NSW Trains

Annual Report

20
21

NSW GOVERNMENT

Volume 2

NSW Trains

Financial Statements

For the year ended 30 June 2021

❖ ❖ ❖

Contents

Statement by the Chief Executive

In relation to the financial statements for the year ended 30 June 2021

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018*, I declare that the accompanying financial statements, read in conjunction with the notes thereto:

(a) presents fairly the financial position of NSW Trains as at 30 June 2021 and of its financial performance and cash flows for the year ended 30 June 2021.

(b) have been prepared in accordance with the provisions of the *Government Sector Finance Act 2018*, the Government Sector Finance Regulation 2018, Australian Accounting Standards, which includes Australian Accounting Interpretations and the Treasurer's Directions.

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.

At the date of signing this statement, there are reasonable grounds to believe that NSW Trains will be able to pay its debts as and when they become due and payable.

Dale Merrick

Dale Merrick
Acting Chief Executive

7 October 2021

Statement of Comprehensive Income for the year ended 30 June 2021

	Note	2020-21 $'000	2019-20 $'000
Income			
Sale of goods and services from contracts with customers	3.1	102,036	134,976
Investment revenue		133	912
Other revenue		44	521
Total Income		102,213	136,409
Expenses			
Operating expenses			
- Employee related expenses	4.1	278,055	274,291
- Personnel services expenses	4.3	14,716	14,169
- Other operating expenses	4.4	556,597	587,600
Depreciation and amortisation	7.2, 8.2 & 13.1	4,572	3,668
Finance costs	4.5	26	35
Total expenses		853,966	879,763
Deficit from operations before Government and other contributions		**(751,753)**	**(743,354)**
Government and other contributions	3.2	807,779	696,151
Surplus/ (deficit) from operations for the year		**56,026**	**(47,203)**
Impairment gains/ (losses) on financial assets	6.1	13	(12)
Net result for the year		**56,039**	**(47,215)**
Other Comprehensive Income			
Items that will not be reclassified to surplus/ deficit			
Superannuation actuarial gains/ (losses) on defined benefit schemes	10.2	26,596	(5,201)
Total other comprehensive income for the year		**26,596**	**(5,201)**
Total comprehensive income for the year		**82,635**	**(52,416)**

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

Statement of Financial Position as at 30 June 2021

	Note	30.06.2021 $'000	30.06.2020 $'000
Assets			
Current assets			
Cash and cash equivalents	5.1	155,221	88,156
Trade and other receivables	6.1	26,972	19,759
Total current assets		182,193	107,915
Non-current assets			
Property, plant and equipment	7.1	7,841	4,503
Right-of-use assets	13.1	3,110	2,686
Intangible assets	8.1	4,665	5,424
Total non-current assets		15,616	12,613
Total assets		**197,809**	**120,528**
Liabilities			
Current liabilities			
Trade and other payables	9.1	64,629	41,621
Provisions	10.1	97,057	97,732
Borrowings	11	2,911	2,698
Contract liabilities	12	830	830
Total current liabilities		165,427	142,881
Non-current liabilities			
Provisions	10.1	193,740	218,123
Borrowings	11	209	-
Total non-current liabilities		193,949	218,123
Total liabilities		**359,376**	**361,004**
Net assets/ (liabilities)		**(161,567)**	**(240,476)**
Equity			
Contributed equity	14.1	239,584	243,310
Retained earnings		(401,151)	(483,786)
Total equity		**(161,567)**	**(240,476)**

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 2021

	Note	Contributed equity $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2020		**243,310**	**(483,786)**	**(240,476)**
Surplus/ (deficit) for the year		**-**	**56,039**	**56,039**
Other comprehensive income				
Superannuation actuarial gains on defined benefit schemes	10.2	-	26,596	26,596
Total other comprehensive income for the year		-	26,596	26,596
Total comprehensive income for the year		**-**	**82,635**	**82,635**
Transactions with owners in their capacity as owners				
Decrease in net assets from equity transfers (contribution by owners)	14.2	(3,726)	-	(3,726)
Balance at 30 June 2021		**239,584**	**(401,151)**	**(161,567)**
Balance at 1 July 2019		**250,430**	**(431,370)**	**(180,940)**
Changes in accounting policy		-	-	-
Restated balance at 1 July 2019		**250,430**	**(431,370)**	**(180,940)**
Surplus/ (deficit) for the year		**-**	**(47,215)**	**(47,215)**
Other comprehensive income				
Superannuation actuarial losses on defined benefit schemes	10.2	-	(5,201)	(5,201)
Total other comprehensive income for the year		**-**	**(5,201)**	**(5,201)**
Total comprehensive income for the year		**-**	**(52,416)**	**(52,416)**
Transactions with owners in their capacity as owners				
Decrease in net assets from equity transfers (contribution by owners)	14.2	(7,120)	-	(7,120)
Balance at 30 June 2020		**243,310**	**(483,786)**	**(240,476)**

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 2021

	Note	2020-21 $'000	2019-20 $'000
Cash flows from operating activities			
Cash received			
Passenger services		62,765	104,298
Other receipts from customers and others		48,105	47,873
Government contributions - operating		794,598	692,887
Interest received		133	912
Total cash received		905,601	845,970
Cash used			
Payments to suppliers and others		(569,496)	(635,070)
Payments to employees		(271,053)	(263,375)
Interest paid		(26)	(35)
Total cash used		(840,575)	(898,480)
Net cash flows from/ (used in) operating activities	5.2	**65,026**	**(52,510)**
Cash flow from investing activities			
Cash received			
Capital contributions		12,941	2,750
Total cash received		12,941	2,750
Cash used			
Property, plant and equipment and intangible assets		(8,038)	(2,071)
Total cash used		(8,038)	(2,071)
Net cash flows from/ (used in) investing activities		**4,903**	**679**
Cash flows from financing activities			
Cash used			
Payment of lease liabilities		(2,864)	(1,730)
Total cash used		**(2,864)**	**(1,730)**
Net cash flows from/ (used in) financing activities		**(2,864)**	**(1,730)**
Net increase/ (decrease) in cash and cash equivalents		**67,065**	**(53,561)**
Cash and cash equivalents at beginning of year		88,156	141,717
Cash and cash equivalents at end of year	5.1	**155,221**	**88,156**

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

Note 1 Reporting entity and financial statements

(i) Reporting entity

NSW Trains is a Statutory Authority constituted on the 7 December 2012 under the *Transport Administration Act 1988 (NSW)*. It is domiciled in Australia and its principal office is at Wollongong Station, Lowden Square. NSW Trains' principal objective is to deliver safe and reliable railway and coach passenger services in New South Wales 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. Rail Corporation New South Wales converted to the Transport Asset Holding Entity of New South Wales (TAHE) on 1 July 2020. TAHE provides access to the rail network, stations, majority of property and certain rolling stock at no charge to NSW Trains in accordance with the Rail Services Contract with Transport for NSW (TfNSW). On 30 June 2021, NSW Trains entered into new commercial agreements with TAHE which will result in access and licence charges commencing on 1 July 2021. NSW Trains is a controlled entity of TfNSW and TfNSW is a controlled entity of the Department of Transport. 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.

(iii) Authorisation of the financial statements

The financial statements were authorised for issue on the date 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.

(v) Impact of COVID-19 on financial reporting

The COVID-19 pandemic continues to impact the operations of NSW Trains in the current financial year. NSW Trains received grant funding of $82.1m which offsets the impact on both revenue and expense. The revenue was impacted by $73.6m mainly relating to passenger services and additional expense of $8.5m mainly relating to cleaning.

Refer Note 3.1, Note 3.2 and Note 4.4.

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 *Government Sector Finance Act 2018,* the Government Sector Finance Regulation 2018 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.

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 2020 to 30 June 2021.

The term "Inter entity" in the financial statements refers to transactions between NSW Trains and Transport entities. The term "Rail entities" in the financial statements refers to transactions between NSW Trains, TAHE and Sydney Trains.

Note 2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Going Concern

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. NSW Trains receives funding from Transport for NSW which receives appropriations from the Consolidated Fund. 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.

2.1.2 Change in accounting policy

There is no change to accounting policies in 2020-21. A number of new and revised accounting standards apply for the first time in the current financial year however do not have an impact on NSW Trains.

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 2020. 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 2021. The standards are effective for annual reporting periods commencing on or after 1 January 2021.

AASB/ Amendment	Title	Issue Date	Application date of Standard
AASB 2020-1	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	Mar 2020	1 Jan 2022
AASB 2020-3	Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments	Jun 2020	1 Jan 2022
AASB 2020-6	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	Aug 2020	1 Jan 2022
AASB 2020-8	Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2	Sep 2020	1 Jan 2021
AASB 2021-3	Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021	Apr 2021	1 Apr 2021

The impact of the 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 18.

Note 2 Summary of significant accounting policies (continued)

2.4 Impairment of financial assets

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.

Recognition and measurement

NSW Trains as a lessee assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. NSW Trains recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

From 1 July 2019, NSW Trains recognises a right-of-use asset for most leases. The right-of-use asset and corresponding liability are initially measured at the present value of the future lease payments. Therefore, at that date right-of-use assets includes amounts for right-of-use assets in respect of leases previously treated as operating leases under AASB 117, as well as any arrangements that are assessed as leases under AASB 16 that were not leases under AASB 117.

Note 2 Summary of significant accounting policies (continued)

2.6 Leases (continued)

(i) Right-of-use assets

NSW Trains recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer ii below), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site. NSW Trains has elected to present right-of-use assets separately in the Statement of Financial Position.

Subsequent to initial recognition, right of use assets will be measured at cost. The right of use assets are subject to impairment. NSW Trains assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, NSW Trains estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

The initial and subsequent measurement of right-of-use assets under leases at significantly below-market terms and conditions that are entered into principally to enable NSW Trains to further its objectives is the same as normal right-of-use assets. They are measured at cost, subject to impairment.

Right-of use assets are generally depreciated over the shorter of the asset's useful life and the lease term. Where NSW Trains obtains ownership of the underlying leased asset or if the cost of the right-of-use asset reflects that NSW Trains will exercise a purchase option, NSW Trains will depreciate the right-of-use asset overs its useful life.

Right-of-use assets relating to coaches have useful life of 5 years and are depreciated on a straight-line basis.

(ii) Lease liabilities

At the commencement date of the lease, NSW Trains recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase options reasonably certain to be exercised by the entity; and
- payments of penalties for terminating the lease, if the lease term reflects the entity exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the entity's leases, the lessee's incremental borrowing rate is used, being the rate that the entity would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. NSW Trains' lease liabilities are included in borrowings.

Note 2 Summary of significant accounting policies (continued)

2.6 Leases (continued)

(iii) Short-term leases and leases of low-value assets

NSW Trains applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

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 from Opal train trips are reported as passenger services revenue. Revenue is recognised when NSW Trains satisfies its performance obligations of providing the rail passenger services to the customer over time. Passenger services revenue is measured at the transaction price which is the price per train trip and includes any discounts provided to customers.

Opal cards are managed by TfNSW. Remittance of Opal passenger revenue is on the basis of journeys taken based on the output from the electronic ticketing system as agreed with TfNSW. The payments are typically due when the passenger journey is undertaken by the customer.

Revenue from regional services is recognised when NSW Trains satisfies its performance obligations of providing the rail passenger services when the customer undertakes the train journey. The revenue is measured at the transaction price which is the price per train trip and includes any discounts provided to customers.

Note 2 Summary of significant accounting policies (continued)

2.7 Income (continued)

(ii) Government and other contributions

Capital contributions to acquire/ construct a recognisable non-financial asset to be controlled by NSW Trains is recognised when NSW Trains obtains control of the cash (i.e. upon receipt).

Operating contributions are grants without sufficiently specific performance obligations. NSW Trains recognises the income when it obtains control over the granted assets (e.g. cash).

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

NSW Trains has elected not to recognise revenue from volunteer services in accordance with Treasury mandates.

(iii) Sale of goods

Revenue from sale of assets or other goods is recognised when NSW Trains satisfies its obligation by transferring the promised goods. NSW Trains satisfies its performance obligations when control of the asset or good is transferred to the customer. The payments are typically due when goods are transferred to the customer.

Revenue from these sales is recognised based on the price specified in the contract, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.

The presentation of the statement of comprehensive income includes subtotals for the result from operations before and after Government and other Contributions. That presentation has been adopted as it is a more informative representation of the operating result with reference to NSW Trains' sources of funding.

(iv) Investment revenue

Investment revenue comprises of interest income and is recognised as interest accrues. Investment income 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 (i.e. after deducting the loss allowance for expected credit losses).

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.

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. TAHE 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.

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.

Note 2 Summary of significant accounting policies (continued)

2.11 Plant and equipment (continued)

(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.

(v) Impairment of property, plant and equipment

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

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

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

2.12 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.

Note 2 Summary of significant accounting policies (continued)

2.13 Intangible assets

(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.

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.

(v) Impairment of intangible assets

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

Note 2 Summary of significant accounting policies (continued)

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to NSW Trains and other amounts. A payable is recognised on the statement of financial position when a present obligation arises under a contract.

Trade and other payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using effective interest method. 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.

Payables are derecognised when the obligation expires or is discharged, cancelled or substituted. 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. When discounting is used, the increase in the provision due to the passage of time (i.e. the unwinding of the discount rate) is recognised as a finance cost.

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 15 - Commitments: whether an arrangement contains a lease.

(ii) Assumptions and estimation of uncertainties

Note 10 - Measurement of defined benefit obligations: key actuarial assumptions
Note 10 - Measurement of long service leave obligations: key actuarial assumptions
Note 10 - 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 2 Summary of significant accounting policies (continued)

2.19 Contract Assets and Liabilities

Contract assets relate to NSW Trains' right to consideration in exchange for goods transferred to customers/ works completed, but not billed at the reporting date. The balance of contract assets at 30 June 2021 is nil (2020: nil).

Contract liabilities relate to consideration received in advance from customers in respect to regional passenger services. The balance of contract liabilities was impacted by the volume of regional services which are booked in advance.

2.20 Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred. Refer Note 4.5.

2.21 Retained Earnings

Retained earnings includes all current and prior period retained funds.

Note 3 Income

3.1 Sale of goods and services from contracts with customers

	2020-21 $'000	2019-20 $'000
Passenger services revenue	57,212	96,119
Labour cost recovery	25,474	20,098
Catering revenue	3,549	5,542
Recoveries for interstate services	13,960	12,788
Other revenue	1,841	429
Total sale of goods and services from contracts with customers	**102,036**	**134,976**

3.2 Government and other contributions

	2020-21 $'000	2019-20 $'000
Capital	12,941	2,750
Operating	793,604	692,223
Redundancy	994	664
Personnel service benefit	240	514
Total government and other contributions	**807,779**	**696,151**

Notes to the Financial Statements for the year ended 30 June 2021

Note 4 Expenses

4.1 Employee related expenses

Employee related expenses include the following items:

	Note	2020-21 $'000	2019-20 $'000
Salaries and wages		209,039	199,457
Annual leave		17,645	19,374
Long service leave		4,648	8,471
Superannuation - defined benefit plan	4.2	4,745	6,117
Superannuation - defined contribution plan		15,998	14,646
Workers compensation		8,550	7,708
Payroll tax and fringe benefits tax		12,296	13,499
Redundancy		2,283	1,019
Other employee-related expenses		2,851	4,000
Total employee related expenses		**278,055**	**274,291**

NSW Trains capitalised employee related costs of $470k to plant and equipment and intangible assets (2020: $26k).

4.2 Defined benefit superannuation expense

	Note	2020-21 $'000	2019-20 $'000
Current service cost		2,970	3,526
Net Interest		1,775	2,591
Total defined benefit superannuation expense	10.2	**4,745**	**6,117**

4.3 Personnel services expenses

	2020-21 $'000	2019-20 $'000
Salaries and wages	11,474	10,690
Annual leave	1,017	1,041
Long service leave	157	440
Superannuation - defined benefit plan	78	70
Superannuation - defined contribution plan	1,096	1,018
Workers compensation	29	35
Payroll tax and fringe benefit tax	705	729
Redundancy	160	146
Total personnel services expenses	**14,716**	**14,169**

Note 4 Expenses (continued)

4.4 Other operating expenses

	2020-21 $'000	2019-20 $'000
Other contractors	30,302	26,526
Materials	5,184	6,145
Bussing expenses	25,672	30,854
Track access fee	19,998	20,486
Information technology	3,041	4,494
Corporate and shared services costs from TfNSW	19,263	19,519
Travelling expenses	2,869	3,700
Advertising and marketing	163	92
Printing & stationery	847	858
Audit fees - audit of financial statements	168	168
Expense relating to short term leases	21	1,035
Service costs from rail entities*	445,081	462,791
Other	3,988	10,932
Total operating expenses	**556,597**	**587,600**

**Service costs from rail entities relate to asset maintenance of $369m (2020: $384m), customer service of $20m (2020: $20m), operations of $55m (2020: $59m) and other $1m (2020: nil).*

4.5 Finance costs

	2020-21 $'000	2019-20 $'000
Interest expense from lease liabilities	26	35
Total finance costs	**26**	**35**

Note 5 Cash and cash equivalents

5.1 Cash and cash equivalents

	30.06.2021 $'000	30.06.2020 $'000
Cash at bank	155,192	88,125
Cash on hand and in transit	29	31
Total cash and cash equivalents	**155,221**	**88,156**

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

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

	30.06.2021 $'000	30.06.2020 $'000
Net result for the year	56,039	(47,215)
Cash capital grants	(12,941)	(2,750)
Depreciation and amortisation	4,572	3,668
Impairment losses/ (gains) on financial assets	(13)	12
Write off assets	23	843
Net movements in assets and liabilities applicable to operating activities:		
(Increase)/ decrease in trade and other receivables	(7,214)	6,179
Increase/ (decrease) in trade and other payables and provisions	24,560	(14,077)
Increase/ (decrease) in contract liabilities	-	830
Net cash flows from/ (used in) operating activities	**65,026**	**(52,510)**

5.3 Non-cash investing activities

In the current year, capital work in progress of $3.7m was transferred to TAHE. In the prior year, capital work in progress of $7.1m was transferred to TAHE. Refer Note 14.2 for details.

5.4 Credit standby arrangements and loan facilities

The credit standby arrangement and unused amounts available are:

	30.06.2021 Credit Facilities $'000	30.06.2021 Unused $'000	30.06.2020 Credit Facilities $'000	30.06.2020 Unused $'000
Transaction negotiation authority	30,000	30,000	30,000	30,000
Purchasing card facility*	10,000	6,230	10,000	6,214
Come and Go facility	30,000	30,000	30,000	30,000
Total credit standby arrangements and loan facilities	**70,000**	**66,230**	**70,000**	**66,214**

** As at 30 June 2021, the purchasing cards issued had a combined limit of $3.77m (2020: $3.79m) with a payable of $0.3m (2020: $0.2m).*

Note 6 Trade and other receivables

6.1 Trade and other receivables

	30.06.2021 $'000	30.06.2020 $'000
Current trade and other receivables		
Trade receivables from contracts with customers	19,797	17,132
Other receivables	6,335	1,432
Retained taxes, fees and fines	843	1,212
Less: allowance for expected credit losses*	(3)	(17)
Total current trade and other receivables	**26,972**	**19,759**

**The allowance for trade receivables from contracts with customers is $3k in the current year (2020: 17k).*

Movements in the allowance for expected credit losses balance is as follows:

	30.06.2021 $'000	30.06.2020 $'000
Opening balance	17	3
Amounts recovered during the year	-	-
Amounts written off during the year	-	-
Allowance recognised in statement of comprehensive income**	(13)	12
GST movement	(1)	2
Closing balance	**3**	**17**

*** The impairment gains for contracts with customers is $13k in the current year (2020: 12k losses).*

6.2 Aging analysis

The loss allowance for trade debtors as at 30 June is determined as follows:

	Current $'000	<30 days $'000	30-60 days $'000	61-90 days $'000	>91 days $'000	Total $'000
30 June 2021						
Expected average credit loss rate	3.00%	3.00%	14.03%	3.00%	13.85%	
Estimated total gross carrying amount of default	44	26	4	-	3	77
Expected credit loss	1	1	1	-	-	3
30 June 2020						
Expected average credit loss rate	2.00%	4.00%	6.00%	8.00%	61.93%	
Estimated total gross carrying amount of default	38	7	1	2	26	74
Expected credit loss	1	-	-	-	16	17

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.

6.3 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 17.4.

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

Note 7 Plant and equipment

7.1 Classes

	30.06.2021 $'000	30.06.2020 $'000
Plant and machinery		
Gross carrying amount	1,714	2,473
Less: accumulated depreciation	(1,526)	(2,195)
Total plant and machinery	**188**	**278**
Capital work in progress		
Capital works in progress	7,653	4,225
Total capital work in progress	**7,653**	**4,225**
Total property, plant and equipment	**7,841**	**4,503**

7.2 Asset class movement

	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Year ended 30 June 2021			
Net carrying amount at the beginning of the year	278	4,225	4,503
Additions	-	6,207	6,207
Completed capital work	-	-	-
Disposals/ derecognition/ write-offs	(14)	(9)	(23)
Depreciation expense	(76)	-	(76)
Transfer to TAHE	-	(2,770)	(2,770)
Net carrying amount at the end of the year	**188**	**7,653**	**7,841**
Year ended 30 June 2020			
Net carrying amount at the beginning of the year	200	10,668	10,868
Additions	-	1,510	1,510
Completed capital work	156	(156)	-
Disposals/ derecognition/ write-offs	-	(843)	(843)
Depreciation expense	(78)	-	(78)
Transfer to TAHE	-	(6,954)	(6,954)
Net carrying amount at the end of the year	**278**	**4,225**	**4,503**
Gross Carrying amount			
At 1 July 2019	2,317	10,668	12,985
At 30 June 2020	2,473	4,225	6,698
At 1 July 2020	2,473	4,225	6,698
At 30 June 2021	1,714	7,653	9,367
Accumulated depreciation			
At 1 July 2019	(2,117)	-	(2,117)
At 30 June 2020	(2,195)	-	(2,195)
At 1 July 2020	(2,195)	-	(2,195)
At 30 June 2021	(1,526)	-	(1,526)
Net carrying amount			
At 1 July 2019	200	10,668	10,868
At 30 June 2020	278	4,225	4,503
At 1 July 2020	278	4,225	4,503
At 30 June 2021	188	7,653	7,841

Note 8 Intangible assets

8.1 Classes

	30.06.2021 $'000	30.06.2020 $'000
Software		
Gross carrying amount	26,913	26,725
Less: accumulated amortisation	(23,131)	(21,497)
Net carrying amount of software/ licenses work in progress	3,782	5,228
Software work in progress	883	196
Total intangible assets	**4,665**	**5,424**

8.2 Asset class movement

	Software $'000	Software work in progress $'000	Total $'000
2021			
Net carrying amount at the beginning of year	5,228	196	5,424
Additions	-	1,831	1,831
Completed capital work	188	(188)	-
Amortisation expense	(1,634)	-	(1,634)
Transfer to TAHE	-	(956)	(956)
Net carrying amount at the end of year	**3,782**	**883**	**4,665**
2020			
Net carrying amount at the beginning of year	1,257	5,620	6,877
Additions	-	561	561
Completed capital work	5,819	(5,819)	-
Amortisation expense	(1,848)	-	(1,848)
Transfer to TAHE	-	(166)	(166)
Net carrying amount at the end of year	**5,228**	**196**	**5,424**

Note 9 Trade and other payables

9.1 Current trade and other payables

	30.06.2021 $'000	30.06.2020 $'000
Trade payables	3,776	2,673
Inter entity payables	42,520	18,340
Accrued salaries, wages and on-costs	10,682	10,341
Other payables and accruals	7,651	10,267
Total current trade and other payables	**64,629**	**41,621**

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 17.5.

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	30.06.2021 $'000	30.06.2020 $'000
Current provisions			
Annual leave (see note (a) below)		30,498	30,719
Long service leave (see note (a) below)	10.3	55,840	55,136
Pay in lieu of certain holidays worked (see note (a) below)		2,574	2,545
Workers compensation	10.5	5,070	4,785
Redundancy	10.9	1,760	-
Total current employee benefits and related on-costs		**95,742**	**93,185**
Public liability claims	10.6	446	547
Legal claims	10.7	226	1,000
Other provisions	10.8	643	3,000
Total other provisions		**1,315**	**4,547**
Total current provisions		**97,057**	**97,732**
Non-Current provisions			
Superannuation	10.2	180,358	205,808
Long service leave (see note (a) below)	10.3	2,144	1,988
Workers compensation	10.5	11,238	10,327
Total non-current employee benefits		**193,740**	**218,123**
Total non-current provisions		**193,740**	**218,123**
Total provisions			
Superannuation	10.2	180,358	205,808
Annual leave		30,498	30,719
Long service leave	10.3	57,984	57,124
Pay in lieu of certain holidays worked		2,574	2,545
Workers compensation	10.5	16,308	15,112
Redundancy	10.9	1,760	-
Total employee benefits and related on-costs		**289,482**	**311,308**
Public liability claims	10.6	446	547
Legal claims	10.7	226	1,000
Other provisions	10.8	643	3,000
Total other provisions		**1,315**	**4,547**
Total provisions		**290,797**	**315,855**

(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
2021			
Long service leave	5,623	52,361	57,984
Annual leave	22,375	8,123	30,498
Pay in lieu of certain holidays worked	2,574	-	2,574
	30,572	**60,484**	**91,056**
2020			
Long service leave	7,042	50,082	57,124
Annual leave	20,719	10,000	30,719
Pay in lieu of certain holidays worked	2,545	-	2,545
	30,306	**60,082**	**90,388**

Note 10 Provisions (continued)

10.2 Superannuation

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

Nature of the benefits provided by the fund
The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:
- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS).

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

All the schemes are closed to new members.

Description of the regulatory framework
The schemes in the Pooled Fund are established and governed by the following NSW legislation: Superannuation Act 1916, State Authorities Superannuation Act 1987, Police Regulation (Superannuation) Act 1906, State Authorities Non-Contributory Superannuation 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 as at 30 June 2021.

Unless otherwise indicated, the paragraph references in Note 10 refer to AASB 119 *Employee Benefits*.

Description of other entities' responsibilities for the governance of the fund
The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:
- Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
- Management and investment of the fund assets; and
- Compliance with other applicable regulations.

Note 10 Provisions (continued)

10.2 Superannuation (continued)

Description of risks

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

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

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

Description of significant events

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

30 June 2021

The following is the 30 June 2021 superannuation position:

Member numbers	**SASS**	**SANCS**	**SSS**	**Total**
	30-Jun-21	**30-Jun-21**	**30-Jun-21**	**30-Jun-21**
Contributors	330	330	-	
Pensioners	95	-	1	
Superannuation Position for AASB 119 purposes	$'000	$'000	$'000	$'000
Accrued liability (Note 1)	424,169	30,845	1,270	456,284
Estimated reserve account balance	(253,288)	(21,855)	(783)	(275,926)
1. Deficit/ (surplus)	170,881	8,990	487	180,358
2. Future Service Liability (Note 2)	3,942	7,011	-	10,953
3. Surplus in excess of recovery available from schemes (- 1. -2. and subject to a minimum of zero)	-	-	-	-
4. Net (asset)/ liability to be recognised in statement of financial position (1.+3.)	170,881	8,990	487	180,358

Note 1:
The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit/ (surplus) less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%.

Note 2:
The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119 para 64). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the "surplus in excess of recovery" is zero, no asset ceiling limit is imposed. (Note: this also includes a contribution tax provision).

Note 10 Provisions (continued)

10.2 Superannuation (continued)

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

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Net Defined Benefit Liability/ (Asset) at start of year	**191,042**	**13,594**	**1,172**	**205,808**
Current service cost	1,783	1,098	89	2,970
Net Interest on the net defined benefit liability/(asset)	1,653	112	10	1,775
Actual return on Fund assets less Interest income	(27,786)	(2,425)	(102)	(30,313)
Actuarial (gains)/losses arising from changes in demographic assumptions	20,240	587	(8)	20,819
Actuarial (gains)/losses arising from changes in financial assumptions	(28,180)	(1,865)	(123)	(30,168)
Actuarial (gains)/losses arising from liability experience	14,272	(655)	(551)	13,066
Employer contributions	(2,143)	(1,456)	-	(3,599)
Net Defined Benefit Liability/ (Asset) at end of year	**170,881**	**8,990**	**487**	**180,358**

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

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Fair value of Fund assets at beginning of the year	**236,693**	**20,452**	**759**	**257,904**
Interest income	1,977	167	7	2,151
Actual return on Fund assets less Interest income	27,786	2,425	102	30,313
Employer contributions	2,143	1,456	-	3,599
Contributions by participants	1,928	-	7	1,935
Benefits paid	(18,182)	(2,593)	(86)	(20,861)
Taxes, premiums & expenses paid	943	(52)	(6)	885
Fair value of fund assets at end of the year	**253,288**	**21,855**	**783**	**275,926**

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

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Present value of defined benefit obligations at beginning of the year	**427,735**	**34,046**	**1,931**	**463,712**
Current service cost	1,783	1,098	89	2,970
Interest cost	3,630	279	17	3,926
Contributions by participants	1,928	-	7	1,935
Actuarial (gains)/losses from changes in demographic assumption	20,240	587	(8)	20,819
Actuarial (gains)/ losses from changes in financial assumption	(28,180)	(1,865)	(123)	(30,168)
Actuarial (gains)/ losses from liability experience	14,272	(655)	(551)	13,066
Benefits paid	(18,182)	(2,593)	(86)	(20,861)
Taxes, premiums & expenses paid	943	(52)	(6)	885
Present value of defined benefit obligations at end of the year	**424,169**	**30,845**	**1,270**	**456,284**

Note 10 Provisions (continued)

10.2 Superannuation (continued)

Fair value of Fund assets - Para 142

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

As at 30 June 2021

	Total	Quoted prices in active markets for identical assets Level 1	Significant observable inputs Level 2	Unobservable inputs Level 3
Asset category	**$'000**	**$'000**	**$'000**	**$'000**
Short Term Securities	5,108,370	2,398,668	2,709,702	-
Australian Fixed Interest	903,816	-	903,816	-
International Fixed Interest	1,755,026	45,227	1,709,799	-
Australian Equities	8,310,657	8,308,316	2,341	-
International Equities	13,889,679	13,884,531	5,148	-
Property	3,287,730	626,961	-	2,660,769
Alternatives	8,529,710	759	2,709,827	5,819,124
Total	**41,784,988**	**25,264,462**	**8,040,633**	**8,479,893**

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

As at	30-Jun-21
Short Term Securities	12.2%
Australian Fixed Interest	2.2%
International Fixed Interest	4.2%
Australian Equities	19.9%
International Equities	33.2%
Property	7.9%
Alternatives	20.4%
Total	**100.0%**

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

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

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

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient 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.

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

The fair value of the Pooled Fund assets as at 30 June 2021 includes $41.4 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 $328 million (30 June 2020: $340 million).

Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of $443 million (30 June 2020: $343 million).

Note 10 Provisions (continued)

10.2 Superannuation (continued)

Significant Actuarial Assumptions at the Reporting Date - Para 144	
Discount rate	1.50%
Salary increase rate (excluding promotional increases)	2.74% pa 21/22 to 25/26; 3.2% pa thereafter
Rate of CPI increase	1.50% for 20/21; 1.75% for 21/22 and 22/23; 2.25% for 23/24, 24/25 and 25/26; 2.50% for 26/27; 2.75% for 27/28, 3.00% for 28/29; 2.75% for 29/30; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are those to be used for the 2021 Actuarial Investigation of the Pooled Fund. These assumptions will be disclosed in the actuarial investigation report when available from the trustee's website. The report will show the pension mortality rates for each age.

Note 10 Provisions (continued)

10.2 Superannuation (continued)

Sensitivity Analysis - Para 145

The entity's total defined benefit obligation as at 30 June 2021 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 2021.

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 -0.5% discount rate**	**Scenario B +0.5% discount rate**
Discount rate	as above	as above -0.5% pa	as above +0.5% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	456,284	486,064	429,748

	Base Case	**Scenario C +0.5% rate of CPI increase**	**Scenario D -0.5% rate of CPI increase**
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above +0.5% pa	as above -0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	456,284	476,697	437,861

	Base Case	**Scenario E +0.5% salary increase rate**	**Scenario F -0.5% salary increase rate**
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above +0.5% pa	as above -0.5% pa
Defined benefit obligation (A$'000)	456,284	464,065	448,795

	Base Case	**Scenario G Lower Mortality***	**Scenario H Higher Mortality****
Defined benefit obligation (A$'000)	456,284	453,018	443,430

**Assumes the short term pensioner mortality improvement factors for years 2021-2026 also apply for years after 2026.*
***Assumes the long term pensioner mortality improvement factors for years post 2026 also apply for the years 2021 to 2026.*

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

Note 10 Provisions (continued)

10.2 Superannuation (continued)

Asset-Liability matching strategies - Para 146

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.

Funding arrangements - Para 147(a)

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

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

Surplus/deficit

The following is a summary of the 30 June 2021 financial position of the Fund calculated in accordance with AASB 1056 Accounting standard "Superannuation Entities"
:

	SASS	SANCS	SSS	Total
	$'000	$'000	$'000	$'000
Accrued benefits*	262,794	23,327	507	286,628
Net market value of Fund assets	(253,288)	(21,855)	(783)	(275,926)
Net (surplus)/ deficit	**9,506**	**1,472**	**(276)**	**10,702**

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

Contribution recommendations

Recommended contribution rates for the entity are:

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

Economic assumptions

The economic assumptions adopted for 30 June 2021 AASB 1056 Accounting Standard “Superannuation Entities”:

Weighted-Average Assumptions	
Expected rate of return on Fund assets backing current pension liabilities	6.5% pa
Expected rate of return on Fund assets backing other liabilities	5.7% pa
Expected salary increase rate (excluding promotional salary increases)	2.74% pa 21/22 to 25/26; 3.2% pa thereafter
Expected rate of CPI increase	2.0% pa

Note 10 Provisions (continued)

10.2 Superannuation (continued)

Sensitivity Analysis

In light of the current environment due to COVID-19, there is increased volatility in terms of expected outcomes especially in the short to medium term. The information on sensitivities for paragraph 145 provides a guide to how this could affect the defined benefit obligation.

For AASB 1056, separate sensitivities are not included. However, the assumptions for CPI, Salary and demographics are broadly the same under both reporting standards. While the underlying liability amounts for AASB 1056 are lower than for AASB 119, the sensitivity of results under AASB 119 gives an indication to the directional and proportional impact of the changes in these assumptions.

The one assumption that differs substantially under the two standards is the expected rate of return on the fund assets (discount rate). Due to this variation and the potential for material variation in the rate of return on fund assets in current financial conditions, the sensitivities to this assumption for the AASB 1056 results is shown below:

Scenarios A and B relate to sensitivity of the Total Accrued Benefits figure shown in the AASB 1056 results.

	Base case	**Scenario A -0.5% Discount rate**	**Scenario B +0.5% Discount rate**
Expected rate of return on Fund assets	6.5%/5.7%	6.0%/5.2%	7.0%/6.2%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Accrued benefits (A$'000)	**286,628**	**296,012**	**278,010**

Note 10 Provisions (continued)

10.2 Superannuation (continued)

Expected contributions - Para 147(b)

	SASS	SANCS	SSS	Total
	$'000	$'000	$'000	$'000
Expected employer contributions	3,600	-	-	3,600

Maturity profile of defined benefit obligation - Para 147(c)
The weighted average duration of the defined benefit obligation is 13.5 years.

Profit or Loss Impact

	SASS	SANCS	SSS	Total
	$'000	$'000	$'000	$'000
Current service cost	1,783	1,098	89	2,970
Net interest	1,653	112	10	1,775
Profit or loss component of the Defined Benefit Cost	**3,436**	**1,210**	**99**	**4,745**

Other comprehensive income

	SASS	SANCS	SSS	Total
	$'000	$'000	$'000	$'000
Actuarial (gains)/ losses on liabilities	6,332	(1,933)	(682)	3,717
Actual return on Fund assets less Interest income	(27,786)	(2,425)	(102)	(30,313)
Total remeasurement in Other Comprehensive Income	**(21,454)**	**(4,358)**	**(784)**	**(26,596)**

Note 10 Provisions (continued)

10.2 Superannuation (continued)

30 June 2020

The following is the 30 June 2020 superannuation position:

Member numbers	SASS	SANCS	SSS	Total
	30-Jun-20	30-Jun-20	30-Jun-20	30-Jun-20
Contributors	364	365	1	
Pensioners	75	-	-	

Superannuation Position for AASB 119 purposes	$'000	$'000	$'000	$'000
Accrued liability (Note 1)	427,735	34,046	1,931	463,712
Estimated reserve account balance	(236,693)	(20,452)	(759)	(257,904)
1. Deficit/ (surplus)	191,042	13,594	1,172	205,808
2. Future Service Liability (Note 2)	-	-	-	-
3. Surplus in excess of recovery available from schemes (- 1. -2. and subject to a minimum of zero)	-	-	-	-
4. Net (asset)/ liability to be recognised in statement of financial position (1.+ 3.)	191,042	13,594	1,172	205,808

Note 1:
The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit/ (surplus) less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%.

Note 2:
The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119 para 64). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the "surplus in excess of recovery" is zero, no asset ceiling limit is imposed. (Note: this also includes a contribution tax provision).

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

	SASS	**SANCS**	**SSS**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Net Defined Benefit Liability/ (Asset) at start of year	**184,678**	**12,422**	**991**	**198,091**
Current service cost	2,302	1,174	50	3,526
Net Interest on the net defined benefit liability/(asset)	2,421	157	13	2,591
Actual return on Fund assets less Interest income	(2,415)	(248)	(7)	(2,670)
Actuarial (gains)/ losses arising from changes in financial assumptions	14,624	1,018	161	15,803
Actuarial (gains)/ losses arising from liability experience	(8,142)	245	(36)	(7,933)
Employer contributions	(2,426)	(1,174)	-	(3,600)
Net Defined Benefit Liability/ (Asset) at end of year	**191,042**	**13,594**	**1,172**	**205,808**

Note 10 Provisions (continued)

10.2 Superannuation (continued)

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

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Fair value of Fund assets at beginning of the year	**253,926**	**22,338**	**754**	**277,018**
Interest income	3,212	278	10	3,500
Actual return on Fund assets less Interest income	2,415	248	7	2,670
Employer contributions	2,426	1,174	-	3,600
Contributions by participants	2,081	-	8	2,089
Benefits paid	(26,176)	(3,446)	(9)	(29,631)
Taxes, premiums & expenses paid	(1,191)	(140)	(11)	(1,342)
Fair value of fund assets at end of the year	**236,693**	**20,452**	**759**	**257,904**

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

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Present value of defined benefit obligations at beginning of the year	**438,604**	**34,760**	**1,745**	**475,109**
Current service cost	2,302	1,174	50	3,526
Interest cost	5,633	435	23	6,091
Contributions by participants	2,081	-	8	2,089
Actuarial (gains)/ losses from changes in financial assumption	14,624	1,018	161	15,803
Actuarial (gains)/ losses from liability experience	(8,142)	245	(36)	(7,933)
Benefits paid	(26,176)	(3,446)	(9)	(29,631)
Taxes, premiums & expenses paid	(1,191)	(140)	(11)	(1,342)
Present value of defined benefit obligations at end of the year	**427,735**	**34,046**	**1,931**	**463,712**

Note 10 Provisions (continued)

10.2 Superannuation (continued)

Fair value of Fund assets - Para 142

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

	Total	Quoted prices in active markets for identical assets Level 1	Significant observable inputs Level 2	Unobservable inputs Level 3
Asset category	**$'000**	**$'000**	**$'000**	**$'000**
Short Term Securities	4,096,298	1,889,511	2,206,787	-
Australian Fixed Interest	1,066,448	-	1,066,448	-
International Fixed Interest	1,909,424	30,409	1,879,015	-
Australian Equities	7,294,211	6,901,927	392,284	-
International Equities	11,950,330	11,487,308	463,022	-
Property	3,352,466	644,805	16,266	2,691,395
Alternatives	10,522,833	23,408	4,337,075	6,162,350
Total	**40,192,010**	**20,977,368**	**10,360,897**	**8,853,745**

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

As at	30-Jun-20
Short Term Securities	10.2%
Australian Fixed Interest	2.7%
International Fixed Interest	4.8%
Australian Equities	18.1%
International Equities	29.7%
Property	8.3%
Alternatives	26.2%
Total	**100.0%**

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

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

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

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient 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.

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

The fair value of the Pooled Fund assets as at 30 June 2020 includes $36.9 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 $340 million.

Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of $343 million.

Note 10 Provisions (continued)

10.2 Superannuation (continued)

Significant Actuarial Assumptions at the Reporting Date - Para 144

Discount rate	0.87% pa
Salary increase rate (excluding promotional increases)	3.2% pa
Rate of CPI increase	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 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.

Sensitivity Analysis - Para 145

The entity's total defined benefit obligation as at 30 June 2020 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 20.

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 -0.5% Discount rate	Scenario B +0.5% Discount rate
Discount rate	as above	as above -0.5% pa	as above +0.5% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	463,712	493,681	436,987

	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of Discount rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above +0.5% pa	as above -0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	463,712	483,127	446,122

	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above +0.5% pa	as above -0.5% pa
Defined benefit obligation ($'000)	463,712	472,351	455,401

	Base case	Scenario G Higher Mortality*	Scenario H Lower Mortality**
Defined benefit obligation ($'000)	463,712	472,468	459,809

**Assumes the short term pensioner mortality improvement factors for years 2020-2023 also apply for years after 2023.*
***Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for the years 2020 to 2023.*

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

Note 10 Provisions (continued)

10.2 Superannuation (continued)

Asset-Liability matching strategies - Para 146

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.

Funding arrangements - Para 147(a)

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

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

Surplus/deficit

The following is a summary of the 30 June 2020 financial position of the Fund calculated in accordance with AASB 1056 Accounting standard "Superannuation Entities" :

	SASS	SANCS	SSS	Total
	$'000	$'000	$'000	$'000
Accrued benefits*	250,661	24,266	538	275,465
Net market value of Fund assets	(236,693)	(20,452)	(759)	(257,904)
Net (surplus)/ deficit	**13,968**	**3,814**	**(221)**	**17,561**

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

Contribution recommendations

Recommended contribution rates for the entity are:

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

Economic assumptions

The economic assumptions adopted for 30 June 2020 AASB 1056 Accounting Standard “Superannuation Entities”:

Weighted-Average Assumptions	
Expected rate of return on Fund assets backing current pension liabilities	7.0% pa
Expected rate of return on Fund assets backing other liabilities	6.0% pa
Expected salary increase rate (excluding promotional salary increases)	3.2% pa
Expected rate of CPI increase	2.0% pa

Note 10 Provisions (continued)

10.2 Superannuation (continued)

Sensitivity Analysis

In light of the current environment due to COVID-19, there is increased volatility in terms of expected outcomes especially in the short to medium term. The information on sensitivities for paragraph 145 provides a guide to how this could affect the defined benefit obligation.

For AASB 1056, separate sensitivities are not included. However, the assumptions for CPI, Salary and demographics are broadly the same under both reporting standards. While the underlying liability amounts for AASB 1056 are lower than for AASB 119, the sensitivity of results under AASB 119 gives an indication to the directional and proportional impact of the changes in these assumptions.

The one assumption that differs substantially under the two standards is the expected rate of return on the fund assets (discount rate). Due to this variation and the potential for material variation in the rate of return on fund assets in current financial conditions, the sensitivities to this assumption for the AASB 1056 results is shown below:

Scenarios A and B relate to sensitivity of the Total Accrued Benefits figure shown in the AASB 1056 results.

	Base case	**Scenario A -0.5% Discount rate**	**Scenario B +0.5% Discount rate**
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	7.0% pa	6.5% pa	7.5% pa
Expected rate of return on Fund assets backing other liabilities (discount rate)	6.0% pa	5.5% pa	6.5% pa
Rate of CPI increase	2.0% pa	as base case	as base case
Salary inflation rate	3.2% pa	as base case	as base case
Accrued benefits ($'000)	**275,465**	**283,661**	**267,906**

Expected contributions - Para 147(b)

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Expected employer contributions	3,600	-	-	3,600

Maturity profile of defined benefit obligation - Para 147(c)

The weighted average duration of the defined benefit obligation is 12.6 years.

Profit or Loss Impact

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Current service cost	2,302	1,174	50	3,526
Net interest	2,421	157	13	2,591
Profit or loss component of the Defined Benefit Cost	**4,723**	**1,331**	**63**	**6,117**

Note 10 Provisions (continued)

10.2 Superannuation (continued)

Other comprehensive income

	SASS	SANCS	SSS	Total
	$'000	$'000	$'000	$'000
Actuarial (gains)/ losses on liabilities	6,482	1,263	126	7,871
Actual return on Fund assets less Interest income	(2,415)	(248)	(7)	(2,670)
Total remeasurement in Other comprehensive income	**4,067**	**1,015**	**119**	**5,201**

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 1.07% (2020: 0.62%) per annum and a salary growth rate of 2.5% (2020: previously 3.00% for the year to 30 June 2021 and 2.50% pa thereafter).

10.4 Movements in provisions (other than employee benefit provisions)

	Carrying amount at start of year	Increase in Provision	Discounting adjustment	Subtotal	Payment of claims	Unused amount reversed	Carrying amount at end of period
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2021							
Public liability claims	547	817	-	1,364	(918)	-	446
Legal claims	1,000	-	-	1,000	(274)	(500)	226
Other provisions	3,000	-	-	3,000	(2,357)	-	643
2020							
Public liability claims	367	247	-	614	(67)	-	547
Legal claims	-	1,000	-	1,000	-	-	1,000
Other provisions	-	3,000	-	3,000	-	-	3,000

Note 10 Provisions (continued)

10.5 Workers' compensation

Workers' compensation insurance is in place to cover any claim exceeding $1.5m (2020: $1.5m) 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 Pty Ltd assuming a discount rate ranging from 0.08% to 2.19% per annum over the next 15 years (2020: 0.25% to 1.21% per annum over the next 15 years) and a future wage inflation rate of 2.5% per annum over the next 15 years (2020: 2.5% per annum over the next 15 years).

The average settlement time for claims is 2.8 years.

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 16.

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

10.7 Legal claims

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

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

10.8 Other provisions

Other provisions recognises NSW Trains contractual obligations and all claims to external parties. The exact timing of the liability and the amount is uncertain.

10.9 Redundancy

The provision recognises NSW Trains' obligations for reform activity which will result in redundancies. The exact timing and the amount of the payment is uncertain.

Note 11 Borrowings

	30.06.2021 $'000	30.06.2020 $'000
Current		
Lease liability	2,911	2,698
Non-current		
Lease Liability	209	-
Total borrowings	**3,120**	**2,698**

The changes in liabilities arising from financing activities is set out below:

	01.07.2020 $'000	Cash flows $'000	Non-cash changes $'000	30.06.2021 $'000
Lease liabilities	2,698	(2,890)	3,312	3,120
Total liabilities from financing activities	**2,698**	**(2,890)**	**3,312**	**3,120**

	01.07.2019 $'000	Cash flows $'000	Non-cash changes $'000	30.06.2020 $'000
Lease liabilities	1,599	(1,765)	2,864	2,698
Total liabilities from financing activities	**1,599**	**(1,765)**	**2,864**	**2,698**

Note 12 Contract liabilities

	30.06.2021 $'000	30.06.2020 $'000
Contract liabilities - current	830	830
Contract receivables (included in Note 6)	**19,797**	**17,132**

The contract liability balance is consistent with the level of bookings during the year.

The effect of the contract balances is outline below:

	30.06.2021 $'000	30.06.2020 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	830	1,498
Transaction price allocated to the remaining performance obligations from contracts with customers	830	830

The Transaction price allocated to the remaining performance obligations relates to regional services which are booked in advance. 100% is expected to be recognised as revenue in the 2021-22 financial year.

Note 13 Leases

As lessee

NSW Trains leases coaches for a fixed period to meet operational requirements. The lease term is five years and has extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. NSW Trains does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing the contracts. The majority of extension and termination options held are exercisable only by NSW Trains and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease liability includes all future cash flows arising from options to extend or terminate arrangements. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of $2.7m (2020: $2.8m).

NSW Trains has elected to recognise payments for short-term leases and low value leases as expenses on a straight-line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of $10,000 or less when new.

13.1 Right-of-use assets under leases

The following table presents right-of use assets as at 30 June:

	Plant and machinery $'000	Coaches $'000	Total $'000
Balance at 1 July 2020	-	2,686	2,686
Additions	576	2,710	3,286
Depreciation Expense	(173)	(2,689)	(2,862)
Balance at 30 June 2021	**403**	**2,707**	**3,110**
Balance at 1 July 2019	-	1,599	1,599
Additions	-	2,829	2,829
Depreciation Expense	-	(1,742)	(1,742)
Balance at 30 June 2020	**-**	**2,686**	**2,686**

Note 13 Leases (continued)

13.2 Lease liabilities

The following table presents the liabilities under leases as at 30 June:

	30.06.2021 $'000	30.06.2020 $'000
Balance at 1 July	2,698	1,599
Additions	3,286	2,829
Interest expense	26	35
Payments	(2,890)	(1,765)
Balance at 30 June	**3,120**	**2,698**

13.3 Lease expenses

The following amounts were recognised in the statement of comprehensive income for the year in respect of leases where NSW Trains is the lessee:

	30.06.2021 $'000	30.06.2020 $'000
Amount		
Depreciation expense on right of use assets	2,862	1,742
Interest expense on lease liabilities	26	35
Expense relating to short term leases	21	1,035
Total amount recognised in the statement of comprehensive income	**2,909**	**2,812**

NSW Trains had cash outflows of $2.9m relating to leases in the current year (2020: $2.8m).

13.4 Leases at significantly below-market terms and conditions

TAHE provides access to certain rolling stock at no charge to NSW Trains in accordance with the Rail Services Contract until 30 June 2021. The assets are for restricted use given their specialised nature and enable NSW Trains to provide the rail passenger services.

Note 14 Contributed equity

14.1 Contributed equity

	Note	30.06.2021 $'000	30.06.2020 $'000
Contributed equity at start of year		243,310	250,430
Net (assets)/ liabilities contributed to Government	14.2	(3,726)	(7,120)
Contributed equity at end of the year		**239,584**	**243,310**

14.2 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.

NSW Trains transferred capital work in progress of $3.7m to TAHE in the current financial year. In the prior year, NSW trains transferred capital work in progress of $7.1m to TAHE.

	30.06.2021 $'000	30.06.2020 $'000
Assets transferred to other entities		
Capital work in progress	(3,726)	(7,120)
Total assets	**(3,726)**	**(7,120)**
Liabilities transferred to other entities		
Provisions	-	-
Total liabilities	**-**	**-**
Net assets/ (liabilities) transferred out	**(3,726)**	**(7,120)**

Note 15 Commitments

The aggregate capital expenditure for the acquisition of plant and equipment (including intangibles) contracted for at balance date and not provided for:

	30.06.2021 $'000	30.06.2020 $'000
Plant and equipment (including intangibles)		
Within 12 months	3,786	1,396
Total plant & equipment (including intangible assets)	**3,786**	**1,396**

The commitments include any associated Goods and Services Tax. Related input tax credits of nil (2020: $0.1m) are expected to be recoverable from the Australian Taxation Office.

NSW Trains also has other contractual commitments of $4,451m over the next 10 years as a result of new access and licence agreements with TAHE. The agreements were executed on 30 June 2021 however take effect on 1 July 2021.

Note 16 Contingent liabilities and contingent assets

16.1 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.

16.2 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.

There were no material contingent assets and liabilities as at 30 June 2021.

Note 17 Financial instruments

17.1 Financial instruments

NSW Trains hold the following financial instruments:

	Category	30.06.2021 $'000	30.06.2020 $'000
Financial assets			
Cash and cash equivalents	N/A	155,221	88,156
Trade and other receivables*	Amortised cost	25,142	17,699
Total financial assets		**180,363**	**105,855**
Financial Liabilities			
Trade and other payables**	Financial liabilities measured at amortised cost	52,848	30,170
Borrowings	Financial liabilities measured at amortised cost	3,120	2,698
Total financial liabilities		**55,968**	**32,868**

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

17.2 Financial risks

The operational activities of 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 TPP 07-7 *Commercial Policy Framework: Treasury Management Policy*. Accounting for financial instruments is in accordance with NSW Treasury accounting policy TPP 19-05 *Accounting Policy: Accounting for financial instruments.*

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

Note 17 Financial instruments (continued)

17.3 Market risk

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

17.3.1 Foreign exchange risk

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

17.3.2 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 for NSW Trains financial assets:

	Interest Rate %	Principal Amount $'000
Year ended 30 June 2021		
Financial assets		
Not later than 1 year		
Cash on hand and in transit	**-**	**29**
Cash at bank	**0.10**	**155,192**
Total financial assets		**155,221**

	Interest Rate %	Principal Amount $'000
Year ended 30 June 2020		
Financial assets		
Not later than 1 year		
Cash on hand and in transit	-	31
Cash at bank	0.25	88,125
Total financial assets		**88,156**

NSW Trains' financial liabilities are exposed to interest rate risk. The interest rate exposure on borrowings not later than one year is 0.51% (2020: 1.41%), between 1 and 5 years is 0.78% (2020: 1.41%), and later than 5 years is 1.26% (2020: 1.87%). The respective principal amounts for each period is $2.9m, $0.2m and nil (2020: $2.7m, nil and nil).

Note 17 Financial instruments (continued)

17.3 Market risk (continued)

17.3.2 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.

	Carrying Amount $'000	Surplus/deficit $'000		Equity $'000	
		-1%	+1%	-1%	+1%
2021					
Cash at bank	155,192	(1,552)	1,552	(1,552)	1,552
2020					
Cash at bank	88,125	(881)	881	(881)	881

17.4 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 $155m in cash at bank at 30 June 2021 (2020: $88m). This was held with Westpac Banking Corporation.

Note 17 Financial instruments (continued)

17.4 Credit risk (continued)

Trade receivables, Contract assets and Contract 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.

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.

17.5 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.

Note 17 Financial instruments (continued)

17.5 Liquidity risk (continued)

	Carrying amount $'000	Contract Cash Flow $'000	Less than 1 Year $'000	Between 1 and 5 Years $'000	Over 5 Years $'000
Year ended 30 June 2021					
Financial liabilities					
Trade and other payables	52,848	52,848	52,848	-	-
Borrowings	3,120	3,130	2,920	210	-
	55,968	**55,978**	**55,768**	**210**	**-**
Year ended 30 June 2020					
Financial liabilities					
Trade and other payables	30,170	30,170	30,170	-	-
Borrowings	2,698	2,718	2,718	-	-
	32,868	**32,888**	**32,888**	**-**	**-**

Note 18 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.

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

Notes to the Financial Statements for the year ended 30 June 2021

Note 18 Fair value measurements (continued)

	Carrying Amount $'000	Fair Value $'000
Year ended 30 June 2021		
Financial Assets		
Cash and cash equivalents	155,221	155,221
Trade and Other Receivables	26,972	26,972
Total financial assets	**182,193**	**182,193**
Financial liabilities		
Trade and other payables	64,629	64,629
Borrowings	3,120	3,120
Total financial liabilities	**67,749**	**67,749**
Year ended 30 June 2020		
Financial assets		
Cash and cash equivalents	88,156	88,156
Trade and Other Receivables	19,759	19,759
Total financial assets	**107,915**	**107,915**
Financial liabilities		
Trade and other payables	41,621	41,621
Borrowings	2,698	2,698
Total financial liabilities	**44,319**	**44,319**

Note 19 Related party disclosures

19.1 Key Management Personnel Compensation

During the year, NSW Trains incurred $2.6m (2020: $2.3m) in respect of the key management personnel services that are provided by Transport Service NSW.

19.2 Transactions and Outstanding Balances with key management personnel of NSW Trains and its parents during the year

There was no transaction or outstanding balance with key management personnel of NSW Trains and its parent during the year (2020: Nil).

19.3 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 (2020: Nil).

19.4 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:

Nature of Transaction	**Agency**	**Value $'000**
2020-21		
Access rights to rail network, stations, rolling stock and property*	TAHE	No charge
Capital work in progress transferred	TAHE	3,726
Operating subsidies	TfNSW	793,604
Personnel services to NSW Trains	Transport Service Of NSW	14,716
Services provided by Sydney Trains including maintenance activities	Sydney Trains	445,081
Opal passenger revenue	TfNSW	36,484
Corporate and transactional services to NSW Trains	TfNSW	19,263
Contact centre services to NSW Trains	Service NSW	4,400
Project management and other services by NSW Trains	TfNSW	23,600
Letter of comfort to NSW Trains	NSW Treasury	No charge
2019-20		
Access rights to rail network, stations, rolling stock and property*	TAHE	No charge
Capital work in progress transferred	TAHE	7,120
Operating subsidies	TfNSW	692,223
Personnel services to NSW Trains	Transport Service Of NSW	14,169
Services provided by Sydney Trains including maintenance activities	Sydney Trains	462,791
Opal passenger revenue	TfNSW	58,322
Corporate and transactional services to NSW Trains	TfNSW	19,519
Contact centre services to NSW Trains	Service NSW	5,400
Project management and other services by NSW Trains	TfNSW	19,900
Letter of comfort to NSW Trains	NSW Treasury	No charge

Refer Note 21.

Note 20 Events occurring after reporting date

On 30 June 2021, NSW Trains entered into new commercial agreements with TAHE, which came into effect on 1 July 2021. The agreements provide access to use the infrastructure and license rights to use the rolling stock and station assets. The impact of these agreements on future periods is net cash outflows of approximately $4.5B over the next 10 years which will be Government funded. The cash outflow relates to access fees of $1.3B and licence fees of $3.2B which will be recognised as right-of-use assets over the period.

The COVID-19 pandemic is ongoing and continues to impact the operations of NSW Trains. NSW Trains has assessed that there is no material impact on the net result and the carrying values of assets and liabilities as at 30 June 2021. The on-going pandemic continues to significantly impact revenue and expenses. The financial impact is anticipated to be funded by Government.

(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 by the Chief Executive, the Statement of Comprehensive Income for the year ended 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Summary of significant accounting policies, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2018 (GSF Regulation) and the Treasurer's Directions
- presents fairly NSW Trains' financial position, financial performance and cash flows

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 (including Independence Standards)' (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 2021 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.

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, the GSF Act, GSF Regulations and Treasurer's Directions. The Chief Executive's responsibility also includes 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.

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.

The scope of my audit does not include, nor 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 New South Wales

11 October 2021
SYDNEY

NSW Trains
Administration Building
4 Lowdon Square
Wollongong NSW 2500

nswtrains.nsw.gov.au

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