NSW Trains

Annual Report

Volume 2

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NSW GOVERNMENT

NSW Trains

Annual Financial Statements

for the year ended 30 June 2019

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Statement by the Chief Executive

In relation to the Financial Statements for the year ended 30 June 2019

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

(a) In my opinion, the accompanying financial statements, read in conjunction with the notes thereto, exhibit a true and fair view of the financial position of NSW Trains as at 30 June 2019 and of its financial performance for the year ended 30 June 2019.

(b) The financial statements have been prepared in accordance with the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015*, the applicable 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.

Peter Allaway
Acting Chief Executive

20 September 2019

Statement of Comprehensive Income for the year ended 30 June 2019

	Note	**2019 $'000**	2018 $'000
Income			
Passenger services revenue		**125,223**	123,922
Non passenger revenue	3.1	**35,327**	26,052
Interest		**2,605**	2,706
Income from operating activities		**163,155**	152,680
Expenses			
Operating expenses			
- Employee related expenses	4.1	**265,732**	252,417
- Personnel services expenses	4.3	**15,975**	19,435
- Other operating expenses	4.4	**567,912**	546,141
Depreciation and amortisation	7.2, 8.2	**529**	757
Total expenses		**850,148**	818,750
Deficit from operations before Government contributions		**(686,993)**	(666,070)
Government contributions	3.2	**633,746**	651,439
Deficit from operations before Capital contributions		**(53,247)**	(14,631)
Contributions for capital expenditure		**5,883**	8,175
Deficit from operations for the year		**(47,364)**	(6,456)
Impairment gains on financial assets	6.1	**9**	-
Net result from continuing operations		**(47,355)**	(6,456)
Other Comprehensive Income			
Items that will not be reclassified to surplus/deficit in subsequent periods			
Remeasurement of defined benefit superannuation schemes	10.2.6	**(59,279)**	(1,278)
Total Other Comprehensive Income for the year		**(59,279)**	(1,278)
Total Comprehensive Income for the year		**(106,634)**	(7,734)

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

Statement of Financial Position as at 30 June 2019

	Note	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents	5.1	**141,717**	183,196
Trade and other receivables	6.1	**26,155**	20,826
Total current assets		**167,872**	204,022
Non-current assets			
Plant and equipment	7.1	**10,868**	7,761
Intangible assets	8.1	**6,877**	6,151
Total non-current assets		**17,745**	13,912
Total assets		**185,617**	217,934
Current liabilities			
Trade and other payables	9.1	**67,434**	64,049
Provisions	10.1	**88,963**	85,134
Total current liabilities		**156,397**	149,183
Non-current liabilities			
Provisions	10.1	**210,160**	144,458
Total non-current liabilities		**210,160**	144,458
Total liabilities		**366,557**	293,641
Net liabilities		**(180,940)**	(75,707)
Equity			
Contributed equity	11.1	**250,430**	249,082
Accumulated losses		**(431,370)**	(324,789)
Total equity		**(180,940)**	(75,707)

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 2019

	Note	Contributed equity $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2018		**249,082**	**(324,789)**	**(75,707)**
Change in accounting policy	2.1.1	**-**	**53**	**53**
Restated balance at 1 July 2018		**249,082**	**(324,736)**	**(75,654)**
Deficit for the year		**-**	**(47,355)**	**(47,355)**
Other comprehensive income				
Remeasurement of defined benefit superannuation schemes	10.2.6	**-**	**(59,279)**	**(59,279)**
Total other comprehensive income for the year		**-**	**(59,279)**	**(59,279)**
Total comprehensive income for the year		**-**	**(106,634)**	**(106,634)**
Transactions with owners in their capacity as owners				
Equity transfers	11.2	**1,348**	**-**	**1,348**
Balance at 30 June 2019		**250,430**	**(431,370)**	**(180,940)**
Balance at 1 July 2017		252,968	(317,055)	(64,087)
Deficit for the year		-	(6,456)	(6,456)
Other comprehensive income				
Remeasurement of defined benefit superannuation schemes	10.2.6	-	(1,278)	(1,278)
Total other comprehensive income for the year		-	(1,278)	(1,278)
Total comprehensive income for the year		-	(7,734)	(7,734)
Transactions with owners in their capacity as owners				
Equity transfers	11.2	(3,886)	-	(3,886)
Balance at 30 June 2018		249,082	(324,789)	(75,707)

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 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Cash received			
Passenger Services		**138,426**	135,830
Receipts from customers and others		**41,118**	38,371
Government contributions		**633,746**	651,439
Interest received		**2,605**	4,789
Total cash received		**815,895**	830,429
Cash used			
Employee related		**(256,898)**	(250,995)
Payment to suppliers and others		**(600,907)**	(594,522)
Total cash used		**(857,805)**	(845,517)
Net cash flows used in operating activities	5.2	**(41,910)**	(15,088)
Cash flows from investing activities			
Cash received			
Capital contributions		**5,883**	8,175
Total cash received		**5,883**	8,175
Cash used			
Plant and equipment and intangible assets acquisitions		**(5,452)**	(8,096)
Total cash used		**(5,452)**	(8,096)
Net cash flows from investing activities		**431**	79
Net decrease in cash and cash equivalents		**(41,479)**	(15,009)
Cash and cash equivalents at beginning of year		**183,196**	198,205
Cash and cash equivalents at end of year	5.1	**141,717**	183,196

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

Note 1 Reporting entity and Financial Statements

(i) Reporting entity

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

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

Under the Transport Administration Amendment (Transport Entities) Act 2017 No 12, from 1 July 2017 NSW Trains is no longer a subsidiary of RailCorp.

NSW Trains is a NSW Government entity and is controlled by Transport for NSW (TfNSW), TfNSW is controlled by the Department of Transport. The Department of Transport is controlled by the State of New South Wales, which is the ultimate parent. NSW Trains is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units.

(ii) Comparative information

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

Where required, comparative information has been reclassified to align with the current year. NSW Trains has reclassified $41.6m relating to fuel and electricity costs from asset maintenance to operations in Note 4.5 ‘Services Costs from Rail Entities’. ‘Operating lease non-contingent rents’ of $41m has also been reclassified to ‘Bussing expenses’ ($20m) and ‘Track access fees’ ($21m) in Note 4.4 ‘Other operating expenses’ to align with the current year presentation.

(iii) 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.

(iv) Statement of compliance

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

Note 2 Summary of significant accounting policies

2.1 Basis of preparation

The Financial Statements are general purpose Financial Statements prepared in accordance with applicable Australian Accounting Standards, which includes Australian Accounting Interpretations, the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015*, and the Treasurer's Directions.

Generally, the historical cost basis of accounting has been adopted and these Financial Statements do not take into account changing money values or current valuations. However, certain liabilities are calculated on a present value basis such as leave entitlements and other provisions. Refer Note 2.3 (ii).

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

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

Note 2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

NSW Trains' continued operations and ability to pay its debts are satisfied by annual grants from the NSW Government and availability of receivables and cash reserves. NSW Treasury has issued a letter of comfort to NSW Trains to ensure its ongoing viability for at least 12 months from the date the accompanying audit report was signed.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian Dollars. The Financial Statements are for the year from 1 July 2018 to 30 June 2019.

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

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

2.1.1 Change in accounting policy

NSW Trains has adopted AASB 9 'Financial Instruments' which has resulted in changes in accounting policies in respect to:

- Impairment of financial assets

NSW Trains has applied AASB 9 retrospectively however has not restated comparative information which is reported under AASB 139 'Financial Instruments: Recognition & Measurement' in accordance with NSW Treasury mandates. Any differences arising from the adoption of AASB 9 has been recognised directly in accumulated losses at 1 July 2018.

(a) Impact on the Statement of Financial Position

The impact of adopting AASB 9 on the Statement of Financial Position is set out below:

Statement of Financial Position (Extract)

	Restated $'000	Impact $'000	1 July 2018 $'000
Assets	**204,081**	59	204,022
Total assets	**217,993**	59	217,934
Net liabilities	**(75,654)**	53	(75,707)
Accumulated losses	**(324,736)**	53	(324,789)
Total equity	**(75,654)**	53	(75,707)

(b) Classification and Measurement

At the transition date, NSW Trains has assessed which business models apply to its financial assets and has categorised each financial instrument in accordance with AASB 9.

The assessment of whether contractual cash flows on the debt instruments are solely comprised of principal and interest was based on the facts and circumstances as at the initial recognition of the assets. The classification and measurement requirements of AASB 9 resulted in some minor reclassifications of financial assets in the current year. In particular, Trade and other receivables and Other Financial Assets classified as 'loans and receivables at amortised cost' under AASB 139 as at 30 June 2018 are held to collect contractual cash flows representing solely payments of principal and interest. At 1 July 2018, these are classified and measured as debt instruments at amortised cost. The reclassifications had no change on the carrying amounts of the financial assets at 1 July 2018 which continue to be measured at amortised cost.

Note 2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Change in accounting policy (continued)

(b) Classification and Measurement (continued)

There are no changes in the classification and measurement of NSW Trains' financial liabilities which continue to be measured at amortised cost. The table below sets out the measurement category and carrying amounts under AASB 9 and AASB 139 at 1 July 2018:

	Measurement category		Carry amount		
			Original	New	Difference
	AASB 139	AASB 9	$'000	$'000	$'000
Financial assets					
Trade and other receivables	Loans & receivables at amortised cost	Amortised cost	19,977	19,977	-
Financial liabilities					
Trade and other payables	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	58,861	58,861	-

(c) Impairment

The adoption of AASB 9 has changed NSW Trains' accounting policies relating to impairment losses for financial assets from the previous incurred loss approach to the expected credit loss approach. NSW Trains has recognised an allowance for expected credit losses for all debt instruments not held at fair value through the profit or loss. The impact to NSW Trains as a result of adopting the new impairment model is approximately $59k in the current year.

A reconciliation of the closing and opening impairment allowances under AASB 139 and AASB 9 is set out below:

	Expected credit losses (under AASB 9) **Restated 1 July 2018**	**Re-measurement**	**Allowance for impairment** (under AASB 139) **30 June 2018**
	$'000	$'000	$'000
Loans & Receivables/ Financial assets at amortised cost	12	(59)*	71

* The balance includes GST of $6,000 and the adjustment of $53,000 recognised at 1 July 2018.

Note 2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Change in accounting policy (continued)

(c) Impairment (continued)

A summary of the overall impact of transitioning to AASB 9 on equity is as follows:

	Contributed equity $'000	Accumulated losses $'000	Total equity $'000
Closing balance at 30 June 2018 (AASB 139)	249,082	(324,789)	(75,707)
Recognition of expected credit losses	-	53	53
Opening balance at 1 July 2018 (AASB 9)	249,082	(324,736)	(75,654)

2.2 Adoption of new and revised Accounting Standards

The Financial Statements have adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to NSW Trains effective for the reporting period beginning on 1 July 2018. The adoption of these new and revised Standards and Interpretations has not resulted in any significant changes to NSW Trains' accounting policies. NSW 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 relevant Accounting Standards and Interpretations have not yet been adopted and are not effective as at 30 June 2019. The standards are effective for annual reporting periods commencing on or after 1 January 2019.

AASB/ Amendment	Title	Issue Date	Application Date
AASB 15	Revenue from Contracts with Customers	Oct 2015	1 Jan 2019
AASB 16	Leases	Feb 2016	1 Jan 2019
AASB 17	Insurance Contracts	Jul 2017	1 Jan 2021
AASB 1058	Income of Not-for-Profit Entities	Dec 2016	1 Jan 2019
AASB 1059	Service Concession Arrangements: Grantors	Jul 2017	1 Jan 2020
AASB 2016-8	Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit	Dec 2016	1 Jan 2019
AASB 2018-1	Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle	Feb 2018	1 Jan 2019
AASB 2018-2	Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement	Mar 2018	1 Jan 2019
AASB 2018-5	Amendments to Australian Accounting Standards - Deferral of AASB 1059	Oct 2018	1 Jan 2019
AASB 2018-6	Amendments to Australian Accounting Standards – Definition of a Business	Dec 2018	1 Jan 2020
AASB 2018-7	Amendments to Australian Accounting Standards – Definition of Material	Dec 2018	1 Jan 2020
AASB 2018-8	Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities	Dec 2018	1 Jan 2019
AASB 2019-1	Amendments to Australian Accounting Standards - References to the Conceptual Framework	May 2019	1 Jan 2020

Note 2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised accounting standards (continued)

The following standards will be effective for next financial year and beyond:

- AASB 15 Revenue from Contracts with Customers is effective for annual reporting periods commencing on or after 1 January 2019. The standard establishes a five step model to account for revenue arising from contracts with customers. The standard will require revenue to be recognised when control of the goods or services is transferred to the customer that reflects the consideration NSW Trains expects to be entitled for the exchange compared to the current risks and rewards recognition approach under AASB 118 Revenue. The standard will result in the identification of performance obligations that will not change the timing of revenue recognition. NSW Trains will adopt AASB 15 on 1 July 2019 through application of the full retrospective transitional option. The standard will result in changes to NSW Trains' accounting policies.

- AASB 16 Leases is effective for annual reporting periods commencing on or after 1 January 2019. The standard requires lessees to recognise a right of use asset and a right of use liability in the Statement of Financial Position at 1 July 2019. The impact of AASB 16 on total assets and liabilities is estimated to be approximately $2m at 1 July 2019. As a result, interest and depreciation expenses will increase by approximately $1m and operating lease rental expenses will decrease by $1m in the Statement of Comprehensive Income in the 2019-20 financial year. NSW Trains will apply the partial retrospective approach at 1 July 2019 as if AASB 16 had always applied.

- AASB 1058 Income of Not-for-Profit Entities is effective for reporting periods commencing on or after 1 January 2019 and will replace most of the existing requirements in AASB 1004 Contributions. The standard applies to considerations received that are below fair value principally to enable a not for profit entity to further its objectives. Under AASB 1058, NSW Trains will be required to recognise liability for funding received where there is an outstanding obligation to construct a non-financial asset that it controls. NSW Trains will adopt AASB 1058 on 1 July 2019 through the application of the full retrospective transition approach. The recognition and measurement principles of the standard will be applied for the 2019-20 financial year and the comparative period as if the standard had always applied. The standard will result in changes to NSW Trains' accounting policies. Capital funding is expended by NSW Trains in the year it is received, hence the impact for NSW Trains is minimal.

- AASB 1059 Service Concession Arrangements: Grantors is effective for annual reporting periods commencing on or after 1 January 2020. The standard applies to arrangements that involve an operator providing public services related to a service concession asset on behalf of a public sector grantor. The standard will require the grantor to recognise a service concession asset and liability in the Statement of Financial Position at initial recognition. The standard is applicable to NSW Trains from 1 July 2020. At this stage, the impact of the standard is not yet known.

The above assessments are indicative only and the actual impacts will be reported in the next financial year and beyond. The impact of the other standards is not anticipated to be significant.

Note 2 Summary of significant accounting policies (continued)

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 and borrowings.

(i) Recognition

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

Financial assets are derecognised when the contractual rights to the associated cash flows expire or if NSW Trains transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either:

- NSW Trains has transferred substantially all the risks and rewards of the assets
- NSW Trains has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control.

When NSW Trains has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

Financial liabilities are derecognised when the contractual obligation is discharged, cancelled, or expires.

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

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

(ii) Measurement

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

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

Note 2 Summary of significant accounting policies (continued)

2.4 Impairment of financial assets

AASB 139 (for comparative period ended 30 June 2018)
All financial assets are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that NSW Trains will not be able to collect all amounts due. The calculated impairment loss is recognised in the Statement of Comprehensive Income as an allowance to reduce the carrying amount of the financial asset.

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

AASB 9 (from 1 July 2018)
NSW Trains recognises an allowance for expected credit losses for debt financial assets not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate.

For trade and other receivables, NSW Trains applies the simplified approach in calculating expected credit losses. NSW Trains recognises a loss allowance based on lifetime expected credit losses at each reporting date. NSW Trains has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to each receivable.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 90 days past due.

2.5 Taxes

(i) Income tax equivalents

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

(ii) Goods and Services tax

Revenues, expenses and assets are generally recognised net of the amount of Goods and Services tax (GST). However, receivables and payables are stated with the amount of GST included, and GST that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of the relevant asset or expense. The net amount of GST recoverable from (or payable to) the ATO is recognised as part of receivables (or payables) in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of any cash flow arising from investing activities that is recoverable from (or payable to) the ATO is classified as an operating cash flow.

2.6 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.

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.

Note 2 Summary of significant accounting policies (continued)

2.7 Income

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

(i) Passenger services revenue

Proceeds received from the sale of regional 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. Remittance of Opal passenger revenue to NSW Trains is on the basis of journeys undertaken recorded by the electronic ticketing system. Accordingly, no deferred revenue is recognised by NSW Trains.

(ii) Government contributions

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

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

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

(iii) Interest revenue

Interest revenue is recognised as interest accrues and is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the asset (ie after deducting the loss allowance for expected credit losses).

(iv) Sale of assets and goods

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

2.8 Cash and cash equivalents

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

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.

Note 2 Summary of significant accounting policies (continued)

2.9 Trade and other receivables

Trade receivables are measured initially at fair value and subsequently at invoiced cost less an allowance for impairment / expected credit losses, 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. Trade receivables that do not contain a significant financing component are measured at the transaction price.

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 or allowance for expected credit losses 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.

AASB 139 (for comparative period ended 30 June 2018)
Subsequent measurement is at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

AASB 9 (from 1 July 2018)
NSW Trains holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method subsequent to initial recognition. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

2.10 Asset maintenance

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

2.11 Plant and equipment

(i) Recognition

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

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

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

Note 2 Summary of significant accounting policies (continued)

2.11 Plant and equipment (continued)

(i) Recognition (continued)

The capitalisation threshold for a network of plant and equipment items or for an individual (non-networked) item is $5,000. Expenditure below the capitalisation threshold is charged to the Statement of Comprehensive Income.

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

(ii) Measurement

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

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

(iii) Depreciation

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

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

The depreciation charge for each period is recognised as an expense.
In determining an asset's useful life consideration is given to its expected usage, its expected wear and tear, technical or commercial obsolescence and legal or similar limits on its use.

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

	Years
Plant and equipment	5 – 20

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

Note 2 Summary of significant accounting policies (continued)

2.11 Plant and equipment (continued)

(iv) Derecognition

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

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

2.12 Intangible assets

(i) Recognition

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

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

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

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

(ii) Measurement

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

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

(iii) Amortisation

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

In determining the asset's useful life, consideration is given to its expected usage, technical, technological, commercial or other types of obsolesce, 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 is 5 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.

Note 2 Summary of significant accounting policies (continued)

2.12 Intangible assets (continued)

(iii) Amortisation (continued)

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

(iv) Derecognition

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

2.13 Trade and other payables

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

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

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

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

2.14 Provisions

(i) Provisions generally

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

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

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

Note 2 Summary of significant accounting policies (continued)

2.14 Provisions (continued)

(ii) Employee benefits

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

Short – term obligations

Liabilities for short-term employee benefits including wages and salaries and non-monetary benefits are measured at the amount expected to be paid when the liability is settled, if it is expected to be settled wholly before 12 months after the end of the reporting period. Non-accumulating sick leave is recognised when the leave is taken and measured at the rates payable.

Other long – term obligations

The liability for other long-term employee benefits such as annual leave and long service leave is recognised in current provisions regardless of the expected timing of settlements, if there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, otherwise it would be classified as a non-current liability.

It is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Retirement benefit obligations

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

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

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

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

Note 2 Summary of significant accounting policies (continued)

2.14 Provisions (continued)

(ii) Employee benefits (continued)

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

2.15 Contributed equity

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

2.16 Critical accounting estimates

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

(i) Judgements

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

(ii) Assumptions and estimation of uncertainties

Note 10.2 - Measurement of defined benefit obligations: key actuarial assumptions
Note 10.3 - Measurement of long service leave obligations: key actuarial assumptions
Note 10.5 - Measurement of workers compensation obligations: key actuarial assumptions.

2.17 Personnel service expenses

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

2.18 Offsetting financial assets and liabilities

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

Note 3 Income

3.1 Non passenger revenue

	2019 $'000	2018 $'000
Labour cost recovery	**13,579**	6,210
Cost recovery for services performed	**11**	38
Resources free of charge*	**785**	400
Catering revenue	**7,746**	7,223
Recoveries for interstate services	**12,740**	11,452
Other revenue	**466**	729
Total non-passenger revenue	**35,327**	26,052

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

3.2 Government contributions

	2019 $'000	2018 $'000
Operating	**630,812**	645,509
Redundancy	**2,934**	5,930
Total government contributions	**633,746**	651,439

Note 4 Expenses

4.1 Employee related expenses

Employee related expenses include the following items:

	Note	2019 $'000	2018 $'000
Salaries and wages		**191,142**	187,608
Annual leave		**18,255**	16,068
Long service leave		**10,618**	5,407
Superannuation - defined benefits plan	4.2	**7,299**	7,746
Superannuation - defined contribution plan		**13,627**	13,112
Workers' compensation		**6,172**	6,104
Payroll tax and fringe benefit tax		**13,178**	13,224
Redundancy		**3,042**	807
Other employee-related expenses		**2,399**	2,341
Total employee related expenses		**265,732**	252,417

No employee related costs have been capitalised in plant and equipment and intangible assets (2017-18: Nil excluded from the above).

Note 4 Expenses (continued)

4.2 Defined benefit superannuation expense

	Note	**2019 $'000**	2018 $'000
Current service cost		**3,766**	4,357
Net interest		**3,533**	3,389
Total defined benefit superannuation expense	10.2.5	**7,299**	7,746

4.3 Personnel service expenses

	2019 $'000	2018 $'000
Salaries and wages	**11,267**	13,527
Annual leave	**1,007**	1,217
Long service leave	**720**	327
Superannuation - defined benefits plan	**62**	69
Superannuation - defined contribution plan	**1,079**	1,265
Workers' compensation	**33**	29
Payroll tax and fringe benefit tax	**802**	936
Redundancy	**1,005**	2,065
Total personnel service expenses	**15,975**	19,435

4.4 Other operating expenses

	Note	**2019 $'000**	2018 $'000
Other contractors		**24,520**	17,090
Materials		**7,934**	7,101
Bussing expenses		**23,896**	19,717
Track access fee		**21,548**	21,257
Insurance costs		**501**	445
Information technology		**4,433**	4,098
Corporate and shared services costs from TfNSW		**18,463**	17,243
Travelling expenses		**3,418**	2,596
Advertising and marketing		**246**	468
Printing and stationery		**1,015**	713
Audit fees - audit of financial statements		**164**	160
Allowance of trade receivables*		**-**	30
Services costs from Rail entities	4.5	**454,470**	450,168
Other		**7,304**	5,055
Total operating expenses		**567,912**	546,141

*Only applies to 2018.

Note 4 Expenses (continued)

4.5 Services costs from Rail entities

	2019	2018
	$'000	$'000
Asset maintenance	**362,658**	369,137
Customer service	**19,880**	21,477
Operations	**66,357**	57,207
Other	**5,575**	2,347
Total services costs from Rail entities	**454,470**	450,168

Note 5 Cash and cash equivalents

5.1 Cash and cash equivalents

	2019	2018
	$'000	$'000
Cash at bank	**141,399**	182,987
Cash on hand and in transit	**318**	209
Total cash and cash equivalents	**141,717**	183,196

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

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

	2019	2018
	$'000	$'000
Deficit for the year	**(47,355)**	(6,456)
Capital contributions	**(5,883)**	(8,175)
Depreciation and amortisation	**529**	757
Allowance of trade receivables*	**-**	30
Impairment losses/ (gains) on financial assets**	**(9)**	-
Write off of assets	**1,090**	12
Net movements in assets and liabilities applicable to operating activities:		
(Increase)/ decrease in trade and other receivables	**(5,262)**	4,352
Increase/ (decrease) in trade and other payables and provisions	**14,980**	(5,608)
Net cash flows used in operating activities	**(41,910)**	(15,088)

*Apply to 2018 only.

**Apply to 2019 only.

5.3 Non-cash investing activities

During 2018-19 no Capital work in progress has been transferred to RailCorp by way of equity transfers (2017-18: $3.9m). Refer Note 11.2 for details.

Note 5 Cash and cash equivalents (continued)

5.4 Credit standby arrangements and loan facilities

The credit standby arrangement and unused amounts available are:

	2019 Credit Facilities $'000	2019 Unused $'000
Transaction negotiation authority	**30,000**	**30,000**
Purchasing card facility*	**10,000**	**6,150**
Bank guarantee	**-**	**-**
Come and Go facility	**30,000**	**30,000**
Total credit standby arrangements and loan facilities	**70,000**	**66,150**

* As at 30 June 2019, the purchasing cards issued had a combined limit of $3.85m (2018: $3.37m) with a payable of $0.3m (2018: $0.4m).

	2018 Credit Facilities $'000	2018 Unused $'000
Transaction negotiation authority	50,000	50,000
Purchasing card facility	10,000	6,630
Bank guarantee	11	-
Come and Go facility	30,000	30,000
Total credit standby arrangements and loan facilities	90,011	86,630

Note 6 Trade and other receivables

6.1 Trade and other receivables

	2019 $'000	2018 $'000
Current trade and other receivables		
Sale of goods and services	**252**	627
Inter entity receivables	**12,882**	7,749
Other receivables	**13,024**	12,521
Less: allowance for impairment*	**-**	(71)
Less: allowance for expected credit losses**	**(3)**	-
Total current trade and other receivables	**26,155**	20,826

*Only applies to 2018.

**Only applies to 2019.

*Movements in the allowance for impairment were as follows:

	2018 $'000
Balance at 1 July 2017	38
Bad debts expense	-
Allowance recognised in Statement of Comprehensive Income	30
GST Movement	3
Balance at 30 June 2018	71

Note 6 Trade and other receivables (continued)

6.1 Trade and other receivables (continued)

**Movements in the allowance for expected credit losses balance set out below:	**2019** **$'000**
Balance at 30 June 2018 (under AASB 139)	**71**
Amounts restated through opening retained earnings	**(59)**
Restated balance at 1 July 2018 (under AASB 9)	**12**
Allowance recognised in Statement of Comprehensive Income	**(9)**
Balance at 30 June 2019	**3**

6.2 Impaired trade and other receivables

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

	2018 $'000
1 to 3 months	17
3 to 6 months	25
Over 6 months	29
Balance at end of year	71

6.3 Past due but not impaired receivables

The ageing analysis of trade receivables is as follows:

	2018 $'000
1 to 3 months	393
3 to 6 months	-
Over 6 months	-
Balance at end of year	393

Note 6 Trade and other receivables (continued)

6.4 Aging analysis

The loss allowance for trade debtors as at 30 June 2019 and at 1 July 2018 on adoption of AASB 9 is determined as follows:

	Current $'000	< 30 days $'000	30 - 60 days $'000	61 - 90 days $'000	> 91 days $'000	Total $'000
30 June 2019						
Expected average credit loss rate	**-**	**-**	**-**	**-**	**17.65%**	
Estimated total gross carrying amount of default	**138**	**49**	**10**	**15**	**17**	**229**
Expected credit loss	**-**	**-**	**-**	**-**	**3**	**3**
1 July 2018						
Expected average credit loss rate	-	-	-	-	27.50%	
Estimated total gross carrying amount at default	193	100	26	211	40	570
Expected credit loss	-	-	-	-	11	11

Note: The analysis excludes statutory receivables, prepayments, as these are not within the scope of AASB 7 hence the 'total' will not reconcile to the receivables total in Note 6.1.

6.5 Nature and extent of risk arising from receivables

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

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

Note 7 Plant and equipment

7.1 Classes

	2019 **$'000**	2018 $'000
Plant and Machinery		
Gross carrying amount	**2,317**	2,259
Less accumulated depreciation	**(2,117)**	(2,052)
Total plant and machinery	**200**	207
Capital works in progress		
Capital works in progress	**10,668**	7,554
Total capital works in progress	**10,668**	7,554
Total plant and equipment	**10,868**	7,761

Note 7 Plant and equipment (continued)

7.2 Asset class movement

	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Year ended 30 June 2019			
Gross carrying amount			
Balance at 1 July 2018	**2,259**	**7,554**	**9,813**
Additions	**-**	**4,262**	**4,262**
Write-offs	**(1)**	**(1,089)**	**(1,090)**
Transfers	**59**	**(59)**	**-**
Balance at 30 June 2019	**2,317**	**10,668**	**12,985**
Accumulated depreciation			
Balance at 1 July 2018	**(2,052)**	**-**	**(2,052)**
Depreciation for the year	**(65)**	**-**	**(65)**
Write-offs	**-**	**-**	**-**
Balance at 30 June 2019	**(2,117)**	**-**	**(2,117)**
Net carrying amount			
At 1 July 2018	**207**	**7,554**	**7,761**
At 30 June 2019	**200**	**10,668**	**10,868**

	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Year ended 30 June 2018			
Gross Carrying amount			
Balance at 1 July 2017	2,249	5,330	7,579
Additions	10	6,110	6,120
Transfers	-	(3,886)	(3,886)
Balance at 30 June 2018	2,259	7,554	9,813
Accumulated depreciation			
Balance at 1 July 2017	(1,940)	-	(1,940)
Depreciation for the year	(112)	-	(112)
Balance at 30 June 2018	(2,052)	-	(2,052)
Net carrying amount			
At 1 July 2017	309	5,330	5,639
At 30 June 2018	207	7,554	7,761

Note 8 Intangible assets

8.1 Classes

	2019 $'000	2018 $'000
Software		
Gross carrying amount	**20,906**	20,087
Less accumulated amortisation	**(19,649)**	(19,185)
Net carrying amount of software	**1,257**	902
Software work in progress	**5,620**	5,249
Total intangible assets	**6,877**	6,151

8.2 Asset class movement

	Software $'000	Software work in progress $'000	Total $'000
Year ended 30 June 2019			
Gross carrying amount			
Balance at 1 July 2018	**20,087**	**5,249**	**25,336**
Additions	**-**	**1,190**	**1,190**
Transfers	**819**	**(819)**	**-**
Balance at 30 June 2019	**20,906**	**5,620**	**26,526**
Accumulated amortisation			
Balance at 1 July 2018	**(19,185)**	**-**	**(19,185)**
Amortisation for the year	**(464)**	**-**	**(464)**
Balance at 30 June 2019	**(19,649)**	**-**	**(19,649)**
Net carrying amount			
At 1 July 2018	**902**	**5,249**	**6,151**
At 30 June 2019	**1,257**	**5,620**	**6,877**

Note 8 Intangible assets (continued)

8.2 Asset class movement (continued)

	Software $'000	Software work in progress $'000	Total $'000
Year ended 30 June 2018			
Gross carrying amount			
Balance at 1 July 2017	19,799	3,911	23,710
Additions	-	1,976	1,976
Write-offs	(350)	-	(350)
Transfers	638	(638)	-
Balance at 30 June 2018	20,087	5,249	25,336
Accumulated amortisation			
Balance at 1 July 2017	(18,878)	-	(18,878)
Amortisation for the year	(645)	-	(645)
Write-offs	338	-	338
Balance at 30 June 2018	(19,185)	-	(19,185)
Net carrying amount			
At 1 July 2017	921	3,911	4,832
At 30 June 2018	902	5,249	6,151

Note 9 Trade and other payables

9.1 Current trade and other payables

	2019 $'000	2018 $'000
Current payables		
Trade payables	**7,787**	5,692
Inter entity payables	**38,880**	36,752
Accrued salaries, wages and on-costs	**9,781**	9,064
Other payables and accruals	**8,658**	10,341
Unearned revenue	**2,328**	2,200
Total current trade and other payables	**67,434**	64,049

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 14.5.

9.2 Fair value

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

Note 10 Provisions

10.1 Provisions

	Note	**2019 $'000**	2018 $'000
Current provisions			
Annual leave (see note (a) below)		**29,044**	28,353
Long service leave (see note (a) below)	10.3	**52,496**	48,772
Pay in lieu of certain holidays worked (see note (a) below)		**2,281**	2,235
Workers' compensation	10.5	**4,775**	5,774
Total current employee benefits and related on-costs		**88,596**	85,134
Public liability claims		**367**	-
Total current provisions		**88,963**	**85,134**
Non-current provisions			
Superannuation	10.2	**198,091**	135,113
Long service leave (see note (a) below)	10.3	**1,951**	2,301
Workers' compensation	10.5	**10,118**	7,044
Total non-current employee benefits		**210,160**	144,458
Total provisions			
Superannuation	10.2	**198,091**	135,113
Annual leave		**29,044**	28,353
Long service leave	10.3	**54,447**	51,073
Pay in lieu of certain holidays worked		**2,281**	2,235
Workers' compensation	10.5	**14,893**	12,818
Total employee benefits		**298,756**	229,592
Public liability claims		**367**	-
Total provisions		**299,123**	229,592

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

Note 10 Provisions (continued)

10.1 Provisions (continued)

	Within 12 months $'000	**Later than 12 months $'000**	**Total $'000**
Year ended 30 June 2019			
Long service leave	**8,020**	**46,427**	**54,447**
Annual leave	**21,355**	**7,689**	**29,044**
Pay in lieu of certain holidays worked	**2,281**	**-**	**2,281**
	31,656	**54,116**	**85,772**

	Within 12 months $'000	Later than 12 months $'000	Total $'000
Year ended 30 June 2018			
Long service leave	7,437	43,636	51,073
Annual leave	20,487	7,866	28,353
Pay in lieu of certain holidays worked	2,235	-	2,235
	30,159	51,502	81,661

10.2 Superannuation

10.2.1 Overview

(a) Nature of the benefits

Employer contributions are made to three defined-benefit superannuation schemes administered by the SAS Trustee Corporation (STC): the State Authorities Superannuation Scheme (SASS), the State Authorities Non-Contributory Superannuation Scheme (SANCS) and the State Superannuation Scheme (SSS), which together form the Pooled Fund. Each scheme is closed to new members and its investments are held in trust by the Pooled Fund. At least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

(b) 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 2018. The next actuarial investigation will be performed at 30 June 2021.

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.1 Overview (continued)

(c) 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.

(d) 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.

(e) Significant events

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

(f) Financial impacts

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

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.1 Overview (continued)

(f) Financial impacts (continued)

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

Year ended 30 June 2019	**SASS $'000**	**SANCS $'000**	**SSS $'000**	**Total $'000**
Accrued liability*	**438,604**	**34,760**	**1,745**	**475,109**
Estimated reserve account balance	**(253,926)**	**(22,338)**	**(754)**	**(277,018)**
Deficit	**184,678**	**12,422**	**991**	**198,091**
Future service liability**	**7,009**	**8,375**	**227**	**15,611**
Surplus in excess of recovery available from schemes	**-**	**-**	**-**	**-**
Net liability recognised in statement of financial position	**184,678**	**12,422**	**991**	**198,091**

Year ended 30 June 2018	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Accrued liability*	374,129	32,235	1,226	407,590
Estimated reserve account balance	(248,132)	(23,638)	(707)	(272,477)
Deficit	125,997	8,597	519	135,113
Future service liability**	7,961	8,040	188	16,189
Surplus in excess of recovery available from schemes	-	-	-	-
Net liability recognised in statement of financial position	125,997	8,597	519	135,113

* 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 per cent.

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

Year ended 30 June 2019	**SASS**	**SANCS**	**SSS**
Member numbers			
Contributors	**407**	**408**	**1**
Pensioners	**60**	**-**	**-**

Year ended 30 June 2018	SASS	SANCS	SSS
Member numbers			
Contributors	445	446	1
Pensioners	46	-	-

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.2 Reconciliation of the net defined benefit liability

Year ended 30 June 2019	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Net Defined Benefit Liability at start of year	**125,997**	**8,597**	**519**	**135,113**
Current service cost	**2,576**	**1,153**	**37**	**3,766**
Net Interest on the net defined benefit liability/(asset)	**3,291**	**228**	**14**	**3,533**
Actual return on Fund assets less Interest income	**(12,928)**	**(1,177)**	**(38)**	**(14,143)**
Actuarial losses arising from changes in demographic assumptions	**373**	**53**	**1**	**427**
Actuarial losses arising from changes in financial assumptions	**62,867**	**3,032**	**487**	**66,386**
Actuarial (gains)/losses arising from liability experience	**6,102**	**536**	**(29)**	**6,609**
Employer contributions	**(3,600)**	**-**	**-**	**(3,600)**
Net defined benefit liability at end of year	**184,678**	**12,422**	**991**	**198,091**

Year ended 30 June 2018	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Net Defined Benefit Liability at start of year	120,418	8,701	570	129,689
Current service cost	3,066	1,254	37	4,357
Net Interest on the net defined benefit liability/(asset)	3,156	217	16	3,389
Actual return on Fund assets less Interest income	(8,185)	(47)	(38)	(8,270)
Actuarial (gains)/losses arising from changes in demographic assumptions	13,145	(472)	5	12,678
Actuarial losses arising from changes in financial assumptions	(848)	(25)	(4)	(877)
Actuarial (gains)/losses arising from liability experience	(1,155)	(1,031)	(67)	(2,253)
Employer contributions	(3,600)	-	-	(3,600)
Net defined benefit liability at end of year	125,997	8,597	519	135,113

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.3 Reconciliation of the fair value of fund assets

Year ended 30 June 2019	**SASS $'000**	**SANCS $'000**	**SSS $'000**	**Total $'000**
Fair value of fund assets at the beginning of the year	**248,132**	**23,638**	**707**	**272,477**
Interest income	**6,313**	**580**	**19**	**6,912**
Actual return on Fund assets less Interest income	**12,928**	**1,177**	**38**	**14,143**
Employer contributions	**3,600**	**-**	**-**	**3,600**
Contributions by participants	**2,195**	**-**	**8**	**2,203**
Benefits paid	**(19,144)**	**(3,112)**	**(8)**	**(22,264)**
Taxes, premiums & expenses paid	**(98)**	**55**	**(10)**	**(53)**
Fair value of fund assets at the end of the year	**253,926**	**22,338**	**754**	**277,018**

Year ended 30 June 2018	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Fair value of fund assets at the beginning of the year	246,790	25,309	642	272,741
Interest Income	6,188	635	17	6,840
Actual return on fund assets less Interest income	8,185	47	38	8,270
Employer contributions	3,600	-	-	3,600
Contributions by participants	2,387	-	8	2,395
Benefits paid	(18,841)	(2,306)	10	(21,137)
Taxes, premiums and expenses paid	(177)	(47)	(8)	(232)
Fair value of fund assets at the end of the year	248,132	23,638	707	272,477

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.4 Reconciliation of the present value of the defined benefit obligation

Year ended 30 June 2019	**SASS $'000**	**SANCS $'000**	**SSS $'000**	**Total $'000**
Present value of defined benefit obligations at beginning of the year	**374,129**	**32,235**	**1,226**	**407,590**
Current service cost	**2,576**	**1,153**	**37**	**3,766**
Interest cost	**9,604**	**808**	**33**	**10,445**
Contributions by participants	**2,195**	**-**	**8**	**2,203**
Actuarial losses arising from changes in demographic assumptions	**373**	**53**	**1**	**427**
Actuarial losses arising from changes in financial assumptions	**62,867**	**3,032**	**487**	**66,386**
Actuarial (gains)/losses arising from liability experience	**6,102**	**536**	**(29)**	**6,609**
Benefits paid	**(19,144)**	**(3,112)**	**(8)**	**(22,264)**
Taxes, premiums & expenses paid	**(98)**	**55**	**(10)**	**(53)**
Present value of defined benefit obligation at the end of the year	**438,604**	**34,760**	**1,745**	**475,109**

Year ended 30 June 2018	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Present value of defined benefit obligations at beginning of the year	367,208	34,010	1,212	402,430
Current service cost	3,066	1,254	37	4,357
Interest cost	9,344	852	32	10,228
Contributions by participants	2,387	-	8	2,395
Actuarial (gains)/losses arising from changes in demographic assumptions	13,145	(472)	5	12,678
Actuarial gains arising from changes in financial assumptions	(848)	(25)	(4)	(877)
Actuarial (gains)/losses arising from liability experience	(1,155)	(1,031)	(66)	(2,252)
Benefits paid	(18,841)	(2,306)	10	(21,137)
Taxes, premiums and expenses paid	(177)	(47)	(8)	(232)
Present value of defined benefit obligation at the end of the year	374,129	32,235	1,226	407,590

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.5 Expense recognised in the Statement of Comprehensive Income

Year ended 30 June 2019	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Components recognised as expense				
Current service cost	**2,576**	**1,153**	**37**	**3,766**
Net interest	**3,291**	**228**	**14**	**3,533**
Expense recognised	**5,867**	**1,381**	**51**	**7,299**

Year ended 30 June 2018	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Components recognised as expense				
Current service cost	3,066	1,254	37	4,357
Net interest	3,156	217	16	3,389
Expense recognised	6,222	1,471	53	7,746

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.6 Amounts recognised in Other Comprehensive Income

Year ended 30 June 2019	**SASS $'000**	**SANCS $'000**	**SSS $'000**	**Total $'000**
Actuarial losses on liabilities	**69,342**	**3,621**	**459**	**73,422**
Actual return on Fund assets less Interest income	**(12,928)**	**(1,177)**	**(38)**	**(14,143)**
Total Remeasurements	**56,414**	**2,444**	**421**	**59,279**

Year ended 30 June 2018	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Actuarial gains on liabilities	11,141	(1,528)	(65)	9,548
Actual return on Fund assets less Interest income	(8,185)	(47)	(38)	(8,270)
Total Remeasurements*	2,956	(1,575)	(103)	1,278

10.2.7 Fund assets

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

	2019 %	2018 %
Short Term Securities	**9.6**	10.5
Australian Fixed Interest	**5.4**	5.3
International Fixed Interest	**4.7**	3.3
Australian Equities	**19.8**	22.2
International Equities	**27.0**	26.1
Property	**8.5**	8.9
Alternatives	**25.0**	23.7
Total	**100.0**	100.0

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.8 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.

Asset Category	Total $'000	Quoted prices in active markets Level 1 $'000	Significant observable inputs Level 2 $'000	Unobservable inputs Level 3 $'000
Year ended 30 June 2019				
Short Term Securities	**4,042,116**	**2,135,561**	**1,906,555**	**-**
Australian Fixed Interest	**2,294,672**	**4,993**	**2,289,679**	**-**
International Fixed Interest	**1,968,094**	**6,827**	**1,952,396**	**8,871**
Australian Equities	**8,368,928**	**7,818,302**	**547,571**	**3,055**
International Equities	**11,387,439**	**8,795,299**	**2,592,132**	**8**
Property	**3,588,230**	**698,607**	**717,079**	**2,172,544**
Alternatives	**10,558,182**	**327,329**	**5,758,095**	**4,472,758**
Total	**42,207,661**	**19,786,918**	**15,763,507**	**6,657,236**

Asset Category	Total $'000	Quoted prices in active markets Level 1 $'000	Significant observable inputs Level 2 $'000	Unobservable inputs Level 3 $'000
Year ended 30 June 2018				
Short Term Securities	4,401,164	2,185,469	2,215,695	-
Australian Fixed Interest	2,234,922	41,854	2,193,068	-
International Fixed Interest	1,396,107	8,116	1,387,991	-
Australian Equities	9,271,405	8,719,442	548,908	3,055
International Equities	10,891,350	8,499,476	2,391,501	373
Property	3,711,287	788,018	608,934	2,314,335
Alternatives	9,894,828	420,898	5,332,818	4,141,113
Total	41,801,063	20,663,272	14,678,915	6,458,876

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 cash flow 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.

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.9 Significant actuarial assumptions at the reporting date

	Year ended 30 June 2019
Discount rate	**1.32% pa**
Salary increase rate (excluding promotional increases)	**3.2% pa**
Rate of CPI increase	**1.75% for 2018/19 and 2019/20, 2.00% for 2020/21; 2.25% for 2021/22 and 2022/23; 2.50% pa thereafter.**
Pensioner mortality	**The pensioner mortality assumptions are as per the 2018 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.**

	Year ended 30 June 2018
Discount rate	2.65%
Salary increase rate (excluding promotional increases)	2.7% pa for 2018/19; 3.2% pa thereafter.
Rate of CPI increase	2.25% pa for 2018/19 and 2019/20; 2.5% pa thereafter.
Pensioner mortality	The pensioner mortality assumptions are those to be used for the 2018 actuarial investigation of the Pooled Fund. These assumptions will be disclosed in the actuarial investigation report which will be available on the Trustee's website when the investigation is complete. The report will show the pension mortality rates for each age. Alternatively, the assumptions are available on request from the Trustee.

10.2.10 Fair value of entity's own financial instruments

The disclosures below relate to total assets of the Pooled Fund.
The fair value of the Pooled Fund assets as at 30 June 2019 includes $99.5 million (2018: $97.7 million) in NSW Government bonds.

Of the direct properties owned by the Pooled Fund:
- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of $316 million (2018: $280 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of $331 million (2018: $287 million).

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.11 Sensitivity analysis

The entity's total defined benefit obligation as at 30 June 2019 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 2019.

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
Year ended 30 June 2019			
Discount rate	as above	as above -1.0% pa	as above +1.0% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	475,109	541,943	422,175

	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Year ended 30 June 2019			
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above +0.5% pa	as above -0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	475,109	495,038	457,070

	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Year ended 30 June 2019			
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above +0.5% pa	as above -0.5% pa
Defined benefit obligation ($'000)	475,109	484,521	466,063

	Base case	Scenario G Lower Mortality*	Scenario H Higher Mortality**
Year ended 30 June 2019			
Defined benefit obligation ($'000)	475,109	483,725	471,264

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.11 Sensitivity analysis (continued)

	Base case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
Year ended 30 June 2018			
Discount rate	as above	as above -1.0% pa	as above +1.0% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	407,590	458,131	367,073

	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Year ended 30 June 2018			
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	407,590	421,712	394,753

	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Year ended 30 June 2018			
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation ($'000)	407,590	415,944	399,575

	Base case	Scenario G Lower Mortality*	Scenario H Higher Mortality**
Year ended 30 June 2018			
Defined benefit obligation ($'000)	407,590	413,240	405,014

*Assumes the short term pensioner mortality improvement factors for years 2019-2023 (2018: 2018-2023) also apply for years after 2023 (2018: 2023).

**Assumes the long term pensioner mortality improvement factors for years post 2023 (2018: 2023) also apply for the years 2019 to 2023 (2018: 2018 - 2023).

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

10.2.12 Asset-Liability matching strategies

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

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.13 Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. Contribution rates are set after discussions between the employer, STC and NSW Treasury.
Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

Surplus / deficit

The following is a summary of the 30 June 2019 financial position of the Fund calculated in accordance with AASB 1056 Accounting Standard "*Superannuation Entities":*

Year ended 30 June 2019	**SASS**	**SANCS**	**SSS**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Accrued benefits*	**255,179**	**24,833**	**493**	**280,505**
Net market value of fund assets	**(253,926)**	**(22,338)**	**(754)**	**(277,018)**
Net (surplus)/deficit	**1,253**	**2,495**	**(261)**	**3,487**

Year ended 30 June 2018	SASS	SANCS	SSS	Total
	$'000	$'000	$'000	$'000
Accrued benefits*	254,079	26,198	366	280,643
Net market value of fund assets	(248,132)	(23,638)	(707)	(272,477)
Net (surplus)/deficit	5,947	2,560	(341)	8,166

*There is no allowance for a contribution tax provision within the Accrued Benefits figure for AASB 1056. Allowance for contributions tax is made when setting the contribution rates.

Contribution recommendations

Year ended 30 June 2019	**SASS** multiple of member contributions	**SANCS** % member salary	**SSS** multiple of member contributions
Recommended contribution rates for the entity	**N/A**	**N/A**	**N/A**

Year ended 30 June 2018	SASS multiple of member contributions	SANCS % member salary	SSS multiple of member contributions
Recommended contribution rates for the entity	N/A	N/A	N/A

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.13 Funding arrangements (continued)

Economic assumptions

The economic assumptions adopted for 30 June 2019 AASB 1056 Accounting Standard "*Superannuation Entities*":

Weighted-average assumptions	Year ended 30 June 2019
Expected rate of return on Fund assets backing current pension liabilities	**7.4% pa**
Expected rate of return on Fund assets backing other liabilities	**6.4% pa**
Expected salary increase rate (excluding promotional salary increases)	**3.2% pa**
Expected rate of CPI increase	**2.2% pa**

Weighted-average assumptions	Year ended 30 June 2018
Expected rate of return on fund assets backing current pension liabilities	7.4% pa
Expected rate of return on fund assets backing other liabilities	6.4% pa
Expected salary increase rate (excluding promotional salary increases)	2.7% for 2018/19; 3.2% pa thereafter
Expected rate of CPI increase	2.2% pa

Expected contributions

Year ended 30 June 2019	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Expected employer contributions to be paid for 2020	**3,600**	**-**	**-**	**3,600**

Year ended 30 June 2018	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Expected employer contributions to be paid for 2019	3,600	-	-	3,600

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 12.6 years (2018: 13.7 years).

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.14 Nature of asset / liability

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

10.3 Long service leave

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

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

The liability for long service leave was assessed by a consulting actuary, Mercer Consulting (Australia) Pty Ltd. The actuary assumed a discount rate of 1.17% (2018: 2.5%) per annum and a salary growth rate of 3% per annum for the year to 30 June 2020 then 2.5% per annum thereafter (2018: 2.5%).

10.4 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 year $'000**
Year ended 30 June 2019							
Public liability claims	**-**	**367**	**-**	**367**	**-**	**-**	**367**

	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 year $'000
Year ended 30 June 2018							
Public liability claims	-	-	-	-	-	-	-

10.5 Workers' compensation

Workers' compensation insurance is in place to cover any claim exceeding $1.5m as of 1 January 2019 (2018: $1m) and the workers' compensation provision is maintained for smaller claims, for which NSW Trains is a licensed self-insurer.

The workers' compensation liability at year end was assessed by Marsh (2018: McMahon Actuarial Services) assuming a discount rate ranging from 0.97% to 1.34% per annum over the next 15 years (2018: 1.9% to 4.0% per annum over the next 10 years) and a future inflation rate ranging from 2.5% to 3.3% per annum over the next 15 years (2018: 2.5% to 3.5% per annum over the next 10 years).

Note 10 Provisions (continued)

10.6 Public liability claims

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

Any claim recoverable from NSW Trains' insurer is also recognised as a receivable or disclosed as a contingent asset, depending on its probability of settlement. Refer Notes 6 and 13.

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

Note 11 Contributed equity

11.1 Contributed equity

	Note	**2019** **$'000**	2018 $'000
Contributed equity at start of year		**249,082**	252,968
Net (assets)/liabilities contributed to Government	11.2	**1,348**	(3,886)
Contributed equity at end of year		**250,430**	249,082

11.2 Net assets contributed to the Government

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

In the current year, NSW Trains transferred leave entitlements of $1.3m to Sydney Trains. In the prior year, NSW Trains transferred work in progress of $3.9m to RailCorp.

	2019 **$'000**	2018 $'000
Assets transferred to other entities		
Capital work in progress	**-**	(3,886)
Total assets	**-**	(3,886)
Liabilities transferred to other entities		
Provisions	**1,348**	-
Total liabilities	**1,348**	-
Net (assets) /liabilities transferred out	**1,348**	(3,886)

Note 12 Expenditure commitments

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

	2019	2018
	$'000	$'000
Operating leases		
Within 12 months	**2,031**	3,285
12 months or longer but not longer than 5 years	**893**	2,854
Total operating leases	**2,924**	6,139
Total plant and equipment (including intangible assets)	**3,123**	5,630

Other commitments

Sydney Trains and NSW Trains entered a five-year Services Contract commencing on 1 July 2013. Under this contract, Sydney Trains provide maintenance, operational, security, cleaning and other services to NSW Trains. The contract had been extended to 30 June 2019. There is no commitment for 2019-2020 (2018-2019: $228m).

The expenditure commitments include any associated Goods and Services Tax. Related input tax credits of $0.5m (2018: $1m) are expected to be recoverable from the Australian Taxation Office.

Note 13 Contingent liabilities and contingent assets

13.1 Contingent liabilities

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

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

Litigation

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

Note 13 Contingent liabilities and contingent assets (continued)

13.2 Contingent assets

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

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

Note 14 Financial instruments

14.1 Financial instruments

NSW Trains holds the following financial instruments:

	Category	**2019 $'000**	2018 $'000
Financial assets			
Cash and cash equivalents	N/A	**141,717**	183,196
Trade and other receivables*	Loans & receivables at amortised cost/ Amortised cost***	**24,817**	19,977
Total financial assets		**166,534**	203,173
Financial Liabilities			
Trade and other payables**	Financial liabilities measured at amortised cost	**60,795**	58,861
Total financial liabilities		**60,795**	58,861

* 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.*

*** The category Amortised Cost applies to 2019 only. The category Loans and receivables at amortised cost applies to the prior year.

14.2 Financial risks

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

Risk management is carried out under approved policies. Treasury Management Policy establishes a prudential framework covering policies, best practice internal controls and reporting systems for the management of financial risks within NSW Trains’ operation. The policy covers specific areas such as foreign exchange risk, interest rate risk, commodity risk, and credit risk, use of derivative financial instruments and investment of excess funds. The NSW Trains has a Treasury Management Policy. The primary objective of this policy is to achieve management of all financial risks in strict compliance with internal policies and guidelines within the broad framework of the NSW Treasury Management Policy (TPP07-7). Accounting for financial instruments is in accordance with NSW Treasury accounting policy (TPP19-05 Accounting Policy: Accounting for financial instruments).

NSW Trains Finance identifies and evaluates financial risk in close cooperation with NSW Trains’ operating divisions.

Note 14 Financial instruments (continued)

14.3 Market risk

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

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

14.3.1 Foreign exchange risk

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

14.3.2 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rate. NSW Trains' main interest rate risk relates primarily to cash at bank.

NSW Trains' bank accounts operate as part of the NSW Treasury Banking System. Interest is earned on daily cash balances at the Reserve Bank of Australia cash rate.

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

	Interest Rate %	**Principal Amount $'000**
Year ended 30 June 2019		
Financial assets		
Not later than 1 year		
Cash on hand and in transit	**-**	**318**
Cash at bank	**1.25**	**141,399**
Total financial assets		**141,717**

	Interest Rate %	Principal Amount $'000
Year ended 30 June 2018		
Financial assets		
Not later than 1 year		
Cash on hand and in transit	-	209
Cash at bank	1.50	182,987
Total financial assets		183,196

Note 14 Financial instruments (continued)

14.3 Market risk (continued)

14.3.2 Interest rate risk (continued)

Interest rate sensitivity analysis
A change of +/- 1 per cent is used to measure NSW Trains' financial sensitivity to interest rate movements. NSW Trains' exposure to interest rate risk is set out below.

	Change in yield	Impact on Net result $'000	Impact on Equity $'000
Year ended 30 June 2019			
Cash at bank	**-1%**	**(1,414)**	**(1,414)**
	1%	**1,414**	**1,414**

	Change in yield	Impact on Net result $'000	Impact on Equity $'000
Year ended 30 June 2018			
Cash at bank	-1%	(1,830)	(1,830)
	1%	1,830	1,830

14.4 Credit risk

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

Credit risk can arise from financial assets of NSW Trains, including cash and cash equivalents, and credit exposure to customers, including outstanding receivables and committed transactions. NSW 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 or allowance for expected credit losses).

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

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

Cash
NSW Trains held $141m in cash at bank at 30 June 2019 (2018: $183m). This was held with Westpac Banking Corporation.

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

NSW Trains considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, NSW Trains may also consider a financial asset to be in default when internal or external information indicates that NSW Trains is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the debtor.

Note 14 Financial instruments (continued)

14.4 Credit risk (continued)

Trade receivables (continued)

NSW Trains applies the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade debtors. To measure the expected credit losses, Trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. NSW Trains has identified economic and tourism outlook to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

No interest is earned on trade debtors.

14.5 Liquidity risk

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

Credit standby arrangements are shown at Note 5.4.

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

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

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

	Carrying amount $'000	**Contract Cash flow $'000**	**Less than 1 Year $'000**	**Between 1 and 5 Years $'000**	**Over 5 Years $'000**
Year ended 30 June 2019					
Financial liabilities					
Trade and other payables	**60,795**	**60,795**	**60,795**	**-**	**-**
	60,795	**60,795**	**60,795**	**-**	**-**

	Carrying amount $'000	Contract Cash flow $'000	Less than 1 Year $'000	Between 1 and 5 Years $'000	Over 5 Years $'000
Year ended 30 June 2018					
Financial liabilities					
Trade and other payables	58,861	58,861	58,861	-	-
	58,861	58,861	58,861	-	-

Note 15 Fair value measurements

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

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

NSW Trains does not own any land or building. The current holding of Plant and Equipment are mainly operational equipment with useful lives of 10 years or less, they are measured at depreciated historical cost as a proxy for fair value. NSW Trains has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

	Carrying Amount $'000	**Fair Value $'000**
Year ended 30 June 2019		
Financial assets		
Cash and cash equivalents	**141,717**	**141,717**
Trade and other receivables	**26,155**	**26,155**
Total financial assets	**167,872**	**167,872**
Non-financial assets		
Plant and machinery	**200**	**200**
Total non-financial assets	**200**	**200**
Financial liabilities		
Trade and other payables	**67,434**	**67,434**
Total financial liabilities	**67,434**	**67,434**

	Carrying Amount $'000	Fair Value $'000
Year ended 30 June 2018		
Financial assets		
Cash and cash equivalents	183,196	183,196
Trade and other receivables	20,826	20,826
Total financial assets	204,022	204,022
Non-financial assets		
Plant and machinery	207	207
Total non-financial assets	207	207
Financial liabilities		
Trade and other payables	64,049	64,049
Total financial liabilities	64,049	64,049

Note 16 Related party disclosures

16.1 Key Management Personnel Compensation

During the year, NSW Trains incurred $0.5m (2018: $1.6m) in respect of the key management personnel services that are provided by Transport Service NSW.

16.2 Transactions and Outstanding Balances with Key Management Personnel of NSW Trains and its parent during the year

There was no transaction or outstanding balance with Key Management Personnel of NSW Trains and its parent during the year (2018: nil).

16.3 Transactions and Outstanding balances with Other Related Parties during the year

There was no transaction or outstanding balance with other related parties during the year (2018: nil).

16.4 Transactions with Government Related Entities during the year

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

The following transactions are significant either individually or in aggregate:

- RailCorp provides NSW Trains with access rights to assets including the rail stations, properties, tracks and rolling stock at no charge.
- No Capital work in progress has been transferred to RailCorp (2018: $3.9m).
- NSW Trains has transferred certain corporate staff to Sydney Trains.
- Sydney Trains provides services to NSW Trains under a service contract inclusive of maintenance service.
- NSW Treasury has issued a letter of comfort to NSW Trains.
- Transport Service of New South Wales provides personnel services to NSW Trains.
- TfNSW provides some corporate and transactional services to NSW Trains.
- NSW Trains receives contributions from TfNSW.
- Opal card is managed by TfNSW. Opal passenger revenue is remitted to NSW Trains monthly.
- Service NSW provides contact center services to NSW Trains' customers.
- NSW Trains provides some project management and other services to TfNSW relate to NIF (New Intercity Fleet) and Regional Fleet.

Note 17 Events occurring after reporting date

No significant events have occurred between the end of reporting date and the date the financial statements are authorised for issue, which require adjustment to, or disclosure in, the financial statements.

(End of audited financial statements)

INDEPENDENT AUDITOR'S REPORT

NSW Trains

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of NSW Trains, which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement 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 NSW Trains as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of NSW Trains in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Other Information

NSW Trains' annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Chief Executive of NSW Trains is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Chief Executive.

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My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Chief Executive's Responsibilities for the Financial Statements

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

In preparing the financial statements, the Chief Executive is responsible for assessing NSW Trains' ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where NSW Trains will be dissolved by an Act of Parliament or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

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

Margaret Crawford
Auditor-General for NSW

20 September 2019
SYDNEY