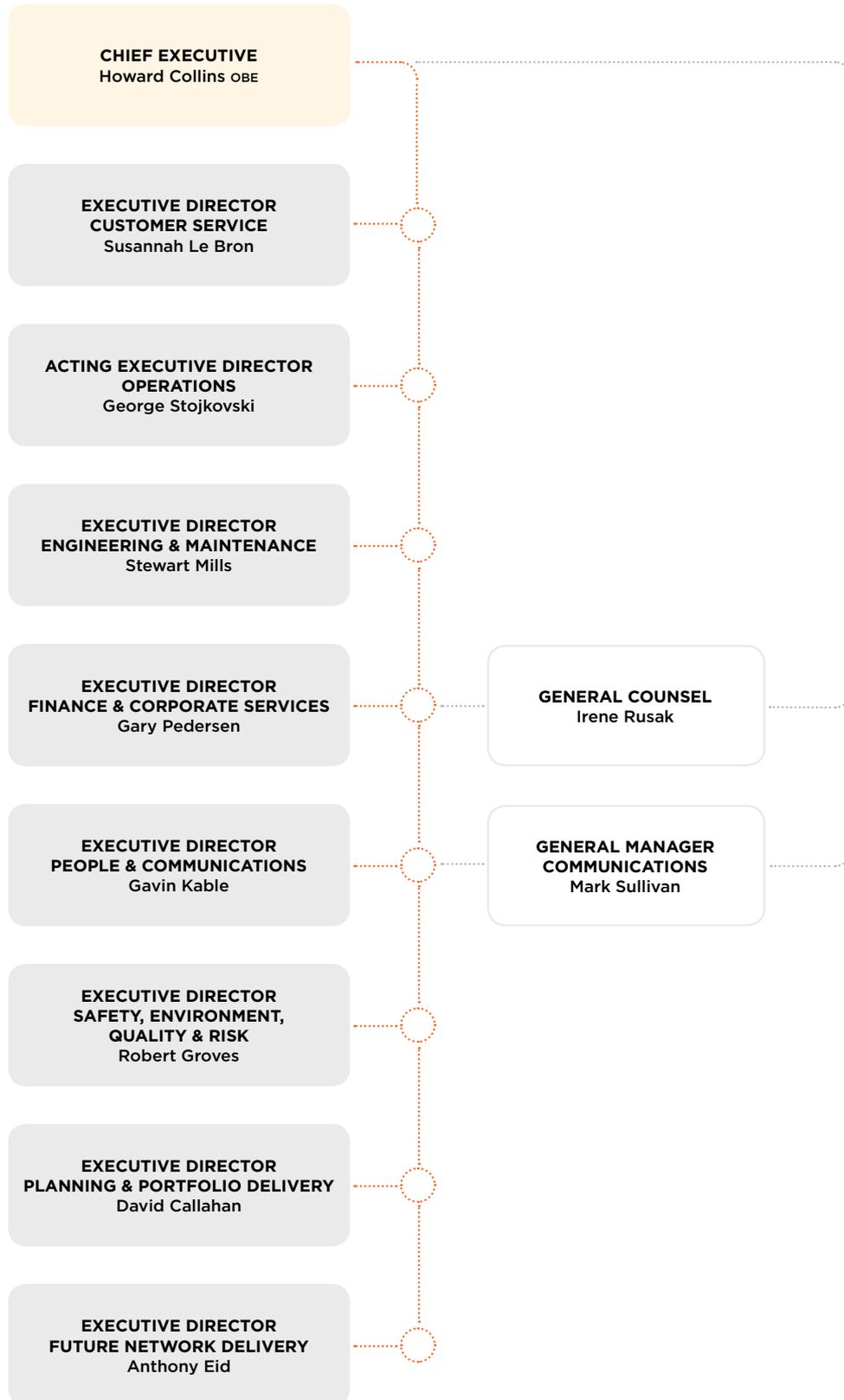
The SOP defines the high level services and operation goals, objectives and funding requirements across the Transport cluster. The Plan outlines current operations and proposed future changes in light of long-term strategies and goals defined by TfNSW and the NSW State Government. The SOP outlines a number of key customer outcomes for rail including:

- Increase passenger capacity
- Provide customer focused services
- Improved network resilience and reliability
- Fewer disruptions and quicker recovery from disruptions.

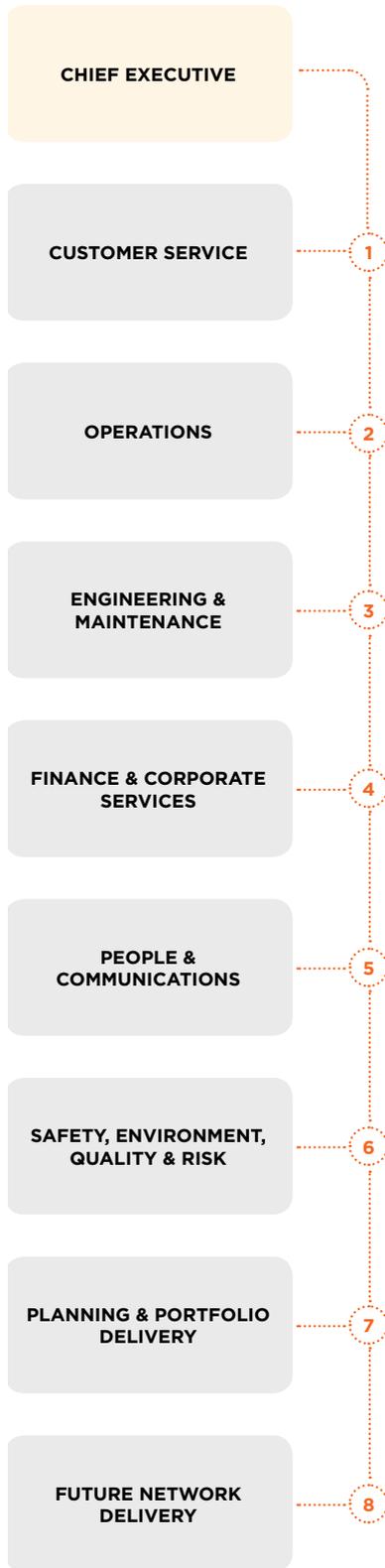
Total Asset Management (TAM) Plan

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

2.4 Executive team



2.5 Organisational structure



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

2. Operations is responsible for the delivery of frontline services to Sydney Trains passengers. This means that Operations Directorate has responsibility for security, the operation of Sydney Trains' fleet, rail infrastructure and all train crew.

3. Engineering & Maintenance manages the annual maintenance program on behalf of Sydney Trains and NSW Trains, delivering a safe, reliable passenger fleet and metropolitan rail network to meet the expectations of our customers every day.

4. Finance & Corporate Services supports Sydney Trains' core objectives via the provision of finance, procurement, information technology, internal audit, legal and property functions.

5. People & Communications is responsible for attracting, developing and retaining a skilled workforce that can meet Sydney Trains' needs by supporting and inspiring employees and managers. People & Communications also facilitates ongoing communication between Sydney Trains, our customers and the media.

6. Safety, Environment, Quality & Risk establishes and maintains Sydney Trains' safety and environment systems and the strategic policies which underpin these systems. The Directorate manages the relationship with the Office of the National Rail Safety Regulator (ONRSR), the Office of Transport Safety Investigation (OTSI), the Australian Transport Safety Bureau (ATSB), the NSW Office of Environment and Heritage, and WorkCover NSW.

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

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

KEY
 OFFICE
 DIRECTORATE

2.6 Financial performance summary

For the 2015-16 year, Sydney Trains received \$1,926.4 million [2014-15:\$1,836.5 million] in income from operating activities, while total expenses of \$3,362.9 million [2014-15:\$3,371.6 million] were incurred in operations, depreciation and financing costs. The resulting deficit from operations, before Government support, was \$1,436.5 million [2014-15: \$1,535.2 million].

Government contributions towards day-to-day operations of Sydney Trains were \$1,213.0 million [2014-15: \$1,256.5 million], resulting in an operating deficit of \$223.5 million [2014-15: deficit \$278.7 million] for the year. Government contribution towards Sydney Trains' capital investment program for 2015-16 was nil compared to \$64.0m in 2014-15. Sydney Trains recorded a deficit from continuing operations of \$223.5 million [2014-15: deficit \$214.7 million].

Other comprehensive income for the year of \$242.5 million includes superannuation actuarial losses on defined benefit schemes of \$247.0 million [2014-15:\$9.1 million]. The total comprehensive income for the period was therefore a deficit of \$465.9 million [2014-15: deficit \$204.2 million].

Transport entity cost recoveries

During 2015-16, Sydney Trains recovered \$1,130.1 million [2014-15: \$1,019.9 million] in services revenue from related transport entities, \$553.3 million for operational and maintenance services to related transport entities [2014-15: \$566.3 million], \$572.7 million for capital delivery activities as construction revenue [2014-15: \$447.7 million] and \$4.1 million for assigned staff to other entities [2014-15: \$5.9 million].

Total expenses (net of recoveries) were \$2,232.8 million [2014-15: \$2,351.7 million].

Performance against budget

Sydney Trains net operating income performance was \$70.8 million below budget.

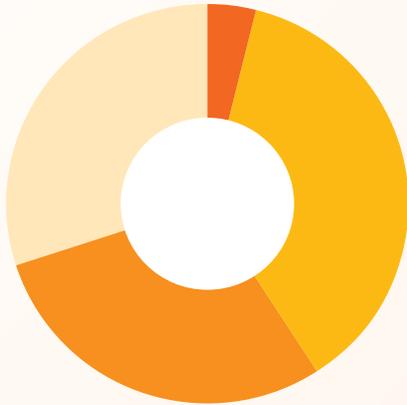
Maintenance expenditure

Maintenance expenditure by Sydney Trains totalled \$1,318.4 million [2014-15: \$1,204.4 million], which included \$321.0 million [2014-15: \$261.5 million] of capitalised maintenance on RailCorp and Sydney Trains assets. Total maintenance undertaken includes work performed for NSW Trains fleet, facilities and network infrastructure.

Daily cleaning of stations and trains.



2015-2016 INCOME FROM OPERATING ACTIVITIES

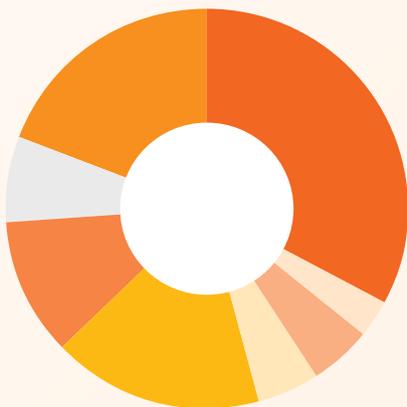


Total Income

\$1,926.4m

- Passenger services revenue, \$721.6m, 37%
- Construction revenue, \$572.7m, 30%
- Inter entity cost recovery, \$553.3m, 29%
- Miscellaneous, \$78.8m, 4%

2015-2016 TOTAL EXPENSES

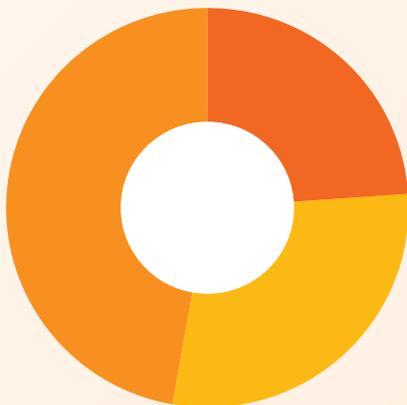


Total Expenses

\$3,362.9m

- Employee related expenses, \$1,112.4m, 33%
- Personnel services expenses, \$109.0m, 3%
- Finance costs, \$158.5m, 5%
- Depreciation & amortisation, \$154.0m, 5%
- Construction costs, \$572.7m, 17%
- Subcontractors, \$369.3m, 11%
- External maintenance costs, \$238.7m, 7%
- Other operating expenses, \$648.3m, 19%

2015-2016 TOTAL MAINTENANCE



Total Maintenance

\$1,318.4m

- Capital maintenance, \$321.0m, 24%
- Routine maintenance, \$380.3m, 29%
- Major periodic maintenance, \$617.1m, 47%

TABLE 1: SYDNEY TRAINS FINANCIALS AT A GLANCE

	2013-14 \$ million	2014-15 \$ million	2015-16 \$ million
Passenger services revenue	745.3	712.4	721.6
Other income	1,092.5	1,124.1	1,204.8
Income from operating activities	1,837.8	1,836.5	1,926.4
Total expenses	3,224.0	3,371.6	3,362.9
Deficit from operations before Government contributions	-1,386.2	-1,535.2	-1,436.5
Government subsidies and concessions	1,186.4	1,256.5	1,213.0
Deficit from operations before capital contribution	-199.8	-278.7	-223.5
Government contributions for capital expenditure	28.5	64.0	0.0
Deficit from continuing operations	-171.3	-214.7	-223.5

TABLE 2: COST AND REVENUE PER JOURNEY/REVENUE CAR KILOMETRE

Sydney Trains	2013-14	2014-15	2015-16
Net operating cost per revenue car kilometre*1	\$8.96	\$9.02	\$8.83
Net operating cost per passenger journey*2	\$6.13	\$6.00	\$5.38
Passenger revenue per passenger journey	\$2.65	\$2.44	\$2.24

*Net operating cost is in nominal dollars.

1. The real cost per revenue car kilometre is \$9.24 for 2013-14, \$9.10 for 2014-15 and \$8.83 for 2015-16.
2. The real cost per passenger journey is \$6.32 for 2013-14, \$6.05 for 2014-15 and \$5.38 for 2015-16.

Note: Additional productivity information has been included in response to the Auditor-General's Report to Parliament, *Identifying productivity in the public sector*, which was tabled in July 2015.

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

Net operating cost per passenger journey has been declining as Sydney Trains has implemented comprehensive efficiency programs and patronage has grown.

Capital investment

Sydney Trains' total capital investment was \$56.1 million including Waratah enabling works and two extra carriages.

Sydney Trains also engaged in the delivery of capital works for RailCorp assets throughout the year. In total, Sydney Trains delivered \$610.8 million [2014-15: \$490.7 million] of capital works, including \$321.0 million [2014-15: \$261.5 million] of capitalised maintenance.

3

Our
performance

3.1 Safety

The safety of customers, staff and the general public remained the highest priority for Sydney Trains throughout 2015-16. This is reflected in the safety performance metrics presented below.

The comprehensive Sydney Trains Safety Management System continues to exceed regulatory and statutory requirements.

Customer and operational safety

Sydney Trains maintains and monitors customer safety through operational effectiveness and attention to customer-specific safety measures.

Sydney Trains measures operational safety performance through the Operational Safety Index (OSI), a composite of 12 incident categories having potential to present significant risk to passengers. These incident categories are:

- High-risk SPAD (Signal Passed at Danger)
- Explosion
- Train exceeding the published speed limit with risk of derailment
- High-risk collision
- High-risk derailment
- High-risk signal defect
- Collision with a motor vehicle at a level crossing

- High-risk broken rail
- High-risk track geometry defect
- High-risk track misalignment
- High-risk rolling stock defect
- Accidental passenger fatality.

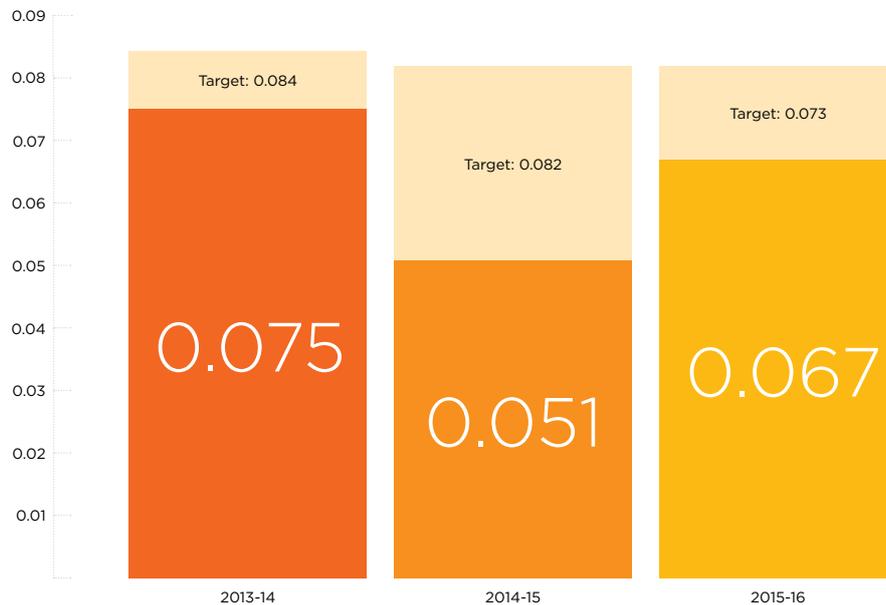
Sydney Trains' annualised OSI performance is presented in the below graph for the three years of operation.

To calculate the index, the total number of qualifying incidents for each year have been normalised per million passenger journeys.

The annualised index value for 2015-16 of 0.067 was favourable to the target of 0.073. The increase over the 2014-15 result was attributed to a relatively higher number of track geometry incidents.

The Customer Injury Frequency Rate (number of injuries per million passenger journeys) for the year was 2.78, an improvement over the 2014-15 result of 3.05.

OPERATIONAL SAFETY INDEX - ANNUALISED



Customer-specific safety measures that we took during the year included:

- refurbishing stations with improved lighting and accessibility
- providing better signage, wayfinding and schedule information
- modernising facilities, including the installation of Opal card readers across the network.

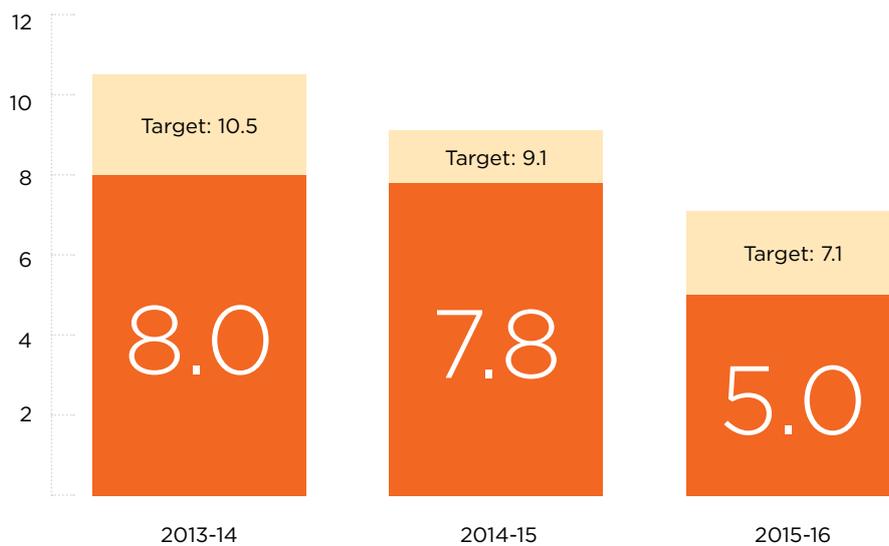
Throughout the reporting period, we undertook an ongoing program of encouraging greater staff interaction with customers. This has continued to deliver benefits, promoting safer ways to travel on our network on a daily basis.

Employee safety

A much valued and respected Sydney Trains maintenance worker, Charles Lagaia, was struck and fatally injured by a train on 18 June 2016 at Clyde. Sydney Trains is working with NSW Police Force and other independent transport safety regulators to determine the cause of this tragic incident. This has had a significant impact on all those who knew and worked with Charles and strengthens our resolve to continually improving safety.

One of our performance indicators for employee safety is the Lost Time Injury Frequency Rate (LTIFR), which measures the number of staff injuries leading to lost working hours, normalised per million hours worked.

LOST TIME INJURY FREQUENCY RATE - ANNUALISED



Work Health and Safety category	Count
Number of staff injury notifications received	1,261
Total days lost due to workplace related injuries or illness	5,681 (note that data excludes psychological injuries)
Prosecutions reported against Sydney Trains	0
Lost Time Injury Frequency Rate	5.0
Prosecutions under the Act	0
Workplace safety inspections	1,516 (Safety Leadership Visits conducted)

While the end-of-year LTIFR performance exceeded expectations and is better than most of our comparable heavy industry benchmarking organisations, the loss of a staff member is a tragedy and every effort is being made to prevent such an incident in the future.

Our ongoing programs and initiatives designed to improve our safety performance included:

- Conducting over 1,500 Safety Leadership visits program with senior managers from across the organisation visiting workplaces to discuss safety with frontline staff
- Delivering Target Zero training to more than 80 per cent of Sydney Trains' staff to create a positive safety culture, a workforce with a shared commitment to safety that extends to the home and community, and improve hazard and near-miss awareness
- Improving our hazard identification and online reporting processes to improve staff awareness of how to avoid injuries and improve management response to hazards
- Improving management accountability for workplace safety incidents and associated processes to reduce the recurrence of safety-related incidents, provide better and timelier medical assessment of injuries and more effective return-to-work performance
- Progressively introducing the Rail Industry Worker Card, which provides immediate access to the details of a track worker's competencies, training currency and formal qualifications.

During the reporting period, we reduced the number of lost time injuries, the average days lost as a result of injury and the number and overall cost of Workers Compensation claims.

3.2 Customer

Sydney Trains delivers a consistently high-quality customer experience, receiving positive feedback for clean trains and updated stations. In 2015-16, we ensured our people were visible and empowered to provide accurate and timely information and a safe and secure journey across all 178 stations on the Sydney Trains network.

Our Customer Service Model

Customers are at the centre of everything we do at Sydney Trains and we continued to deliver excellence in customer service during the 2015-16 financial year. Sydney Trains' Customer Satisfaction was 88 per cent in the May 2016 reporting period.

Over the past 12 months Sydney Trains continued to focus on improving the following key areas:

Customer service: Customer Satisfaction has been consistently high in this category, demonstrating that our new customer-centric approach is working. We realigned our focus from moving trains to moving people. We also shifted our service delivery at stations from a transaction-based model (e.g. ticket sales) to focus on customer interaction and visible staff available to meet customer needs on the platform and at ticket gates.

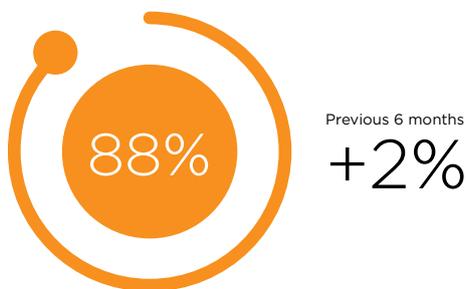
Information: Customers not only acknowledged that service information has improved but that they appreciate our people are better informed. We designed our Customer Service Model to make our staff more mobile and to improve interactions with customers. We provided staff with better tools and technologies so they can access up-to-date, real-time information and help customers more effectively. To support this, we have deployed iPhones to 1,500 of our frontline people at stations. This project went on to win a coveted Australasian Rail Industry Award for Customer Service.

In the 2015-2016 financial year, we:

- made digital upgrades to our analogue public address systems at 12 stations
- enabled staff at 27 stations to run their public address systems directly from their mobile phones, further improving customer information announcements
- delivered new-look passenger information screens to 170 stations so customers can access the latest real-time service information
- implemented real-time train app system enhancements to improve consistency of information across all of our channels (Station Platform Indicator screens, mobile apps and on-board screens)
- improved disruption information
- provided better on-train information.

Cleanliness: Our daily focus on clean stations and trains was supported by a program of deep cleans throughout the year. Cleaning Services drove the operational performance of the in-house and outsourced station cleaning arrangements for Sydney Trains.

Customer Satisfaction scores: cleaning



November 2015



May 2016

Station environment: We continued to modernise stations across the network through the Station Refresh Program, improving station amenities and refreshing presentation to deliver a better customer experience.

As part of improvements to the station environment and our delivery of the new Customer Service Model, we rolled out 42 hubs at gates and platforms at 18 stations to enable staff to interact with customers.

By June 2016, we had also installed smart meters to manage electricity consumption, energy demand and power quality at 167 stations.

A safe environment: We implemented customer education and awareness programs that focus on positively influencing customer behaviours, such as running for departing trains or down stairs, being distracted by mobile devices, inappropriate use of escalators, trying to board through closing doors and being mindful of the gap and the change in height when boarding and alighting the train.

In 2015-16, our Customer Injury Frequency Rate (customer injuries per million customer journeys) was 2.78, below our target of 3.29.

Paramedic program: Sick customers frequently cause train delays. To prevent such delays, we operated a program of 17 paramedics and registered nurses located at 15 stations during the morning and afternoon peaks. The purpose of this is to reduce the time taken to help sick customers and get trains moving again.

Improved revenue protection

Sydney Trains is responsible for revenue protection across the Transport cluster through our Transport Officers, who collaborate with Transport for NSW and the Police Transport Command. The aim of the Fare Compliance Unit (FCU) is to increase fare compliance and improve the customer experience across all modes of public transport.

Since its inception, a number of key initiatives have been delivered by the FCU, including:

- Supporting the roll out of Opal across all modes of transport, encouraging uptake and educating customers on the correct use of products
- Leveraging mobile technologies to allow for an electronic penalty notice system that has resulted in the improved quality and timeliness of infringement processing
- Increased fine recovery rates through improved data capture and timely transfer to the State Debt Recovery Office
- Increasing fare compliance from 89.0 per cent in 2012 to 95.2 per cent in 2015.

Staff are visible and available to meet customer needs.



3.3 People

For 2015-16, Sydney Trains has reinforced a customer-centric culture, ensuring that the customer is at the centre of what we do. For our nearly 10,000 people, this has been a core focus, along with ensuring we are a diverse, flexible, engaged and agile workforce. There has been focus on growing leadership capability, matching the workforce capacity to areas driven by change, driving accountability to individuals and enhancing competency and capability for frontline staff.

Key people activities during 2015/16 include:

- A Career Empowerment Program focused on advancing women in Sydney Trains
- Diversity & Inclusion workshops to identify strategies and barriers to increasing the representation of female leaders and Aboriginal employees
- Commenced consultation and negotiation with unions regarding Enterprise Bargaining Agreement conditions covering train crew
- Commenced reform of the Major Works division to achieve service delivery and efficiencies gains

- Embedded the new station customer experience model with staff being more visible and accessible to customers
- Supported staff affected by change through the provision of a dedicated Workforce Transition Centre
- 250 Sydney Trains supervisory and management staff attended Transport NSW 'Drive IT' leadership programs
- Successfully placed graduating apprentices into permanent positions
- Health and wellbeing initiatives such as Health Fairs, R U OK? Day, influenza vaccinations, post-incident trauma support counselling and defibrillator training
- Held more than 30 face-to-face group conversations with the Chief Executive and Executive team, covering topics such as safety, the three-year business plan, future direction and growth programs.

During 2015-16 both the NSW Public Sector People Matters Engagement Survey (PMES) and the Sydney Trains Pulse Survey were administered. Targeted actions and initiatives will be rolled out across the business.

Management and structure

Sydney Trains' Executive team members and their qualifications:

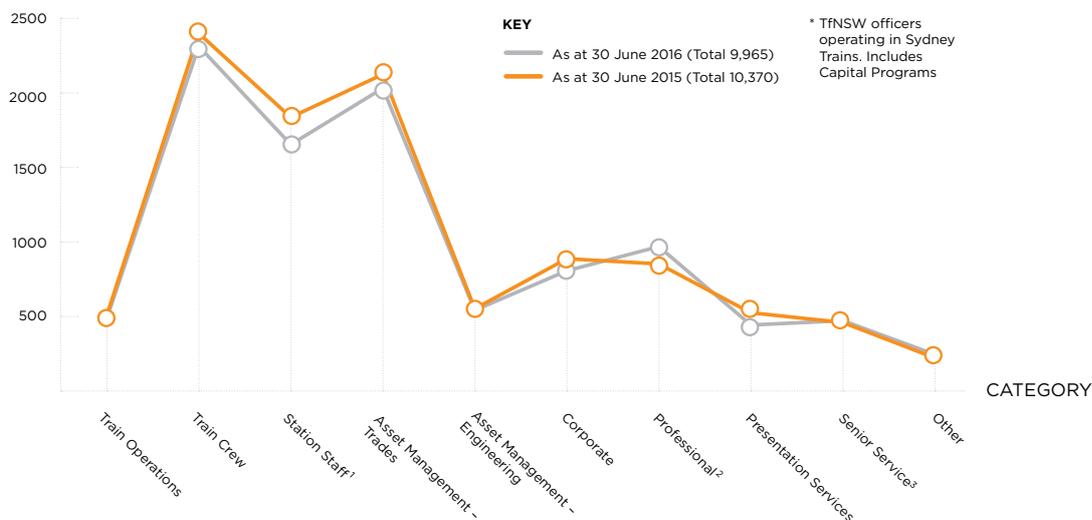
Name	Position	Qualification
Howard Collins, OBE	Chief Executive	Master of Business Administration, FIOD
Susannah Le Bron	Executive Director Customer Service	
George Stojkovski	Acting Executive Director Operations	Diploma in Business Management
Stewart Mills	Executive Director Engineering & Maintenance	BSc (Hons), Mining ACSM, MIEpE
Gary Pedersen	Executive Director Finance & Corporate Services	Bachelor of Economics, Master of Commerce, FCPA
Gavin Kable	Executive Director People & Communications	Bachelor of Economics
Robert Groves	Executive Director Safety, Environment, Quality & Risk	Masters in Occupational Safety & Health
David Callahan	Executive Director Planning & Portfolio Delivery	Master of Business Administration, Bachelor of Social Science, GAICD, EFP ANZSOG
Anthony Eid	Executive Director Future Network Delivery	Advanced Diploma in Management
Irene Rusak	General Counsel	LLB, Graduate Diploma of Applied Corporate Governance, FGIA
Mark Sullivan	General Manager Communications	BA, Master of Business Administration

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Our performance

2

Employees by category



1. The advent of the Opal card has allowed for changes to the composition of station staffing.
2. Engineers and other professional staff required to deliver capital works programs.
3. TfNSW officers operating in Sydney Trains. Includes staff working on Capital Programs such as, Enterprise Asset Management, Rail Operations Centre, Tangara Doors phase 2, Enterprise Resource Planning, Station Refresh and Next Generation Infrastructure Services.

Salaries

This table shows salary bands for award employees and for officers (Senior Service).

2016

Salary band	Total count	Count of officers	Count of employees
<\$50,000	488	0	488
\$50,000 to \$75,000	5,296	0	5,296
\$75,001 to \$100,000	1,655	0	1,655
\$100,001 to \$125,000	1,151	0	1,151
\$125,001 to \$150,000	881	0	881
> \$150,000	494	414	80
TOTAL	9,965	414	9,551

2015

Salary band	Total count	Count of officers	Count of employees
<\$50,000	639	0	639
\$50,000 to \$75,000	5,903	0	5,903
\$75,001 to \$100,000	1,488	0	1,488
\$100,001 to \$125,000	1,402	0	1,402
\$125,001 to \$150,000	467	0	467
> \$150,000	472	404	68
TOTAL	10,371	404	9,967

2014

Salary band	Total count	Count of officers	Count of employees
<\$50,000	291	0	291
\$50,000 to \$75,000	6,067	0	6,067
\$75,001 to \$100,000	1,587	0	1,587
\$100,001 to \$125,000	1,187	0	1,187
\$125,001 to \$150,000	289	0	289
> \$150,000	410	361	49
TOTAL	9,831	361	9,470

3.4 Operational performance

In 2015–16, Sydney Trains achieved peak punctuality of 94.2 per cent, beating the 92 per cent target and improving on the 2014–15 result of 93.9 per cent.

The figure was the highest yearly peak punctuality result yet. Key facts about Sydney Trains' performance in 2015–16:

- Eight out of ten lines achieved peak punctuality above the 92 per cent target.
- The T2 Inner West was the best performing line for the second year in a row, with peak punctuality of 96.9 per cent
- The T2 Inner West line was followed by the T1 Northern via Macquarie Park (96.2 per cent), T4 Eastern Suburbs (95.9 per cent), T3 Bankstown (95.8 per cent), T2 Airport (95.1 per cent), T1 North Shore (94 per cent), T4 Illawarra (93.8 per cent) and T1 Northern via Strathfield (93.4 per cent)
- The T1 Western and T2 South lines fell short of the 92 per cent target, with both achieving 91.7 per cent peak punctuality for the year.
- The total number of incidents such as train breakdowns, crew issues and delays due to customer illness dropped by 6.2 per cent from 2,423 to 2,272
- During severe weather conditions in January, 332 peak services were delayed due to obstructions in rail corridors and lightning strikes that caused power failures. It was the wettest January since 1988
- Customer illness continued to be a major cause of delays. One sick customer on a train has the potential to hold up 20 trains, which means 20,000 customers could be late for work or delayed getting home. Paramedics are located at busy stations during peaks to assist customers as required.

Sydney Trains invests in maintaining trackwork and infrastructure upgrades to provide customers with reliable train services and a quicker response to incidents. Sydney Trains is also building a new Rail Operations Centre, which will help us respond to delay-causing incidents faster.

During the reporting period, we improved communication and the ability to capture quality real-time delay and fault information. We created a connected and mobile workforce by training and equipping more than 1,000 guards and more than 800 drivers with an iPad. The devices are an effective workplace tool, giving

crew mobile access to email and the intranet, as well as to custom-built apps that assist with daily tasks. The technology also enables crew to access real-time information more quickly and to provide customers with that information in a timely manner. Sydney Trains is on track to have all 2,200 crew online with iPads by the end of October 2016.

Throughout the iPad rollout, we focused on guard and driver feedback to ensure crew received appropriate support. Train Crew Quick Links (TCQL) was developed as a direct result of feedback from crew who requested an easier way to access important information to work more efficiently. We launched TCQL in April 2016 and it has been extremely well received, with more than 100,000 clicks on average per fortnight.

In 2015–16, we continued to work closely with the Police Transport Command to prevent graffiti and catch vandals in the act by combining cutting-edge technology with more traditional methods such as improved fencing and lighting. Mousetrap cameras on trains detect the odour of spray paint and marker pens and start filming the vandals while security teams are alerted. Motion-activated night-vision cameras capture images of vandals as soon as they are detected trespassing illegally on rail property.

We also rolled out Alternate Customer Journey Plans (ACJPs) during the year. ACJPs are a series of integrated plans that enable staff to respond to incidents that cause partial or total line blockages and disrupt services. To help keep customers moving during incidents, these plans cover alternate train operations, alternate bus transport, customer management and communication.

During the reporting period, we successfully trialled and commenced progressively implementing Digital Train Radio System. The technology moves train communications from analogue to digital, which provides improved audio quality and enhanced communication capability. The system is designed to allow drivers, guards, network controllers and signallers to better communicate.

We delivered new train crew facilities at Flemington, Central and Penrith. We also consolidated and converted a number of signal boxes, including Katoomba, Newnes Junction and Springwood, to the Advanced Train Running Information Control System technology to further improve network reliability and operations.

Sydney Trains coordinated train services for more than 500 special events throughout the year (including the Easter Show, Vivid, State of Origin and New Year's Eve) and implemented more than 200 alternative transport bussing strategies during scheduled trackwork in order to achieve positive outcomes for customers. Sydney Trains also worked collaboratively with freight operators to minimise the impact of freight operations on the rail network.

These performance results and other improvements have been acknowledged by customers with service satisfaction at all-time highs.

3.5 Maintaining our assets

Sydney Trains' ongoing focus on safety has contributed to the reduction in Engineering & Maintenance Directorate's Lost Time Injury Frequency Rate from 6.0 in the 2014-15 financial year to 5.1 in 2015-16.

Work continued to rationalise under-used and redundant infrastructure assets to reduce the amount of time spent on track by maintenance staff, improve safety, reduce the risk of asset failures impacting on reliability, and reduce ongoing maintenance costs.

To drive continuous improvement, Sydney Trains continued to invest in new technologies and innovative engineering and maintenance solutions to improve our performance while delivering operational efficiencies and cost savings in the planning and delivery of the \$1.2 billion Annual Works Program.

In 2015-16 we delivered:

- 22.172 km rerailing
- 24.522 km rerailing
- 596.878 km resurfacing plain track
- 17.862 km ballast cleaning
- 23.209 km contact wire renewal
- 48.5 Turnout renewals
- 996.591 km rail grinding
- 12.27 km track reconditioning
- 4.832 km OHW modernisation
- 8.378 km track reconstruction
- 18 bridge refurbishment
- 180 cars component change out (Electric Fleet)
- 425 bogie overhaul (electric)
- 654 traction motor overhaul (electric)

Two high production track tamping machines were commissioned into operation to replace three older machines and further accelerate track maintenance.

Key projects

Sydney Trains delivered more than \$600 million worth of projects over the past financial year to modernise the State's metropolitan rail infrastructure.

NORTH SHORE OVERHEAD WIRING REPLACEMENT

Fixed tension overhead wiring on the North Shore Line was replaced with modern, tension-regulated overhead wiring which is unaffected by extreme temperatures. This reduces the risk of faults which can cause delays when the temperature exceeds a threshold.

BLUE MOUNTAINS AND CENTRAL COAST RESIGNALLING PROJECTS

Significant progress was achieved in modernising the signalling system in the Blue Mountains (Katoomba, Lawson and Springwood area) and on the Central Coast (Woodville Junction to Hamilton area) to greatly improve signalling operability and allow for the remote control of these areas from centralised control centres.

Automating signalling systems reduces dependency on manual methods, improving the efficiency of train operations and allowing for the integration of other systems such as Station Passenger Information.

TANGARA TECHNOLOGY UPGRADE PHASE 1

The replacement of the Tangara Doors Project is part of the Tangara Technology Upgrade. The project has improved service reliability by minimising the risk of door faults which cause delays. Eliminating the kick panel in the door has also reduced opportunities for vandalism, reducing future maintenance costs (see 3.9 *Achievements*).

TRACK GEOMETRY INDEX

The Track Geometry Index (TGI) was developed to interpret metadata collected by Sydney Trains' Track Inspection Vehicles to provide accurate information about the condition of the track's geometry. Uneven geometry causes 'rough rides' for passengers and may result in speed restrictions on the network, which impact reliability.

A TGI value of 180 or more indicates a rough ride. Mapping the value of the TGI across the network ensures a more tailored approach to maintenance, which means more efficient use of resources. Between September 2015 and May 2016, the total length of track with a TGI value of 180 or more was reduced by ten per cent.

Maintenance planners are also using the rate of change of the TGI to determine rail degradation rates - making it a valuable predictive maintenance intervention tool.

PANTOGRAPH CONDITION MONITORING SYSTEM

A Pantograph Condition Monitoring System (PCMS) was installed at five sites across the network. Train pantographs provide the electrical connection between the overhead wiring and the train. The PCMS provides early detection of defects, allowing maintenance to be scheduled before the defect results in a delay to train services.

COMPRESSOR HOUSES PROJECT

A capital upgrade of the signal air supply system and compressor houses between Central and Burwood was completed to improve system reliability and maintainability.

Compressed air is used to operate safety-critical signalling assets, and the 50-year-old compressors in the Inner West had become increasingly unreliable. The new system also has

A train driver's view.



built-in condition monitoring functionality which sends out alerts when a defect is detected, reducing the need for inspections.

POSSESSION MANAGEMENT CENTRES

Three new Possession Management Centres (PMCs) commenced operation at Granville, Hornsby and Sydenham. A 'possession' is when Sydney Trains closes a rail line to provide maintenance crews with safe access to the rail corridor.

Strategically located and custom fitted to accommodate innovative new technologies in possession management, these facilities deliver accurate, reliable, and high quality information in real time to possession management staff. This makes it possible for them to remotely coordinate any worksite in Sydney Trains' network from one of the three, central locations.

ICON

The integration of the Operating Centre known as ICON (Infrastructure Control) allowed the Control and Coordination Unit to continue to deliver improvements in incident and emergency response times, driving further improvements to network reliability. Duty Managers and common rosters were introduced to provide 24/7 incident and operational control across the whole network. The Weather Zone application and extreme weather response plan were also implemented to improve preparation and reduce response times.

FLEET MAINTENANCE CULTURAL REFORM

Patronage growth requires optimum availability and reliability of existing rolling stock. To meet this demand, the Fleet Maintenance Division underwent significant reform to streamline operations, improve efficiencies, and upskill maintenance staff to be more efficient, agile and future-ready.

Major cultural change was achieved across the division. We implemented a new maintenance centre management structure which reduced headcount while building engineering, planning and compliance capabilities, and we also introduced an on-boarding and leadership program to drive cultural change.

Significant achievements during 2015-16 include:

- Improved fleet availability – 92 per cent against the target of 91 per cent
- Record rolling stock performance – lowest ever number of technical incidents in a month (March)

- An overall decrease of 26 per cent in combined Sydney and NSW Trains incidents in the past two years
- Major improvements in safety resulted in fewer staff injuries and the number of work days lost due to injury decreasing from 472 to 73 days
- Maintenance centre staff transitioned from paper-based job cards to iPads
- Enterprise Asset Management (EAM) rolled out to parts of Fleet Maintenance (see 3.9 Achievements).

Work also commenced on a major reform project to train maintenance workers to become multi-skilled and to standardise the maintenance centre operating model.

DIGITAL TRAIN RADIO SYSTEM

The Digital Train Radio System (DTRS) project will fit both DTRS and legacy analogue MetroNet cab radios to Tangara Sets operating on Sector 1 of the Sydney Trains network.

OTHER KEY INITIATIVES DURING 2015-16

- Renewal of Bombo Bridge in May to increase clearance height and improve pedestrian access
- Consolidated 35 facilities into 16 work sites and opened four new Major Works facilities at Wollongong, Hamilton, Lawson, and Clyde
- Opened new Operational Technology Centre at Erskineville, co-locating Maintenance Engineers and Technical Specialists who play a critical role in ensuring the continued reliability of critical communication systems and data networks
- Appointed a dedicated Electrical Engineering team to more effectively manage electrical isolations across the network, reducing repeat signal failures by 25 per cent
- Introduced the 'My Success at Work' development program to 1634 infrastructure workers, to support a more accountable and effective culture
- Implemented 34 new standard operating instructions (SOIs) to improve inspection compliance. This contributed to an improvement from 97 per cent to 99 per cent compliance across all categories
- Completed improvements to customer amenities on the NSW Trains fleet (XPT and Xplorer fleet) and improved lighting on the V-Set intercity fleet
- Delivered upgrades to the air-conditioning, refrigeration and braking on 16 XPT cars

3.6 Environment

- Completed a successful pilot at Waterfall to conduct repairs overnight while the train is stabled (rather than removing the train from service). This program will be extended to other locations in 2016-17
- Completed 446,500 daily carriage cleans, 6,722 deep cleans (eight hours per car), and removed of 44,223m² of external graffiti and 4086m² of internal graffiti
- Achieved a Customer Satisfaction score for cleanliness of 88 per cent: the highest ever recorded score
- Introduced formal training qualifications for cleaning staff.

Sydney Trains also completed a number of trials during 2015-16:

- Rail milling trial which confirmed the effectiveness of milling to extend the life of rail by five to 10 years, reducing the need for re-railing work
- Points monitoring trial to compare the effectiveness of off-the-shelf systems for the early detection of points problems
- Network Harmonic Study to improve electrical network reliability.

Award winning asset management

During 2015-16, Sydney Trains received a number of industry accolades, further enhancing our reputation as a world-class asset manager and provider of engineering and maintenance solutions:

- The Track Geometry Index was awarded the Ken Erickson Award for Innovation at the annual Permanent Way Institute awards in October, and won the Innovation and Technology award at the annual Australasian Rail Industry Awards (ARIA) in June
- Hassan Boussi won the Frank Franklyn Young Rail Specialist Achievement Award at the Australasian Rail Industry Awards in June for his contribution to the successful renewal of an 86 year old, 33-metre long rail bridge over one of Sydney's busiest arterial roads - Parramatta Road at Granville
- The Compressor Houses Project received the Project Management Achievement Award (Construction and Engineering category) at the NSW Chapter of the Australian Institute of Project Management Achievement Awards in August
- The Possession Management Centres won the Asset Management Council's Asset Management Excellence Award for Information Management in April.

During 2015-16, Sydney Trains undertook several initiatives as part of our commitment to enhancing the environmental sustainability of the rail network.

Energy efficiency

Sydney Trains has continued to implement strategies and projects to improve its energy efficiency and reduce greenhouse gas emissions. Over the past financial year, we have:

- Installed 20kW solar photovoltaic (PV) systems at 12 network bases, and commissioned a PV system at Glenfield Station. The total installed capacity across the network is currently 425kW. We evaluated locations for additional solar installations using a sophisticated solar economic evaluation calculator and screening tool
- Rolled out new, energy efficient LED light fixtures at 64 stations. Approximately 20,000 LED fixtures were installed, saving approximately 3.5GWh of electricity and more than 3,000 tonnes of CO₂-e per annum
- Installed more than 14,000 new, energy efficient LED light fixtures on the Tangara train fleet. These fixtures reduce the trains' auxiliary power consumption, cut down on maintenance requirements, eliminate hazardous waste, and improve the customer experience through better lighting levels
- Installed new smart meters at 108 stations, enabling electricity use to be more accurately measured, monitored and managed
- Implemented an innovative Waratah shut-down procedure at stabling facilities, which is expected to save approximately 8GWh per year
- Participated in the NSW Energy Savings Scheme and generated Energy Saving Certificates that are reinvested into further energy efficiency and small-scale renewable energy projects
- Maintained an inventory of energy use and greenhouse gas emissions and reported under the National Greenhouse and Energy Reporting scheme
- Encouraged staff to conserve energy in their day-to-day activities and to participate in key initiatives, such as Earth Hour

- Collaborated with asset delivery partners to ensure energy efficiency and carbon footprint is considered and addressed in the design and delivery of new rail assets.

Biodiversity

During 2015–16, Sydney Trains reviewed processes for the management of biodiversity including requirements for vegetation and wildlife habitat management programs, biodiversity impact assessment and managing impacts of activities on biodiversity.

Sydney Trains continued to carry out bush regeneration to maintain the condition of native vegetation around the metropolitan network. We gave priority to areas supporting threatened species and endangered ecological communities. In particular, we treated 18 sites with populations of the vulnerable *Downy Wattle* (*Acacia pubescens*) for weeds.

Sydney Trains also carried out vegetation management activities within the Grey-Headed Flying-Fox camp at Wollie Creek. The objective of the work was to maintain habitat so that the site can continue to sustain the Flying-Fox population. We removed vines impacting on canopy trees and took control of woody weeds. We carried out this work in accordance with a management plan developed in 2014–15 with Rockdale City Council, Canterbury City Council, National Parks Wildlife Service and the Wollie Creek Preservation Society.

Noise

In 2015–16, management of the noise impacts of Sydney Trains' operations and maintenance activities was one of our key environmental considerations. Sydney Trains continues to actively engage with the community to better understand residents' concerns and increase their understanding of operational requirements and constraints.

During the year, Sydney Trains completed a comprehensive monitoring program to assess noise impacts and potential mitigation options for the Waverton-Wollstonecraft area. We undertook this program in full consultation with the NSW Environment Protection Authority as part of a Pollution Reduction Program placed on Sydney Trains Environment Protection License. Subject to feasibility, the findings from this program will be implemented during 2016–17.

Training

Sydney Trains developed two dedicated environmental training programs to provide targeted guidance to all staff, as follows:

- **Environmental risk and management for project managers and project engineers:** This course assists project managers in their response to environmental risk, meeting legal requirements, avoiding environmental/heritage incidents, and presents best practice in environmental management of environmental and heritage issues. In 2015–16, more than 200 project managers attended this course and roll-out will continue during 2016–17.
- **Environmental awareness e-learning for all staff:** A 30 minute e-learning package has been designed for all Sydney Trains staff. This package will be made compulsory for all new staff, and will target all staff who have not completed the 'Environmental risk and management for project managers' training. This course covers key environmental risks for Sydney Trains, incident response, current environmental initiatives, and a directorate-level breakdown of case studies.

Climate change

Sydney Trains completed a detailed, evidence-based climate change risk and adaptation management plan in late 2015. Sydney Trains is now developing and implementing a climate adaptation masterplan, which is embedding the findings of the risk assessment into multiple divisions of the organisation. For this ongoing work, Sydney Trains was awarded the annual Climate Adaptation Champion for 2015–16 at the CSIRO NCCARF Climate Adaptation Conference 2016.

Waste

More than 400 co-mingled 'Safer-by-design' recycling bins were installed at key stations across the metropolitan network. The planned rollout of co-mingled recycling at all stations is continuing.

Sustainable procurement

Sydney Trains incorporated a corporate social responsibility-based 'Environmental Sustainability and Social Equity Checklist' into the returnable schedules of all Sydney Trains Strategic Procurement documents. This

approach has been used on a number of tenders at Sydney Trains, with the intention of applying it to all future commercial tenders.

- hosting rail safety activity tents at annual Girl Guides and Scouts events.

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

3.7 Community relations

Sydney Trains undertakes a number of initiatives to engage with the wider Sydney community. During the 2015-16 financial year, we have:

- supported a range of organisations, including the Children’s Hospital Westmead, Alzheimer’s Australia, Lifeline Australia, NSW Rural Fire Service, Vision Australia and The National Heart Foundation by enabling staff to make donations through our Workplace Giving Program
- worked with disability advocates and organisations to identify and address barriers to using our services
- granted national, regional and local charities access to our stations for their fundraising efforts, including Jeans for Genes Day, the Salvation Army Red Shield Appeal and Red Nose Day
- gave presentations at local community meetings to explain Sydney Trains’ role as operator of rail services across Sydney
- promoted Rail RU OK? Day and raised awareness of the importance of mental health in the workplace
- celebrated the cultural diversity of the community and our workforce by supporting events such as Harmony Day, NAIDOC Week, Mardi Gras, International Day of People with a Disability and the Diwali festival.
- launched Rail Safety Week with the Minister for Transport and Infrastructure, Andrew Constance, and NSW TrainLink, in partnership with the TrackSAFE Foundation
- hosted a delegation from the United Nations Development Program and the fourth largest employer in the world, Indian Railways, so they could see how we have reduced energy consumption
- delivered interactive and engaging workshops for students, young adults and migrants on how to make the most of the rail network, including:
 - information stalls at the University of Wollongong and University of NSW as part of Orientation Week and at numerous locations during Seniors Week

3.8 Rail heritage

Sydney Trains is responsible for managing one of the largest portfolios of statutory-listed heritage assets in NSW, including historic railway stations, bridges, workshops, signal boxes and significant railway landscapes. We have focused on initiatives which are consistent with *Sydney Trains’ Heritage Asset Management Strategy* and its approach to improving heritage management; achieving conservation outcomes in project delivery and sharing Sydney Trains’ history with the customer.

Our activities and achievements in 2015-16 included:

- On 26 September 2015, we celebrated ‘160 years of NSW Railways’ at Central Station, with historic displays, public artworks, railway band performances and steam rides in collaboration with Transport Heritage NSW
- In October 2015, Sydney Trains’ Customer Service team was awarded a Local Council heritage award for conservation and station refresh work at Hornsby Station
- As part of Sydney Open on 2 November 2015, we opened Sydney Trains’ Mortuary Station, St James tunnel, the Central Station clock tower and ‘ghost’ platforms to the public in collaboration with Sydney Living Museums. Across 50 other sites that were open to the public on the day, Mortuary Station was the most visited site for the day, with 3,400 attendees. Mortuary Station was then re-opened and reimagined as part of the Sydney Biennale in 2016, with a number of temporary art installations throughout the building
- In December 2015, Sydney Trains received its second heritage industry award for its ‘End of the Line’ oral history project. Sydney Trains was the recipient of the Colin Crisp Highly Commended Award for Engineering Excellence, and was one of only four organisations recognised from across Australia for ‘Engineering Excellence’ in heritage management

- We completed an annual review of the S170 Heritage & Conservation Register in March 2016 and submitted it to the NSW Office of Environment and Heritage. The updated register included four new listings of heritage places and more than 200 updated heritage listings with new information
- In April 2016 at the NSW National Trust Awards, seven of Sydney Trains' projects were shortlisted as finalists across three categories (research, built conservation and interiors). Sydney Trains took away the coveted 'Conservation Built Heritage' award for the Thirroul Station Platform 2/3 Building Restoration
- In April 2016, Sydney Trains commemorated Anzac Day with the unveiling of a community artwork project that acknowledges the service of the NSW railways in World War I. The project was undertaken in collaboration with Transport Heritage NSW and travelled across the State over 12 months. In addition, Sydney Trains also completed conservation of a number of historic war service honour rolls, and established an online register of NSW railway honour rolls and memorials
- During Heritage Week in April 2016, Sydney Trains launched a series of 'time-travel tours' of Central Station, providing behind-the-scenes tours to 200 lucky members of the public to the station's hidden 'clock room' and to the top of the 85 metre tall clock-tower. The tours coincided with the completion of an oral history project titled 'Running on Time', now available online as a free download on the Sydney Trains website
- Sydney Trains continued to increase the proportion of legislated heritage approvals it can issue without referring to the Office of Environment & Heritage, with 276 approvals issued by internal heritage specialists in the 12 month period
- We also finalised a *Movable Heritage Management Strategy*, with key achievements including an updated movable heritage database listing information for more than 90 heritage sites, a heritage clock audit of 540 railway clocks, reconstruction of a heritage roll-over indicator board, completion of a disposals policy and establishment of a storage facility for movable heritage assets.

3.9 Achievements

Rail Operations Centre

Sydney Trains is investing in a new Rail Operations Centre (ROC) to minimise delays and ensure that when incidents occur on the Sydney Trains rail network, customers receive better and faster information.

The program is made up of four interrelated delivery projects that together will modernise how Sydney's rail network is controlled. The ROC will incorporate dozens of different systems into a single location and change Sydney Trains' approach to managing trains.

As at 30 June 2016, the ROC program is nearing the end of the design stage and preparing to move into delivery.

The approach to designing the ROC building, systems and new ways of working is based on international standards and best practice. It follows a human-centred approach and is an iterative process involving significant staff involvement. During the year around 50 formal workshops and briefing sessions were held with around 250 staff, helping to shape the design.

During the 2015-16 financial year, we:

- designed and built a new incident management system to help staff communicate and resolve incidents faster, providing a better service to customers
- completed the design and started the build for a new customer information management system to provide a single source of information for service line status and service alerts for all customer and staff channels. This included mobile apps, websites, station passenger information screens and variable message screens

- engaged a vendor to start the design of a new day-of-operations timetabling system. The new system will support train controllers in planning services to recover from a disruption. We built a prototype of the innovative technology to ensure it provides the level of support needed for Sydney Trains' complex network
- purchased land at Green Square to build the state-of-the-art ROC building
- completed 50 per cent of the design stage for the ROC building
- engaged a managing contractor to oversee construction of the ROC
- started early work onsite at Green Square to clear it for major construction. This includes putting in place new temporary buildings for Fire and Rescue NSW, who are moving off the site to make way for the ROC building
- established technology infrastructure to deploy the new technology systems. This included use of the new Transport for NSW Next Generation Infrastructure Services infrastructure
- successfully completed (with positive feedback) an Asset Standard Authority (ASA) Surveillance Audit.

Tangara Technology Upgrade Phase 1

To improve the safety, functionality and reliability of our trains and to extend the operating life of our Tangara fleet, Sydney Trains completed Phase 1 of a technology upgrade in the 2015-16 financial year. Phase 1 targeted the existing passenger side door system and the air conditioning system. This upgrade reduced our maintenance costs and improved reliability by reducing in-service door failures and incidents.

During the 2015-16 financial year, we:

- installed Tangara doors ahead of schedule and under budget
- installed new passenger doors for 103 of our four-car sets
- improved door reliability by reducing in-service failures from 6.8 to 0.7 (per million door cycles)
- reduced door 'kick panel' vandalism by 74 per cent
- reduced the risk of injury to passengers and crew by replacing each of the 3,500 door leaves with a lighter weight, stronger aluminium door panel that includes laminated safety glass and electronic detection of obstructions
- improved detection sensitivity so that doors will open and release objects as small as 30 millimetres in width, in contrast to the previous standard of 105 millimetres
- reduced door opening and closing cycles from eight or more seconds to four-and-a-half to six seconds
- replaced door components to return the system to as-new condition
- improved customer comfort by upgrading the air conditioning system to make it more reliable and produce a more consistent temperature with better air quality.

Major Works Transformation

Sydney Trains' Major Works Division delivered approximately \$450 million worth of projects over the 2015-16 financial year through its strong technical capability in engineering, control systems, operations and project management. Our excellence in project management was recognised in 2015 by the Australian Rail Industry Awards and the NSW Chapter of the Australian Institute of Project Management Achievement Awards.

During the 2015-16 financial year, we:

- enabled greater staff collaboration across multi-disciplinary teams by amalgamating 35 facilities into 16 work sites (including four new sites at Wollongong, Hamilton, Lawson and Clyde)
- improved planning, project management, workforce competency and commercial management by forming a new organisational structure
- standardised operations by establishing a new operating model with 20 core processes and corresponding procedures
- reduced duplication and achieved better value for money by implementing a new contracting framework, the Master Services Agreement (MSA)
- improved safety and reduced dust, vibration and noise by using remote-controlled machinery for compacting ballast at Flemington and Central
- reduced the time to complete crossover pre-builds from three weeks to two.

Proactive customer service and real-time information.



Customer Information Program

Sydney Trains developed the Customer Information Program (CIP) to ensure the delivery of customer information anywhere and anytime in a reliable, accurate, relevant and consistent way. To this end, the CIP 2015-16 program of work focused on delivering benefits across a range of channels. In the Customer Satisfaction Survey conducted in May 2016, customer satisfaction in the Information category rose to 88 per cent, an increase of two percentage points since February 2016.

SMARTPHONES DEPLOYED FOR CUSTOMER SERVICE STAFF

By December 2015, we deployed mobile devices to 1,500 Sydney Trains station customer service staff. Our people are now empowered to deliver real-time and proactive face-to-face customer service and are leaders in optimising mobile technology for customer service.

The rollout achieved:

- On-time delivery from the collaborative effort of 100 stakeholders across six companies
- Productivity improvements realised by seconding customer service attendants and station duty managers to configure, deliver, train, and support iPhones for station staff
- The recognition of the 2016 Australasian Rail Industry Award for Customer Service: "Good customer service in any business is a reflection of a confident, well managed organisation that puts the customer first. This category represents customer service excellence, leadership and innovation in the performance of a role or in the performance of a project within the rail industry."

ENTERPRISE APPS

This project created a staff-only version of real-time apps for customers so station staff can provide notification of service changes and trip planning. Train movements are also accessible through a mobile representation of the Train Location System (TLS).

INFORMATION PORTAL

The Portal provided station customer service staff mobile access to Sydney Trains' internal information sources such as timetables, SharePoint, incident notifications, Opal information and special event information.

DIGITAL PUBLIC ADDRESS AND MOBILE PUBLIC ADDRESS SYSTEMS

Twelve major city stations received digital Public Address (PA) systems to provide high-quality announcements to customers. In parallel, 21 stations received mobile PA, an innovative solution which enables customer service staff to make station announcements using their iPhones. This increased the time frontline staff are available to customers, particularly during peak periods, disruptions and emergencies.

LONG LINE DIGITAL VOICE ANNOUNCEMENTS AND PUBLIC ADDRESS (LLDVA/PA)

A total of 296 Sydney Trains and Intercity stations were commissioned with a new LLDVA System, enabling staff to make automated and manual announcements from several central locations. This project replaced the two separate LLPA/LLDVA systems being used in Sydney Trains and NSW Trains which were failing on a regular basis.

CUSTOMER IMPACT ANALYSIS (CIA)

To plan resourcing and projects, we developed four advanced modelling and analytics tools:

1. Predictive Tool: Analyses previous delay information and predicts the magnitude and duration of incident delays, which can then be communicated to customers.
2. Network Simulation: Uses historical Opal data to visually simulate the operations of the network, showing the impact of incidents on both network performance and customer volumes, for improved planning capabilities.
3. Incident Dashboard: A visual analysis and reporting tool that displays historical incident information.
4. Customer Volume Measure: A new set of customer measures based on analysis of Opal data, providing detailed information on customer volumes at different parts of the network over time.

STATION PEDESTRIAN FLOW MODELLING

This initiative delivered a series of accurate, scaled simulations to understand the impacts on customer volumes, and their flows through stations. It provided a robust decision support tool for strategic planning and operational prioritisation in other parts of the business.

IMPROVED INFORMATION PUBLISHING

This project delivered the following capabilities:

- Publishing real-time information on the TfNSW website about lift and escalator outages across the entire Sydney Trains Network
- Enabling the Customer Information Unit to publish customer messages to Waratah trains. Train guards can then choose to make manual announcements, or automatically announce and display the messages.

STATION PLATFORM INDICATOR (SPI) SCREEN INTEGRATION

This software integration project aligned the data sources of the Real Time Train Application (RTTA) and Station Platform Indicator systems, providing notifications and service information updates to our customers in real time.

TRIAL OF WAYFINDING TECHNOLOGY TO ASSIST CUSTOMERS WITH VISION IMPAIRMENT

In August 2015, Sydney Trains undertook a three-week trial of wayfinding technology, using both Bluetooth and a mobile application to determine how this may assist customers with visual impairment independently navigate stations.

Fifteen participants with varying degrees of vision impairment took part and feedback was extremely positive. A more detailed trial will be undertaken in the 2016-17 financial year to develop the solution further and to consider inter-modal navigation.

CUSTOMER INTELLIGENCE AND MARKETING

Sydney Trains delivers real-time information and service updates via apps and our Twitter feed. To improve customer awareness and utilisation of two apps created by the Customer Information Program, we ran a social media marketing initiative.

Targeting mobile phone users located within Sydney and focusing on a specific combination of keywords, visual tweets that publicised Sydney Trains' Twitter handles were pushed to users.

At its conclusion, the campaign contributed to an increase of more than 20 per cent of the years' total annual Twitter follower growth and the campaign delivered 44,248 new followers across the seven Sydney Trains handles, compared with 21,725 over the same period last year.

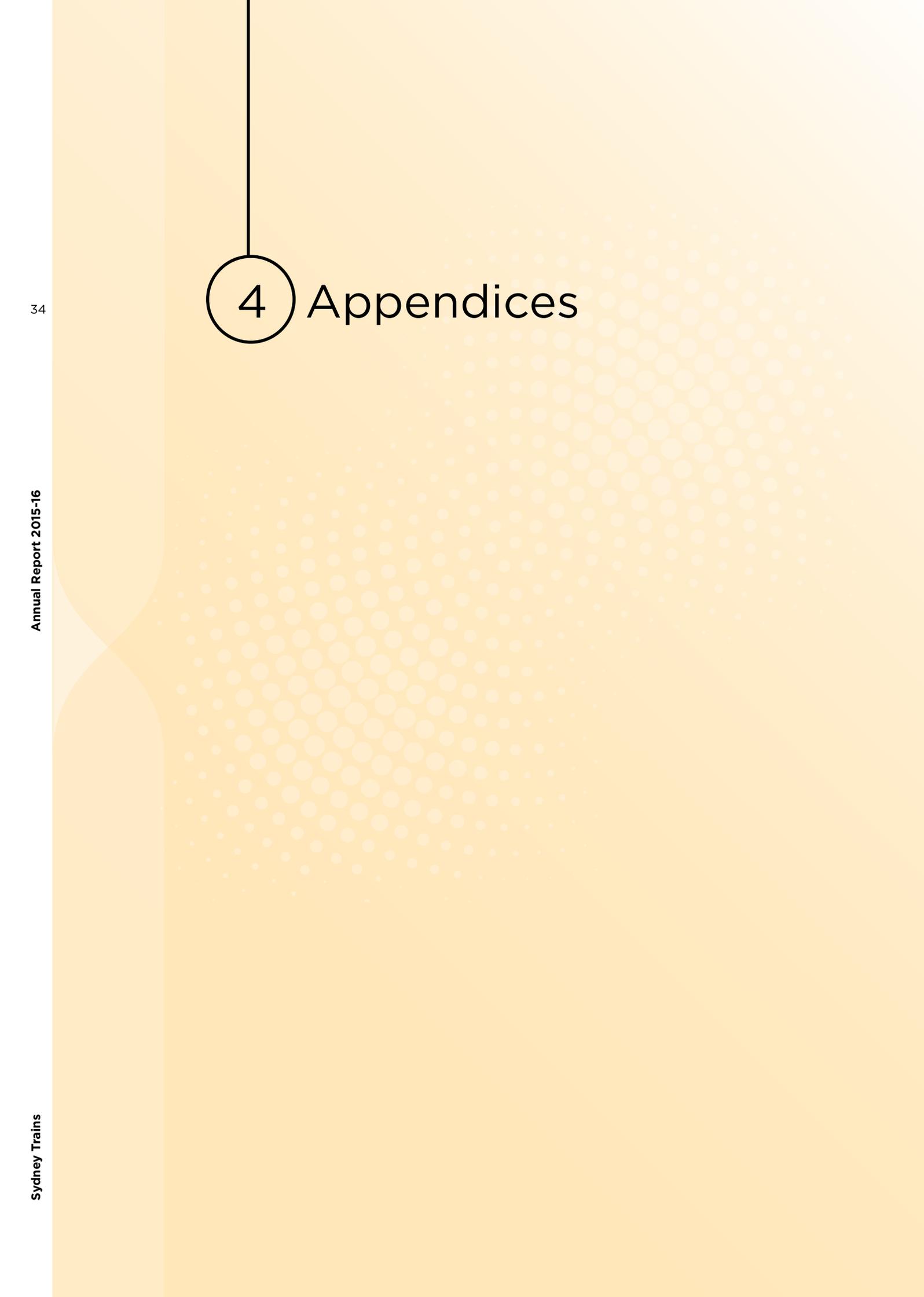
Enterprise Asset Management

Sydney Trains manages more than 700,000 individual assets valued at more than \$34 billion. Enterprise Asset Management (EAM) is an integrated set of standardised processes, systems and data that will enable Sydney Trains to manage these assets more effectively and improve reliability, safety and performance.

EAM will deliver an industry-leading asset management software platform, providing a single source of asset data. This will enable us to continuously monitor, manage and optimise asset performance, from acquisition to disposal. EAM will also standardise 90 business processes to guarantee that assets are managed consistently across the business.

During the 2015-16 financial year, we completed Release 1.0 of EAM, rolling out the Transport Equip software solution to our Fleet Maintenance Division, including the Broadmeadow Maintenance Centre and head office and support services. Transport Equip gives Sydney Trains access to both EAM and Enterprise Resource Planning functionality.

The next EAM release will be delivered during 2016 and 2017 and will focus on preventative and corrective maintenance.



4 Appendices

4.1

Appendix 1: Changes in Acts and subordinate legislation FY2015-16

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

35

(ACTS ASSENTED TO OR COMMENCING DURING 2015-16)

Statute Law (Miscellaneous Provisions) Act 2015 (2015 No 15)

State Insurance and Care Governance Act 2015 (Act 2015 No 19)

(Commencement Proclamation 2015 No524)

Statute Law (Miscellaneous Provisions) Act (No 2) 2015 (No 58)

Passenger Transport Act 2014 (No 46)

(Commencement Proclamation 2016 No 93)

Transport Administration Amendment (Closure of Railway Line at Newcastle) Act 2015 (2015 No 32)

Transport Administration Amendment (Authority to Close Railway Lines) Act 2016 (2016 No 3)

Fines Amendment Act 2016 (Act 2016 No 13)

(Commencement Proclamation 2016 No276)

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

Appendices

(AMENDING ACTS, SUBORDINATE LEGISLATION MADE OR COMMENCED DURING 2015-16)

4

Transport Administration (General) Amendment (Transport Cleaning Services) Regulation 2015 (2015 No 336)

Passenger Transport Amendment (Disclosure of Information) Regulation 2015 (2015 No 611)

Passenger Transport Amendment (Authorised Officers) Regulation 2015 (2015 No 638)

Passenger Transport Amendment (Transitional Appointments of Authorised Officers) Regulation 2015 (2015 No 639)

Rail Safety (Adoption of National Law) Amendment (Drug Testing of Oral Fluid Samples) Regulation 2015 (2015 No 737)

Passenger Transport Amendment (Passenger Service Contracts) Regulation 2016 (2016 No 103)

Passenger Transport Amendment (Service Contracts Repeal) Regulation 2016 (2016 No 104)

Passenger Transport Amendment (Driver Indemnification) Regulation 2016 (2016 No 166)

Rail Safety National Law National Regulations Variation Regulations 2016 (2016 No 360)

(to commence on 01.07.2016)

Rail Safety National Law National Regulations (Fees) Variation Regulations 2016 (2016 No 361)

(to commence on 01.07.2016)

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

(ACTS ASSENTED TO OR COMMENCED DURING 2015-16)

Statute Law (Miscellaneous Provisions) Act 2015 (2015 No 15)

Marine Safety Act 1998 (Act 1998 No 121)

(Commencement Proclamation 2015 No 444)

Regulatory Reform and Other Legislative Repeals Act 2015 (No 48)

Crimes Amendment (Off-road Fatal Accidents) Act 2015 (No 61)

State Revenue Legislation Amendment Act 2015 (No 65)

Statute Law (Miscellaneous Provisions) Act (No 2) 2015 (No 58)

Fines Amendment Act 2016 (Act 2016 No 13)

(Commencement Proclamation 2016 No 276)

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

(AMENDING ACTS, SUBORDINATE LEGISLATION MADE OR COMMENCED DURING 2015-16)

Driving Instructors Amendment (Fees) Regulation 2015 (2015 No 217)

Management of Waters and Waterside Lands Amendment (Fees) Regulation 2015 (2015 No 220)

Marine Safety (General) Amendment (Fees) Regulation 2015 (2015 No 221)

Photo Card Amendment (Fees and Penalty Notices Offences) Regulation 2015 (2015 No 222)

Road Transport Legislation Amendment (Fees, Penalty Levels and Charges) Regulation 2015 (2015 No 225)

Roads Amendment (Penalty Notice Offences) Regulation 2015 (2015 No 226)

Tow Truck Industry Amendment (Fees) Regulation 2015 (2015 No 227)

Heavy Vehicle (Adoption of National Law) Amendment (Penalties) Regulation 2015 (2015 No 326)

Ports and Maritime Administration Amendment (Wharf Access) Regulation 2015 (2015-447)

Road Transport (General) Amendment (Mass, Loading and Access) Regulation 2015 (2015-449)

Transport Administration (General) Amendment (WestConnex Delivery Authority) Regulation 2015 (2015-569)

Road Transport (Driver Licensing) Amendment (Interlock Driver Licences) Regulation 2015 (2015 No 624)

Road Transport (General) Amendment (Charles Stuart University) Regulation 2015 (2015 No 625)

Road Transport (General) Amendment (TAFE Commission) Regulation 2015 (2015 No 626)

Road Transport (Vehicle Registration) Amendment (Auxiliary Number-Plates) Regulation 2015 (2015 No 628)

Road Transport Legislation Amendment (Release of Stored Photographs) Regulation 2015 (2015 No 627)

Regulatory Reform and Other Legislative Repeals Act 2015 (No 48)

Road Transport (Vehicle Registration) Amendment (Law Revision) Regulation 2015 (2015 No 674)

(AMENDING ACTS, SUBORDINATE LEGISLATION MADE OR COMMENCED DURING 2015-16)

Road Transport (General) Amendment (Parking at University of Western Sydney) Regulation 2015 (2015 No 720)

Road Amendment (Approved Motor Bike Helmet) Rule 2015 (2015 No 752)

Road Transport (Driver Licensing) Amendment (Demerit Points for Mobile Phone Offences) Regulation 2015 (2015 No 753)

Heavy Vehicle National Amendment Regulation (2015 No 824)

Road Amendment (Hire Cars) Rule 2015 (2015 No 823)

Statute Law (Miscellaneous Provisions) Act (No 2) 2015 (No 58)

Road Transport (Vehicle Registration) Amendment (Vehicle Standards) Regulation 2016 (2016 No 48)

Heavy Vehicle (Adoption of National Law) Amendment (Penalties) Regulation 2016 (2016 No 56)

Road Transport (General) Amendment (Authorised Officers) Regulation 2016 (2016 No 106)

Road Transport Legislation Amendment (Bicycle Riders) Regulation 2016 (2016 No 107)

Heavy Vehicle (General) National Amendment Regulation (2016 No 261)

Fines Amendment Act 2016 (Act 2016 No 13)

(Commencement Proclamation 2016 No 276)

Marine Safety Regulation 2016 (2016 No 308)

(repealed and replaced the Marine Safety (General) Regulation 2009 on 01.07.2016)

Driving Instructors Amendment (Fees) Regulation 2016 (2015 No 335)

(to commence on 01.07.2016)

Management of Waters and Waterside Lands Amendment (Fees and Classification of Licences) Regulation 2016 (2016 No 307)

(to commence on 01.07.2016)

Photo Card Amendment (Fees and Penalty Notices Offences) Regulation 2016 (2016 No 339)

(to commence on 01.07.2016)

Roads Amendment (Penalty Notice Offences) Regulation 2016 (2016 No 346)

(to commence on 01.07.2016)

Road Transport Legislation Amendment (Fees, Penalty Levels and Charges) Regulation 2016 (2016 No 345)

(to commence on 01.07.2016)

Heavy Vehicle (Adoption of National Law) Amendment (Penalties) Regulation (No 2) 2016 (2016 No 325)

(to commence on 01.07.2016)

4.2 Appendix 2: Obligations under the GIPA Act

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

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

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

- The punctuality of Sydney Trains' fleet. This information sets out a comparison of the punctuality of Sydney Trains fleet for the past five business days for the AM and PM peak hour. The published information also sets out punctuality for all suburban lines dating back to 2002
- Train load statistics up until the latest survey in September 2015
- Safety and security statistics from 2002 to 2015
- Passenger journeys taken by Sydney Trains' customers
- Peak on time rolling stock incidents
- daily service interruptions for all Sydney Trains' lines
- Maintenance and construction work carried out on Sydney Trains
- Information about railway electricity rights
- Information about Sydney Trains' environment protection licences
- Up-to-date information about trackwork for all Sydney Trains' lines
- Information about the Waratah train fleet.

In addition to a vast array of information which is made available as part of our normal business practice, Sydney Trains regularly considers information which has been proactively released and discusses mechanisms for providing greater access to information. Sydney Trains is involved in the Transport cluster's Proactive Release Committee which meets quarterly to discuss sources of information for proactive release. One product of its review in the 2015-16 reporting year has been the revision of performance information which is currently been released by each of the agencies.

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

During the reporting period, our agency received a total of 126+ access applications (including withdrawn applications but not invalid applications).

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

During the reporting period, Sydney Trains refused a total of two access applications because the information requested was information referred to in Schedule 1 to the GIPA Act. Of those applications, one was refused in full, and one was refused in part.

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

TABLE A: NUMBER OF APPLICATIONS BY TYPE OF APPLICANT AND OUTCOME*

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	8	2	3	3	0	0	0	12
Members of Parliament	17	0	0	4	0	1	0	2
Private sector business	7	0	0	2	0	0	0	2
Not for profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	17	4	0	4	0	0	0	0
Members of the public (other)	17	1	1	2	0	0	0	1
	66	7	4	15	0	1	0	17

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

† Table A: Processing times may mean that not all applications are received and resolved within the same reporting period.

TABLE B: NUMBER OF APPLICATIONS BY TYPE OF APPLICATION AND OUTCOME

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	66	7	4	15	0	1	0	17
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0
	66	7	4	15	0	1	0	17

* A *personal information application* is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

TABLE C: INVALID APPLICATIONS

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	13
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	13
Invalid applications that subsequently became valid applications	10

TABLE D: CONCLUSIVE PRESUMPTION OF OVERRIDING PUBLIC INTEREST AGAINST DISCLOSURE: MATTERS LISTED IN SCHEDULE 1 OF THE ACT

	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	2
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial Code of Conduct	0
Aboriginal and environmental heritage	0

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

TABLE E: OTHER PUBLIC INTEREST CONSIDERATIONS AGAINST DISCLOSURE: MATTERS LISTED IN TABLE TO SECTION 14 OF THE ACT

	Number of occasions when application not successful
Responsible and effective government	1
Law enforcement and security	0
Individual rights, judicial processes and natural justice	8
Business interests of agencies and other persons	2
Environment, culture, economy and general matters	1
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

TABLE F: TIMELINESS

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	96
Decided after 35 days (by agreement with applicant)	12
Not decided within time (deemed refusal)	1
TOTAL	108

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TABLE G: NUMBER OF APPLICATIONS REVIEWED UNDER PART 5 OF THE ACT (BY TYPE OF REVIEW AND OUTCOME)

	Decision varied	Decision upheld	Total
Internal review	1	1	2
Review by Information Commissioner*	0	0	1
Internal review following recommendation under section 93 of Act	0	0	0
Review by NCAT	0	1	1
TOTAL	1	2	4

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

Appendices

TABLE H: APPLICATIONS FOR REVIEW UNDER PART 5 OF THE ACT (BY TYPE OF APPLICANT)

	Number of applications for review
Applications by access applicants	4
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	2

4

4.3 Appendix 3: Privacy and Personal Information Protection Act 1998 (PIIP)

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

- Personal and health information about customers who have been involved in incidents, such as falls on Sydney Trains property. This information is collected by Sydney Trains from its customers to assist them during and after incidents
- Personal information about customers who have witnessed incidents on Sydney Trains property and provided their details to Sydney Trains
- Personal information about customers who have lost property on the Sydney Trains fleet, stations or other railway land
- Personal information about customers who provide feedback via the customer feedback telephone line 131 500
- Personal information about customers who have been issued with infringements such as fare evasion.

Sydney Trains, along with the other agencies in the Transport cluster, have been working towards creating greater consistency in the management of personal information to achieve the best possible results for members of the public. This work is demonstrated in the development of the privacy management plans for the transport agencies. The plans are designed to provide the highest standard of information about the compliance with the information protection and health records principles in the PPIP and *Health Records and Information Privacy Act 2002 (HRIP) Acts*.

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

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

Post: The Privacy Officer
Information & Privacy Unit
Transport for NSW
PO Box K659
Haymarket NSW 1240

Phone: 02 8202 3768
Email: privacy@transport.nsw.gov.au

Privacy reviews

During 2015–16, Sydney Trains received one application for an internal review of conduct relating to the use, access or release of personal information. Sydney Trains' internal review found that there was no breach of privacy in this case.

4.4 Appendix 4: Public Interest Disclosures Act 1994

All Public Interest Disclosures (PID) received by Sydney Trains during 2015-16 were presented to the Ombudsman.

1. Number of public officials who have made a PID to the public authority: 27
2. Number of PIDs received by the public authority in total: 30
3. Number of PIDs received by the public authority relating to each of the following:
 - Corrupt Conduct: 29
 - Maladministration: 0
 - Serious and substantial waste of public money: 1
 - Government information contravention: 0
 - Local government pecuniary interest contraventions: 0
4. Number of PIDs finalised: 41
5. Whether the public authority has a PID Policy in place: Yes

Actions taken to ensure staff awareness of responsibilities under s6E(1)(b) of the Act have been met: Training by NSW Ombudsman; training provided by Sydney Trains; email message to all staff; posters in stations and back office; PID information contained in Policy & Procedures; Code of Conduct; links contained in intranet; information communicated via briefing papers and staff communication.

4.5 Appendix 5: Digital information security policy compliance annual attestation statement

I, Howard Collins, am of the opinion that Sydney Trains had an Information Security Management System in place in both the IT Division and the Operational Core Data Network (OCDN) in OT (Operational Technology) during the 2015-16 financial year that is consistent with the Core Requirements set out in the *NSW Government Digital Information Security Policy*.

The controls in place to mitigate identified risks to the digital information and digital information systems of Sydney Trains are adequate.

A. There is no agency under the control of Sydney Trains, which is required to develop an independent ISMS in accordance with the *NSW Government Digital Information Security Policy*.

B. Risks to the digital information and digital information system of Sydney Trains have been assessed with an independent ISMS developed in accordance with the *NSW Government Digital Information Security Policy*.



Howard Collins OBE
Chief Executive
Sydney Trains

31 October 2016

4.6 Appendix 6: Internal audit risk management disclosure

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

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

* Sydney Trains has been in the process of maturing the risk management processes across the organisation. During this process, existing processes and procedures have been maintained which were established based on AS/NZS ISO 31000:2009. Therefore while Sydney Trains has undertaken a review of its framework, it can be deemed to have maintained compliance with the requirements of core requirement 1.2.

Membership

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

- Independent Chair, Peter Housden, 1 October 2013 – 30 September 2017
- Independent Member 1, Felicity Barr, 1 October 2013 – 30 September 2018
- Independent Member 2, Todd Davies, 1 October 2013 – 30 September 2017



Howard Collins OBE
Chief Executive
Sydney Trains

31 October 2016

4.7 Appendix 7: Insurance management

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

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

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

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4.8 Appendix 8: Senior executives - gender and average remuneration

Senior Service Level	Female		Male		Total		Average TRP (\$)		% of total employee-related expenditure relating to senior executives	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
2	11	10	43	49	54	59	236,558	239,214		
3	3	2	9	11	12	13	270,479	284,525		
4	0	0	14	13	14	13	305,053	322,162	2%	2%
5	0	0	2	3	2	3	416,139	432,392		
6	0	1	3	3	3	4	468,570	453,212		
TOTAL	14	13	71	79	85	92				

This table reflects the Transport Senior Service population Level 2 to Level 6 identified for transition to Executive Service following the introduction of the *Government Sector Employment Alignment Legislation*.

In 2015-16, 380 Senior Service Level 1 staff were not included in the profile. In 2014-15, 375 Senior Service Level 1 staff were not included in the profile.

The data shows:

- The number of senior executives employed at the end of the reporting year broken down by level and then gender within each level (S2 to S6).
- The average remuneration of senior executives (Level S2 to S6) at the end of the reporting year. These numbers include the Chief Executive as well.

4.9 Appendix 9: Workforce diversity

Workforce Diversity Group	Benchmark/Target	2013	2014	2015
Women	50 per cent	N/A	16.2 per cent	17.9 per cent
Aboriginal People and Torres Strait Islanders	2.3 per cent	N/A	0.8 per cent	0.8 per cent
People whose First Language Spoken as a Child was not English	19.0 per cent	N/A	15.1 per cent	15.6 per cent
People with a Disability	N/A	N/A	2.2 per cent	2.2 per cent
People with a Disability Requiring Work-Related Adjustment	1.5 per cent	N/A	0.5 per cent	0.5 per cent

Workforce Diversity Group Distribution Index	Benchmark/Target	2013	2014	2015
Women	100	N/A	94	93
Aboriginal People and Torres Strait Islanders	100	N/A	89	89
People whose First Language Spoken as a Child was not English	100	N/A	98	97
People with a Disability	100	N/A	101	100
People with a Disability Requiring Work-Related Adjustment	100	N/A	100	101

Notes:

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

4.10 Appendix 10: Work Health and Safety

Sydney Trains' Work Health and Safety responsibilities are managed through its Safety Management System, which is also the primary vehicle by which Rail Safety obligations are managed. In addition to meeting minimum legislative requirements, Sydney Trains runs comprehensive health and wellness programs for its employees throughout the year.

Sydney Trains held a self-insurer licence under the *Workers Compensation Act 1987 (NSW)* for the reporting year. Workers Compensation claims are managed through the Workers Compensation Unit of Transport Shared Services, TfNSW.

In accordance with the provisions of s.38 of the *Work Health and Safety Act 2011 (NSW)*, Sydney Trains notified WorkCover/SafeWork NSW of 50 incidents during the year. Of these incidents:

- Seventeen involved fatalities as a confirmed or likely consequence of intention to self-harm
- Nine involved fatalities as a consequence of misadventure, health condition or self-induced causes such as drug overdose
- One involved the fatality of a worker
- Six involved serious injuries to a worker
- Ten involved serious injuries to another person, 7 of which were a confirmed or likely consequence of intention to self-harm.

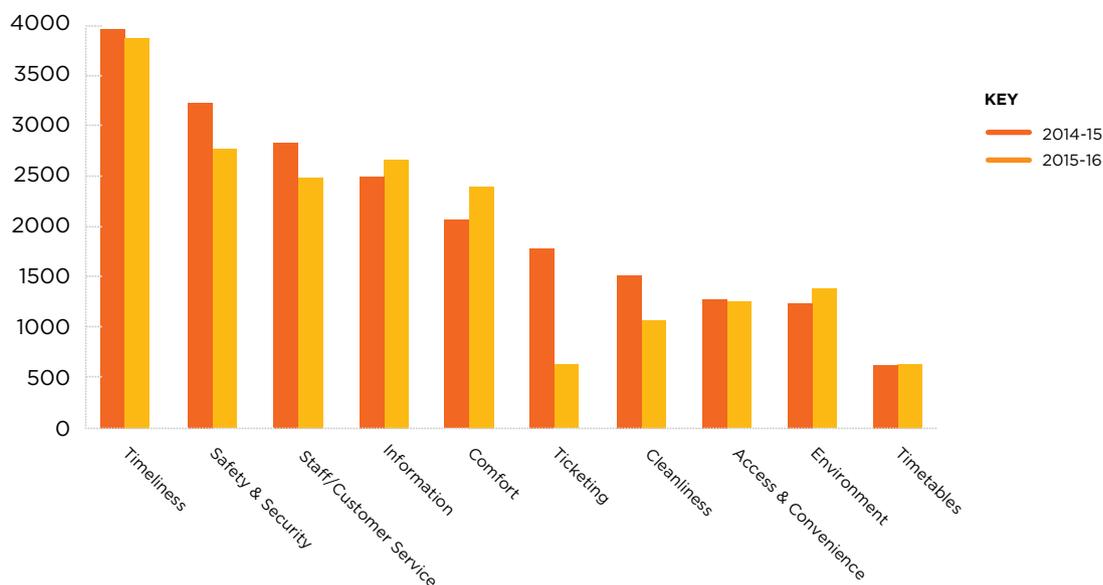
Sydney Trains was not the subject of any WorkCover/SafeWork NSW prosecutions during 2015-16.

4.11 Appendix 11: Consumer response

Sydney Trains complaints fell from 20,934 in 2014-15 to 19,076 in 2015-16. This is a decline of 8.9 per cent on the previous year's totals. Compliments rose from 2,255 in 2014-15 to 3,030 in 2015-16, an increase of 34.4 per cent.

Issue Type	Total
Complaint	19,076
Compliment	3,030
Enquiry	2,629
Feedback	2,338
Grand Total	27,073

The majority of Customer Satisfaction Drivers showed a decrease in complaints from 2014-15.



Complaints on the Customer Satisfaction Driver of Timeliness, dealing with the punctuality of our train and replacement bus services, fell from 3,956 to 3,853.

Safety & Security (2,762 complaints) showed a decrease of 14.3 per cent on the previous year's total of 3,222 complaints.

Staff & Customer Service complaints also fell in 2015-16, from 2,828 to 2,473, a drop of 12.6 per cent.

NB: Changes to data from previous periods are the results of ongoing data correction and reclassification.

Complaints and service improvements

Category	Total	Services improved/changed in response
Timeliness	3,853	Our peak punctuality in 2015-16 has been above target. We have improved incident response/resolution and communications to keep customers informed of the latest travel information.
Safety and security	2,762	We have CCTV and emergency help points monitored 24/7 by the Rail Security Control Centre as well as high intensity lights and improved security fencing across the network. We have a Vandalism Strategy in place, which includes Mousetrap technology to catch vandals in the act. Sydney Trains works closely with the Police Transport Command to provide safety and security across the rail network.
Information	2,661	We have focused on delivery of real-time information so station staff have the latest data to hand and we provide information through social media. We have improved the sound quality and clarity of on-station and on-board announcements. We have improved station signage and upgraded passenger information screen information.
Staff/customer service	2,473	Under our new Customer Service Model, staff are more visible and proactive at stations.

Category	Total	Services improved/changed in response
Comfort	2,393	We have undertaken station upgrades.
Environment	1,383	We are working with the community and relevant environmental bodies to reduce the impact of rail operations.
Access & convenience	1,241	We have upgraded lifts and escalators. Our maintenance programs focus on faster response times to outages or issues. Our station upgrades for customers with disabilities or vision impairment include new tactile tiles on surfaces, new handrails on stairs and hearing induction loops at stations. We have built new commuter car parks.
Cleanliness	1,057	We have a specialised cleaning team providing cleaning services across the network and on trains, as well as a program of deep cleans for stations. We have enhanced the environment through our Station Refresh program, which includes a general improvement and graffiti remediation.
Ticketing	627	The Opal card system has introduced improvements for our customers. Our specialised Fare Compliance Unit manages the deployment of Transport Officers across the cluster to protect revenue and provide general information and customer support for ticketing.
Timetables	626	We have provided additional trains during major special events. We have trialled an additional stop at Austinmer Station on select South Coast express services to and from Sydney.
Grand Total	19,076	

Definitions:

- **Access and convenience:** Feedback on the accessibility, and convenience afforded to Sydney Trains customers on our trains and stations. Includes lifts, escalators and disability upgrades
- **Cleanliness:** Feedback on the presentation of Sydney Trains, stations, services and the rail corridor as distinct from Environmental issues such as noise or air quality. This includes complaints about graffiti and rubbish inside the carriage, in the rail corridor and on stations
- **Comfort:** Feedback on the comfort level, convenience and general amenity afforded to Sydney Trains customers on our trains and stations. This includes train air conditioning, seating, crowding, and on-board fixtures
- **Environment:** Feedback concerning pollution from trains operated by Sydney Trains, premises, or the acts of employees. Includes noise from train lines or trackwork, rubbish dumping or burning on Sydney Trains premises, weeds growing by railway lines and dangerous goods spills
- **Information:** Feedback on station, train and online information systems, indicators, and the frequency and accuracy of public address announcements. Website issues and Sydney Trains publications are also included
- **Safety and security:** Feedback on situations where the customer believes that public safety or personal security is compromised by the actions of rail staff or third parties. Includes bridge issues, trespassing, injuries, behaviour of other passengers, or responses to security concerns
- **Staff/customer service:** Feedback regarding attitudes, behaviour and presentation of staff in their dealings with the public
- **Ticketing:** Feedback on Opal sales, infrastructure and fare policy is now generally managed by TfNSW, resulting in reduced feedback for this Driver. Includes penalty notice matters
- **Timeliness:** Feedback about the timeliness of Sydney Trains services; includes delays, cancellations, skipped stops, or dwell time at platforms. Also applies to replacement bus services
- **Timetable:** Feedback on rail timetables. Usually takes the form of customer requests for changes to services on their line.

4.12 Appendix 12: Multicultural Policies and Services Program

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

The TfNSW Plan outlines how it will respond to the NSW Government's multicultural objectives, and incorporate multicultural principles into TfNSW processes and systems. The plan is reviewed within the Transport cluster-wide steering committee and this leads to continuing development of the strategy for prioritising actions across the Transport cluster. Sydney Trains applies this plan to ensure its operations reflect the multicultural nature of its staff and the community in which it operates. Sydney Trains staff are reflective of the city it serves, with almost one third from racial, ethnic or ethno-religious minority groups.

Sydney Trains participated in numerous events in the financial year 2015-16, including Harmony Day, Diwali, International Women's Day, Eid Festival and National Aboriginal and Islanders Day Observance Committee (NAIDOC) Week. Participation in these events came from all levels of Sydney Trains. The Chief Executive attended and spoke at events, including Harmony Day and Diwali, which were organised by operational staff. Multicultural initiatives were communicated through internal communications channels, including supporting events in which our employees participate.

Sydney Trains is committed to developing its multicultural credentials further in 2016-17. It will explore the possibility of developing a register of staff with linguistic skills and work more closely with culturally diverse stakeholder groups. It will also continue to aid staff participation in multicultural events and promote these through our communications channels.

4.13 Appendix 13: Disability Inclusion Action Plans

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

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

In 2015-16, the majority (99 per cent) of planned actions were either completed or in progress. Highlights relevant to Sydney Trains are listed below.

Building an accessible transport network

Target	Performance
Progressively undertake works to upgrade railway stations and interchanges to improve access for all customers.	152 stations (49.5%) on the Sydney Trains and NSW Trains (Intercity) networks are wheelchair accessible.

Improving the journey experience of people with disability

Target	Performance
Deliver a fully accessible electronic ticketing system	The (optional) free travel Opal card was introduced for customers holding a Vision Impaired Person's Travel Pass.
Introduce practical measures to improve the journey experiences of people with disability or restricted mobility	Smartphone app, Stop Announcer (NSW), is designed for customers with vision impairment and provides audio notifications of stops made along a route.

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

Target	Performance
Offer tailored journey planning for people with disability	Real-time travel apps such as abil.io and Metarove are assisting customers with disability to access transport services.
Increase our insight into the travel needs of customers with disability and older people through qualitative research on their journey experiences	The Accessible Transport Advisory Committee, comprising representatives from diverse disability and ageing organisations, met four times to provide expert guidance on access and inclusion to TfNSW.

Appendices

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4.14 Appendix 14: Environmental compliance

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

4.15 Appendix 15: Investment management performance

In the year ending 30 June 2016, NSW Treasury mandated all cash deposits to be held under the Westpac Treasury Banking System. The interest earned was 1.96 per cent on the funds invested which was below the benchmark rate of 2.48 per cent.

4.16 Appendix 16: Implementation of price determinations

There were no increases to Opal fares or the price of paper tickets for Sydney Trains in 2015-16.

4.17 Appendix 17: Credit card certification

Credit card use within Sydney Trains has been in accordance with the requirements of the Premier's Memorandum and the Treasurer's directions.

4.18 Appendix 18: Payment of accounts

Quarter	Current (i.e.within due date)	Less than 30 days overdue	Between 30 and 60 days overdue	Between 61 and 90 days overdue	More than 90 days overdue
	\$M	\$M	\$M	\$M	\$M
Suppliers					
September 2015	54.3	0.6	0.3	0	0
December 2015	50.2	1.0	0	0.2	0
March 2016	47.0	3.9	0.2	0	0.2
June 2016	97.5	5.1	0.1	0	0.1
Small business suppliers					
September 2015	0.5	0	0	0	0
December 2015	0.8	0	0	0	0
March 2016	0.3	0	0	0	0
June 2016	1.1	0	0	0	0

Accounts paid on time within each quarter

Measure	Sept 15	Dec 15	Mar 16	Jun 16
Suppliers				
Number of accounts due for payment	33,141	29,937	27,255	27,411
Number of accounts paid on time	29,562	25,697	23,250	24,251
Actual % accounts paid on time	89.2%	85.8%	85.3%	88.5%
\$ amount of accounts due for payment	\$467.2M	\$456.5M	\$411.3M	\$454.9M
\$ amount of accounts paid on time	\$419.9M	\$365.7M	\$330.7M	\$373.8M
Actual % accounts paid on time (based on \$)	89.9%	80.1%	80.4%	82.2%
Number of payments for interest	13	3	0	0
Interest paid on overdue accounts	\$3,856.4	\$14.9	\$0	\$0
Small business suppliers				
Number of accounts due for payment	594	463	419	431
Number of accounts paid on time	592	463	419	430
Actual % accounts paid on time	99.7%	100%	100%	99.8%

Measure	Sept 15	Dec 15	Mar 16	Jun 16
\$ amount of accounts due for payment	\$4.3M	\$3.0M	\$2.9M	\$3.2M
\$ amount of accounts paid on time	\$4.2M	\$3.0M	\$2.9M	\$3.2M
Actual % accounts paid on time (based on \$)	97.7%	100%	100%	100%
Number of payments for interest	2	0	0	0
Interest paid on overdue accounts	\$835.4	\$0	\$0	\$0

4.19 Appendix 19: Grants to non-government community organisations

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

152 stations on the Sydney Trains and NSW Trains (Intercity) networks are wheelchair accessible.



4.20 Appendix 20: Overseas travel

Officer name	Travel period	Destination	Purpose of travel
Howard Collins	5-11 July	UK	To attend 'Tomorrow's Rail' conference
Neil Brown	6-10 July	UK	To attend Australia to UK Trade Mission
Anthony Eid	27-28 August	NZ	To review the European Rail Control System in operation
Stewart Mills	27-28 August	NZ	To review the European Rail Control System in operation
Darren Curley	15-26 September	Germany, Norway, Austria and UK	To review routine maintenance equipment and practices of other rail operators
Lynn Herisson	5-10 October	UK	To meet underwriters for the placement of the annual liability and property insurance renewal
Anthony Eid	21-23 March	Hong Kong	To present at the 18th Asia Pacific Rail conference
Howard Collins	18-25 April*	London	To review rail operations in context of the Sydney Metro project
Anthony Eid	16-20 May	USA	To present at the International Suburban Rail Benchmarking Group Management meeting
Stephen King	17-26 May	China	To complete Factory Acceptance Testing of high voltage rectifier transformer
Virinder Singh	17-26 May	China	To complete Factory Acceptance Testing of high voltage rectifier transformer
Stewart Mills	23-27 May	UK	To present at the 12th Annual World MetroRail Congress
Howard Collins	15-16 June	NZ	To participate at the New Zealand Rail Conference

* The actual travel costs incurred were not paid by Sydney Trains.

4.21 Appendix 21: Payments to consultants

Consultant	Category	Project	Costs
Contracts of \$50,000 or more			
KPMG	Management Services	Provide strategic advice on various operational programs and improvement strategies (three contracts)	\$1,974,550
University of Wollongong	Management Services	Research & advice on rail defects	\$240,000
Price Waterhouse Coopers	Management Services	Develop a mobility strategy for staff and customers	\$204,333
Deloitte	Management Services	Strategic advice on the Corporate Business Plan	\$77,420
Ernst & Young	Organisational Review	Undertake an independent safety risk assessment	\$203,698
Total contracts of \$50,000 or more	(seven contracts)		\$2,700,001
Total contracts less than \$50,000	(four contracts)		\$109,462
Total expenditure for 2015-16			\$2,809,463

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Appendices

4.22 Appendix 22: Waste reduction

Sydney Trains has continued to demonstrate commitment to the NSW Government's policies on waste and recycling, including the *Government Resource Efficiency Policy (GREP)*. During the reporting period, we:

- Undertook a detailed waste audit of key stations and maintenance centres
- Developed a waste masterplan to target improvements in recycling rates and reductions in waste to landfill
- Implemented more than 400 co-mingled 'Safer-by-design' recycling bins at key stations in the metropolitan network
- Purchased recycled or part-recycled products when appropriate.

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4.23 Appendix 23: NSW Government Resource Efficiency Policy (GREP)

In July 2014, the NSW Government released its *Resource Efficiency Policy (GREP)*. Compliance with GREP is mandatory for all general Government sector agencies on a whole-of-cluster basis, while local government, State-owned corporations, public trading enterprises and public financial enterprises are strongly encouraged to adopt the policy. Sydney Trains reports on its performance against GREP via TfNSW.

4.24 Appendix 24: Major works in progress

Sydney Trains has works completed and in progress as at 30 June 2016 including the following:

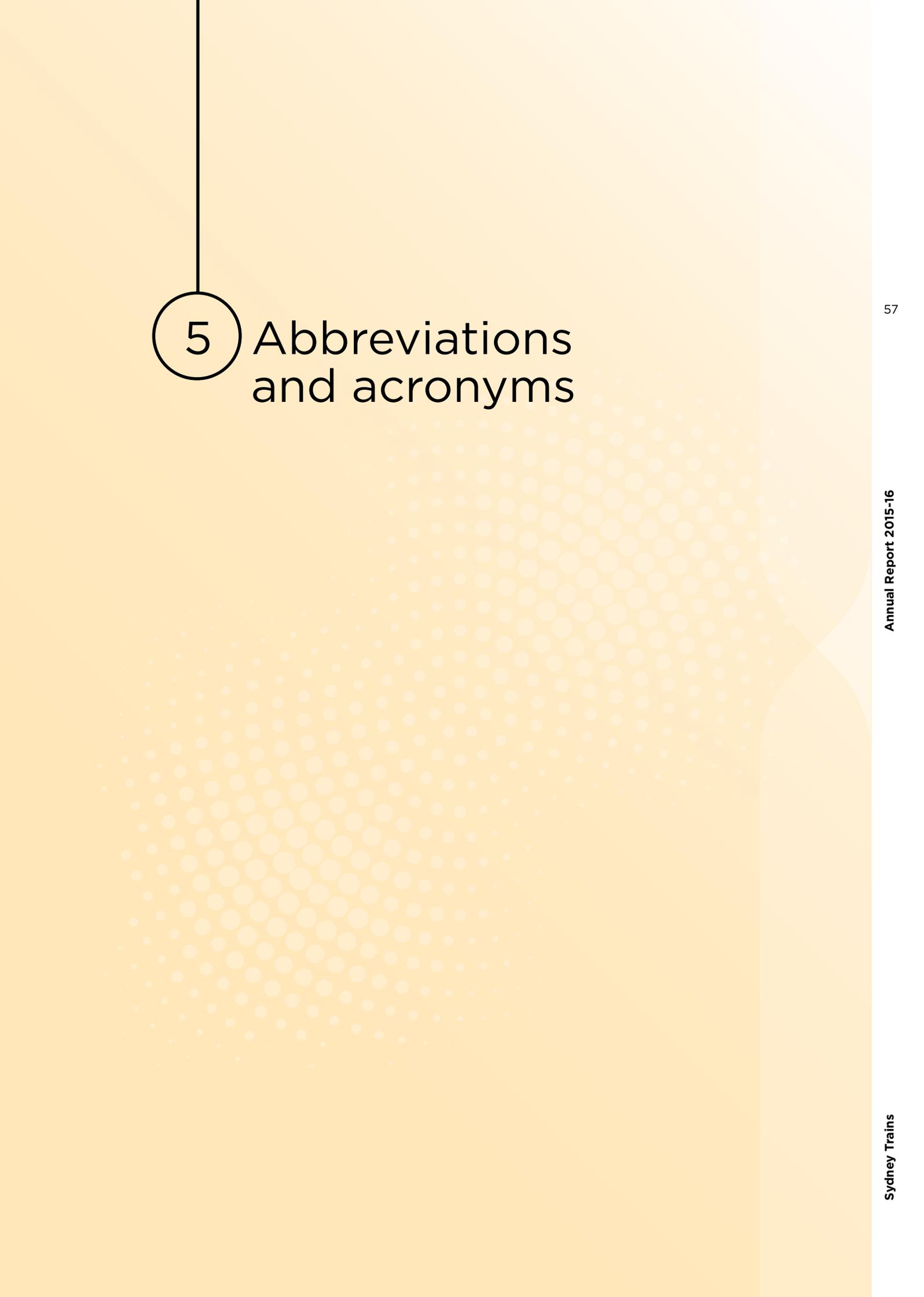
	Cost to date (\$ million)	Forecast completion (year)
Waratah rolling stock – enabling and ancillary works	640	2016

4.25 Appendix 25: External Annual Report production costs

All concept design and infographics associated with the following Transport cluster annual reports were completed in-house:

- Transport for NSW
- State Transit Authority
- RailCorp
- Sydney Trains
- NSW Trains
- Port Authority of NSW.

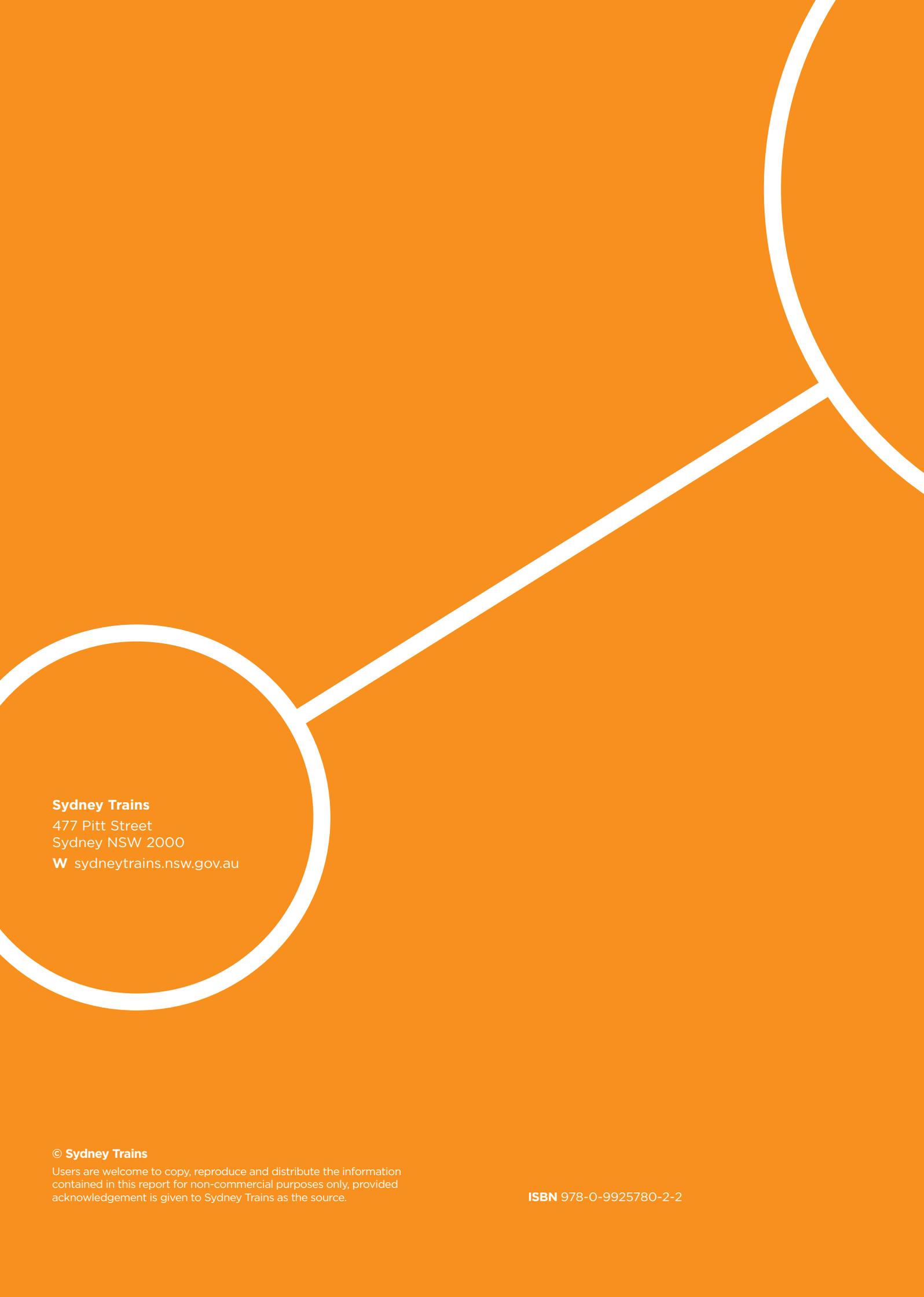
Contractors were employed to ensure Sydney Trains' annual report was WCAG Compliant at a cost of \$4,730. Proofreading was also employed at a cost of \$715 for quality assurance purposes.



5 Abbreviations
and acronyms

5.1 Abbreviations and acronyms

ACJPs	Alternate Customer Journey Plans
CIA	Customer Impact Analysis
CIP	Customer Information Program
DTRS	Digital Train Radio System
EAM	Enterprise Asset Management
FCU	Fare Compliance Unit
GIPA	Government Information (Public Access)
HRIP	Health Records and Information Privacy
GREP	NSW Government Resource Efficiency Policy
ISBeRG	International Suburban Rail Benchmarking Group
LLDVA	Long Line Digital Voice Announcements
LTIFR	Lost Time Injury Frequency Rate
NAIDOC	National Aborigines and Islanders Day Observance Committee
OSI	Operational Safety Index
PID	Public Interest Disclosure
PIIP	Privacy and Personal Information Protection
PV	Photovoltaic
ROC	Rail Operations Centre
RSC	Rail Services Contract
RTTA	Real Time Train Application
SPACE	Safety, Pride, Accountability, Collaboration and Excellence
SPAD	Signal Passed At Danger
SPI	Station Platform Indicator
SOP	Services and Operations Plan
TAM	Total Asset Management Plan
TfNSW	Transport for NSW
TGI	Track Geometry Index
TLS	Train Location System
TOF	Transport Outcomes Framework
TCQL	Train Crew Quick Links



Sydney Trains

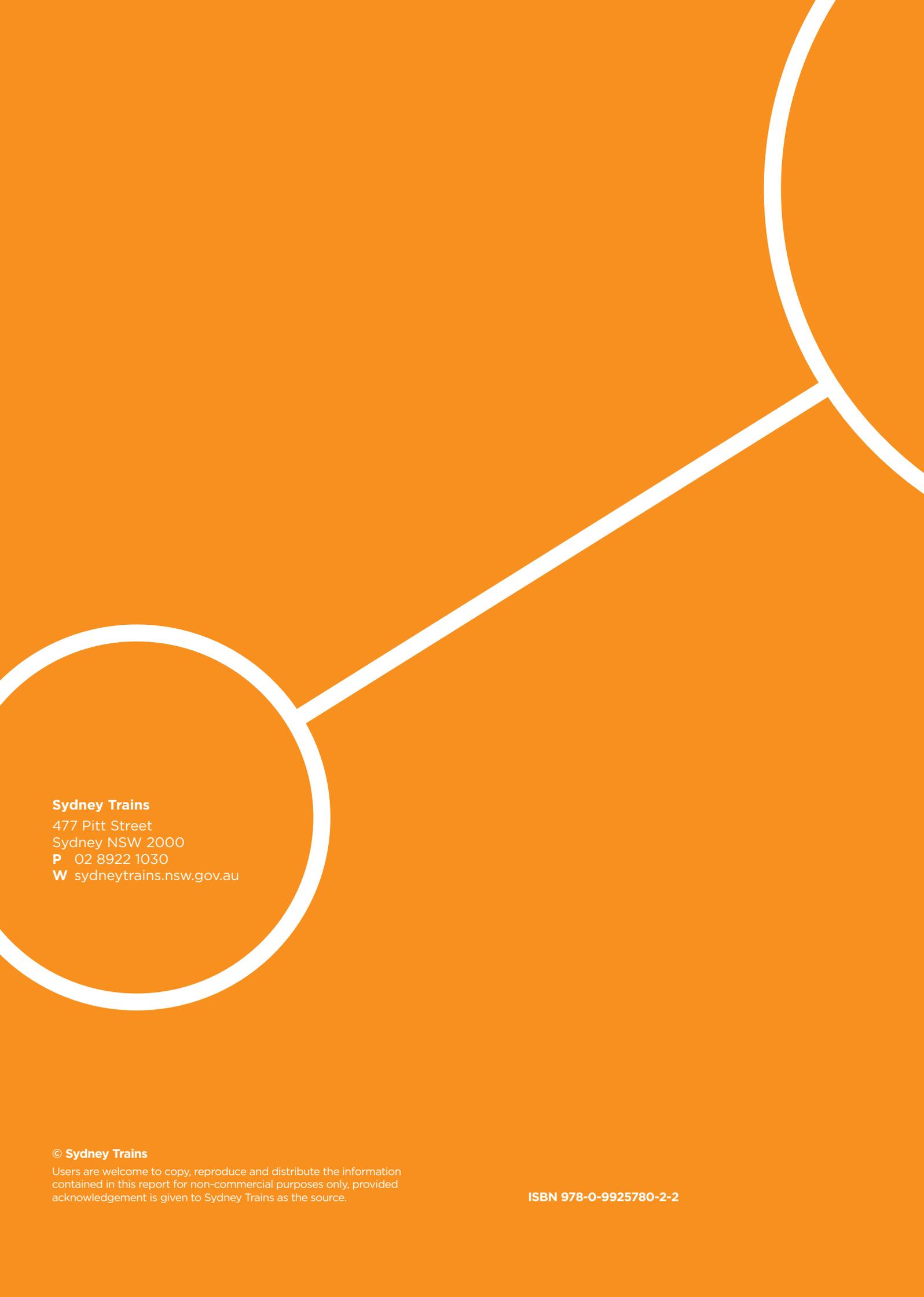
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2015-2016

Annual Report



Transport
Sydney Trains

Sydney Trains
Volume 2



Sydney Trains Annual Report 2015-2016 – Volume 2

Overview

This volume of the Sydney Trains Annual Report contains the audited financial statements and Independent Auditor's Report.

Accessibility

Sydney Trains has attempted to make this document compliant with Web Content Accessibility Guidelines 2.0. However, if you experience difficulty in accessing this content, please contact Lynn Herisson, Manager Financial Accounting Management, phone 02 8922 1865, LYNN.HERISSON@transport.nsw.gov.au

Sydney Trains

Financial Statements 2015-2016



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Statement by the Chief Executive

In relation to the Financial Statements for the year ended 30 June 2016

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

- (a) In my opinion, the accompanying financial statements, read in conjunction with the notes thereto, exhibit a true and fair view of the financial position of Sydney Trains as at 30 June 2016 and of its financial performance for the year ended 30 June 2016.
- (b) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2015, Australian Accounting Standards, which includes Australian Accounting Interpretations, and the Treasurer's directions.
- (c) I am not aware, as at the date of this statement, of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Howard Collins OBE
Chief Executive

15 September 2016

(Start of audited financial statements)

Statement of Comprehensive Income for the year ended 30 June 2016

	Note	2015-16 \$'000	Consolidated 2014-15 \$'000	Parent 2014-15 \$'000
Income				
Passenger services revenue		721,604	712,373	712,373
Non passenger revenue	3.1	1,193,125	1,121,472	1,176,116
Interest		11,665	2,609	2,557
Income from operating activities		1,926,394	1,836,454	1,891,046
Expenses				
Operating expenses				
- Employee benefit expenses and other payroll costs	4.1	1,112,390	1,135,553	1,135,553
- Personnel service expenses	4.3	108,974	105,149	105,149
- Other operating expenses	4.4	1,829,023	1,799,118	1,853,710
Depreciation and amortisation	8.2, 9.2	153,965	156,300	156,300
Finance costs	4.6	158,526	175,493	175,493
Total expenses		3,362,878	3,371,613	3,426,205
Deficit from operations before Government contributions		(1,436,484)	(1,535,159)	(1,535,159)
Government subsidies and contributions	3.2	1,213,034	1,256,486	1,256,486
Deficit from operations before capital expenditure contributions		(223,450)	(278,673)	(278,673)
Contributions for capital expenditure	3.3	-	64,002	64,002
Deficit for the year from continuing operations		(223,450)	(214,671)	(214,671)
Other Comprehensive Income				
<i>Items that may be reclassified to surplus/deficit</i>				
Net gain/(loss) in forward foreign exchange		1,819	2,902	2,902
Net gain/(loss) in commodity swaps		2,677	(4,717)	(4,717)
<i>Items that will not be reclassified to surplus/deficit</i>				
Revaluation of property, plant and equipment		-	21,429	21,429
Superannuation actuarial gains/(losses) on defined benefit schemes		(246,963)	(9,139)	(9,139)
Total Other Comprehensive Income for the year		(242,467)	10,475	10,475
Total Comprehensive Income for the year		(465,917)	(204,196)	(204,196)

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

Statement of Financial Position as at 30 June 2016

	Note	30.6.2016 \$'000	Consolidated 30.6.2015 \$'000	Parent 30.6.2015 \$'000
Assets				
Current assets				
Cash and cash equivalents	5.1	590,217	303,460	303,460
Trade and other receivables	6.1	320,825	258,910	258,910
Inter entity receivable		-	430,011	430,011
Inventories	7	14,563	27,757	27,757
Derivative financial instruments		7,260	1,676	1,676
Total current assets		932,865	1,021,814	1,021,814
Non-current assets				
Inventories	7	27,823	18,334	18,334
Property, plant and equipment	8	3,105,305	3,205,305	3,205,305
Intangible assets	9	199,350	199,355	199,355
Derivative financial instruments		898	631	631
Total non-current assets		3,333,376	3,423,625	3,423,625
Total assets		4,266,241	4,445,439	4,445,439
Liabilities				
Current liabilities				
Trade & other payables	10	479,222	453,545	453,545
Finance lease liabilities	11	-	13,392	13,392
Provisions	12	397,357	411,180	411,180
Derivative financial instruments		4,394	3,566	3,566
Total current liabilities		880,973	881,683	881,683
Non-current liabilities				
Finance lease liabilities	11	2,015,814	1,995,664	1,995,664
Provisions	12	611,475	344,721	344,721
Derivative financial instruments		1,558	1,033	1,033
Total non-current liabilities		2,628,847	2,341,418	2,341,418
Total liabilities		3,509,820	3,223,101	3,223,101
Net assets		756,421	1,222,338	1,222,338
Equity				
Contributed equity	13.1	1,207,094	1,207,094	1,207,094
Reserves		450,160	445,664	445,664
Retained earnings		(900,833)	(430,420)	(430,420)
Total equity		756,421	1,222,338	1,222,338

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

Statement of Changes in Equity for the year ended 30 June 2016

Parent	Note	Contributed equity	Retained earnings	Asset revaluation	Other reserves	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015		1,207,094	(430,420)	447,955	(2,291)	1,222,338
Surplus/(Deficit) for the year		-	(223,450)	-	-	(223,450)
Other Comprehensive Income						
Net gain/(loss) in forward foreign exchange		-	-	-	1,819	1,819
Net gain/(loss) in commodity swap		-	-	-	2,677	2,677
Superannuation actuarial gains/(losses) on defined benefit schemes		-	(246,963)	-	-	(246,963)
Total Other Comprehensive Income for the year		-	(246,963)	-	4,496	(242,467)
Total Comprehensive Income for the year		-	(470,413)	-	4,496	(465,917)
Balance at 30 June 2016		1,207,094	(900,833)	447,955	2,205	756,421
	Note	Contributed equity	Retained earnings	Asset revaluation	Other reserves	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014		314,759	(206,610)	426,526	(476)	534,199
Surplus/(deficit) for the year		-	(214,671)	-	-	(214,671)
Other Comprehensive Income						
Net gain/(loss) in forward foreign exchange		-	-	-	2,902	2,902
Net gain/(loss) in commodity swaps		-	-	-	(4,717)	(4,717)
Increase/(decrease) in asset revaluation reserve		-	-	21,429	-	21,429
Superannuation actuarial gains/(losses) on defined benefit schemes		-	(9,139)	-	-	(9,139)
Total Other Comprehensive Income for the year		-	(9,139)	21,429	(1,815)	10,475
Increase/ (decrease) in net assets from equity transfers (contribution by owners)	13.2	892,335	-	-	-	892,335
Balance at 30 June 2015*		1,207,094	(430,420)	447,955	(2,291)	1,222,338

* Figures relate to parent and consolidated entity

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

Statement of Cash Flows for the year ended 30 June 2016

	Note	2015-16 \$'000	Consolidated 2014-15 \$'000	Parent 2014-15 \$'000
Cash flows from operating activities				
<i>Cash received</i>				
Passenger services		777,516	744,401	744,401
Other receipts from customers and others		1,301,116	1,489,517	1,545,489
Government subsidies and concessions		1,205,758	1,248,573	1,248,573
Interest received		6,009	2,609	2,557
Total cash received		3,290,399	3,485,100	3,541,020
<i>Cash used</i>				
Payments to suppliers and others		(2,018,604)	(2,051,200)	(2,101,713)
Payments to employees		(1,212,687)	(1,217,974)	(1,217,974)
Interest paid on finance lease		(144,824)	(155,691)	(155,691)
Total cash used		(3,376,115)	(3,424,865)	(3,475,378)
Net cash from/(used in) operating activities	5.2	(85,716)	60,235	65,642
Cash flow from investing activities				
<i>Cash received</i>				
Capital grants		17,732	22,405	22,405
Total cash received		17,732	22,405	22,405
<i>Cash used</i>				
Property, plant and equipment and intangible assets acquisitions		(61,847)	(47,207)	(47,207)
Total cash used		(61,847)	(47,207)	(47,207)
Net cash from/(used by) investing activities		(44,115)	(24,802)	(24,802)
Cash flows from financing activities				
<i>Cash received</i>				
Proceeds from inter entity transactions		430,011	275,812	274,812
Total cash received		430,011	275,812	274,812
<i>Cash used</i>				
Repayment of finance lease		(13,423)	(74,025)	(74,025)
Total cash used		(13,423)	(74,025)	(74,025)
Net cash from/(used in) financing activities		416,588	201,787	200,787
Net (decrease)/increase in cash and cash equivalents		286,757	237,220	241,627
Cash and cash equivalents at beginning of year		303,460	60,705	60,705
Cash transferred in from Transport Cleaning Services	13.2	-	5,535	1,128
Cash and cash equivalents at end of year	5.1	590,217	303,460	303,460

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 1 Reporting entity and financial statements

(a) Reporting entity

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

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

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

In the prior year, Sydney Trains controlled Transport Cleaning Services. Sydney Trains obtained control of Transport Cleaning Services on 1 August 2014 under the *Transport Administration (General) Amendment (Transport Cleaning Services) Regulation 2014 (NSW)*. On 1 July 2015, Transport Cleaning Services was dissolved under the *Transport Administration (General) Amendment (Transport Cleaning Services) Regulation 2015 (NSW)* and ceased to become a controlled entity of Sydney Trains. Sydney Trains does not have any controlled entities at 30 June 2016.

(b) Principles of consolidation

In the prior year, the consolidated Financial Statements comprised of the Financial Statements of Sydney Trains (the parent entity) and its controlled entity after elimination of all inter-entity transactions and balances.

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

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

(c) Authorisation of the Financial Statements

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

(d) Statement of compliance

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 2 Summary of significant accounting policies

2.1 Basis of preparation

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

Generally, the historical cost basis of accounting has been adopted and these Financial Statements do not take into account changing money values or current valuations. However, property, plant and equipment and derivative financial assets and liabilities are measured at fair value. Refer Notes 2.3(ii) and 2.13(ii). Certain liabilities are calculated on a present value basis such as leave entitlements and other provisions.

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

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

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

Inter entity in the financial statements refers to transactions between Sydney Trains and transport entities RailCorp, NSW Trains, Transport Cleaning Services (in 2014-15), TfNSW, State Transit Authority of New South Wales, Transport Service of New South Wales and Roads & Maritime Services.

2.1.1 Going concern

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

2.1.2 Change in accounting policy

There is no change to accounting policies in 2015-16.

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 (AASB) that are relevant to Sydney Trains effective for the annual reporting periods ending 30 June 2016. The adoption of these new and revised Standards and Interpretations has not resulted in any significant changes to Sydney Trains accounting policies. Sydney Trains did not early adopt any new accounting standards and interpretations that are not yet effective in accordance with NSW Treasury mandates.

The following new Accounting Standards and Interpretations have not yet been adopted and are not effective as at 30 June 2016. The standards are effective for annual reporting periods commencing on or after 1 January 2016.

Notes to the Financial Statements for the year ended 30 June 2016

Note 2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised Accounting Standards (continued)

AASB / Amendment	Title	Issue Date	Application date of Standard
AASB 9	Financial Instruments	Dec 2014	1 Jan 2018
AASB 14	Regulatory Deferral Accounts	Jun 2014	1 Jan 2016
AASB 15	Revenue from Contracts with Customers	Oct 2015	1 Jan 2018
AASB 1057	Application of Australian Accounting Standards	Jul 2015	Jan 2016
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (Dec 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 16, 19, 107 & 127]	Sep 2012	1 Jan 2018
AASB 2014-1	Amendments to Australian Accounting Standards [Operative dates: Parts A-C – 1 Jul 2014; Part D – 1 Jan 2016; Part E – 1 Jan 2018]	Jun 2014	1 Jan 2016/ 1 Jan 2018
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	Aug 2014	1 Jan 2016
AASB 2014-4	Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]	Aug 2014	1 Jan 2016
AASB 2014-5	Amendments to Australian Accounting Standards arising from AASB 15	Dec 2014	1 Jan 2018
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	Dec 2014	1 Jan 2018
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB1, 127 & 128]	Dec 2014	1 Jan 2016
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]	Dec 2014	1 Jan 2016
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]	Jan 2015	1 Jan 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]	Jan 2015	1 Jan 2016
AASB 2015-6	Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]	Mar 2015	1 Jul 2016
AASB 2015-7	Amendments to Australian Accounting Standards – Fair Value Disclosures of Not For Profit Public Sector Entities	Jul 2015	1 Jul 2016
AASB 2015-8	Amendments to Australian Accounting Standards – Effective Date of AASB 15	Oct 2015	1 Jan 2017
AASB 2015-9	Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]	Nov 2015	1 Jan 2016
AASB 16	Leases	Feb 2016	1 Jan 2019
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	Mar 2016	1 Jan 2017
AASB 2016-3	Amendments to Australian Accounting Standards – Clarifications to AASB 15	May 2016	1 Jan 2018
AASB 2016-4	Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	Jun 2016	1 Jan 2017

Notes to the Financial Statements for the year ended 30 June 2016

Note 2 Summary of significant accounting policies (continued)

Sydney Trains has assessed the impact of the standards that will apply in the next reporting period:

- AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-For-Profit Public Sector Entities* will apply for the first time in 2016-17. The Standard is applicable from 1 July 2016 and extends the scope of AASB 124 *Related Party Disclosures* to not for profit public sector entities. The Standard will not impact the primary financial statements however Sydney Trains anticipates additional disclosures in the next financial year.
- AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-For-Profit Public Sector Entities* is applicable from 1 July 2016 and can be early adopted. The Standard relieves not for profit public sector entities from making certain level 3 fair value disclosures relating to property, plant and equipment. Sydney Trains has elected not to early adopt the Standard and will retain the additional disclosures for improved clarity.

The impact of the remaining standards will be considered in subsequent reporting periods.

2.3 Financial instruments

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

(i) Recognition

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

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

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

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

(ii) Measurement

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

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

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

(iii) Hedging

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

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 2 Summary of significant accounting policies (continued)

2.3 Financial instruments (continued)

(iii) Hedging (continued)

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

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

(iv) Hedge accounting

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

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

Hedge accounting is discontinued when the hedging instrument expires, is sold, is terminated, is exercised, no longer meets the hedge accounting criteria, has its designation revoked, or if the hedged forecast transaction is no longer expected to occur. Generally, any associated cumulative gain or loss in the Hedging Reserve is only transferred out when the hedged cash flow eventually occurs. However, if the hedged transaction is no longer expected to occur, the gain or loss is immediately transferred to the Statement of Comprehensive Income. Refer Note 17.

2.4 Offsetting financial assets and liabilities

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

2.5 Taxes

(i) Income tax equivalents

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

(ii) Goods and Services Tax

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

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 2 Summary of significant accounting policies (continued)

(iii) State taxes

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

2.6 Leases

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

(i) Details of PPP finance leasing arrangements

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

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

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

(ii) Accounting treatment – operating leases

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

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

(iii) Accounting treatment – finance leases

As lessee

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

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

Refer Note 14.3.

Notes to the Financial Statements for the year ended 30 June 2016

Note 2 Summary of significant accounting policies (continued)

2.6 Leases (continued)

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

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

Refer Note 2.8

2.7 Foreign currency translation

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

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

2.8 Income

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

Passenger revenue

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

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

Fines and penalties

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

Rendering of services

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

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

Government contributions

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

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 2 Summary of significant accounting policies (continued)

2.8 Income (continued)

Government contributions (continued)

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

Interest revenue

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

Leases

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

Sale of assets and goods

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

Inter entity cost recovery

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

Refer Note 3.1

2.9 Cash and cash equivalents

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

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

Refer Note 5.

Notes to the Financial Statements for the year ended 30 June 2016

Note 2 Summary of significant accounting policies (continued)

2.10 Trade and other receivables

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

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

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

Refer Note 6.

2.11 Inventories

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

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

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

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

Refer Note 7

2.12 Impairment of financial assets

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

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 2 Summary of significant accounting policies (continued)

2.13 Property, plant and equipment

(i) Recognition

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

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

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

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

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

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

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

(ii) Measurement

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

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date or if such a price is not observable or estimable from market evidence its replacement cost. Replacement cost is the written-down cost of an optimised modern equivalent asset. Non-specialised assets with short useful lives such as minor plant and equipment are measured at depreciated historical cost as a proxy for fair value. Sydney Trains has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 2 Summary of significant accounting policies (continued)

2.13 Property, plant and equipment (continued)

(ii) Measurement (continued)

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

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

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

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

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

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

(iii) Depreciation

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

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

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

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

	<u>Years</u>
Buildings	60
Rolling stock	32 - 35
Plant and machinery	4-22

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

(iv) Derecognition

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

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

Refer Note 8

Notes to the Financial Statements for the year ended 30 June 2016

Note 2 Summary of significant accounting policies (continued)

(v) Impairment of property, plant and equipment

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

2.14 Intangible assets

(i) Recognition

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

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

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

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

(ii) Measurement

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

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

(iii) Amortisation

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

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

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

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

(iv) Derecognition

An intangible asset is derecognised either on disposal or when its service potential ceases and it is not expected to have any disposal value. On derecognition, any gain or loss is recognised in the Statement of Comprehensive Income. Refer Note 9

Notes to the Financial Statements for the year ended 30 June 2016

Note 2 Summary of significant accounting policies (continued)

2.15 Trade and other payables

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

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

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

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

Refer Note 10

2.16 Provisions

(i) Provisions generally

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

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

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

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

(ii) Employee benefits

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

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

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 2 Summary of significant accounting policies (continued)

2.16 Provisions (continued)

(ii) Employee benefits (continued)

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

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

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

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

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

The amount recognised for the superannuation provision is the net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at that date of any plan assets out of which the obligations are to be settled directly. Investment credits are not netted off against the superannuation contribution tax when calculating the net defined benefit liability (asset) at balance date.

However, any prepaid superannuation asset recognised cannot exceed the total of any cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan.

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

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

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

Refer Note 12

2.17 Equity contributions

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

Refer Note 13

Notes to the Financial Statements for the year ended 30 June 2016

Note 2 Summary of significant accounting policies (continued)

2.18 Fair value hierarchy

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

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

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

Refer Notes 16 and 17

2.19 Significant accounting judgements, estimates and assumptions

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

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

2.20 Personnel services

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

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

Refer Note 4.3 and Note 3.2

2.21 Inter entity advance

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 3 Income

3.1 Non passenger revenue

	2015-16 \$'000	Consolidated 2014-15 \$'000	Parent 2014-15 \$'000
Inter entity cost recovery	553,331	566,284	620,928
Construction revenue RailCorp	572,706	447,730	447,730
Sale of rail products	1,172	16,040	16,040
Construction revenue from third party	5	3,840	3,840
Advertising revenue	25,002	21,201	21,201
Fines and penalties	11,603	11,942	11,942
Sale of quarry products	261	1,112	1,112
Inter entity direct labour cost recovery	4,067	5,865	5,865
Other revenue	24,978	47,458	47,458
Total non passenger revenue	1,193,125	1,121,472	1,176,116

3.2 Government subsidies and contributions

	2015-16 \$'000	Consolidated 2014-15 \$'000	Parent 2014-15 \$'000
Operating subsidies	1,174,656	1,195,772	1,195,772
Redundancy payments	30,691	52,793	52,793
Personnel services benefit	7,276	7,913	7,913
Training funding	411	8	8
Total government subsidies and contributions	1,213,034	1,256,486	1,256,486

3.3 Contributions for capital expenditure

	2015-16 \$'000	Consolidated 2014-15 \$'000	Parent 2014-15 \$'000
NSW Government capital grant	-	40,137	40,137
Asset transfers-RailCorp	-	23,865	23,865
Total contributions for capital expenditure	-	64,002	64,002

Notes to the Financial Statements for the year ended 30 June 2016

Note 4 Expenses

4.1 Employee benefits expenses and other payroll costs

Employee related expenses include the following items:

	Note	2015-16 \$'000	Consolidated 2014-15 \$'000	Parent 2014-15 \$'000
Salaries and wages		901,419	904,235	904,235
Annual leave		80,538	79,828	79,828
Long service leave		48,347	22,388	22,388
Superannuation-defined benefit	4.2	25,816	27,736	27,736
Superannuation-defined contribution		68,133	66,039	66,039
Workers compensation		11,797	9,887	9,887
Payroll tax and fringe benefits		62,842	59,372	59,372
Redundancy		12,970	42,117	42,117
Other payroll costs		15,907	21,720	21,720
Total employee related expenses		1,227,769	1,233,322	1,233,322
Skilled hire contractors		7,350	4,685	4,685
Skilled hire contractors-inter entity		337	3,771	3,771
Less: Employee related expenses allocated to capital expenditure		(13,093)	(10,726)	(10,726)
Less: Employee related expenses allocated to capital construction*		(109,973)	(95,499)	(95,499)
Total employee benefits expenses and other payroll costs		1,112,390	1,135,553	1,135,553

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

4.2 Defined benefit superannuation plan expense/(income)

	Note	2015-16 \$'000	Consolidated 2014-15 \$'000	Parent 2014-15 \$'000
Current service cost		16,967	18,990	18,990
Net interest		8,849	8,746	8,746
Total defined benefit superannuation expense/(income)	12.2	25,816	27,736	27,736

4.3 Personnel services expenses

	2015-16 \$'000	Consolidated 2014-15 \$'000	Parent 2014-15 \$'000
Salaries and wages	81,450	76,116	76,116
Annual leave	7,204	8,092	8,092
Long service leave	5,601	7,388	7,388
Superannuation-defined benefit plan	1,614	493	493
Superannuation-defined contribution	6,642	6,846	6,846
Workers compensation	210	215	215
Payroll and fringe benefit tax	5,961	5,999	5,999
Other payroll costs	292	-	-
Total personnel services expenses	108,974	105,149	105,149

Notes to the Financial Statements for the year ended 30 June 2016

Note 4 Expenses (continued)

4.4 Other operating expenses

	2015-16 \$'000	Consolidated 2014-15 \$'000	Parent 2014-15 \$'000
Subcontractors	369,251	377,949	375,996
Construction costs	572,706	447,730	447,730
External maintenance costs	238,718	231,787	231,787
Materials	126,470	138,473	138,484
Inter entity charges	162,674	173,983	229,367
Bulk electricity	73,508	77,577	77,577
Plant and equipment hire	61,963	66,705	66,705
Bus hire	31,627	29,967	29,967
Computer expenses	64,328	76,165	76,165
Insurance costs	14,510	17,518	17,518
Traction fuel costs	27,583	30,770	30,770
Security costs	22,820	25,406	25,406
Motor vehicle expenses	18,994	21,689	21,689
Leased premises restoration	(184)	11,958	11,958
Telecommunication expenses	844	8,617	8,617
Printing & stationery	6,774	7,937	7,921
Advertising and marketing	795	931	931
Consultants	2,809	2,508	2,508
Discounting of provisions	525	770	770
Audit fees	291	309	287
Impairment of trade receivables	(15)	(1,119)	69
Other	32,032	51,488	51,488
Total other operating expenses	1,829,023	1,799,118	1,853,710

4.5 Maintenance expenses

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

	2015-16 \$'000	Consolidated 2014-15 \$'000	Parent 2014-15 \$'000
Labour	316,503	302,679	302,679
Contracted & other non-labour expenditure	680,983	640,174	640,174
Total maintenance expenses	997,486	942,853	942,853

In addition included in construction costs is \$306.7m (2015: \$261.5m) major periodic maintenance which is charged to RailCorp and capitalised in RailCorp.

4.6 Finance costs

	2015-16 \$'000	Consolidated 2014-15 \$'000	Parent 2014-15 \$'000
Interest charges	158,526	175,493	175,493
Total finance costs	158,526	175,493	175,493

Notes to the Financial Statements for the year ended 30 June 2016

Note 5 Cash and cash equivalents

5.1 Cash and cash equivalents

	30.6.2016 \$'000	Consolidated 30.6.2015 \$'000	Parent 30.6.2015 \$'000
Cash at bank	588,857	300,592	300,592
Cash in hand and in transit	1,360	2,868	2,868
Total cash and cash equivalents	590,217	303,460	303,460

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

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

Deficit for the year	(223,450)	(214,671)	(214,671)
Cash capital grants	(17,732)	(22,405)	(22,405)
Non cash capital grants	-	(23,865)	(23,865)
Depreciation and amortisation	153,965	156,300	156,300
Impaired trade receivables expense	(15)	(1,119)	69
Derecognition and write off of assets	150	2,832	2,832
Discounting of provisions	525	770	770
Net movements in assets and liabilities applicable to operating activities:			
(Increase)/decrease in trade and other receivables	(61,904)	161,311	146,283
(Increase)/decrease in inventories	3,705	15,463	15,463
Increase/(decrease) in trade and other payables and provisions	59,040	(14,381)	4,866
Net cash flows from operating activities	(85,716)	60,235	65,642

5.3 Credit standby arrangements and loan facilities

The credit standby arrangements and unused amounts available are:

	30.6.16 Credit Facilities \$'000	30.6.16 Unused \$'000	30.6.15 Credit Facilities \$'000	30.6.15 Unused \$'000
Consolidated				
Transaction negotiation authority	-	-	86,150	86,150
Purchasing card facility	-	-	30,000	7,786
Come and Go facility	-	-	30,000	30,000
Total	-	-	146,150	123,936
Parent				
Transaction negotiation authority	129,150	129,150	80,150	80,150
Purchasing card facility	30,000	6,925	30,000	7,786
Come and Go facility	30,000	30,000	30,000	30,000
Total	189,150	166,075	140,150	117,936

5.4 Non-cash investing activities

In 2015-16, there were no non-cash investing activities. In the prior year, Sydney Trains received \$23.9m of licenses transferred from RailCorp.

Refer Notes 9.2.

Notes to the Financial Statements for the year ended 30 June 2016

Note 6 Trade and other receivables

6.1 Trade and other receivables

	30.6.2016 \$'000	Consolidated 30.6.2015 \$'000	Parent 30.6.2015 \$'000
Current trade and other receivables			
Trade receivables	1,932	5,873	5,873
Inter entity receivables	272,776	206,162	206,162
Other receivables	42,437	39,676	39,676
Less: allowance for impairment	(201)	(217)	(217)
	316,944	251,494	251,494
Prepayments	3,881	7,416	7,416
Total current trade and other receivables	320,825	258,910	258,910

Movements in the allowance for impairment were as follows:

	30.6.2016 \$'000	Consolidated 30.6.2015 \$'000	Parent 30.6.2015 \$'000
Balance at beginning of year	217	-	147
Balance carried forward from parent	-	147	-
Transfer of allowance from TCS	-	1,296	-
Allowance recognised in Statement of Comprehensive Income	(15)	(1,119)	69
GST movement	(1)	(107)	1
Balance at end of year	201	217	217

6.2 Impaired trade and other receivables

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

	30.6.2016 \$'000	Consolidated 30.6.2015 \$'000	Parent 30.6.2015 \$'000
1 to 3 months	80	90	90
3 to 6 months	37	57	57
over 6 months	84	70	70
Balance at end of year	201	217	217

6.3 Past due but not impaired receivables

The ageing analysis of these receivables is as follows:

	30.6.2016 \$'000	Consolidated 30.6.2015 \$'000	Parent 30.6.2015 \$'000
1 to 3 months	12,462	2,441	2,441
3 to 6 months	30	25	25
Over 6 months	127	10	10
Balance at end of year	12,619	2,476	2,476

6.4 Nature and extent of risk arising from receivables

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

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 7 Inventories

	30.6.2016 \$'000	Parent / Consolidated 30.6.2015 \$'000
Materials and supplies, at cost	56,259	57,624
Work in progress	309	141
	56,568	57,765
Less: allowance for obsolete inventory	(14,182)	(11,674)
Total inventories	42,386	46,091
Total inventories are comprised of:		
Current inventories	14,563	27,757
Non-current inventories	27,823	18,334
Total	42,386	46,091

Note 8 Property, plant and equipment

8.1 Classes

	30.6.2016 \$'000	Parent / Consolidated 30.6.2015 \$'000
Buildings		
Gross carrying amount	249,262	249,262
Less accumulated depreciation	(12,100)	(8,796)
Net carrying amount - buildings	237,162	240,466
Rolling stock		
Gross carrying amount	3,414,686	3,382,912
Less accumulated depreciation	(585,806)	(481,488)
Net carrying amount - rolling stock	2,828,880	2,901,424
Plant and machinery		
Gross carrying amount	78,756	85,224
Less accumulated depreciation	(53,365)	(55,080)
Net carrying amount - plant and machinery	25,391	30,144
Capital work in progress		
Capital work in progress	13,872	33,271
Total - capital work in progress	13,872	33,271
Total property plant and equipment	3,105,305	3,205,305

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

Buildings -	with a gross carrying value of \$249.3m (2015: \$249.3m) and a net carrying amount of \$237.2m (2015: \$240.5m)
Rolling stock -	with a gross carrying value of \$2,699m (2015: \$2,677m) and a net carrying amount of \$2,428m (2015: \$2,490m)
Plant and machinery -	with a gross carrying value of \$5.8m (2015: \$5.8m) and a net carrying amount of \$3.6m (2015: \$4.0m)

Notes to the Financial Statements for the year ended 30 June 2016

Note 8 Property, plant and equipment (continued)

8.2 Asset class movement

	Buildings \$000	Rolling stock \$000	Plant and machinery \$000	Capital works in progress \$000	Total \$000
Gross carrying amount					
Balance at 1 July 2015	249,262	3,382,912	85,224	33,271	3,750,669
Additions	-	31,774	3,527	(13,283)	22,018
Disposals/derecognition/ write-offs	-	-	(9,995)	(89)	(10,084)
Other movements	-	-	-	(6,027)	(6,027)
Balance at 30 June 2016*	249,262	3,414,686	78,756	13,872	3,756,576
Balance at 1 July 2014	242,425	3,375,452	93,464	2,494	3,713,835
Transfers from Transport entities	-	-	494	-	494
Transfers to Transport entities	-	-	(4,050)	-	(4,050)
Additions	-	7,460	2,669	30,777	40,906
Disposals/derecognition/ write-offs	-	-	(7,206)	-	(7,206)
Revaluations	6,837	-	-	-	6,837
Other movements	-	-	(147)	-	(147)
Balance at 30 June 2015**	249,262	3,382,912	85,224	33,271	3,750,669
Accumulated depreciation					
Balance at 1 July 2015	(8,796)	(481,488)	(55,080)	-	(545,364)
Depreciation for the year	(3,304)	(104,318)	(6,227)	-	(113,849)
Disposals/derecognition/ write-offs	-	-	7,942	-	7,942
Balance at 30 June 2016*	(12,100)	(585,806)	(53,365)	-	(651,271)
Balance at 1 July 2014	(19,563)	(377,859)	(56,369)	-	(453,791)
Depreciation for the year	(3,825)	(103,629)	(6,941)	-	(114,395)
Revaluations	14,592	-	-	-	14,592
Transfers from Transport entities	-	-	(239)	-	(239)
Transfers to Transport entities	-	-	2,856	-	2,856
Disposals/derecognition/write-offs	-	-	5,473	-	5,473
Other movements	-	-	140	-	140
Balance at 30 June 2015**	(8,796)	(481,488)	(55,080)	-	(545,364)
Net carrying amounts					
At 1 July 2014*	222,862	2,997,593	37,095	2,494	3,260,044
At 30 June 2015**	240,466	2,901,424	30,144	33,271	3,205,305
At 1 July 2015	240,466	2,901,424	30,144	33,271	3,205,305
At 30 June 2016*	237,162	2,828,880	25,391	13,872	3,105,305

*The balance at 1 July 2014 and 30 June 2016 relates to Sydney Trains only.

**The balance at 30 June 2015 relates to the Parent and Consolidated entity.

Notes to the Financial Statements for the year ended 30 June 2016

Note 8 Property, plant and equipment (continued)

8.3 Valuation of property, plant and equipment

To confirm that the carrying value of the asset classes for buildings and rolling stock materially reflects fair value as at 30 June 2016, independent valuers reviewed the appropriateness of the replacement costs as at 31 March 2016 for rolling stock and buildings and confirmed again at 30 June 2016.

(a) Buildings

The Auburn Maintenance Facility (AMF) was designed and manufactured by Reliance Rail under the Rolling Stock Public Private Partnership (PPP) contract with Sydney Trains which incorporates a finance lease arrangement. The AMF leased asset at 30 June 2016 was \$237.2m (2015: \$240.5m) and the associated finance lease liability, inclusive of accrual interest was \$264.9m (2015: \$264.2m).

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

A fair value assessment was undertaken in the current year to ensure the carrying value materially reflects the fair value at 30 June 2016.

(b) Rolling stock

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

A fair value assessment was undertaken in the current year to ensure the carrying value materially reflects the fair value at 30 June 2016.

8.4 Leasing arrangements – certain rolling stock

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

Note to the Financial Statements for the year ended 30 June 2016

Note 9 Intangible assets

9.1 Classes

	30.6.2016 \$'000	Parent / Consolidated 30.6.2015 \$'000
Software / Licenses		
Gross carrying amount	436,503	406,129
Less accumulated amortisation	(258,551)	(219,661)
Net carrying amount of software / licenses works in progress	177,952	186,468
Software / licenses works in progress	21,398	12,887
Total - intangible assets	199,350	199,355

9.2 Movements during the year

	Software / Licenses \$'000	Software / Licenses works in progress \$'000	Total \$'000
2016			
Carrying amount at start of year	186,468	12,887	199,355
Transfer from RailCorp	-	-	-
Additions	-	33,930	33,930
Disposals/write-offs	166	(13)	153
Amortisation expense	(40,116)	-	(40,116)
Other movements	31,434	(25,406)	6,028
Carrying amount at end of year	177,952	21,398	199,350
2015			
Carrying amount at start of year	183,162	21,868	205,030
Transfer from RailCorp	23,865	-	23,865
Additions	-	15,764	15,764
Transfers from Transport entities	1,462	-	1,462
Transfers to Transport entities	(2,736)	(1,026)	(3,762)
Disposals/write-offs	(104)	(995)	(1,099)
Amortisation expense	(41,905)	-	(41,905)
Other movements	22,724	(22,724)	-
Carrying amount at end of year*	186,468	12,887	199,355

*The carrying amount for 2015 relates to the Parent and Consolidated entity.

Note to the Financial Statements for the year ended 30 June 2016

Note 10 Trade and other payables

10.1 Trade and other payables

	30.6.2016 \$'000	Consolidated 30.6.2015 \$'000	Parent 30.6.2015 \$'000
Trade payables	142,969	111,066	111,066
Inter entity payables	68,550	39,179	39,179
Capital expenditure accruals	4,471	18,689	18,689
Accrued salaries and wages	25,818	36,411	36,411
Other payables and accruals	232,996	242,745	242,745
Deferred revenue	4,418	5,455	5,455
Total trade and other payables	479,222	453,545	453,545

10.2 Fair value

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

10.3 Risk exposure

Information about Sydney Trains exposure to payables with a foreign exchange risk is provided in Note 17.

Note 11 Finance lease liabilities

	Note	30.6.2016 \$'000	Parent / Consolidated 30.6.2015 \$'000
Current			
Finance lease liabilities	14.3	-	13,392
		-	13,392
Non-current			
Finance lease liabilities	14.3	2,015,814	1,995,664
		2,015,814	1,995,664
Total finance lease liabilities		2,015,814	2,009,056

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 12 Provisions

12.1 Provisions

	Note	30.6.2016 \$'000	Parent / Consolidated 30.6.2015 \$'000
Current provisions			
Annual leave (see note (a) below)		131,996	133,165
Long service leave (see note (a) below)	12.3	231,309	212,593
Pay in lieu of certain holidays worked (see note (a) below)		9,155	19,346
Redundancy	12.9	16,332	34,226
Total current employee benefits		388,792	399,330
Workers' compensation	12.5	4,641	3,417
Public liability claims	12.6	684	-
Legal claims	12.7	2,000	-
Ballast disposal	12.8	1,240	3,569
Restoration of leased premises	12.10	-	4,864
Total current provisions		397,357	411,180
Non-current provisions			
Superannuation	12.2	559,119	297,742
Long service leave (see note (a) below)	12.3	24,396	21,962
Total non-current employee benefits		583,515	319,704
Workers' compensation	12.5	17,708	12,660
Ballast disposal	12.8	-	5,681
Restoration of leased premises	12.10	10,252	6,676
Total non-current provisions		611,475	344,721
Total provisions			
Superannuation	12.2	559,119	297,742
Annual leave		131,996	133,165
Long service leave	12.3	255,705	234,555
Pay in lieu of certain holidays worked		9,155	19,346
Redundancy provision	12.9	16,332	34,226
Total employee benefits		972,307	719,034
Workers' compensation	12.5	22,349	16,077
Public liability claims	12.6	684	-
Legal claims	12.7	2,000	-
Ballast disposal	12.8	1,240	9,250
Restoration of leased premises	12.10	10,252	11,540
Total provisions		1,008,832	755,901

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 12 Provisions (continued)

12.1 Provisions (continued)

	Within 12 months \$'000	Later than 12 months \$'000	Total \$'000
2016			
Long service leave	31,987	223,718	255,705
Annual leave	97,623	34,373	131,996
Pay in lieu of certain holidays worked	9,155	-	9,155
	138,765	258,091	396,856
2015*			
Long service leave	30,068	204,487	234,555
Annual leave	106,624	26,541	133,165
Pay in lieu of certain holidays worked	19,346	-	19,346
	156,038	231,028	387,066

*Figures reported for 2015 relate to the Parent and Consolidated entity.

12.2 Superannuation

Overview

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

The defined benefit scheme applies to the Parent only in the prior year.

Nature of the benefits provided by the fund

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

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

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

All the schemes are closed to new members.

Notes to the Financial Statements for the year ended 30 June 2016

Note 12 Provisions (continued)

12.2 Superannuation (continued)

Description of the regulatory framework

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

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

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

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

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2015. The next actuarial investigation will be performed as at 30 June 2018.

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

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

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

Description of risks

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

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

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

Description of significant events

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 12 Provisions (continued)

12.2 Superannuation (continued)

30 June 2016

The following pages contain disclosures from the 2016 Pillar Administration letter.

The following is the 30 June 2016 superannuation position:

Member Numbers	SASS 30-Jun-16	SANCS 30-Jun-16	SSS 30-Jun-16	TOTAL 30-Jun-16
Contributors	1,493	1,496	3	
Deferred benefits	-	-	-	
Pensioners	128	-	1	
Pensions fully commuted	-	-	-	
Superannuation Position for AASB 119 purposes	\$'000	\$'000	\$'000	\$'000
Accrued liability (Note 1)	1,234,248	115,586	8,636	1,358,470
Estimated reserve account balance	(721,769)	(74,727)	(2,855)	(799,351)
1. Deficit/(surplus)	512,479	40,859	5,781	559,119
2. Future Service Liability (Note 2)	52,085	38,351	314	90,750
3. Surplus in excess of recovery available from schemes (- 1. - 2. and subject to a minimum of zero)	-	-	-	-
4. Net (asset)/liability to be recognised in statement of financial position (1. + 3.)	512,479	40,859	5,781	559,119

Note 1:

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

Note 2:

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 12 Provisions (continued)

12.2 Superannuation (continued)

Reconciliation of the Net Defined Benefit Liability/(Asset)

Financial Year to 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Net Defined Benefit Liability/(Asset) at start of year	268,522	25,597	3,623	297,742
Current service cost	12,671	4,230	66	16,967
Net Interest on the net defined benefit liability/(asset)	7,963	776	110	8,849
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	811	172	(2)	981
Actuarial (gains)/losses arising from changes in demographic assumptions	69,959	(315)	197	69,841
Actuarial (gains)/losses arising from changes in financial assumptions	135,926	9,758	1,473	147,157
Actuarial (gains)/losses arising from liability experience	28,031	639	314	28,984
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(11,404)	2	-	(11,402)
Effects of transfers in/out due to business combinations and disposals	-	-	-	-
Net Defined Benefit Liability/(Asset) at end of year	512,479	40,859	5,781	559,119

Reconciliation of the Fair Value of Fund Assets

Financial Year to 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair value of Fund assets at beginning of the year	779,276	84,428	2,828	866,532
Interest income	22,696	2,432	85	25,213
Actual return on Fund assets less Interest income	(811)	(172)	2	(981)
Employer contributions	11,404	(2)	-	11,402
Contributions by participants	8,196	-	39	8,235
Benefits paid	(96,062)	(11,816)	(92)	(107,970)
Taxes, premiums & expenses paid	(2,930)	(143)	(7)	(3,080)
Transfers in/out due to business combinations and disposals	-	-	-	-
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of Fund assets at end of the year	721,769	74,727	2,855	799,351

Notes to the Financial Statements for the year ended 30 June 2016

Note 12 Provisions (continued)

12.2 Superannuation (continued)

Reconciliation of the Defined Benefit Obligation

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of defined benefit obligations at beginning of the year	1,047,798	110,025	6,451	1,164,274
Current service cost	12,671	4,230	66	16,967
Interest cost	30,659	3,208	195	34,062
Contributions by participants	8,196	-	39	8,235
Actuarial (gains)/losses arising from changes in demographic assumptions	69,959	(315)	197	69,841
Actuarial (gains)/losses arising from changes in financial assumptions	135,926	9,758	1,473	147,157
Actuarial (gains)/losses arising from liability experience	28,031	639	314	28,984
Benefits paid	(96,062)	(11,816)	(92)	(107,970)
Taxes, premiums & expenses paid	(2,930)	(143)	(7)	(3,080)
Transfers in/out due to business combinations and disposals	-	-	-	-
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of the year	1,234,248	115,586	8,636	1,358,470

Reconciliation of the effect of the Asset Ceiling

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

The adjustment for the effect of asset ceiling has been determined based on the maximum economic benefit available to the entity in the form of reductions in future employer contributions.

Notes to the Financial Statements for the year ended 30 June 2016

Note 12 Provisions (continued)

12.2 Superannuation (continued)

Fair value of Fund assets

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

As at 30 June 2016	Total	Quoted prices in active markets for identical assets Level 1	Significant unobservable inputs Level 2	unobservable inputs Level 3
Asset category	\$'000	\$'000	\$'000	\$'000
Short Term Securities	2,050,414	2,044,454	5,960	-
Australian Fixed Interest	2,720,589	2,724	2,717,865	-
International Fixed Interest	834,373	(1,358)	835,731	-
Australian Equities	9,720,878	9,171,767	549,087	24
International Equities	12,093,668	9,026,207	2,078,767	988,694
Property	3,650,267	1,113,253	618,946	1,918,068
Alternatives	7,115,949	470,130	3,122,185	3,523,634
Total[^]	38,186,138	21,827,177	9,928,541	6,430,420

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

As at	30-Jun-16
Short Term Securities	5.4%
Australian Fixed Interest	7.1%
International Fixed Interest	2.2%
Australian Equities	25.5%
International Equities	31.7%
Property	9.6%
Alternatives	18.6%
Total	100.0%

[^]Additional to the assets disclosed above, at 30 June 2016 the Pooled Fund has provisions for receivables/(payables) estimated to be around \$2.83 billion. This gives total estimated assets of \$41.01 billion.

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

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

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

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

Fair value of entity's own financial instruments

- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$222 million (30 June 2015: \$159 million).

- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value of \$243 million (30 June 2015: \$204 million).

Notes to the Financial Statements for the year ended 30 June 2016

Note 12 Provisions (continued)

12.2 Superannuation (continued)

Significant Actuarial Assumptions at the Reporting Date

Discount rate	0.02
Salary increase rate (excluding promotional increases)	2.50% 2016/2017 to 2018/2019; 3.50% 2019/2020 and 2020/2021; 3.00% pa 2021/2022 to 2025/2026; 3.50% pa thereafter
Rate of CPI increase	1.5% 2015/2016; 1.75% 2016/2017; 2.25% 2017/2018; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2015 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.

Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2016 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2016.

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	1.99%	0.99%	2.99%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$)	1,358,470	1,540,800	1,213,162

	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of Discount rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$)	1,358,470	1,402,585	1,318,476

	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A\$)	1,358,470	1,395,093	1,323,680

	Base case	Scenario G +0.5% pensioner mortality rate	Scenario H -0.5% pensioner mortality rate
Defined benefit obligation (A\$)	1,358,470	1,350,856	1,376,923

*Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2016 to 2021

**Assumes the short term pensioner mortality improvement factors for years 2016-2021 also apply for years after 2021

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 12 Provisions (continued)

12.2 Superannuation (continued)

Asset-Liability matching strategies

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

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2015. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

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

Surplus/deficit

The following is a summary of the 30 June 2016 financial position of the Fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans":

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Accrued benefits*	767,462	81,376	3,433	852,271
Net market value of Fund assets	(721,768)	(74,727)	(2,856)	(799,351)
Net (surplus)/deficit	45,694	6,649	577	52,920

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

Contribution recommendations

Recommended contribution rates for the entity are:

	SASS multiple of member contributions	SANCS % member salary	SSS member contributions
	N/A	N/A	N/A

Economic assumptions

The economic assumptions adopted for the 30 June 2015 actuarial investigation of the Pooled Fund are:

Weighted-Average Assumptions			
Expected rate of return on Fund assets backing current pension liabilities			7.8% pa
Expected rate of return on Fund assets backing other liabilities			6.8% pa
Expected salary increase rate (excluding promotional salary increases)	3.0%	to 30 June 2019 then 3.5%	pa thereafter
Expected rate of CPI increase			2.5% pa

Expected contributions

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Expected employer contributions	-	-	-	12,000

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 14.2 years.

Notes to the Financial Statements for the year ended 30 June 2016

Note 12 Provisions (continued)

12.2 Superannuation (continued)

Profit or Loss Impact

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Current service cost	12,671	4,230	66	16,967
Net interest	7,963	776	110	8,849
Past service cost	-	-	-	-
(Gains)/Loss on settlement	-	-	-	-
Profit or loss component of the Defined Benefit Cost	20,634	5,006	176	25,816

Other Comprehensive Income

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actuarial (gains) losses on liabilities	233,916	10,082	1,984	245,982
Actual return on Fund assets less Interest income	811	172	(2)	981
Effects of transfers in/out due to business combinations and disposals	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Total remeasurement in Other Comprehensive Income	234,727	10,254	1,982	246,963

Notes to the Financial Statements for the year ended 30 June 2016

Note 12 Provisions (continued)

12.2 Superannuation

30 June 2015

The following pages contain disclosures from the 2015 Pillar Administration letter.

The following is the 30 June 2015 superannuation position:

Member Numbers	SASS 30-Jun-15	SANCS 30-Jun-15	SSS 30-Jun-15	TOTAL 30-Jun-15
Contributors	1,687	1,690	3	
Deferred benefits	-	-	-	
Pensioners	76	-	1	
Pensions fully commuted	-	-	-	
Superannuation Position for AASB 119 purposes	\$'000	\$'000	\$'000	\$'000
Accrued liability (Note 1)	1,047,798	110,025	6,451	1,164,274
Estimated reserve account balance	(779,276)	(84,428)	(2,828)	(866,532)
1. Deficit/(surplus)	268,522	25,597	3,623	297,742
2. Future Service Liability (Note 2)	49,780	36,194	311	86,285
3. Surplus in excess of recovery available from schemes (- 1. - 2. and subject to a minimum of zero)	-	-	-	-
4. Net (asset)/liability to be recognised in statement of financial position (1. + 3.)	268,522	25,597	3,623	297,742

Note 1:

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

Note 2:

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 12 Provisions (continued)

12.2 Superannuation (continued)

Reconciliation of the Net Defined Benefit Liability/(Asset)

Financial Year to 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Net Defined Benefit Liability/(Asset) at start of year	213,551	22,203	3,067	238,821
Net Defined Benefit Liability transferred from Railcorp upon administrative restructure at 31 July 2014	20,107	2,106	-	22,213
Current service cost	14,158	4,710	122	18,990
Net Interest on the net defined benefit liability/(asset)	7,849	788	109	8,746
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	(56,170)	(6,065)	(227)	(62,462)
Actuarial (gains)/losses arising from changes in demographic assumptions	6,531	778	(78)	7,231
Actuarial (gains)/losses arising from changes in financial assumptions	44,909	4,386	624	49,919
Actuarial (gains)/losses arising from liability experience	25,523	(773)	6	24,756
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(166)	-	-	(166)
Effects of transfers in/out due to business combinations and disposals	(7,770)	(2,536)	-	(10,306)
Net Defined Benefit Liability/(Asset) at end of year	268,522	25,597	3,623	297,742

Reconciliation of the Fair Value of Fund Assets

Financial Year to 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair value of Fund assets at beginning of the year	754,812	81,324	2,537	838,673
Bulk transfer in upon administrative restructure at 31 July 2014 from Railcorp	70,622	7,775	-	78,397
Interest income	25,910	2,798	91	28,799
Actual return on Fund assets less Interest income	56,170	6,065	227	62,462
Employer contributions	166	-	-	166
Contributions by participants	8,466	-	42	8,508
Benefits paid	(91,652)	(11,705)	(61)	(103,418)
Taxes, premiums & expenses paid	1,965	1,787	(8)	3,744
Transfers in/out due to business combinations and disposals	(47,183)	(3,616)	-	(50,799)
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of Fund assets at end of the year	779,276	84,428	2,828	866,532

Notes to the Financial Statements for the year ended 30 June 2016

Note 12 Provisions (continued)

12.2 Superannuation (continued)

Reconciliation of the Defined Benefit Obligation

Financial Year to 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of defined benefit obligations at beginning of the year	968,363	103,527	5,604	1,077,494
Bulk transfer in upon administrative restructure at 31 July 2014 from Railcorp	90,729	9,881	-	100,610
Current service cost	14,158	4,710	122	18,990
Interest cost	33,759	3,586	200	37,545
Contributions by participants	8,466	-	42	8,508
Actuarial (gains)/losses arising from changes in demographic assumptions	6,531	778	(78)	7,231
Actuarial (gains)/losses arising from changes in financial assumptions	44,909	4,386	624	49,919
Actuarial (gains)/losses arising from liability experience	25,523	(773)	6	24,756
Benefits paid	(91,652)	(11,705)	(61)	(103,418)
Taxes, premiums & expenses paid	1,965	1,787	(8)	3,744
Transfers in/out due to business combinations and disposals	(54,953)	(6,152)	-	(61,105)
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of the year	1,047,798	110,025	6,451	1,164,274

Reconciliation of the effect of the Asset Ceiling

Financial Year to 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-	-

The adjustment for the effect of asset ceiling has been determined based on the maximum economic benefit available to the entity in the form of reductions in future employer contributions.

Notes to the Financial Statements for the year ended 30 June 2016

Note 12 Provisions (continued)

12.2 Superannuation (continued)

Fair value of Fund assets

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

As at 30 June 2015	Total	Quoted prices in active markets for identical assets Level 1	Significant unobservable inputs Level 2	unobservable inputs Level 3
Asset category	\$'000	\$'000	\$'000	\$'000
Short Term Securities	2,642	96	2,546	-
Australian Fixed Interest	2,657	1	2,639	17
International Fixed Interest	1,004	-	1,004	-
Australian Equities	10,407	9,899	504	4
International Equities	13,111	9,963	2,585	563
Property	3,452	948	718	1,786
Alternatives	7,170	622	3,020	3,528
Total[^]	40,443	21,529	13,016	5,898

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

As at	30-Jun-15
Short Term Securities	6.5%
Australian Fixed Interest	6.6%
International Fixed Interest	2.5%
Australian Equities	25.7%
International Equities	32.4%
Property	8.6%
Alternatives	17.7%
Total	100.0%

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

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

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

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

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

Fair value of entity's own financial instruments

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 12 Provisions (continued)

12.2 Superannuation (continued)

Significant Actuarial Assumptions at the Reporting Date

As at	30/Jun/15
Discount rate	3.03% pa
Salary increase rate (excluding promotional increases)	2.50% 2015/2016 to 2018/2019; 3.50% 2019/2020; 3.00% pa 2021/2022 to 2024/2025; 3.50% pa thereafter
Rate of CPI increase	2.50% 2015/2016; 2.75% 2016/2017 & 2017/2018; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2012 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.

Sensitivity Analysis

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

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

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

	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of Discount rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	1,164,275	1,185,948	1,144,668

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

	Base case	Scenario G +0.5% pensioner mortality rate	Scenario H -0.5% pensioner mortality rate
Defined benefit obligation (A\$'000)	1,164,275	1,160,964	1,167,775

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 12 Provisions (continued)

12.2 Superannuation (continued)

Asset-Liability matching strategies

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

Funding arrangements

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

The next triennial review as at 30 June 2015, the report is expected to be released by the end of 2015. Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

Surplus/deficit

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

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

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

Contribution recommendations

Recommended contribution rates for the entity are:

	SASS multiple of member contributions	SANCS % member salary	SSS member contributions
	N/A	N/A	N/A

Economic assumptions

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

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

Expected contributions

Financial Year to 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
	-	-	-	12,000

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 11.1 years.

Notes to the Financial Statements for the year ended 30 June 2016

Note 12 Provisions (continued)

12.2 Superannuation (continued)

Profit and Loss Impact

Financial Year to 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Current service cost	14,158	4,710	122	18,990
Net interest	7,849	788	109	8,746
Past service cost	-	-	-	-
(Gains)/Loss on settlement	-	-	-	-
Profit and loss component of the Defined Benefit Cost	22,007	5,498	231	27,736

Impact of RailCorp Restructure at 31 July 2014

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

Other Comprehensive Income

Financial Year to 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actuarial (gains) losses on liabilities	76,963	4,391	552	81,906
Actual return on Fund assets less Interest income	(56,170)	(6,065)	(227)	(62,462)
Effects of transfers in/out due to business combinations and disposals	(7,770)	(2,536)	-	(10,306)
Adjustment for effect of asset ceiling	-	-	-	-
Total remeasurement in Other Comprehensive Income	13,023	(4,210)	325	9,138

12.3 Long service leave

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

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

The liability for long service leave was assessed by Mercer Consulting (Australia) Pty Limited. The actuary assumed an interest rate of 2.1% (2015: 3.0%) and a salary growth rate of 3.2% (2015: 3.1%) per annum.

Notes to the Financial Statements for the year ended 30 June 2016

Note 12 Provisions (continued)

12.4 Movements in provisions (other than employee benefit provisions)

	Carrying amount at start of year \$'000	Increase in provision \$'000	Discounting adjustment \$'000	Subtotal \$'000	Payment of claims \$'000	Unused amount reversed \$'000	Carrying amount at end of period \$'000
2016							
Workers Compensation	16,077	11,797	305	28,179	5,830	-	22,349
Public liability claims	-	778	-	778	94	-	684
Legal Claims	-	2,000	-	2,000	-	-	2,000
Ballast disposal	9,250	4,369	112	13,731	3,930	8,561	1,240
Restoration of leased premises	11,540	1,759	97	13,396	1,201	1,943	10,252
2015*							
Workers Compensation	10,375	9,887	220	20,482	4,405	-	16,077
Public liability claims	85	-	-	85	55	30	-
Ballast disposal	12,124	8,275	278	20,677	5,857	5,570	9,250
Restoration of leased premises	-	12,117	(259)	11,858	318	-	11,540

* Figures reported for 2015 relate to Parent and Consolidated entity.

12.5 Workers' compensation

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

The workers' compensation liability at year end was assessed by McMahon Actuarial Services Pty Limited assuming a discount rate ranging from 1.6% to 4.0% (2015: 1.9% to 4.1%) per annum over the next 10 years and a future wage inflation rate of 3.5% (2015: 4%) per annum over the next 10 years.

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

12.6 Public liability claims

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

Any claim recoverable from Sydney Trains' insurer is also recognised as a receivable or disclosed as a contingent asset, depending on its probability of settlement. Refer Notes 6 and 15.

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

12.7 Legal claims

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

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 12 Provisions (continued)

12.8 Ballast disposal provision

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

The liability was assessed at 1 April 2016 (2015: 30 June 2015) by management after investigation of stockpiles at the Chullora site. The liability is inherently uncertain due to the timing of future disposal.

12.9 Redundancy

A provision has been established for the cost of Sydney Trains' redundancy programs. Sydney Trains has various initiatives and reform activity that will result in redundancies.

12.10 Restoration of leased premises

The provision recognises Sydney Trains' obligation to restore premises leased from external parties to their original condition at the end of the lease term. The liability at year end is management's assessment of the costs to settle the obligation.

Note 13 Contributed equity

13.1 Contributed equity

		30.6.2016	Consolidated 30.6.2015	Parent 30.6.2015
	Note	\$'000	\$'000	\$'000
Contributed equity at start of the year		1,207,094	314,759	314,759
Net assets contributed by Government	13.2	-	892,335	892,335
Contributed equity at end of the year		1,207,094	1,207,094	1,207,094

13.2 Contributed equity movements

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

There were no equity contributions in 2015-16.

In 2014-15:

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 13 Contributed equity (continued)

13.2 Contributed equity movements (continued)

	30.6.2016 \$'000	Consolidated 30.6.2015 \$'000	Parent 30.6.2015 \$'000
Assets transferred to/ from other entities			
Cash assets	-	5,535	1,128
Trade and other receivables	-	6,211	7,539
Inter entity receivable	-	989,236	989,236
Property, plant and equipment	-	(939)	(939)
Intangible Assets	-	(2,300)	(2,300)
Total assets	-	997,743	994,664
Liabilities transferred from other entities			
Trade and other payables	-	(12,277)	(9,198)
Provisions (current)	-	(68,593)	(68,593)
Provisions (non current)	-	(24,538)	(24,538)
Total liabilities	-	(105,408)	(102,329)
Net assets transferred	-	892,335	892,335
Contributed equity	-	892,335	892,335

Note 14 Expenditure commitments

14.1 Expenditure commitments

	30.6.2016 \$'000	Parent / Consolidated 30.6.2015 \$'000
Operating leases		
Within 12 months	6,030	6,933
12 months or longer but not longer than 5 years	6,779	9,985
Longer than 5 years	12	-
Total operating leases	12,821	16,918
Total property, plant & equipment (including intangible assets)	36,960	13,201
Total committed	49,781	30,119

The expenditure commitments include any associated Goods and Services Tax. Related input tax credits of \$4.6m (2015: \$2.7m) are expected to be recoverable from the Australian Taxation Office. For more details on rolling stock PPP contract commitments refer note 14.3.

14.2 Minimum lease payments committed under non-cancellable operating lease

	30.6.2016 \$'000	Parent / Consolidated 30.6.2015 \$'000
Within 12 months	6,030	6,730
12 months or longer but not longer than 5 years	6,779	9,985
Longer than 5 years	12	-
Total committed	12,821	16,715

Minimum lease payment commitments include any associated Goods and Services Tax. Related input tax credits of \$1.2m (2015: \$1.5m) are expected to be recoverable from the Australian Taxation Office.

Notes to the Financial Statements for the year ended 30 June 2016

Note 14 Expenditure commitments (continued)

14.3 Rolling stock PPP contract commitments

The Sydney Trains contract with Reliance Rail constitutes a finance lease, refer Note 2.6(i). These assets and associated finance lease liabilities were recognised on completion and delivery of the assets.

The leased asset includes the following assets:

- 78 sets of Rolling Stock achieved Final Completion on 8 March 2016. Milestone payments made in respect of design and development of the rolling stock have been applied to the rolling stock lease liability. The lease liability, inclusive of the application of the milestone payment and accrued interest at 30 June 2016 was \$1,746.0m (2015: \$1,740.1m).
- The Auburn Maintenance Facility (AMF) reached practical completion on 18 June 2010. The lease liability, inclusive of accrued interest, at 30 June 2016 was \$264.9m (2015: \$264.2m).
- The Simulators achieved practical completion on 30 September 2010. The lease liability, inclusive of accrued interest, at 30 June 2016 was \$4.8m (2015: \$4.8m).

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

The total payments to be made by Sydney Trains to Reliance Rail, including milestone payments and financing costs, over the term of the contract are estimated to be \$8,709m (2015: \$9,069m) in nominal dollars. The weighted average discount rate at 30 June 2016 for the finance lease liabilities were 9.29% (2015: 9.33%).

Interest of \$13.7m (2015: \$19.8m) has been accrued in respect to the finance lease liability for the rolling stock, maintenance facility and simulators.

Final Completion payments of \$13.4m were made in 2015-16 (2014-15: \$69.0m) to Reliance Rail related to rolling stock. Those payments were made and applied against the finance lease liability once in service performance criteria had been achieved and minor defects closed out.

Notes to the Financial Statements for the year ended 30 June 2016

Note 14 Expenditure commitments (continued)

14.3 Rolling stock PPP contract commitments (continued)

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

	Note	30.6.2016 \$'000	Parent / Consolidated 30.6.2015 \$'000
Finance lease liabilities			
Within 12 months		165,566	162,726
12 months or longer but no longer than 5 years		696,324	695,900
Longer than 5 years		4,855,421	5,034,711
Total minimum lease payments		5,717,311	5,893,337
Less amount representing finance charges		(3,701,497)	(3,884,281)
Present value of net future minimum lease payments (included in the Financial Statements as finance lease liabilities)		2,015,814	2,009,056
Classified as:			
Current	11	-	13,392
Non-current	11	2,015,814	1,995,664
Total		2,015,814	2,009,056
Other PPP contract commitments			
Within 12 months		98,405	117,477
12 months or longer but no longer than 5 years		366,297	355,984
Longer than 5 years		2,526,783	2,701,852
Total other PPP contract commitments		2,991,485	3,175,313

Other PPP contract commitments represent future payments relating to maintenance and other future payments as at 30 June 2016.

Note 15 Contingent liabilities and contingent assets

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

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

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

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

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

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 16 Fair value measurements of non-financial assets

16.1 Fair value measurements of non-financial assets

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

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

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2016.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2016				
Plant and machinery	-	-	25,391	25,391
Rolling stock	-	-	2,828,880	2,828,880
Building	-	-	237,162	237,162
Total recurring fair value measurements	-	-	3,091,433	3,091,433
2015				
Plant and machinery	-	36	30,108	30,144
Rolling stock	-	-	2,901,424	2,901,424
Building	-	-	240,466	240,466
Total recurring fair value measurements	-	36	3,171,998	3,172,034

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

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

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

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

16.2 Valuation techniques used to derive level 3 fair values

Recurring fair value measurements

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

Notes to the Financial Statements for the year ended 30 June 2016

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

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

The following table is a reconciliation of level 3 items for the period ended 30 June 2016.

	Plant and machinery \$'000	Rolling stock \$'000	Building \$'000	Total \$'000
2016				
Fair value at 1 July 2015	30,108	2,901,424	240,466	3,171,998
Additions	3,527	31,774	-	35,301
Disposals	(2,053)	-	-	(2,053)
Gains/(losses) recognised in the Statement of Comprehensive Income*	(6,191)	(104,318)	(3,304)	(113,813)
Fair value at 30 June 2016	25,391	2,828,880	237,162	3,091,433
2015				
Fair value at 1 July 2014	36,872	2,997,593	222,862	3,257,327
Additions	2,924	7,460	-	10,384
Disposals	(2,934)	-	-	(2,934)
Gains/(losses) recognised in the Statement of Comprehensive Income*	(6,754)	(103,629)	(3,825)	(114,208)
Gains/(losses) recognised in Other Comprehensive Income	-	-	21,429	21,429
Fair value at 30 June 2015	30,108	2,901,424	240,466	3,171,998

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

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

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

Valuation inputs and relations to fair value

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

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

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

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

Notes to the Financial Statements for the year ended 30 June 2016

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

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

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

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 17 Financial instruments

17.1 Financial instruments

Sydney Trains holds the following financial instruments:

	30.6.2016	Consolidated	Parent
	\$'000	30.6.2015	30.6.2015
		\$'000	\$'000
Financial assets			
Cash and cash equivalents	590,217	303,460	303,460
Trade and other receivables*	274,288	209,888	209,888
Inter entity receivable	-	430,011	430,011
Derivative financial assets	8,158	2,307	2,307
Total financial assets	872,663	945,666	945,666
Financial liabilities			
Trade and other payables**	421,021	405,141	405,141
Finance leases	2,015,814	2,009,056	2,009,056
Derivative financial liabilities	5,952	4,599	4,599
Total financial liabilities	2,442,787	2,418,796	2,418,796

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

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

17.2 Financial risks

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

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

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

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

17.3 Market risk

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 17 Financial instruments (continued)

17.3 Market risk (continued)

17.3.1 Foreign exchange risk

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

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

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

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

Maturity Profiles	Weighted Average Exchange Rate		Contract Value		Fair Value	
	2016	2015	2016 AUD '000	2015 AUD '000	2016 AUD '000	2015 AUD '000
Contracts denominated in US Dollars						
Not later than 3 months	0.7646	0.9008	3,592	4,585	3,707	5,381
Later than 3 months and not later than 12 months	0.7198	0.8004	41,308	11,198	40,301	11,782
Later than 12 months	0.7146	0.8054	10,722	8,014	10,530	8,603
Total hedged US Dollar contracts			55,622	23,797	54,538	25,766
Contracts denominated in Euros						
Not later than 3 months	0.6549	0.6686	1,623	4,233	1,594	4,114
Later than 3 months and not later than 12 months	0.6430	0.6772	31,406	866	30,530	856
Later than 12 months	-	-	-	-	-	-
Total hedged Euros contracts			33,029	5,099	32,124	4,970
Contracts denominated in Pounds Sterling						
Not later than 3 months	0.4488	0.5309	29	2,329	24	2,527
Later than 3 months and not later than 12 months	-	-	-	-	-	-
Later than 12 months	-	-	-	-	-	-
Total hedged Pounds Sterling contracts			29	2,329	24	2,527
Contracts denominated in Japanese Yen						
Not later than 3 months	-	-	-	-	-	-
Later than 3 months and not later than 12 months	85.15	-	44,948	-	50,828	-
Later than 12 months	-	-	-	-	-	-
Total hedged Japanese Yen contracts			44,948	-	50,828	-
Total hedged purchase			133,628	31,225	137,514	33,263

Notes to the Financial Statements for the year ended 30 June 2016

Note 17 Financial instruments (continued)

17.3 Market risk (continued)

17.3.1 Foreign exchange risk (continued)

Foreign exchange risk sensitivity analysis

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

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

Based on the financial instruments held at 30 June 2016, had the AUD spot price weakened/strengthened by 10% against currencies in which contracts are held, with all other variables held constant, the impact on Comprehensive Income is shown in the table below.

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

Decrease of 10%	Surplus / deficit Higher/(Lower)		Equity Higher/(Lower)	
	2016	2015	2016	2015
	AUD '000	AUD '000	AUD '000	AUD '000
US Dollars	-	-	(4,917)	(2,309)
Euros	-	-	(2,889)	(490)
Japanese Yen	-	-	(4,570)	-
Pounds Sterling	-	-	(2)	(229)
Total	-	-	(12,378)	(3,028)

Increase of 10%	Surplus/deficit Higher/(Lower)		Equity Higher/(Lower)	
	2016	2015	2016	2015
	AUD '000	AUD '000	AUD '000	AUD '000
US Dollars	-	-	6,009	2,822
Euros	-	-	3,531	510
Japanese Yen	-	-	5,586	-
Pounds Sterling	-	-	3	280
Total	-	-	15,129	3,612

Notes to the Financial Statements for the year ended 30 June 2016

Note 17 Financial instruments (continued)

17.3 Market risk (continued)

17.3.2 Commodity price risk

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

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

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

At 30 June 2016 there were only commodity hedge contracts in place for distillate purchases.

Maturity profiles	Contract Value		Fair Value	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Not later than 1 year				
Favourable	4,508	1,543	5,396	1,619
Non-favourable	8,265	15,580	6,203	12,165
	12,773	17,123	11,599	13,784
Between 1 and 5 years				
Favourable	3,293	3,200	3,952	3,242
Non-favourable	6,894	5,405	5,757	4,372
	10,187	8,605	9,709	7,614
Total commodity swap contracts	22,960	25,728	21,308	21,398

Notes to the Financial Statements for the year ended 30 June 2016

Note 17 Financial Instruments (continued)

17.3 Market risk (continued)

17.3.2 Commodity price risk (continued)

Commodity price risk sensitivity analysis

Based on contracts in place at 30 June 2016, had the Singapore Gas Oil spot price weakened/strengthened by 10%, with all other variables held constant, the impact on Comprehensive Income is shown in the table below:

	Change in unit price	Surplus/deficit		Equity	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Commodity	-10%	-	-	(2,038)	(1,972)
Commodity	+10%	-	-	2,038	1,972

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

17.3.3 Interest rate risk

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

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

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

	Interest Rate		Principal Amount	
	2016 %	2015 %	2016 \$'000	2015 \$'000
Financial assets				
Not later than 1 year				
Cash on hand	-	-	1,360	2,868
Cash at bank	1.75	2.85	588,857	300,592
Total financial assets			590,217	303,460
Financial liabilities				
Not later than 1 year				
Finance lease	-	-	-	13,392
Between 1 and 5 years				
Finance lease	-	-	-	-
Later than 5 years				
Finance lease	-	-	2,015,814	1,995,664
Total financial liabilities			2,015,814	2,009,056
Net exposure			2,606,031	2,312,516

Interest rate risk is not applicable to the finance lease

Notes to the Financial Statements for the year ended 30 June 2016

Note 17 Financial instruments (continued)

17.3 Market risk (continued)

17.3.3 Interest rate risk (continued)

Interest rate sensitivity analysis

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

	Carrying Amount \$'000	Surplus/deficit \$'000		Equity \$'000	
		-1%	+1%	-1%	+1%
2016					
Bank deposits	588,857	(5,889)	5,889	(5,889)	5,889
2015					
Bank deposits	300,592	(3,006)	3,006	(3,006)	3,006

Investment

Sydney Trains held funds with Westpac Banking Corporation for operational purposes at 30 June 2016. The facility is designated at cost. Therefore any changes in price impacts on surplus and deficit (rather than comprehensive income). The deposits at balance date were earning an average interest rate of 1.75% (2015: 2.85%) while over the year the average interest rate was 1.96% (2015: 3.21%) on an average balance during the year of \$590.8m (2015: \$78.3m).

17.4 Credit risk

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

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

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

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

Sydney Trains held \$588.9m (2015: \$300.6m) in cash at bank at 30 June 2016. This was held with Westpac Banking Corporation.

Notes to the Financial Statements for the year ended 30 June 2016

Note 17 Financial instruments (continued)

17.4 Credit risk (continued)

Derivatives

In relation to foreign exchange contracts and commodity swap transactions, Sydney Trains only transacts with counterparties with a Standard & Poor's long-term credit rating of A or greater. Sydney Trains held \$8.2m (2015: \$2.3m) in derivative financial assets and \$6.0m (2015: \$4.6m) in derivative financial liabilities.

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

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

Trade receivables

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

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

17.5 Liquidity risk

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

Credit standby arrangements are shown at Note 5.3.

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

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

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 17 Financial instruments (continued)

17.5 Liquidity risk (continued)

	Carrying Amount \$'000	Contract Cash flow \$'000	Less than 1 Year \$'000	Between 1 and 5 Years \$'000	Over 5 Years \$'000
30 June 2016					
Financial assets					
Cash & cash equivalents	590,217	590,217	590,217	-	-
Trade and other receivables	274,288	274,288	274,288	-	-
	864,505	864,505	864,505	-	-
Financial liabilities					
Trade and other payables	421,021	421,021	421,021	-	-
Finance lease liability	2,015,814	5,717,310	165,566	696,324	4,855,420
	2,436,835	6,138,331	586,587	696,324	4,855,420
Derivatives					
Forward exchange contracts outflow	(137,514)	(133,628)	(122,906)	(10,722)	-
Forward exchange contracts inflow	-	-	-	-	-
Commodity swap contracts outflow	(21,308)	(22,960)	(12,773)	(10,187)	-
Commodity swap contracts inflow	-	-	-	-	-
	(158,822)	(156,588)	(135,679)	(20,909)	-
30 June 2015					
Financial assets					
Cash & cash equivalents	303,460	303,460	303,460	-	-
Trade and other receivables	209,888	209,888	209,888	-	-
Inter entity receivable	430,011	430,011	430,011	-	-
	943,359	943,359	943,359	-	-
Financial liabilities					
Trade and other payables	405,141	405,141	405,141	-	-
Finance lease liability	2,009,056	5,893,337	162,726	695,900	5,034,711
	2,414,197	6,298,478	567,867	695,900	5,034,711
Derivatives					
Forward exchange contracts outflow	(33,263)	(31,225)	(23,210)	(8,015)	-
Forward exchange contracts inflow	-	-	-	-	-
Commodity swap contracts outflow	(21,398)	(25,728)	(17,123)	(8,605)	-
Commodity swap contracts inflow	-	-	-	-	-
	(54,661)	(56,953)	(40,333)	(16,620)	-

17.6 Fair value compared to carrying amount

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

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

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

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 17 Financial instruments (continued)

17.6 Fair value compared to carrying amount (continued)

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

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

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

	Fair value \$'000	Carrying value \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Fair value at 30 June 2016					
Financial assets					
Foreign exchange contracts	61,356	54,679	-	61,356	-
Commodity swap contracts	9,348	7,801	-	9,348	-
Total financial assets	70,704	62,480	-	70,704	-
Financial liabilities					
Foreign exchange contracts	76,158	78,949	-	76,158	-
Commodity swap contracts	11,960	15,159	-	11,960	-
Total financial liabilities	88,118	94,108	-	88,118	-
Fair value at 30 June 2015					
Financial assets					
Foreign exchange contracts	25,798	23,610	-	25,798	-
Commodity swap contracts	4,861	4,743	-	4,861	-
Total financial assets	30,659	28,353	-	30,659	-
Financial liabilities					
Foreign exchange contracts	7,465	7,615	-	7,465	-
Commodity swap contracts	16,537	20,985	-	16,537	-
Total financial liabilities	24,002	28,600	-	24,002	-

(End of audited financial statements)



INDEPENDENT AUDITOR'S REPORT

SYDNEY TRAINS

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Sydney Trains, which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of Sydney Trains as at 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report.

I am independent of Sydney Trains in accordance with the auditor independence requirements of:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (the Code).

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services.

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

The Chief Executive's Responsibility for the Financial Statements

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

In preparing the financial statements, the Chief Executive must assess Sydney Trains' ability to continue as a going concern unless Sydney Trains will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based of the financial statements.

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that Sydney Trains carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.



Margaret Crawford
Auditor-General of NSW

15 September 2016
SYDNEY