

RailCorp

2014 Annual Report



Letter of Submission

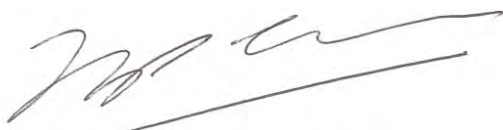
The Hon. Gladys Berejiklian
Minister for Transport
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Minister,

It is my pleasure to provide for your information and presentation to Parliament the *Rail Corporation New South Wales Annual Report* for the year to 30 June 2014.

The report has been prepared in accordance with the *Annual Reports (Statutory Bodies) Act 1984*, the *Annual Reports (Statutory Bodies) Regulation 2010* and the *Public Finance and Audit Act 1983*.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Howard Collins', with a horizontal line underneath it.

Howard Collins OBE
A/Chief Executive
RailCorp
31 October 2014

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NSW 2021
FIVE KEY STRATEGIES

**REBUILD THE
ECONOMY**

**RETURN
QUALITY
SERVICES**

**RENOVATE
INFRASTRUCTURE**

**STRENGTHEN THE
LOCAL ENVIRONMENT
AND COMMUNITIES**

**RESTORE
ACCOUNTABILITY TO
GOVERNMENT**

1 Overview

1.1 Chief Executive's Foreword



RailCorp's operating functions moved to Sydney Trains and NSW Trains when these organisations commenced operations on 1 July 2013.

The Fixing the Trains program created new organisations designed to put customers at the centre of everything we do. Since 1 July 2013, new fit-for-the-purpose operating models for each organisation delivered improved services to customers.

Following this, RailCorp has spent the past 12 months transitioning towards its sole role as owner of major rail and rail property assets in the Metropolitan Rail Area.

RailCorp's other responsibilities include:

- Managing non-operational real property assets and land owner responsibility for all real property assets including acquisition, remediation and disposal
- Managing access to the rail network by third-party rail operators
- Managing the contract with Airport Link Company (ALC) for the operation of the Airport Link Stations
- Maintaining land information
- Leasing premises within railway stations and other locations.

A handwritten signature in black ink, appearing to read 'Howard Collins', written over a horizontal line.

Howard Collins OBE
A/Chief Executive
RailCorp

1.2 About RailCorp

From 1 January 2004 to 30 June 2013, Rail Corporation New South Wales (RailCorp) provided metropolitan passenger rail services via CityRail and long distance services via CountryLink. RailCorp also owned and maintained the metropolitan rail network and provided access to freight operators in the metropolitan area.

RailCorp's functions have changed with Sydney Trains and NSW Trains commencing operations from 1 July 2013. RailCorp owns the rail network and the rail property assets in Metropolitan area but does not operate rail services.

Sydney Trains provides passenger rail services on the rail network in the area bounded by Berowra, Emu Plains, Macarthur and Waterfall and also maintains rolling stock and the metropolitan rail network.

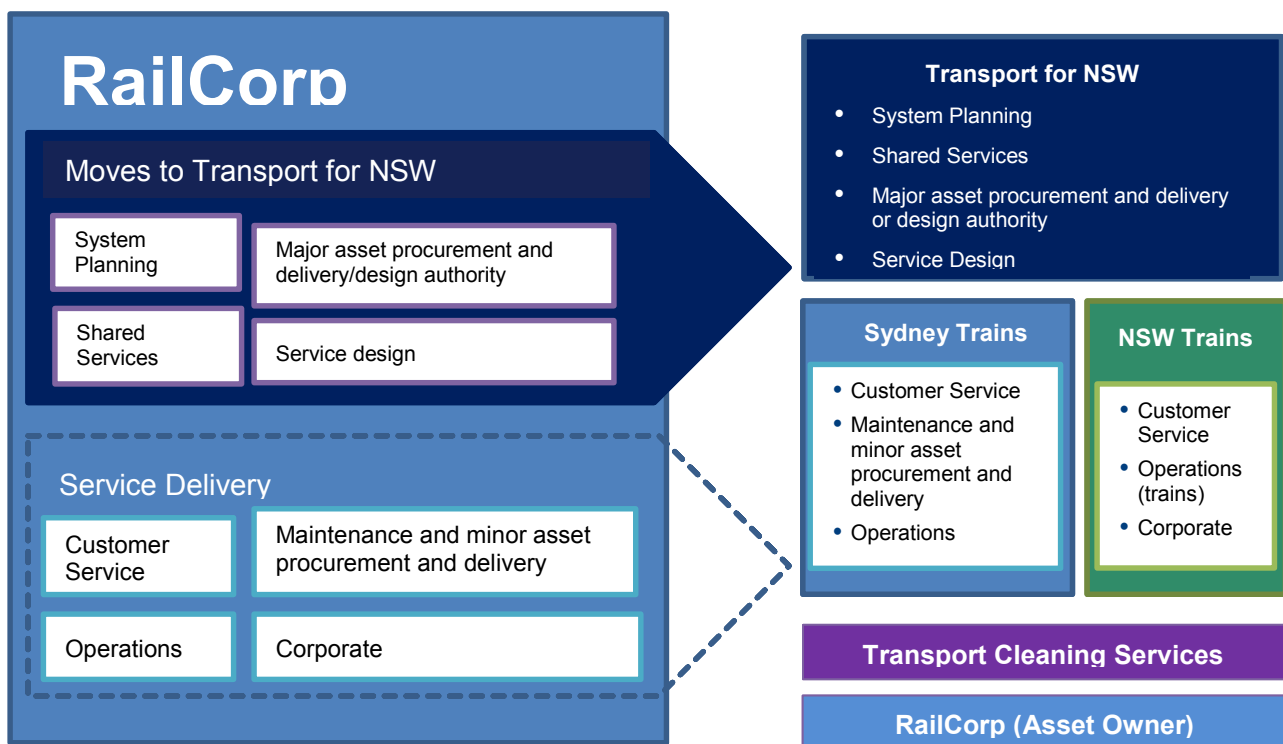
NSW Trains provides passenger rail and coach services in regional NSW.

Transport Cleaning Services (TCS) is a subsidiary of RailCorp and provides cleaning services to Sydney Trains and, through Sydney Trains, to NSW Trains.

Heritage

The heritage functions supporting the passenger rail network transferred to Sydney Trains on 1 July 2013. During 2013-14, the functions of Office of Rail Heritage, with respect to non-entity heritage assets, were transferred to Transport for New South Wales (TfNSW).

1.3 Operating model



1.4 Executive Team

Howard Collins is the A/Chief Executive of RailCorp, while Gary Pedersen is the Chief Financial Officer. Paul Dexter was the Transition Manager responsible for implementing the final stages of RailCorp's restructuring following the launch of Sydney Trains and NSW Trains, while Marianne Hammerton was the Executive Manager, People & Transition.

1.5 Financial Performance Summary

For the 2013-14 year, RailCorp received \$380.7 million in income from operating activities, while total expenses of \$1296.3 million were incurred in operations, depreciation and financing costs. Depreciation and amortisation of \$815.6 million was the largest component of expense, reflective of the transition of operator functions from RailCorp to Sydney Trains from 1 July 2013.

The resulting deficit from operations, before government support, was \$915.6 million.

Whilst RailCorp did not require direct Government contributions for its day-to-day operations, \$100.70 million was provided by Government to fund redundancy payments in the year. The resulting deficit from operations before capital contributions was \$814.80 million.

NSW Government capital contributions totalled \$2283.1 million for the year. These contributions took two forms: Capital Grants (cash funding) totalling \$401.9 million and, Capital Grants (non-cash) of \$1881.3 million, being assets under construction by TfNSW.

Capital Grants (cash) were utilised for projects delivered mainly by Sydney Trains, including capitalised maintenance. Asset grants to RailCorp included new rail network assets under construction such as on the Northern Sydney Freight Corridor and South West Rail Link.

After recognising this as income for the year, RailCorp recorded a surplus from continuing operations of \$1468.3 million.

Other comprehensive income for the year, including revaluation of property, plant and equipment, totalled \$42.7 million. The Total Comprehensive Income for the period was therefore a surplus of \$1511.0 million.

Performance against Budget

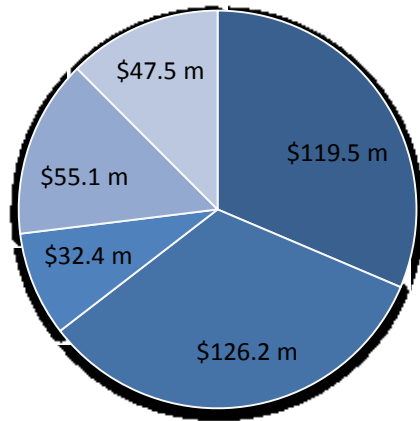
Income from operating activities in 2013-14 was \$108.4 million better than budget, as a result largely of ongoing charges for RailCorp staff seconded to, or otherwise performing chargeable work for, other transport agencies including Sydney Trains. This income was charged on a strict cost recovery basis.

Other income items were better than budget, including access fees for freight and private passenger operations on the RailCorp network.

While operating costs were also over budget due to the retention of staff pending recruitment processes in the transport agencies, overall the operating performance of RailCorp was better than budget for the year.

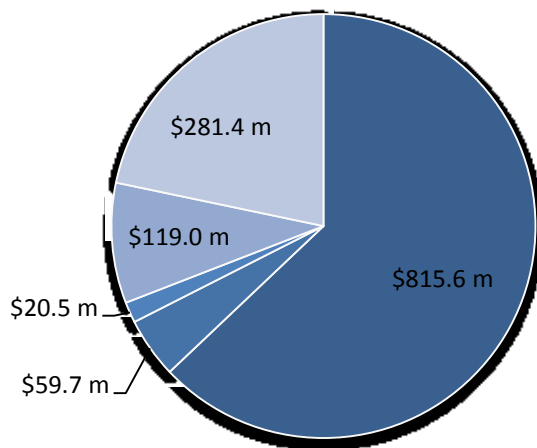
The operating budget targets for the 2014-15 year provides for a sharper focus on asset ownership functions, reflected in increased external revenue opportunities together with the finalisation of staff transfers from RailCorp to other transport agencies.

Income from Operating Activities \$380.7 m

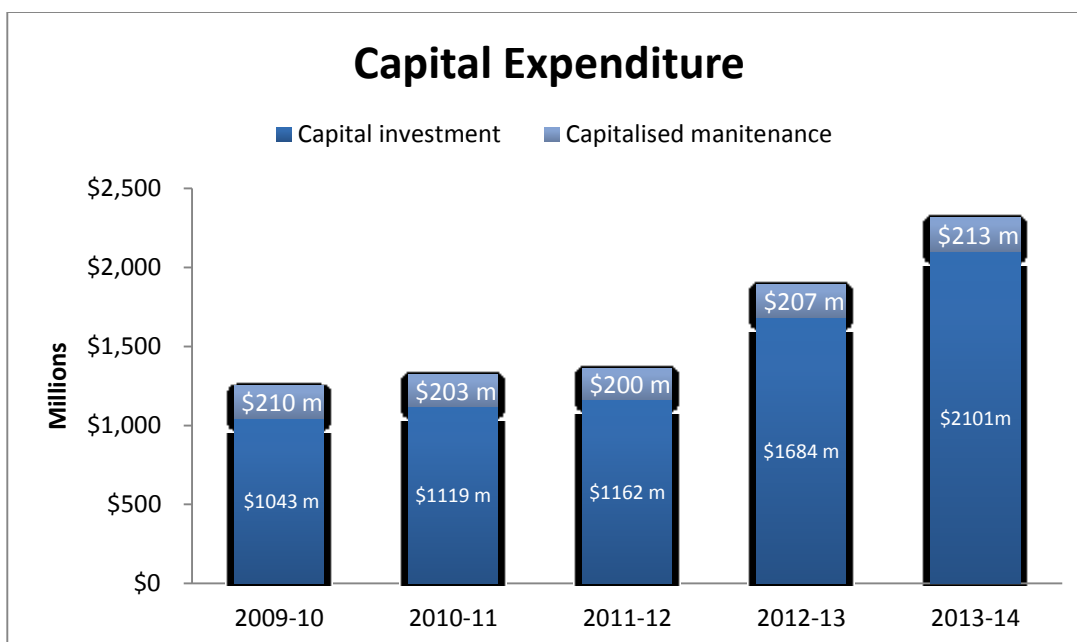


- Transport cluster labour cost recovery
- Transport cluster non labour cost recovery
- Rental Income
- Access fees
- Other income

Total Expense \$1296.3 m



- Depreciation & amortisation
- Derecognition and disposal of assets
- Finance costs
- Other operating expenses
- Employee related expenses



Capital Investment

Total capital expenditure increased to a record \$2101 million in 2013-14, an increase of 22 per cent on 2012-13. In addition, a further \$213 million of major periodic maintenance was capitalised.

Major capital projects delivered by TfNSW for RailCorp totalled \$1882 million. Sydney Trains delivered a further \$420 million in works, including capitalised maintenance, with NSW Trains completing a further \$11 million of work in the year.

(Capital items relating to Waratah PPP leased rolling stock and enabling works recognised by RailCorp to 2012-13 are now reported by Sydney Trains).

2013 14 Capital Investment, by program	\$ million
North West Rail Link	658.7
Northern Sydney Freight Corridor	309.4
South West Rail Link	354.8
Power Supply Upgrade	127.9
Digital Train Radio	83.7
Transport Access Program	113.9
Automatic Train Protection	29.4
Wynyard Walk	57.2
Clearways	34.2
Lidcombe Granville Corridor Upgrade	64.3
Fixing The Trains	75.6
Internal Emergency Door Release	8.3
Mechanised Track Patrol	13.5
Other capital works	170.0
Capital Expenditure	2100.9
Capital Maintenance	212.5
Total RailCorp Capital Investment	2313.4

2 Operational Performance

2.1 People

With Sydney Trains and NSW Trains commencing operations on 1 July 2013, a detailed people plan was developed for the remaining RailCorp staff. The plan focused on key populations with associated assumptions, business rules and accountabilities.

As at 30 June 2014, over 1000 employees remained within RailCorp. During 2014-15, RailCorp will cease to be an employer as all of those staff will either leave the organisation or transfer to Sydney Trains or NSW Trains. Various directorates within Sydney Trains support RailCorp's operations.

2.2 Safety

RailCorp's Safety Management System was rewritten to align with the revised operating model as the RailCorp Work Health Safety Management System (WHSMS). The WHSMS was used to support the remaining activities and the WorkCover self-insurance licence as the organisation transitioned towards its sole role as an asset owner.

The WHSMS included policies, system procedures, operating procedures and guidelines, safe work instructions and forms. Employees received widespread support through training, workshops, coaching and regular communication to assist full awareness of the WHSMS in the business.

RailCorp has operated its worker's compensation insurance arrangements through a WorkCover NSW self-insurer licence. These arrangements will conclude after RailCorp ceases to be an employer during the next financial year.

2.3 Property

RailCorp is the owner of all real property assets (land and rail infrastructure facilities affixed), within the metropolitan network bounded by Newcastle in the north, Richmond in the north-west, Bowenfels in the west, Macarthur in the south-west and Bomaderry in the south. In addition, RailCorp is the owner of operational Railway Stations in regional NSW.

Under the Rail Services Contracts between RailCorp, TfNSW and Sydney Trains and between RailCorp, TfNSW and NSW Trains, the majority of RailCorp real property assets are licensed to either Sydney Trains or NSW Trains for the purposes of providing passenger rail services. Additionally, the licensed assets are maintained by Sydney Trains.

TfNSW plans and constructs all the new rail lines and some major additional facilities for existing ones, such as new commuter car parks. When completed, these properties are assigned to RailCorp as owner of all real property assets and licensed to either Sydney Trains or NSW Trains.

RailCorp is responsible for:

- Management of non-operational real property assets (residual assets)
- Land owner responsibilities for all real property assets, including acquisition, remediation and disposal
- Managing access to the rail network by third-party rail operators
- Managing the contract with ALC for the operation of the Airport Link Stations
- Maintaining land information
- Leasing out of premises within railway stations and other locations

RailCorp is a concurrence authority under the State Environment and Planning Policy (Infrastructure) for developments adjacent to the Rail Corridor and has a legislative requirement to respond within 21 days. In 2013-14, RailCorp dealt with 90 requests for concurrence within this legislative timeframe. It also successfully completed a further 1493 planning and land title issues during the year.

RailCorp is one of the largest land owners in the State, owning in excess of 4000 hectares.

It also has a large portfolio of properties leased out commercially and for community benefit.

RailCorp continues to invest significant resources in the assessment and remediation of contaminated land and hazardous building materials in order to facilitate safe use of rail land and maximise its beneficial use.

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Statement by the Chief Executive

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

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

- (a) In my opinion, the accompanying Financial Statements, read in conjunction with the notes thereto, exhibit a true and fair view of the financial position of RailCorp and the consolidated entity as at 30 June 2014 and of their financial performance for the year ended 30 June 2014.
- (b) The Financial Statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010*, the Australian Accounting Standards, which includes Australian Accounting Interpretations, and Treasurer's directions.
- (c) I am not aware, as at the date of this statement, of any circumstances which would render any particulars included in the Financial Statements to be misleading or inaccurate.



Stewart Mills
Acting Chief Executive

18 September 2014

(Start of audited financial statements)

Statement of Comprehensive Income for the year ended 30 June 2014

	Note	Consolidated		Parent	
		2013-14 \$'000	2012-13 Restated* \$'000	2013-14 \$'000	2012-13 Restated* \$'000
Income					
Passenger services revenue		-	790,461	-	790,461
Non passenger revenue	3.1	379,503	482,451	345,149	510,625
Interest		1,187	2,764	1,115	2,696
Income from operating activities		380,690	1,275,676	346,264	1,303,782
Expenses					
Operating expenses					
- Employee benefits expense and other payroll costs	4.1	281,400	1,607,211	280,439	1,606,506
- Other operating expenses	4.3	118,990	1,299,699	85,594	1,328,547
Depreciation and amortisation	9.2, 10.2	815,639	872,231	815,624	872,217
Derecognition and disposal of assets	9.5	59,743	243,597	59,743	243,597
Finance costs	4.5	20,474	79,830	20,474	79,830
Total expenses		1,296,246	4,102,568	1,261,874	4,130,697
Deficit from operations before Government contributions		(915,556)	(2,826,892)	(915,610)	(2,826,915)
Government subsidies	3.3	100,705	1,503,425	100,705	1,503,425
Government concessions		-	258,891	-	258,891
Other Government operating subsidies		3	731	3	731
Deficit from operations before Capital contributions		(814,848)	(1,063,845)	(814,902)	(1,063,868)
Contributions for capital expenditure	3.2	2,283,140	1,615,797	2,283,140	1,615,797
Surplus for the year from continuing operations		1,468,292	551,952	1,468,238	551,929
Other Comprehensive Income					
<i>Items that may be reclassified to surplus/deficit</i>					
Net gain/(loss) in forward foreign exchange	16	(14)	13,043	(14)	13,043
Net gain/(loss) in commodity swaps	16	-	(371)	-	(371)
<i>Items that will not be reclassified to surplus/deficit</i>					
Revaluation of property, plant and equipment	16	39,876	-	39,876	-
Superannuation actuarial gains/(losses) on defined benefit schemes	17	2,853	238,352	2,853	238,352
Other Comprehensive Income for the year		42,715	251,024	42,715	251,024
Total Comprehensive Income for the year		1,511,007	802,976	1,510,953	802,953

*Refer Note 2.1.2

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

Statement of Financial Position as at 30 June 2014

	Note	Consolidated			Parent		
		30.6.2014 \$'000	30.6.2013 Restated* \$'000	01.7.2012 Restated* \$'000	30.6.2014 \$'000	30.6.2013 Restated* \$'000	01.7.2012 Restated* \$'000
Current assets							
Cash and cash equivalents	5.1	178,983	157,156	77,609	177,458	156,858	77,467
Trade and other receivables	6.1	241,471	221,217	189,480	235,816	225,620	189,428
Security deposits		45	45	43	45	45	43
Inventories	7	-	31,510	35,017	-	31,477	35,006
Non-current assets classified as held for sale	8	11,834	504	1,754	11,834	504	1,754
Derivative financial instruments	21.1	-	2,329	788	-	2,329	788
Total current assets		432,333	412,761	304,691	425,153	416,833	304,486
Non-current assets							
Inventories	7	-	24,050	32,347	-	24,050	32,347
Trade and other receivables	6.1	34,174	33,558	34,769	34,174	33,558	34,769
Property, plant and equipment	9	26,821,933	27,505,723	25,860,971	26,821,933	27,505,677	25,860,956
Intangible assets	10	37,687	229,882	242,771	37,687	229,882	242,765
Derivative financial instruments	21.1	-	558	28	-	558	28
Other	11	50,706	57,210	70,095	50,706	57,210	70,095
Total non-current assets		26,944,500	27,850,981	26,240,981	26,944,500	27,850,935	26,240,960
Total assets		27,376,833	28,263,742	26,545,672	27,369,653	28,267,768	26,545,446
Current liabilities							
Trade & other payables	12	150,029	578,334	663,457	143,080	582,472	663,296
Borrowings and finance lease liabilities	13	651,000	488,670	13,663	651,000	488,670	13,663
Provisions	14	142,864	613,643	645,192	142,752	613,586	645,159
Derivative financial instruments	21.1	14	5,262	13,811	14	5,262	13,811
Total current liabilities		943,907	1,685,909	1,336,123	936,846	1,689,990	1,335,929
Non-current liabilities							
Borrowings and finance lease liabilities	13	232,499	1,345,883	599,266	232,499	1,345,883	599,266
Provisions	14	420,352	740,288	925,585	420,342	740,288	925,585
Derivative financial instruments	21.1	-	302	2,355	-	302	2,355
Total non-current liabilities		652,851	2,086,473	1,527,206	652,841	2,086,473	1,527,206
Total liabilities		1,596,758	3,772,382	2,863,329	1,589,687	3,776,463	2,863,135
Net Assets		25,780,075	24,491,360	23,682,343	25,779,966	24,491,305	23,682,311
Equity							
Contributed equity	15.1	14,428,086	14,653,056	14,647,015	14,428,086	14,653,056	14,647,015
Reserves	16	7,989,366	8,059,529	8,210,203	7,989,366	8,059,529	8,210,203
Retained earnings	17	3,362,623	1,778,775	825,125	3,362,514	1,778,720	825,093
Total equity		25,780,075	24,491,360	23,682,343	25,779,966	24,491,305	23,682,311

*Refer Note 2.1.2

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 2014

Consolidated	Note	Contributed equity \$'000	Retained earnings \$'000	Asset revaluation \$'000	Other reserves \$'000	Total \$'000
Balance at 1 July 2013		14,653,056	1,778,775	8,062,207	(2,678)	24,491,360
Surplus for the year		-	1,468,292	-	-	1,468,292
Reserves transferred to/(from) retained earnings	16, 17	-	112,703	(112,703)	-	-
Other Comprehensive Income						
Net gain/(loss) in forward foreign exchange	16	-	-	-	(14)	(14)
Net gain/(loss) in commodity swap	16	-	-	-	-	-
Increase/(decrease) in asset revaluation reserve	16	-	-	39,876	-	39,876
Superannuation actuarial gains/(losses) on defined benefit schemes	17	-	2,853	-	-	2,853
Total Other Comprehensive Income for the year		-	2,853	39,876	(14)	42,715
Increase/(decrease) in net assets from equity transfers (contribution by owners)	15.2	(224,970)	-	-	2,678	(222,292)
Balance as at 30 June 2014		14,428,086	3,362,623	7,989,380	(14)	25,780,075
Balance at 1 July 2012		14,647,015	927,414	8,225,553	(15,350)	23,784,632
Retrospective change due to AASB 119		-	(102,289)	-	-	(102,289)
Balance as restated		14,647,015	825,125	8,225,553	(15,350)	23,682,343
Surplus for the year (Restated*)		-	551,952	-	-	551,952
Reserves transferred to/(from) retained earnings	16, 17	-	163,346	(163,346)	-	-
Other Comprehensive Income						
Net gain/(loss) in forward foreign exchange	16	-	-	-	13,043	13,043
Net gain/(loss) in commodity swaps	16	-	-	-	(371)	(371)
Increase/(decrease) in asset revaluation reserve	16	-	-	-	-	-
Superannuation actuarial gains/(losses) on defined benefit schemes	17	-	238,352	-	-	238,352
Total Other Comprehensive Income for the year		-	238,352	-	12,672	251,024
Increase/(decrease) in net assets from equity transfers (contribution by owners)	15.2	6,041	-	-	-	6,041
Balance as at 30 June 2013		14,653,056	1,778,775	8,062,207	(2,678)	24,491,360

*Refer Note 2.1.2

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

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

Parent	Note	Contributed equity \$'000	Retained earnings \$'000	Asset revaluation \$'000	Other reserves \$'000	Total \$'000
Balance at 1 July 2013		14,653,056	1,778,720	8,062,207	(2,678)	24,491,305
Surplus for the year		-	1,468,238	-	-	1,468,238
Reserves transferred to/(from) retained earnings	16, 17	-	112,703	(112,703)	-	-
Other Comprehensive Income						
Net gain/(loss) in forward foreign exchange	16	-	-	-	(14)	(14)
Net gain/(loss) in commodity swap	16	-	-	-	-	-
Increase/(decrease) in asset revaluation reserve	16	-	-	39,876	-	39,876
Superannuation actuarial gains/(losses) on defined benefit schemes	17	-	2,853	-	-	2,853
Total Other Comprehensive Income for the year		-	2,853	39,876	(14)	42,715
Increase/(decrease) in net assets from equity transfers (contribution by owners)	15.2	(224,970)	-	-	2,678	(222,292)
Balance as at 30 June 2014		14,428,086	3,362,514	7,989,380	(14)	25,779,966
Balance at 1 July 2012		14,647,015	927,382	8,225,553	(15,350)	23,784,600
Retrospective change due to AASB 119		-	(102,289)	-	-	(102,289)
Balance as restated		14,647,015	825,093	8,225,553	(15,350)	23,682,311
Surplus for the year (Restated*)		-	551,929	-	-	551,929
Reserves transferred to/(from) retained earnings	16, 17	-	163,346	(163,346)	-	-
Other Comprehensive Income						
Net gain/(loss) in forward foreign exchange	16	-	-	-	13,043	13,043
Net gain/(loss) in commodity swaps	16	-	-	-	(371)	(371)
Increase/(decrease) in asset revaluation reserve	16	-	-	-	-	-
Superannuation actuarial gains/(losses) on defined benefit schemes	17	-	238,352	-	-	238,352
Total Other Comprehensive Income for the year		-	238,352	-	12,672	251,024
Increase/(decrease) in net assets from equity transfers (contribution by owners)	15.2	6,041	-	-	-	6,041
Balance as at 30 June 2013		14,653,056	1,778,720	8,062,207	(2,678)	24,491,305

*Refer Note 2.1.2

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 2014

	Note	Consolidated		Parent	
		2013-14	2012-13	2013-14	2012-13
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
<i>Cash received</i>					
Passenger services		-	790,591	-	790,591
Other receipts from customers and others		353,554	754,364	321,142	753,650
Government subsidies and concessions		100,705	1,762,316	100,705	1,762,316
Other Government operating subsidies		3	731	3	731
Interest received		1,187	2,705	1,115	2,696
Total cash received		455,449	3,310,707	422,965	3,309,984
<i>Cash used</i>					
Payments to suppliers, employees and others		(383,096)	(3,210,777)	(351,839)	(3,210,210)
Interest paid		(19,561)	(57,271)	(19,561)	(57,271)
Total cash used		(402,657)	(3,268,048)	(371,400)	(3,267,481)
Net cash from/(used in) operating activities	5.2	52,792	42,659	51,565	42,503
Cash flow from investing activities					
<i>Cash received</i>					
Capital grants		402,651	503,894	402,651	503,894
Property, plant and equipment and intangible assets disposals		3,375	9,925	3,375	9,925
Total cash received		406,026	513,819	406,026	513,819
<i>Cash used</i>					
Property, plant and equipment and intangible assets acquisitions		(516,650)	(853,731)	(516,650)	(853,731)
Advances to rail entities		(198,000)	-	(198,000)	-
Total cash used		(714,650)	(853,731)	(714,650)	(853,731)
Net cash from/(used by) investing activities		(308,624)	(339,912)	(308,624)	(339,912)
Cash flows from financing activities					
<i>Cash received</i>					
Proceeds from borrowings		1,045,200	1,460,300	1,045,200	1,460,300
Total cash received		1,045,200	1,460,300	1,045,200	1,460,300
<i>Cash used</i>					
Repayment of borrowings		(661,000)	(1,083,500)	(661,000)	(1,083,500)
Total cash used		(661,000)	(1,083,500)	(661,000)	(1,083,500)
Net cash from/(used in) financing activities		384,200	376,800	384,200	376,800
Net (decrease)/increase in cash and cash equivalents		128,368	79,547	127,141	79,391
Cash and cash equivalents at beginning of year		157,156	77,609	156,858	77,467
Cash transferred out to Sydney Trains and NSW Trains	15.2	(106,541)	-	(106,541)	-
Cash and cash equivalents at end of year	5.1	178,983	157,156	177,458	156,858

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

Notes to the Financial Statements for the year ended 30 June 2014

Note 1 Reporting entity and Financial Statements

(a) Reporting entity

Rail Corporation New South Wales (RailCorp) is a Statutory Authority constituted under the *Transport Administration Act 1988* and is a scheduled entity under the *Public Finance and Audit Act 1983*. It is domiciled in Australia and its principal office is at 477 Pitt Street Sydney, NSW 2000. Its principal objectives to 30 June 2014 were:

- to deliver safe and reliable railway passenger services in New South Wales in an efficient, effective and financially responsible manner, and
- to ensure that the part of the NSW rail network vested in or owned by it enables safe and reliable railway passenger and freight services to be provided in an efficient, effective and financially responsible manner.

From 1 July 2013, RailCorp's functions have changed with Sydney Trains and NSW Trains commencing operations as rail operators. Sydney Trains and NSW Trains were established as public subsidiary corporations of RailCorp under the *Transport Administration (General) Amendment (Sydney Trains and NSW Trains) Regulation 2012* on 7 December 2012 and later become statutory bodies on 17 May 2013 under the *Public Finance and Audit Amendment (Sydney Trains and NSW Trains) Proclamation 2013*. From 1 July 2013, various vesting and administrative orders resulted in the transfer of certain assets, rights, liabilities and employees from RailCorp to Sydney Trains, NSW Trains and TfNSW. RailCorp continues to be the owner of the rail network, stations, majority of property and certain rolling stock and provides Sydney Trains and NSW Trains with access rights to the assets which they operate at their own risk. Sydney Trains is responsible for the maintenance of the rail assets.

RailCorp, the parent entity and the controlled entities Trainworks Ltd and Transport Cleaning Services (TCS) constitute the reporting economic entity in the consolidated Financial Statements. Trainworks Ltd is a company limited by guarantee and ceased trading effective 30 June 2014. TCS was constituted under the *Transport Administration (General) Amendment (Transport Cleaning Services) Regulation 2012* as a fully owned public subsidiary corporation of RailCorp and commenced operations on 2 February 2013. Sydney Trains and NSW Trains while public subsidiary corporations of RailCorp are not controlled entities.

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

(b) Principles of consolidation

The consolidated Financial Statements comprise the Financial Statements of RailCorp (the parent entity) and its controlled entities, after elimination of all inter entity transactions and balances. Inter entity refers to transactions between RailCorp and its controlled entities TCS and Trainworks Ltd.

Transport cluster in the Financial Statements refers to transactions between RailCorp and transport entities Sydney Trains, NSW Trains, TCS, TfNSW and Roads and Maritime Services.

(c) Authorisation of the Financial Statements

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

(d) Statement of compliance

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

Notes to the Financial Statements for the year ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

Generally, the historical cost basis of accounting has been adopted and these Financial Statements do not take into account changing money values or current valuations. However, property, plant and equipment, certain provisions, and derivative financial assets and liabilities are measured at fair value. Refer Notes 2.3(ii), 2.14(ii), and 2.19. The accrual basis of accounting has been adopted in the preparation of the Financial Statements, except for cash flow information

RailCorp and its controlled entities are not-for-profit entities for accounting purposes.

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

Comparative information relating to Transport cluster payables and Transport cluster receivables have been reclassified to align with the current year. RailCorp has reclassified the comparative of \$170.5m and \$183.5m to Transport cluster payables for the parent and consolidated entity and a further \$70.8m to Transport cluster receivables for the parent / consolidated entity. The net impact to total receivables and payables is nil.

2.1.1 Going concern

The Financial Statements have been prepared on a going concern basis which assumes that RailCorp and its controlled entities are expected to be able to pay their debts as and when they fall due and continue in operation without any intention or necessity to liquidate or otherwise wind up their operations. RailCorp's continued operation and ability to pay its debts are satisfied by a NSW government guarantee on borrowings in addition to annual grants by the Government to support RailCorp's operations.

2.1.2 Change in accounting policy

The adoption of the revised AASB 119 *Employee Benefits* has resulted in three changes to RailCorp's accounting policies:

- RailCorp's defined benefit superannuation expense under the revised standard is higher with an equal and opposite change to the amount recognised as a re-measurement in other comprehensive income. In particular, RailCorp's defined benefits expense has increased as a result of replacing the expected rate of return on plan assets with the discount rate for liabilities. The impact on total comprehensive income is nil.
- RailCorp's defined benefit superannuation liability and the related expense have increased due to a change in calculation of the defined benefit liability/asset. The standard does not allow investment credits to be netted off against the superannuation contribution tax.
- RailCorp's measurement of employee benefit entitlements has changed under the revised standard. RailCorp has classified a portion of its annual leave entitlements as a 'long term benefit' given that it does not expect the entire annual leave obligation to be settled wholly within 12 months from the end of the reporting period. As a result, the obligation must be measured on a discounted basis. RailCorp has determined the effect of discounting to be immaterial for the current and prior year and consequently no adjustments have been made.

The Standard is applied retrospectively and the impact of the above adjustments to defined benefit superannuation entitlements is reflected below:

Notes to the Financial Statements for the year ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Change in accounting policy (continued)

Statement of Comprehensive Income (Extract)

30 June 2013 comparative	Consolidated			Parent		
	Restated \$'000	Impact	2012-13 \$'000	Restated \$'000	Impact	2012-13 \$'000
Employee benefits expense and other payroll costs	1,607,211	74,844	1,532,367	1,606,506	74,844	1,531,662
Total expenses	4,102,568	74,844	4,027,724	4,130,697	74,844	4,055,853
Deficit from operations before Government contributions	(2,826,892)	(74,844)	(2,752,048)	(2,826,915)	(74,844)	(2,752,071)
Deficit from operations before Capital contributions	(1,063,845)	(74,844)	(989,001)	(1,063,868)	(74,844)	(989,024)
Surplus for the year from continuing operations	551,952	(74,844)	626,796	551,929	(74,844)	626,773
Superannuation actuarial gains/(losses) on defined benefit schemes	238,352	102,888	135,464	238,352	102,888	135,464
Other Comprehensive Income for the year	251,024	102,888	148,136	251,024	102,888	148,136
Total Comprehensive Income for the year	802,976	28,044	774,932	802,953	28,044	774,909

Statement of Changes in Equity (Extract)

30 June 2013 comparative	Consolidated			Parent		
	Restated \$'000	Impact	2012-13 \$'000	Restated \$'000	Impact	2012-13 \$'000
Balance at 1 July 2012	23,682,343	(102,289)	23,784,632	23,682,311	(102,289)	23,784,600
Surplus for the year	551,952	(74,844)	626,796	551,929	(74,844)	626,773
Superannuation actuarial gains/(losses) on defined benefit schemes	238,352	102,888	135,464	238,352	102,888	135,464
Total Other Comprehensive Income for the year	251,024	102,888	148,136	251,024	102,888	148,136
Balance as at 30 June 2013	24,491,360	(74,245)	24,565,605	24,491,305	(74,245)	24,565,550

Statement of Financial Position (Extract)

1 July 2012	Consolidated			Parent		
	Restated \$'000	Impact	1.7.2012 \$'000	Restated \$'000	Impact	1.7.2012 \$'000
Provisions – non-current	925,585	102,289	823,296	925,585	102,289	823,296
Total non-current liabilities	1,527,206	102,289	1,424,917	1,527,206	102,289	1,424,917
Total liabilities	2,863,329	102,289	2,761,040	2,863,135	102,289	2,760,846
Net assets	23,682,343	(102,289)	23,784,632	23,682,311	(102,289)	23,784,600
Retained earnings	825,125	(102,289)	927,414	825,093	(102,289)	927,382
Total equity	23,682,343	(102,289)	23,784,632	23,682,311	(102,289)	23,784,600

Notes to the Financial Statements for the year ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.1.2 Change in accounting policy (continued)

Statement of Financial Position (Extract)

30 June 2013 Comparative	Consolidated			Parent		
	Restated \$'000	Impact	2012-13 \$'000	Restated \$'000	Impact	2012-13 \$'000
Provision – non-current	740,288	74,245	666,043	740,288	74,245	666,043
Total non-current liabilities	2,086,473	74,245	2,012,228	2,086,473	74,245	2,012,228
Total liabilities	3,772,382	74,245	3,698,137	3,776,463	74,245	3,702,218
Net assets	24,491,360	(74,245)	24,565,605	24,491,305	(74,245)	24,565,550
Retained earnings	1,778,775	(74,245)	1,853,020	1,778,720	(74,245)	1,852,965
Total equity	24,491,360	(74,245)	24,565,605	24,491,305	(74,245)	24,565,550

The impact of the previous and revised AASB 119 *Employee benefits* on the current year is as follows:

Statement of Comprehensive Income (Extract)

30 June 2014	Consolidated			Parent		
	As reported \$'000	Impact	Previous AASB 119 \$'000	As reported \$'000	Impact	Previous AASB 119 \$'000
Employee benefits expense and other payroll costs	281,400	17,231	264,169	280,439	17,231	263,208
Total expenses	1,296,246	17,231	1,279,015	1,261,874	17,231	1,244,643
Deficit from operations before Government contributions	(915,556)	(17,231)	(898,325)	(915,610)	(17,231)	(898,379)
Deficit from operations before Capital contributions	(814,848)	(17,231)	(797,617)	(814,902)	(17,231)	(797,671)
Surplus for the year from continuing operations	1,468,292	(17,231)	1,485,523	1,468,238	(17,231)	1,485,469
Superannuation actuarial gains/(losses) on defined benefit schemes	2,853	13,657	(10,804)	2,853	13,657	(10,804)
Other Comprehensive Income for the year	42,715	13,657	29,058	42,715	13,657	29,058
Total Comprehensive Income for the year	1,511,007	(3,574)	1,514,581	1,510,953	(3,574)	1,514,527

Statement of Changes in Equity (Extract)

30 June 2014	Consolidated			Parent		
	As reported \$'000	Impact	Previous AASB 119 \$'000	As reported \$'000	Impact	Previous AASB 119 \$'000
Balance at 1 July 2013	24,491,360	(74,245)	24,565,605	24,491,305	(74,245)	24,565,550
Surplus for the year	1,468,292	(17,231)	1,485,523	1,468,238	(17,231)	1,485,469
Superannuation actuarial gains/(losses) on defined benefit schemes	2,853	13,657	(10,804)	2,853	13,657	(10,804)
Total Other Comprehensive Income for the year	42,715	13,657	29,058	42,715	13,657	29,058
Increase/(decrease) in net assets from equity transfers (contribution by owners)	(224,970)	31,984	(256,954)	(224,970)	31,984	(256,954)
Balance as at 30 June 2014	25,780,075	(45,835)	25,825,910	25,779,966	(45,835)	25,825,801

Notes to the Financial Statements for the year ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Change in accounting policy (continued)

Statement of Financial Position (Extract)

30 June 2014	Consolidated			Parent		
	As reported \$'000	Impact	Previous AASB 119 \$'000	As reported \$'000	Impact	Previous AASB 119 \$'000
Provision – non-current	420,352	45,835	374,517	420,342	45,835	374,507
Total non-current liabilities	652,851	45,835	607,016	652,841	45,835	607,006
Total liabilities	1,596,758	45,835	1,550,923	1,589,687	45,835	1,543,852
Net assets	25,780,075	(45,835)	25,825,910	25,779,966	(45,835)	25,825,801
Contributed equity	14,428,086	31,984	14,396,102	14,428,086	31,984	14,396,102
Retained earnings	3,362,623	(77,819)	3,440,442	3,362,514	(77,819)	3,440,333
Total equity	25,780,075	(45,835)	25,825,910	25,779,966	(45,835)	25,825,801

2.1.3 RailCorp accounting policies

From 1 July 2013, a number of accounting policies do not apply to the current year due to a change in RailCorp's operations.

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 RailCorp and its controlled entities effective for the annual reporting period beginning on 1 July 2013. The adoption of these new and revised Standards and Interpretations has not resulted in any significant changes to RailCorp and its controlled entities accounting policies, other than those noted in Note 2.1.2.

RailCorp and its controlled entities did not early adopt any new Accounting Standards and Interpretations that are not yet effective in accordance with NSW Treasury mandates.

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

AASB / Amendment	Title	Issue Date	Application date of Standard
AASB 9	Financial Instruments	Sept 2012	1 Jan 2017
AASB 10 (NFP)	Consolidated Financial Statements (for not for profit entities)	Dec 2012	1 Jan 2014
AASB 11 (NFP)	Joint Arrangements (for not for profit entities)	Dec 2012	1 Jan 2014
AASB 12 (NFP)	Disclosure of Interests in Other Entities (for not for profit entities)	Dec 2012	1 Jan 2014
AASB 1031	Materiality	Dec 2013	1 Jan 2014
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (Dec 2010)	Sep 2012	1 Jan 2015
AASB 2011-7 (NFP)	Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards	Dec 2012	1 Jan 2014
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	Jun 2012	1 Jan 2014
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non- Financial Assets	Jun 2013	1 Jan 2014
AASB 2013-4	Amendment to Australian Accounting Standards- Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]	Jul 2013	1 Jan 2014
AASB 2013-5	Amendments to Australian Accounting Standards – Investment Entities	Aug 2013	1 Jan 2014

Notes to the Financial Statements for the year ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised Accounting Standards (continued)

AASB / Amendment	Title	Issue Date	Application date of Standard
AASB 2013-8	Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities- Control and Structured Entities	Oct 2013	1 Jan 2014
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Operative dates: Part B Materiality- 1 Jan 2014; Part C Financial Instruments – 1 Jan 2015]	Dec 2013	1 Jan 2014/ 1 Jan 2015
AASB 2014-1	Amendments to Australian Accounting Standards	Jun 2014	1 Jul 2014/ 1 Jan 2015/ 1 Jan 2016

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

2.3 Financial instruments

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

(i) Recognition

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

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

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

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

(ii) Measurement

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

After initial recognition, receivables and payables are carried in the Statement of Financial Position at amortised cost, which is a reasonable approximation of their fair value. Borrowings are carried at amortised cost. Their fair value at year end is disclosed in note 13. Derivatives are carried at fair value.

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

Notes to the Financial Statements for the year ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.3 Financial instruments (continued)

(iii) Hedging

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

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

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

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

(iv) Hedge accounting

Cash flow hedge accounting is adopted for all hedging relationships involving forward foreign exchange contracts and commodity swap contracts. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is initially recognised directly in the Hedging Reserve.

When the cash flow in relation to the hedged item eventually occurs, the gain or loss is transferred from the Reserve to property, plant and equipment (in the case of equipment purchases) or to inventories (in the case of distillate purchases) where it is included in the cost of the hedged item. If the hedge is ineffective the portion of the gain or loss on the ineffective portion of the hedging instrument is recognised immediately in the Statement of Comprehensive Income.

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

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

Refer Note 21.

(v) Offsetting financial assets and liabilities

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

2.4 Taxes

(i) Income tax equivalents

RailCorp and its controlled entities are exempt from the National Tax Equivalent Regime (NTER) and the Tax Equivalent Regime (TER) and are not required to pay income tax.

Notes to the Financial Statements for the year ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.4 Taxes (continued)

(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.

(iii) State taxes

RailCorp being a statutory authority representing the Crown means that it is exempt from land tax levied after 2009.

2.5 Leases

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

(i) Details of operating leasing arrangements

Various operating leases are in place.

Motor vehicles are obtained under 3 or 4 year operating leases. Rentals are all contingent, being based on floating interest rates.

Some office accommodation is obtained under operating leases. Some leases are renewable at RailCorp's option for periods up to 5 years.

Various real estate leases have also been granted (including air space and advertising rights), sometimes covering long periods (up to 99 years). To the extent the initial term of the lease is greater than 50 years then these leases are treated as finance leases – refer Note 2.5 (iv).

(ii) Details of PPP finance leasing arrangements

In the prior year an agreement was in place for a Rolling stock Public Private Partnership (PPP) which incorporated a finance lease arrangement, whereby Reliance Rail would:

- Design, manufacture and commission a total of 626 carriages, together with simulators for training;
- Design, manufacture and commission a maintenance facility on RailCorp land at Auburn. The land is leased to Reliance Rail for nil consideration over the term of the contract;
- Make a certain number of 8 car train sets available for RailCorp's use over the term of the contract (the term continues for 30 years after the delivery of the tenth last set, i.e. until about 2044);
- Provide a maintenance facility for the sets over the term of the contract;
- Decommission any sets which RailCorp does not wish to acquire at the end of the contract;
- Handover the maintenance facility at the end of the contract.

In accordance with the PPP contract RailCorp was required to make certain milestone payments. These were treated as interest free advances pending satisfactory completion of the construction of carriages together with the simulators and maintenance facility. The PPP finance lease arrangement was transferred to Sydney Trains on 1 July 2013.

Notes to the Financial Statements for the year ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.5 Leases (continued)

(iii) Accounting treatment – operating leases

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

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

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

Refer Note 2.16.

(iv) Accounting treatment – finance leases

As lessee

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

Refer Note 2.8.

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

Refer Note 18.3.

As lessor

RailCorp, as the lessor, classifies its long-term land leases (typically where the initial lease term exceeds 50 years), as finance leases if it transfers to the lessee substantially all the risks and rewards incidental to ownership of the land. The leased assets are recognised as current and non-current receivables at amounts equal to the net investment in the leases.

The lease receipt is recognised in two components, one as a reduction of the lease receivables and the other as finance income. The finance income is calculated relevant to the term of the lease.

Refer Note 6.

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

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

Refer Note 2.7.

(vi) Accounting treatment for prepaid rentals

Prepaid rentals where the initial lease term exceeds 50 years are treated as sales in accordance with NSW Treasury policy, TPP 11-1, *Accounting Policy: Lessor Classification of Long Term Land Leases*.

Notes to the Financial Statements for the year ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.6 Foreign currency translation

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

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

2.7 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:

Transport cluster recoveries

Transport cluster recoveries are reimbursements from transport entities for costs incurred by RailCorp in providing services to the transport cluster. Revenue is recognised when the associated costs are incurred and recoverable.

Access fees

Access fees comprise the amounts received and receivable by RailCorp for granting operators access to the rail network during the year and are recognised when incurred.

Passenger revenue

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

Fines and penalties

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

Rendering of services

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

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

Government contributions

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

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

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

Notes to the Financial Statements for the year ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.7 Income (continued)

Interest revenue

Interest revenue is recognised as interest accrues using the effective interest method, which uses a rate that exactly discounts a financial instrument's expected future cash receipts through the expected life of the financial instrument (or shorter period) to the net carrying amount of the instrument. Interest revenue includes all earnings from NSW Treasury Corporation (TCorp) Hourglass cash facility and 11am Call Deposit.

Leases

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

Sale of assets and goods

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

2.8 Borrowing costs

Borrowing costs are capitalised in respect of constructed property, plant and equipment that meet the criteria of qualifying assets. Other borrowing costs are recognised as an expense in the period in which they are incurred.

2.9 Cash and cash equivalents

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

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

Refer Note 5.

2.10 Trade and other receivables

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

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

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

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

Refer Note 6.

Notes to the Financial Statements for the year ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.11 Inventories

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

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

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

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

Refer Note 7.

2.12 Non-current assets held for sale

Non-current assets are classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. This condition is regarded as met when the sale is highly probable; the asset is available for immediate sale in its present condition and is expected to be completed within 1 year from the date of classification.

Non-current assets held for sale are recognised at the lower of carrying amount and fair value less cost to sell. Such assets are presented separately from other assets in the Statement of Financial Position and are not depreciated or amortised while they are classified as held for sale. Refer Note 8.

2.13 Impairment of financial assets

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

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

2.14 Property, plant and equipment

(i) Recognition

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

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

Notes to the Financial Statements for the year ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.14 Property, plant and equipment (continued)

(i) Recognition (continued)

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

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

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

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

An item leased to a lessee under an operating lease continues to be recognised as property, plant and equipment and to be classified according to the nature of the asset.

(ii) Measurement

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

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

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

Property, plant and equipment is revalued, at least once every 5 years, to fair value having regard to its highest and best use. As existing natural, legal, financial or socio-political restrictions on asset use or disposal generally prevent any alternative use being feasible within the next 5 years, highest and best use is taken to be existing use.

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

Bored and excavated tunnels, excavations for stations and site formations including cuttings and embankments entering service prior to 30 June 2000 are carried at nil value as their value can not be reliably measured, due predominantly to the lack of historical records relating to the earthworks carried out and the costs involved.

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

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

Notes to the Financial Statements for the year ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.14 Property, plant and equipment (continued)

(ii) Measurement (continued)

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

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

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

(iii) Depreciation

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

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

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

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

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

	Years
Stations and buildings	15 - 200
Station services and facilities	15-25
Track, including sleepers and ballast	15-100
Turnouts	15-50
Bridges and tunnels	100
Electrical overhead wiring and structures	15-100
Substations	10-50
Signalling equipment	20-50
Rolling stock	32-42
Plant and machinery	3-30

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

(iv) Derecognition

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

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

Notes to the Financial Statements for the year ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.15 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 RailCorp, is expected at acquisition to be used for more than 1 year, and has a cost or value that (a) can be measured reliably, (b) exceeds the capitalisation threshold of \$5,000 and (c) has not previously been expensed.

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

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

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

(ii) Measurement

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

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

(iii) Amortisation

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

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

The expected useful life of an item of software ranges between 1 and 20 years.

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

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

(iv) Derecognition

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

Refer Note 10.

Notes to the Financial Statements for the year ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.16 Service concession arrangements

Airport Link Company (ALC) has a concession to build and operate 4 stations on the Airport Line until 2030. Under the concession arrangement, RailCorp (now through its agent Sydney Trains) is to provide train services to the stations. RailCorp will take over the 4 stations in 2030.

This right to receive the 4 stations is accounted for as a premium on the ground lease of the station premises, which is a non-cancellable operating lease. The premium is recognised as rent revenue and a non-current asset (earned portion of right to receive Airport Line stations). It is measured as the estimated written-down replacement cost of the stations in 2030 and the value of the emerging asset is calculated by use of an annuity formula whereby the ultimate value of the right to receive the property is treated as the compound value of an annuity that accumulates as a series of equal annual receipts together with a notional compound interest thereon. The discount rate used is the NSW Government bond rate applicable to the purchaser at the commencement of the concession period - in this case 7%. The present value of the written-down replacement cost of the stations in 2030 is allocated over the term of the lease on the basis of a formula which calculates the annual annuity sum.

Refer Note 11 for the cumulative value as at 30 June 2014.

In October 2005 RailCorp and the ALC entered into a Restated Stations Agreement (RSA) as part of the overall restructuring of the ALC operations and related debt. The revised agreement included amended terms in respect of various matters including revenue sharing, fee arrangements and RailCorp's various performance obligations. In March 2011 the RSA was varied to remove the station access fee for passengers using Mascot and Green Square stations with RailCorp instead paying ALC a shadow station access fee.

2.17 Trade and other payables

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

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

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

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

Refer Note 12.

2.18 Borrowings

A borrowing is recognised when a present obligation arises under a debt instrument. It is classified as a current liability if settlement is due within twelve months after the reporting date. Otherwise it is classified as non-current. It is derecognised when the obligation expires or is discharged, cancelled or substituted.

A borrowing is initially measured at its fair value and subsequently measured at amortised cost, being its face value less unamortised discount or plus unamortised premium.

Discount or premium is amortised over the term of the borrowing on an effective interest rate basis and recognised as a loss or gain in the Statement of Comprehensive Income. Any difference between the carrying amount and the consideration paid on repayment or transfer of a borrowing is also recognised as a gain or loss.

Refer Note 13.

Notes to the Financial Statements for the year ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.19 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, Airport Line asset replacement, quarry site restoration, land and buildings remediation, restoration of leased premises and other charges.

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

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

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

(ii) Employee benefits

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

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

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

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

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

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

Costs associated with, but that are not, employee benefits (such as payroll tax) are recognised separately.

Notes to the Financial Statements for the year ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.19 Provisions (continued)

(ii) Employee benefits (continued)

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

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

The amount recognised in the Statement of Comprehensive Income for superannuation is the net total of current service cost and the net interest. Actuarial gains or losses for superannuation are recognised outside of profit or loss in Other Comprehensive Income.

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

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

Refer Note 14.

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

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

Refer Note 15.

2.21 Fair value hierarchy

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

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

Refer Note 20 and Note 21.

Notes to the Financial Statements for the year ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.22 Significant accounting judgements, estimates and assumptions

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

In particular refer Note 9.3 and Note 14.

Note 3 Income

3.1 Non passenger revenue

	Consolidated		Parent	
	2013-14 \$'000	2012-13 \$'000	2013-14 \$'000	2012-13 \$'000
Transport cluster labour cost recovery	119,506	85,864	175,080	109,192
Transport cluster non labour cost recovery	126,179	41,394	38,490	46,999
Rental income	32,376	32,732	32,376	32,732
Access Fees	55,057	53,666	55,057	53,666
Construction contract revenue	-	103,883	-	103,883
Sale of rail products	-	34,968	-	34,968
Fines and penalties	-	1,467	-	1,467
Sale of quarry products	-	19,564	-	19,564
Recoveries for interstate services	-	12,235	-	12,235
Operating lease contingent rents	1,568	2,160	1,568	2,160
Advertising revenue	-	12,939	-	12,939
Other revenue	44,817	81,579	42,578	80,820
Total non passenger revenue	379,503	482,451	345,149	510,625

3.2 Contributions for capital expenditure

	Consolidated		Parent	
	2013-14 \$'000	2012-13 \$'000	2013-14 \$'000	2012-13 \$'000
NSW Government capital grant	401,858	482,990	401,858	482,990
NSW Government capital grant-non cash	1,881,282	1,094,844	1,881,282	1,094,844
Other Government agencies-cash	-	20,000	-	20,000
Commonwealth agencies-non cash	-	17,963	-	17,963
Total capital contributions	2,283,140	1,615,797	2,283,140	1,615,797

3.3 Government subsidies

Government subsidies of \$100.7m (2012-13: \$1,503m) includes funding for redundancy payments of \$100.7m (2012-13: \$54.3m)

Notes to the Financial Statements for the year ended 30 June 2014

Note 4 Expenses

4.1 Employee benefits expense and other payroll costs

Employee benefits expenses include the following items:

	Note	Consolidated		Parent	
		2013-14 \$'000	2012-13 \$'000	2013-14 \$'000	2012-13 \$'000
Salaries and wages		170,743	1,250,745	170,062	1,250,182
Annual leave		9,903	114,488	9,919	114,464
Long service leave		2,152	26,042	2,152	26,042
Superannuation-defined benefit plan	4.2	16,905	54,232	16,905	54,232
Superannuation-defined contribution		9,159	78,690	9,107	78,640
Workers compensation		(9,482)	13,949	(9,488)	13,938
Payroll tax and fringe benefits		12,482	76,900	12,482	76,902
Redundancy		66,685	79,127	66,741	79,068
Other payroll costs		3,002	36,928	2,708	36,928
Total employee benefits expense		281,549	1,731,101	280,588	1,730,396
Less: Employee related expenses allocated to capital works		(149)	(123,890)	(149)	(123,890)
Total employee benefits expense and other payroll costs		281,400	1,607,211	280,439	1,606,506

4.2 Defined benefit superannuation plan expense/income

	Note	Consolidated		Parent	
		2013-14 \$'000	2012-13 \$'000	2013-14 \$'000	2012-13 \$'000
Current service cost		5,654	31,981	5,654	31,981
Net interest		11,251	22,251	11,251	22,251
Total defined benefit superannuation expense/(income)	14.2.14	16,905	54,232	16,905	54,232

Notes to the Financial Statements for the year ended 30 June 2014

Note 4 Expenses (continued)

4.3 Other operating expenses

	Consolidated		Parent	
	2013-14 \$'000	2012-13 \$'000	2013-14 \$'000	2012-13 \$'000
Subcontractors	30,288	298,700	7,515	327,580
Materials	2,041	177,513	490	177,513
External maintenance costs	-	204,833	-	204,833
Operating lease non-contingent rents (including rail access fees)	26,422	113,681	26,422	113,681
Operating lease contingent rents	-	15,714	-	15,714
Plant and equipment hire	189	70,816	153	70,931
Bulk electricity	80	90,815	-	90,752
Security costs	156	15,985	144	15,968
Traction fuel costs	-	24,494	-	24,494
Insurance costs	918	25,046	896	25,019
Telecommunication expenses	46	16,183	23	16,150
Computer expenses	4	77,997	-	77,988
Rail entity charges	19,915	-	12,101	-
Corporate & shared services costs from TfNSW	8,783	68,286	8,783	68,286
Advertising and marketing	299	3,259	96	3,009
Printing & stationery	636	9,565	602	9,557
Land & building remediation	(445)	2,645	(445)	2,645
Consultants*	-	1,783	-	1,783
Discounting of provisions	7,027	4,807	7,027	4,807
External Audit fees	571	825	525	804
Bad debts	408	1,023	408	1,023
Impairment of trade receivables	(910)	675	(2,006)	675
Contribution to Trainworks	-	-	1,120	1,120
Other	22,562	75,054	21,740	74,215
Total operating expenses	118,990	1,299,699	85,594	1,328,547

*Nil balance for consultants was capitalised in 2013-14 (2012-13: \$0.2m).

4.4 Maintenance expenses

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

	Consolidated		Parent	
	2013-14 \$'000	2012-13 \$'000	2013-14 \$'000	2012-13 \$'000
Labour	-	318,563	-	318,563
Contracted & other non-labour expenditure	-	586,641	-	586,641
Total maintenance expenses	-	905,204	-	905,204

From 1 July 2013, RailCorp no longer undertakes maintenance of rail assets. Sydney Trains is responsible for the maintenance and charged RailCorp \$212.5m for capitalisable major periodic maintenance in the current year (2013: \$207.2m).

4.5 Finance costs

	Consolidated		Parent	
	2013-14 \$'000	2012-13 \$'000	2013-14 \$'000	2012-13 \$'000
Borrowing and interest charges	22,178	87,490	22,178	87,490
Less: amount capitalised	(1,704)	(7,660)	(1,704)	(7,660)
Total finance costs	20,474	79,830	20,474	79,830

The capitalised rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the outstanding borrowings. The rate is 3.70% (2012-13: 4.98%).

Notes to the Financial Statements for the year ended 30 June 2014

Note 5 Cash and cash equivalents

5.1 Cash and cash equivalents

	Consolidated		Parent	
	30.6.2014 \$'000	30.6.2013 \$'000	30.6.2014 \$'000	30.6.2013 \$'000
Cash at bank	177,019	147,684	175,494	147,392
Cash in hand and in transit	-	6,547	-	6,541
Cash deposits with TCorp	1,964	2,925	1,964	2,925
Total cash and cash equivalents	178,983	157,156	177,458	156,858

5.2 Reconciliation of surplus/net loss for the year with net cash from operating activities

Surplus for the year	1,468,292	551,952	1,468,238	551,929
Cash capital grants	(402,651)	(503,894)	(402,651)	(503,894)
Non cash capital grants	(1,881,282)	(1,112,807)	(1,881,282)	(1,112,807)
Derecognition and write off of assets	59,743	243,597	59,743	243,597
Airport Line lease premium	(5,419)	(5,064)	(5,419)	(5,064)
Depreciation and amortisation	815,639	872,231	815,624	872,217
Impaired trade receivables expense	(1,598)	1,698	(1,598)	1,698
Amortisation of borrowings premium	(2,196)	(308)	(2,196)	(308)
Amortisation of borrowings discount	5	59	5	59
Discounting of provisions	7,027	4,487	7,027	4,807
Net movements in assets and liabilities applicable to operating activities:				
(Increase)/decrease in trade and other receivables	147,795	(36,679)	147,795	(36,679)
(Increase)/decrease in inventories	-	11,826	-	11,826
Increase/(decrease) in trade and other payables and provisions	(152,563)	15,561	(153,721)	15,122
Net cash from operating activities	52,792	42,659	51,565	42,503

5.3 Credit standby arrangements and loan facilities

The credit standby arrangements and unused amounts available are:

	30.6.2014	30.6.2014	30.6.2013	30.6.2013
	Credit Facilities \$'000	Unused \$'000	Credit Facilities \$'000	Unused \$'000
Consolidated				
Transaction negotiation authority	76,000	76,000	76,000	76,000
Purchasing card facility	26,097	25,043	26,097	-
Bank guarantee	-	-	11	-
Borrowing facility	1,000,000	161,501	1,300,000	842,810
Come and Go facility	80,000	35,000	80,000	35,700
Total	1,182,097	297,544	1,482,108	954,510
Parent				
Transaction negotiation authority	70,000	70,000	70,000	70,000
Purchasing card facility	25,097	25,043	25,097	-
Bank guarantee	-	-	11	-
Borrowing facility	1,000,000	161,501	1,300,000	842,810
Come and Go facility	80,000	35,000	80,000	35,700
Total	1,175,097	291,544	1,475,108	948,510

5.4 Non-cash investing activities

During 2013-14 TfNSW transferred assets to RailCorp by way of non-cash grants of \$1,881m. In the prior year \$1,113m was transferred by TfNSW and other Government entities. In addition, assets and liabilities were transferred by way of equity contribution to Sydney Trains and NSW Trains on 1 July 2013. Refer Note 15.2.

Notes to the Financial Statements for the year ended 30 June 2014

Note 6 Trade and other receivables

6.1 Analysis of trade and other receivables

	Note	Consolidated		Parent	
		30.6.2014 \$'000	30.6.2013 \$'000	30.6.2014 \$'000	30.6.2013 \$'000
Current trade and other receivables					
Trade receivables		11,239	34,823	9,967	34,608
Transport cluster receivables		19,312	70,831	13,792	70,832
Advances to Sydney Trains and TCS*		198,000	-	199,000	2,000
Other receivables		14,274	109,349	13,233	111,982
Less: allowance for impairment	6.2	(1,678)	(2,772)	(483)	(2,772)
		241,147	212,231	235,509	216,650
Prepayments		78	8,749	61	8,733
Finance lease - minimum payments	6.6	246	237	246	237
Total current trade and other receivables		241,471	221,217	235,816	225,620
Non-current receivables					
Finance lease - minimum payments	6.6	30,322	30,568	30,322	30,568
Other		3,852	2,990	3,852	2,990
Total non-current receivables		34,174	33,558	34,174	33,558
Total trade and other receivables		275,645	254,775	269,990	259,178

*Refer Note 6.4

Movements in the allowance for impairment were as follows:

	Consolidated		Parent	
	30.6.2014 \$'000	30.6.2013 \$'000	30.6.2014 \$'000	30.6.2013 \$'000
Balance at beginning of year	2,772	2,000	2,772	2,000
Allowance recognised in Statement of Comprehensive Income	(910)	675	(2,006)	675
GST movement	(100)	97	(199)	97
Transfer to other entity	(84)	-	(84)	-
Balance at end of year	1,678	2,772	483	2,772

6.2 Impaired trade and other receivables

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

	Consolidated	Parent
	30.6.2014	30.6.2013
	\$'000	\$'000
1 to 3 months	648	349
3 to 6 months	277	1,236
over 6 months	753	1,187
Balance at end of year	1,678	2,772

6.3 Past due but not impaired receivables

The ageing analysis of trade & transport cluster receivables that are past due but not impaired is as follows:

	Parent and Consolidated	Parent and Consolidated
	30.6.2014	30.6.2013
	\$'000	\$'000
1 to 3 months	5,173	34,486
3 to 6 months	352	3,917
Over 6 months	658	8,218
Balance at end of year	6,183	46,621

Notes to the Financial Statements for the year ended 30 June 2014

Note 6 Trade and other receivables (continued)

6.4 Nature and extent of risk arising from receivables

Information about RailCorp's exposure to credit risk in relation to trade and other receivables is provided in Note 21. 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. RailCorp has advanced Sydney Trains and TCS \$199m at 30 June 2014. The advance is not subject to interest.

6.5 Minimum lease rentals receivable under non-cancellable operating leases

The lease receivable noted below is not recognised in the Statement of Financial Position:

	Parent and Consolidated 30.6.2014 \$'000	Parent and Consolidated 30.6.2013 \$'000
Not later than 1 year	25,560	20,889
Later than 1 year and not later than 5 years	54,681	41,008
Later than 5 years	183,466	54,290
Total non-cancellable lease rentals receivable	263,707	116,187

6.6 Finance lease receivable

The gross investment and present values of receivables relating to future minimum lease payments under the finance lease agreements, for long term land lease with an initial term over 50 years are distributed as follows:

	Parent and Consolidated 30.6.2014 \$'000	Parent and Consolidated 30.6.2013 \$'000
Not later than 1 year	1,866	1,866
Later than 1 year and not later than 5 years	7,274	7,311
Later than 5 years	93,113	95,000
Total gross receivable	102,253	104,177
Less: unearned finance charges	(71,685)	(73,372)
Present value minimum lease receivable	30,568	30,805
Split:		
Current	246	237
Not-current	30,322	30,568
Total finance lease receivable	30,568	30,805

Note 7 Inventories

	Consolidated 30.6.2014 \$'000	Consolidated 30.6.2013 \$'000
Materials and supplies, at cost	-	60,835
Work in progress	-	1,234
	-	62,069
Less: allowance for obsolete inventory	-	(6,509)
Total inventories	-	55,560
Total inventories are comprised of:		
Current inventories	-	31,510
Non-current inventories	-	24,050
	-	55,560

Notes to the Financial Statements for the year ended 30 June 2014

Note 8 Non-current assets held for sale

Various properties have been identified as assets for future sales and are valued by an independent valuer at \$26m (2013: \$6.5m) of which \$11.8m (2013: \$0.5m) is disclosed as a current asset held for sale as other properties are in the process of being prepared for sale. The balance is included in the Statement of Financial Position as property, plant and equipment.

Note 9 Property, plant and equipment

9.1 Classes

	Consolidated		Parent	
	30.6.2014 \$'000	30.6.2013 \$'000	30.6.2014 \$'000	30.6.2013 \$'000
Land				
Gross carrying amount	3,844,298	3,853,661	3,844,298	3,853,661
Buildings				
Gross carrying amount	8,192,337	8,361,647	8,192,337	8,361,624
Less accumulated depreciation	(3,031,359)	(2,884,455)	(3,031,359)	(2,884,455)
Total buildings	5,160,978	5,477,192	5,160,978	5,477,169
Rolling stock				
Gross carrying amount	5,209,231	8,323,989	5,209,231	8,323,989
Less accumulated depreciation	(3,254,025)	(4,508,125)	(3,254,025)	(4,508,125)
Total rolling stock	1,955,206	3,815,864	1,955,206	3,815,864
Plant and machinery				
Gross carrying amount	577,428	670,104	577,428	670,067
Less accumulated depreciation	(388,148)	(384,951)	(388,148)	(384,937)
Total plant and machinery	189,280	285,153	189,280	285,130
Trackwork and infrastructure				
Gross carrying amount	20,563,370	19,322,835	20,563,370	19,322,835
Less accumulated depreciation	(9,067,467)	(8,584,470)	(9,067,467)	(8,584,470)
Total trackwork and infrastructure	11,495,903	10,738,365	11,495,903	10,738,365
Capital work in progress				
Trackwork & infrastructure work in progress	4,027,749	3,055,026	4,027,749	3,055,026
Other work in progress	148,519	280,462	148,519	280,462
Total capital work in progress	4,176,268	3,335,488	4,176,268	3,335,488
Total property plant and equipment	26,821,933	27,505,723	26,821,933	27,505,677

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

Buildings -	with a gross carrying value of nil (2013: \$242.4m) and a net carrying amount of nil (2013: \$227.7m)
Rolling Stock -	with a gross carrying value of nil (2013: \$1,372m) and a net carrying amount of nil (2013: \$1,347m)
Plant and machinery -	with a gross carrying value of nil (2013: \$5.9m) and a net carrying amount of nil (2013: \$4.7m)

Notes to the Financial Statements for the year ended 30 June 2014

Note 9 Property, plant and equipment (continued)

9.2 Asset class movement

Consolidated	Land \$000	Buildings \$000	Rolling stock \$000	Plant and machinery \$000	Trackwork and infrastructure \$000	Capital works in progress \$000	Total \$000
Gross carrying amount							
Balance at 1 July 2013	3,853,661	8,361,647	8,323,989	670,104	19,322,835	3,335,488	43,867,724
Additions	461	78,339	24,983	1,660	1,278,766	892,373	2,276,582
Disposals/derecognition/ write-offs	(4,702)	(2,992)	(857,820)	(3,095)	(45,196)	(12,899)	(926,704)
Administrative restructures - transfers out	-	(242,417)	(2,081,443)	(91,530)	-	(38,694)	(2,454,084)
Revaluations	-	-	(197,854)	21,787	-	-	(176,067)
Transfers from TfNSW	-	-	-	-	-	-	-
Other movements	-	2,743	(924)	(13,302)	11,412	-	(71)
Classify (to)/from assets held for sale	(5,122)	(4,983)	(1,700)	(8,196)	(4,447)	-	(24,448)
Balance at 30 June 2014	3,844,298	8,192,337	5,209,231	577,428	20,563,370	4,176,268	42,562,932
Balance at 1 July 2012	3,877,807	8,161,605	7,301,054	604,096	18,528,606	3,339,442	41,812,610
Additions	6,053	178,350	1,177,548	82,014	1,263,394	9,647	2,717,006
Disposals/derecognition/ write-offs	(37,490)	(19,431)	(154,749)	(16,006)	(427,906)	(13,601)	(669,183)
Transfers from TfNSW	6,041	-	-	-	-	-	6,041
Other movements	-	41,123	136	-	(41,259)	-	-
Classify (to)/from assets held for sale	1,250	-	-	-	-	-	1,250
Balance at 30 June 2013	3,853,661	8,361,647	8,323,989	670,104	19,322,835	3,335,488	43,867,724
Accumulated depreciation							
Balance at 1 July 2013	-	(2,884,455)	(4,508,125)	(384,951)	(8,584,470)	-	(16,362,001)
Depreciation for the year	-	(163,358)	(138,371)	(34,504)	(477,578)	-	(813,811)
Disposals/derecognition/ write-offs	-	1,395	857,820	2,758	1,593	-	863,566
Administrative restructures - transfers out	-	14,715	278,903	48,569	-	-	342,187
Revaluations	-	-	253,940	(37,997)	-	-	215,943
Other movements	-	(2,440)	162	12,524	(10,244)	-	2
Classify (to)/from assets held for sale	-	2,784	1,646	5,453	3,232	-	13,115
Balance at 30 June 2014	-	(3,031,359)	(3,254,025)	(388,148)	(9,067,467)	-	(15,740,999)
Balance at 1 July 2012	-	(2,721,279)	(4,489,934)	(356,801)	(8,383,625)	-	(15,951,639)
Depreciation for the year	-	(174,602)	(172,934)	(43,222)	(440,554)	-	(831,312)
Disposals/derecognition/ write-offs	-	11,867	154,743	15,072	239,268	-	420,950
Other movements	-	(441)	-	-	441	-	-
Balance at 30 June 2013	-	(2,884,455)	(4,508,125)	(384,951)	(8,584,470)	-	(16,362,001)
Net carrying amounts							
At 1 July 2012	3,877,807	5,440,326	2,811,120	247,295	10,144,981	3,339,442	25,860,971
At 30 June 2013	3,853,661	5,477,192	3,815,864	285,153	10,738,365	3,335,488	27,505,723
At 1 July 2013	3,853,661	5,477,192	3,815,864	285,153	10,738,365	3,335,488	27,505,723
At 30 June 2014	3,844,298	5,160,978	1,955,206	189,280	11,495,903	4,176,268	26,821,933

Notes to the Financial Statements for the year ended 30 June 2014

Note 9 Property, plant and equipment (continued)

9.3 Valuation of property, plant and equipment

To confirm that the carrying value of property, plant and equipment materially reflects fair value as at 30 June 2014, independent valuers reviewed the appropriateness of the replacement costs and current market prices as at 31 December 2013 for land, buildings and infrastructure via indexation. Rolling stock and major plant were revalued in the current year.

(a) Land

Land, other than land identified as available for sale, was valued by the Land and Property Management Authority on the basis of existing use as at 1 January 2011 and an indexation factor applied for the period 1 January 2011 to 30 June 2011. Each area was valued taking into account adjacent land use values, discounted to reflect limited existing use of the subject land, and its physical attributes. An increase in the value of this class of asset, totalling \$193m was credited to the asset revaluation reserve in 2010-11. Land identified as available for sale was valued by the Land and Property Management Authority as at 30 June 2011. Land and Property Information (LPI) Valuation Services applies market movements using available market evidence to establish the indexation for land each year. Market evidence considered in the current year includes housing prices, consumer confidence, economic conditions and the geographical location of the asset.

(b) Buildings

Buildings were valued by an independent valuer (Evans & Peck Pty Ltd) as at 31 March 2011 on the following basis:

- Railway stations/commercial/industrial type buildings and leased properties are portions of railway property generally adjacent to the corridor, the majority of which is used for railway purposes, and which land is not intended to be sold. Such properties were classed as specialised buildings and were valued at the replacement cost of the assets' remaining economic benefits based on a modern equivalent asset. Indirect costs, professional and builders' fees were added to direct costs. An additional allowance is made for heritage buildings to replicate the heritage appearance.
- Residences are severable, stand alone, properties that may be sold and, therefore, were classed as non specialised buildings and were valued at market value.

An increase in the value of this class of asset, totalling \$1,156m was credited to the asset revaluation reserve in 2010-11.

RailCorp applied indexation to buildings in the current year based on selected ABS indexes applicable to the construction industry. The indexes are weighted to consider the costs of constructing the asset.

(c) Trackwork and infrastructure

Trackwork and infrastructure was valued by an independent valuer (Evans & Peck Pty Ltd) as at 31 March 2011 at depreciated replacement cost, i.e. the current replacement cost of each asset less accumulated depreciation (which depreciation is calculated by reference to the remaining life of each asset as determined by RailCorp engineers). Valuation inputs to arrive at replacement cost are categorised in level 3 of the fair value hierarchy and are predominantly an assessment of the construction costs such as materials, labour and overhead. Replacement cost is measured by reference to the lowest cost of replacing the economic benefits with a technologically modern equivalent optimised asset, having regard to differences in the quality and quantity of outputs and operating costs, and adjusting for over design, over capacity and redundant components. An increase in the value of this class of asset, totalling \$3,257m was credited to the asset revaluation reserve in 2010-11.

RailCorp applied indexation to infrastructure assets in the current year based on selected ABS indexes applicable to the construction industry. The indexes are weighted to consider the costs of constructing the asset.

(d) Rolling stock

Rolling stock was valued by an independent valuer (Interfleet Technologies Pty Limited) as at 31 December 2013 at depreciated replacement cost based on replacement costs of both domestic and international vehicles adjusted by an optimisation factor to reflect the technical and functional obsolescence and attractiveness of the fleet sub types relative to the modern equivalent. Sydney Trains and TfNSW engineers confirmed technical data and the remaining life of rolling stock. An increase in the

Notes to the Financial Statements for the year ended 30 June 2014

Note 9 Property, plant and equipment (continued)

9.3 Valuation of property, plant and equipment (continued)

(d) Rolling stock (continued)

value of this class of asset, totalling \$56.1m was credited to the asset revaluation reserve in 2013/14 and also includes the revaluation of fleet wagons.

(e) Major Plant and Equipment

Major plant and equipment, a sub class of plant and machinery was valued by an independent valuer (Rod Hyman Asset Services Pty Limited) as at 31 December 2013 by obtaining current replacement cost from major suppliers and determining economic life and remaining life to obtain a depreciated replacement cost. A decrease in the value of this sub-class of asset, totalling \$16.2m was debited to the asset revaluation reserve in 2013-14.

9.4 Heritage rolling stock

Heritage rolling stock, which includes locomotives and carriages, is held for its historical significance. It is recorded at nominal value.

9.5 Derecognition and disposal of assets

Of the \$59.7m (2013: \$243.6m) derecognised assets and disposals, nil (2013: \$161.2m) relates to derecognition of land and infrastructure assets as a result of RailCorp transferring the management and operation of the Sydney Metropolitan Freight Network to Australian Rail Track Corporation Limited.

Note 10 Intangible assets

10.1 Classes

	Consolidated		Parent	
	30.6.2014 \$'000	30.6.2013 \$'000	30.6.2014 \$'000	30.6.2013 \$'000
Software				
Gross carrying amount	34,234	361,058	34,234	361,058
Less accumulated amortisation	(7,890)	(175,148)	(7,890)	(175,148)
Net carrying amount of software	26,344	185,910	26,344	185,910
Software works in progress	11,343	43,972	11,343	43,972
Total intangible assets	37,687	229,882	37,687	229,882

10.2 Movements during the year

Consolidated	Software \$'000	Software work in progress \$'000	Total \$'000
2014			
Carrying amount at start of year	185,910	43,972	229,882
Additions	-	38,978	38,978
Disposals/write-offs	-	(10)	(10)
Amortisation expense	(1,828)	-	(1,828)
Administrative restructures - transfers out	(185,168)	(44,167)	(229,335)
Other movements	27,430	(27,430)	-
Carrying amount at end of year	26,344	11,343	37,687
2013			
Carrying amount at start of year	80,006	162,765	242,771
Additions	-	32,938	32,938
Disposals/write-offs	(79)	(4,829)	(4,908)
Amortisation expense	(40,919)	-	(40,919)
Other movements	146,902	(146,902)	-
Carrying amount at end of year	185,910	43,972	229,882

Notes to the Financial Statements for the year ended 30 June 2014

Note 11 Other assets

	Note	Parent and Consolidated 30.6.2014 \$'000	Parent and Consolidated 30.6.2013 \$'000
Earned portion of right to receive Airport Line stations	2.16	50,706	45,287
Milestone advances under rolling stock PPP contract	18.3	-	11,923
Total other assets		50,706	57,210

Note 12 Trade and other payables

12.1 Current trade and other payables

	Consolidated		Parent	
	30.6.2014 \$'000	30.6.2013 \$'000	30.6.2014 \$'000	30.6.2013 \$'000
Trade payables	2,249	81,169	1,945	80,858
Transport cluster payables	38,352	16,510	37,656	29,462
Transport cluster capital works accruals	79,984	154,034	79,984	154,034
Capital works accruals	-	20,396	-	20,396
Accrued salaries and wages	2,729	38,854	2,729	38,854
Other payables and accruals	24,616	247,081	18,738	238,647
Deferred revenue	2,099	20,290	2,028	20,221
Total current trade and other payables	150,029	578,334	143,080	582,472

12.2 Fair value

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

12.3 Risk exposure

Information about RailCorp exposure to payables with a foreign exchange risk is provided in Note 21.

Note 13 Borrowings and finance lease liabilities

	Note	Parent and Consolidated 30.6.2014 \$'000	Parent and Consolidated 30.6.2013 \$'000
Current			
Borrowings		651,000	426,800
Finance lease liabilities	18.3	-	61,870
		651,000	488,670
Non-current			
Borrowings		232,499	74,690
Finance lease liabilities	18.3	-	1,271,193
		232,499	1,345,883
Total borrowings and finance lease liabilities		883,499	1,834,553

The finance lease related to the provision of a maintenance facility, simulators and 45 sets of trains as at 30 June 2013 under a Public Private Partnership (PPP) for rolling stock, which was transferred by vesting to Sydney Trains on 1 July 2013.

Notes to the Financial Statements for the year ended 30 June 2014

Note 14 Provisions

14.1 Provisions

	Note	Consolidated		Parent	
		30.6.2014 \$'000	30.6.2013 \$'000	30.6.2014 \$'000	30.6.2013 \$'000
Current provisions					
Annual leave (see note (a) below)		15,914	168,683	15,869	168,626
Long service leave (see note (a) below)	14.3	37,046	304,288	37,046	304,288
Pay in lieu of certain holidays worked (see note (a) below)		2,040	23,375	2,040	23,375
Redundancy	14.12	28,196	60,076	28,129	60,076
Total current employee benefits		83,196	556,422	83,084	556,365
Workers' compensation	14.5	12,294	17,839	12,294	17,839
Public liability claims	14.6	4,670	5,992	4,670	5,992
Legal claims	14.7	837	2,131	837	2,131
Airport Line asset replacement	14.8	4,775	3,943	4,775	3,943
Land and building remediation	14.10	34,347	22,101	34,347	22,101
Ballast disposal	14.11	-	5,215	-	5,215
Restoration on leased premises		2,745	-	2,745	-
Total current provisions		142,864	613,643	142,752	613,586
Non-current provisions					
Superannuation	14.2	311,692	542,107	311,682	542,107
Long service leave (see note (a) below)	14.3	2,325	28,269	2,325	28,269
Redundancy	14.12	-	19,977	-	19,977
Total non-current employee benefits		314,017	590,353	314,007	590,353
Workers' compensation	14.5	66,897	78,210	66,897	78,210
Public liability claims	14.6	2,965	4,042	2,965	4,042
Airport Line asset replacement	14.8	5,664	7,069	5,664	7,069
Ballast disposal	14.11	-	11,509	-	11,509
Quarry restoration	14.9	3,811	3,745	3,811	3,745
Restoration on leased premises		855	3,756	855	3,756
Land and building remediation	14.10	26,143	41,604	26,143	41,604
Total non-current provisions		420,352	740,288	420,342	740,288
Total provisions					
Superannuation	14.2	311,692	542,107	311,682	542,107
Annual leave		15,914	168,683	15,869	168,626
Long service leave	14.3	39,371	332,557	39,371	332,557
Pay in lieu of certain holidays worked		2,040	23,375	2,040	23,375
Redundancy provision	14.12	28,196	80,053	28,129	80,053
Total employee benefits		397,213	1,146,775	397,091	1,146,718
Workers' compensation	14.5	79,191	96,049	79,191	96,049
Public liability claims	14.6	7,635	10,034	7,635	10,034
Legal claims	14.7	837	2,131	837	2,131
Airport Line asset replacement	14.8	10,439	11,012	10,439	11,012
Quarry restoration	14.9	3,811	3,745	3,811	3,745
Land and building remediation	14.10	60,490	63,705	60,490	63,705
Ballast disposal	14.11	-	16,724	-	16,724
Restoration on leased premises		3,600	3,756	3,600	3,756
Total provisions		563,216	1,353,931	563,094	1,353,874

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

Notes to the Financial Statements for the year ended 30 June 2014

Note 14 Provisions (continued)

14.1 Provisions (continued)

Consolidated	Within 12 months \$'000	Later than 12 months \$'000	Total \$'000
2014			
Long service leave	39,371	-	39,371
Annual leave	15,914	-	15,914
Pay in lieu of certain holidays worked	2,040	-	2,040
	57,325	-	57,325
2013			
Long service leave	44,342	288,215	332,557
Annual leave	121,987	46,696	168,683
Pay in lieu of certain holidays worked	23,375	-	23,375
	189,704	334,911	524,615

14.2 Superannuation

14.2.1 Overview

Employer contributions are made to 3 defined-benefit superannuation schemes administered by the SAS Trustee Corporation (STC): the State Authorities Superannuation Scheme (SASS), the State Authorities Non-Contributory Superannuation Scheme (SANCSS) and the State Superannuation Scheme (SSS), which together form the Pooled Fund. Each scheme is closed to new members and its investments are held in trust by the Pooled Fund. At least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. All fund assets are invested by SAS Trustee Corporation at arm's length through independent fund managers. The defined benefits scheme applies to the Parent only.

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.

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 Scheme Act 1987, and their associated regulations.

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

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

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

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

Notes to the Financial Statements for the year ended 30 June 2014

Note 14 Provisions (continued)

14.2 Superannuation (continued)

14.2.1 Overview (continued)

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

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

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

Description of risks

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

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

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

Description of significant events

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

Notes to the Financial Statements for the year ended 30 June 2014

Note 14 Provisions (continued)

14.2 Superannuation (continued)

14.2.1 Overview (continued)

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

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
2014				
Superannuation position for AASB 119 purposes				
Accrued liability (note 1)	403,430	14,154	40,357	457,941
Estimated reserve account balance	(122,320)	(4,619)	(19,320)	(146,259)
Deficit/(surplus)	281,110	9,535	21,037	311,682
Future service liability (note 2)	9,400	5,471	-	14,871
Surplus in excess of recovery available from schemes	-	-	-	-
Net (asset)/liability to be recognised in Statement of Financial Position	281,110	9,535	21,037	311,682
2013				
Underfunded schemes				
Accrued liability (note 1)	1,708,537	160,702	50,466	1,919,705
Estimated reserve account balance	(1,216,407)	(137,184)	(24,007)	(1,377,598)
Deficit/(surplus)	492,130	23,518	26,459	542,107
Future service liability (note 2)	91,234	67,399	861	159,494
Surplus in excess of recovery available from schemes	-	-	-	-
Net (asset)/liability to be recognised in Statement of Financial Position	492,130	23,518	26,459	542,107

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

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).

Member numbers	SASS	SANCS	SSS
2014			
Contributors	200	201	1
Deferred benefits	-	-	1
Pensioners	362	-	19
Pensions fully commuted	-	-	-
2013			
Contributors	3,202	3,213	11
Deferred benefits	-	-	1
Pensioners	313	-	17
Pensions fully commuted	-	-	-

Notes to the Financial Statements for the year ended 30 June 2014

Note 14 Provisions (continued)

14.2 Superannuation (continued)

14.2.2 Reconciliation of the net defined benefit liability/(asset)

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
2014				
Net defined benefit liability/(asset) at start of year	492,130	23,518	26,459	542,107
Net Defined Benefit Liability transferred to Sydney Trains and NSW Trains due to bulk transfers out upon administrative restructure at 1/7/2013	(221,090)	(22,917)	-	(244,007)
Adjusted Net Defined Benefit Liability/(Asset) at start of year after transfers	271,040	601	26,459	298,100
Current service cost	3,936	1,477	241	5,654
Net Interest on the net defined benefit liability/(asset)	9,356	740	1,155	11,251
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less interest income	(14,855)	(4,560)	(1,146)	(20,561)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	14,578	886	1,344	16,808
Actuarial (gains)/losses arising from liability experience	(2,482)	10,391	(7,009)	900
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(463)	-	(7)	(470)
Net defined benefit liability/(asset) at end of year	281,110	9,535	21,037	311,682
2013				
Net Defined Benefit Liability/(Asset) at start of year	631,809	61,421	34,892	728,122
Current service cost	23,052	8,432	497	31,981
Net Interest on the net defined benefit liability/(asset)	19,313	1,880	1,058	22,251
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	(135,958)	(16,786)	(2,289)	(155,033)
Actuarial (gains)/losses arising from changes in demographic assumptions	58,796	(524)	1,853	60,125
Actuarial (gains)/losses arising from changes in financial assumptions	(156,451)	(16,861)	(6,690)	(180,002)
Actuarial (gains)/losses arising from liability experience	52,843	(14,044)	(2,241)	36,558
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(1,274)	-	(621)	(1,895)
Net defined benefit liability/(asset) at end of year	492,130	23,518	26,459	542,107

Notes to the Financial Statements for the year ended 30 June 2014

Note 14 Provisions (continued)

14.2 Superannuation (continued)

14.2.3 Reconciliation of the fair value of Fund assets

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
2014				
Fair value of Fund assets at beginning of year	1,216,407	137,184	24,007	1,377,598
Bulk transfers out upon administrative restructure at 1/7/2013 to Sydney Trains and NSW Trains	(876,106)	(94,509)	-	(970,615)
Adjusted fair value of Fund assets at beginning of the year after transfers				
	340,301	42,675	24,007	406,983
Interest income	10,559	460	699	11,718
Actual return on Fund assets less interest income	14,855	4,560	1,146	20,561
Employer contributions	463	-	7	470
Contributions by Fund participants	2,197	-	180	2,377
Transfer in/(benefits paid)	(282,468)	(38,250)	(6,738)	(327,456)
Taxes, premiums & expenses paid	36,413	(4,826)	19	31,606
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of Fund assets at end of year	122,320	4,619	19,320	146,259
2013				
Fair value of Fund assets at beginning of year	1,137,950	122,699	22,184	1,282,833
Interest income	32,897	3,497	669	37,063
Actual return on Fund assets less Interest income	135,958	16,786	2,289	155,033
Employer contributions	1,274	-	621	1,895
Contributions by Fund participants	14,885	-	244	15,129
Transfer in/(benefits paid)	(129,617)	(18,180)	(2,073)	(149,870)
Taxes, premiums & expenses paid	23,060	12,382	73	35,515
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of Fund assets at end of year	1,216,407	137,184	24,007	1,377,598

Notes to the Financial Statements for the year ended 30 June 2014

Note 14 Provisions (continued)

14.2 Superannuation (continued)

14.2.4 Reconciliation of defined benefit obligation

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
2014				
Present value of defined benefit obligations at beginning of year	1,708,537	160,702	50,466	1,919,705
Bulk transfers out upon administrative restructure at 1/7/2013 to Sydney Trains and NSW Trains	(1,097,195)	(117,427)	-	(1,214,622)
Adjusted present value of defined benefit obligations at beginning of the year	611,342	43,275	50,466	705,083
Current service cost	3,936	1,477	241	5,654
Interest cost	19,914	1,201	1,854	22,969
Contributions by participants	2,197	-	180	2,377
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	14,578	886	1,344	16,808
Actuarial (gains)/losses arising from liability experience	(2,482)	10,391	(7,009)	900
Transfer in/(benefits paid)	(282,468)	(38,250)	(6,738)	(327,456)
Taxes, premiums & expenses paid	36,413	(4,826)	19	31,606
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of year	403,430	14,154	40,357	457,941
2013				
Present value of defined benefit obligations at beginning of year	1,769,759	184,120	57,076	2,010,955
Current service cost	23,052	8,432	497	31,981
Interest cost	52,210	5,377	1,727	59,314
Contributions by Fund participants	14,885	-	244	15,129
Actuarial (gains)/losses arising from changes in demographic assumptions	58,796	(524)	1,853	60,125
Actuarial (gains)/losses arising from changes in financial assumptions	(156,451)	(16,861)	(6,690)	(180,002)
Actuarial (gains)/losses arising from liability experience	52,843	(14,044)	(2,241)	36,558
Transfer in/(benefits paid)	(129,617)	(18,180)	(2,073)	(149,870)
Taxes, premiums & expenses paid	23,060	12,382	73	35,515
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of year	1,708,537	160,702	50,466	1,919,705

Notes to the Financial Statements for the year ended 30 June 2014

Note 14 Provisions (continued)

14.2 Superannuation (continued)

14.2.5 Reconciliation of the effect of the asset ceiling

There was no adjustment for effect of the asset ceiling.

14.2.6 Fair value of Fund assets

All Pooled Fund assets are invested by 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 asset to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund.

Asset category	Total	Quoted prices in active markets for identical assets	Significant unobservable inputs	unobservable inputs
		Level 1	Level 2	Level 3
2014	\$'000	\$'000	\$'000	\$'000
Short Term Securities	2,452,755	1,572,615	880,140	-
Australian Fixed Interest	2,365,014	10,928	2,354,086	-
International Fixed Interest	880,529	-	880,529	-
Australian Equities	11,738,636	11,494,549	241,423	2,664
International Equities	10,953,329	8,172,677	2,780,531	121
Property	3,272,986	894,113	692,296	1,686,577
Alternatives	6,329,410	565,401	4,897,152	866,857
Total*	37,992,659	22,710,283	12,726,157	2,556,219

Notes to the Financial Statements for the year ended 30 June 2014

Note 14 Provisions (continued)

14.2.6 Fair value of Fund assets (continued)

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

	2014	2013
	%	%
Cash	0	13.1
Short term securities	6.5	0
Australian fixed interest	6.2	6.9
International fixed interest	2.3	2.2
Australian equities	30.9	30.4
International equities	28.8	26.1
Property	8.6	8.3
Alternatives	16.7	13
Total	100	100

*Additional to the assets disclosed above, at 30 June 2014 Pooled Fund has provisions for receivables/(payables) estimated to be around \$2.2 billion, giving an estimated assets totalling around \$40.2 billion.

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

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

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

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

14.2.7 Fair value of entity's own financial instruments

The fair value of the Pooled Fund assets include as at 30 June 2014 of \$173.9m in NSW government bonds.

14.2.8 Significant actuarial assumptions at the reporting date

	2014	2013
Discount rate	3.57% pa 2.27% pa to 30 June 2015, then 2.5% pa to 30 June 2018, 3.0% pa from 1 July 2018 to 30 June 2023, and 3.5% pa thereafter	3.8% pa 2.25% pa for 2013/2014; 2.25% pa for 2014/2015; 2.00% for 2015/2016 to 2019/2020; 2.50% pa thereafter
Salary increase rate (excluding promotional increases)		
Rate of CPI increase	2.50% pa	2.50% pa
Pensioner mortality	as per the 2012 Actuarial Investigation of the Pooled Fund	

Notes to the Financial Statements for the year ended 30 June 2014

Note 14 Provisions (continued)

14.2 Superannuation (continued)

14.2.9 Sensitivity analysis

The total defined benefit obligation as at 30 June 2014 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 2014.

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.

30.6.2014	Base case	Scenario A -1.0% Discount rate	Scenario B +1.0% Discount rate
Discount rate	3.57%	2.57%	4.57%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	457,941	518,285	408,733

	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	2.50%	3.00%	2.00%
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	457,941	482,226	435,875

	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A\$'000)	457,941	462,414	453,677

	Base case	Scenario G +0.5% pensioner mortality rate	Scenario H -0.5% pensioner mortality rate
Defined benefit obligation (A\$'000)	457,941	454,282	461,817

A sensitivity analysis has not been disclosed for the prior year as permitted by AASB 119.173(b).

Notes to the Financial Statements for the year ended 30 June 2014

Note 14 Provisions (continued)

14.2 Superannuation (continued)

14.2.10 Asset-liability matching strategies

The Trustee monitors its asset-liability risk continuously in settling its investment strategy. It also monitors cashflows to manage liquidity requirements.

14.2.11 Funding arrangements

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

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

(a) Surplus/deficit

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

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
2014				
Accrued benefits*	249,865	10,387	21,832	282,084
Net market value of Fund assets	(122,320)	(4,619)	(19,320)	(146,259)
Net (surplus)/deficit	127,545	5,768	2,512	135,825
2013				
Accrued benefits	1,307,313	130,779	27,142	1,465,234
Net market value of Fund assets	(1,216,407)	(137,184)	(24,006)	(1,377,597)
Net deficit	90,906	(6,405)	3,136	87,637

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

(b) Contribution recommendations

The recommended contribution rate is zero.

(c) Economic assumptions

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

	2014	2013
Expected rate of return on Fund assets backing current pension liabilities	8.3% pa	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa	7.3% pa
Expected salary increase rate	SASS, SANCS, SSS 2.7% pa for 4 years then 4.0% pa	2.7% pa for 6 years then 4.0% pa
Expected rate of CPI increase	2.5% pa	2.5% pa

Notes to the Financial Statements for the year ended 30 June 2014

Note 14 Provisions (continued)

14.2 Superannuation (continued)

14.2.12 Expected contributions

Expected employer contribution is nil (2013: nil).

14.2.13 Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 13 years.

14.2.14 Expense/(income) recognised in the Statement of Comprehensive Income

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
2014				
Current service cost	3,936	1,477	241	5,654
Net interest	9,356	740	1,155	11,251
Defined benefit cost	13,292	2,217	1,396	16,905
2013				
Current service cost	23,052	8,432	497	31,981
Net interest	19,313	1,880	1,058	22,251
Defined benefit cost	42,365	10,312	1,555	54,232

14.2.15 Amounts recognised in Other Comprehensive Income

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
2014				
Actuarial (gain)/loss on liabilities	12,096	11,277	(5,665)	17,708
Actual return on Fund assets less Interest income	(14,855)	(4,560)	(1,146)	(20,561)
Total remeasurement in Other Comprehensive Income	(2,759)	6,717	(6,811)	(2,853)
2013				
Actuarial (gain)/loss on liabilities	(44,812)	(31,429)	(7,078)	(83,319)
Actual return on Fund assets less Interest income	(135,958)	(16,786)	(2,289)	(155,033)
Total remeasurement in Other Comprehensive Income	(180,770)	(48,215)	(9,367)	(238,352)

Notes to the Financial Statements for the year ended 30 June 2014

Note 14 Provisions (continued)

14.2 Superannuation (continued)

14.2.16 Nature of asset/liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligations.

14.3 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, Mr G. Holley FIAA of Mercer Human Resource Consulting. The actuary assumed an interest rate of 3.5% (2013: 3.75%) per annum and a salary growth rate of 2.5% (2013: 3.5%) with an immediate effect on 1 April 2014 and 3.5% per annum thereafter.

14.4 Movements in provisions (other than employee benefit provisions)

Parent and Consolidated	Carrying amount at start of year \$'000	Administrative restructures - transfers out \$'000	Increase in provision \$'000	Discounting adjustment \$'000	Payment of claims \$'000	Unused amount reversed \$'000	Carrying amount at end of year \$'000
2014							
Workers Compensation	96,049	-	-	2,833	10,438	9,253	79,191
Public liability claims	10,034	-	298	36	2,733	-	7,635
Legal Claims	2,131	-	494	-	230	1,558	837
Airport Line Asset replacement	11,012	-	-	1,320	1,893	-	10,439
Quarry restoration Land & buildings remediation	3,745	-	162	(96)	-	-	3,811
Land & buildings remediation	63,705	-	7,629	2,266	5,035	8,075	60,490
Ballast disposal	16,724	(16,724)	-	-	-	-	-
Restoration of leased premises	3,756	-	133	161	80	370	3,600
2013							
Workers Compensation	99,291	-	14,210	2,776	20,228	-	96,049
Public liability claims	7,122	-	4,429	(111)	1,406	-	10,034
Legal Claims	6,546	-	2,117	-	4,530	2,002	2,131
Airport Line Asset replacement	9,468	-	-	2,459	915	-	11,012
Quarry restoration Land & buildings remediation	5,319	-	132	31	-	1,737	3,745
Land & buildings remediation	65,400	-	3,146	36	4,377	500	63,705
Ballast disposal	18,206	-	8,452	79	10,013	-	16,724
Restoration of leased premises	3,375	-	333	84	36	-	3,756

Notes to the Financial Statements for the year ended 30 June 2014

Note 14 Provisions (continued)

14.5 Workers' compensation

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

The workers' compensation liability at year end was assessed by McMahon Actuarial Services assuming a discount rate ranging from 2.5% to 4.3% per annum over the next 10 years (2013: ranging from 2.5% to 4.6% per annum) and a future wage inflation rate of 4% per annum over the next 10 years (2013: 4% per annum over the next 10 years).

The actuary has advised that no allowance was made for asbestos related claims (2013: nil). Liabilities for such claims prior to July 1996 were vested to the Crown. Post 1996 exposure to asbestos is low, highly uncertain and, therefore, cannot be quantified with any reliability.

14.6 Public liability claims

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

Any claim recoverable from RailCorp's insurer is also recognised as a receivable or disclosed as a contingent asset, depending on its probability of settlement. Refer Notes 6 and 19.

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

14.7 Legal claims

The legal claims provision recognises claims against RailCorp arising from prosecutions or fines in relation to legislative or contractual breaches or other matters.

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

14.8 Airport Line asset replacement

The Airport Line asset replacement provision recognises RailCorp's contractual obligation to fund the replacement of major track and tunnel assets on the Airport Line, by the line's maintenance contractor during the term of the contract to 2030. Any unused balance of the provision remaining in 2030 will be shared equally with the maintenance contractor.

The liability at year end is the unused portion of the contractually specified maximum sum to be provided. The quantum and timing of payments are inherently uncertain as they are based on unpredictable future claims by the maintenance contractor. This provision has been discounted to a present value that reflects the time value of money.

14.9 Quarry restoration

The quarry restoration provision recognises RailCorp's legal obligation to restore quarry sites when operations cease.

The liability at year end was assessed by an independent expert undertaking site inspections to estimate the minimum cost of the necessary restoration work. The liability is inherently uncertain due to the time likely to elapse before the restoration is required.

Notes to the Financial Statements for the year ended 30 June 2014

Note 14 Provisions (continued)

14.10 Land and buildings remediation provision

This provision is comprised of \$25.6m (2013: \$30.7m) for remediation of asbestos and \$34.9m (2013: \$33.0m) for remediation of contaminated land.

In response to the identification of asbestos contamination in a railway station in March 2006, RailCorp initiated a program of hazardous materials surveys to identify the full extent of contamination and remedial action required in stations.

The program has since been extended to encompass other hazardous materials and operational buildings including signal boxes, depots and maintenance centres as well as rolling stock.

14.11 Ballast disposal provision

The ballast disposal provision recognises RailCorp's legal obligation in relation to the disposal of non-recyclable landfill and materials arising from its ballast recycling operations. The liability was transferred to Sydney Trains in the current year.

14.12 Redundancy

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

Note 15 Contributed equity

15.1 Contributed equity

		Parent and Consolidated 30.6.2014 \$'000	Parent and Consolidated 30.6.2013 \$'000
Contributed equity at start of year		14,653,056	14,647,015
Net assets contributed by Government	15.2	(224,970)	6,041
Contributed equity at end of year		14,428,086	14,653,056

Notes to the Financial Statements for the year ended 30 June 2014

Note 15 Contributed equity (continued)

15.2 Increase/decrease in net assets from equity transfers

As part of the restructuring of the NSW rail industry, the following assets, rights and liabilities were transferred from RailCorp to Sydney Trains and NSW Trains on 1 July 2013. The net transfers have been treated as an adjustment to equity in accordance with TPP 09-3 *Accounting Policy: Contribution by owners made to wholly-owned public sector entities*.

	Parent and Consolidated 30.6.2014 \$'000	Parent and Consolidated 30.6.2013 \$'000
Assets transferred (to)/from other entities		
Cash assets	(106,541)	-
Receivables (current)	(40,989)	-
Inventories	(55,527)	-
Derivative financial instruments (current)	(2,328)	-
Property, plant and equipment (net)	(2,111,895)	6,041
Intangible Assets	(229,335)	-
Other non-current assets	(11,923)	-
Derivative financial instruments (non-current)	(558)	-
Total assets	(2,559,096)	6,041
Liabilities transferred to other entities		
Payables	333,078	-
Provisions (current)	370,259	-
Provisions (non-current)	294,840	-
Borrowings (current)	61,870	-
Borrowings (non-current)	1,271,193	-
Derivative financial instruments (current)	5,262	-
Derivative financial instruments (non-current)	302	-
Total liabilities	2,336,804	-
Total net assets transferred	(222,292)	6,041
Hedging reserves	(2,678)	-
Contributed equity	(224,970)	6,041

Note 16 Reserves

The hedging reserve recognises the cumulative gains or losses on hedging instruments used for existing cash flow hedges. The movements during the year were as follows:

	Parent and Consolidated 30.6.2014 \$'000	Parent and Consolidated 30.6.2013 \$'000
Hedging reserve		
Balance at start of year	(2,678)	(15,350)
Net gain/(loss) in forward foreign exchange	(14)	13,043
Net gain/(loss) in commodity swaps	-	(371)
Vesting of hedging reserve	2,678	-
Balance at end of year	(14)	(2,678)
Asset revaluation reserve		
Balance at start of year	8,062,207	8,225,553
Increase/(decrease) as a result of revaluation	39,876	-
Reserve transferred (to)/from retained earnings	(112,703)	(163,346)
Balance at end of year	7,989,380	8,062,207
Total reserves	7,989,366	8,059,529

Notes to the Financial Statements for the year ended 30 June 2014

Note 17 Retained earnings

	Consolidated		Parent	
	30.6.2014 \$'000	30.6.2013 \$'000	30.6.2014 \$'000	30.6.2013 \$'000
Retained earnings at start of year	1,778,775	927,414	1,778,720	927,382
Retrospective change due to AASB 119	-	(102,289)	-	(102,289)
Restated balance at start of year	1,778,775	825,125	1,778,720	825,093
Surplus/(deficit) for the year	1,468,292	551,952	1,468,238	551,929
Superannuation actuarial gains/(losses)	2,853	238,352	2,853	238,352
Transfers of reserve to/(from) retained earning	112,703	163,346	112,703	163,346
Retained earnings at end of year	3,362,623	1,778,775	3,362,514	1,778,720

Note 18 Expenditure commitments

18.1 Expenditure commitments

	Parent and Consolidated 30.6.2014 \$'000	Parent and Consolidated 30.6.2013 \$'000
Operating leases		
Within 12 months	-	75,973
12 months or longer but not longer than 5 years	-	17,366
Longer than 5 years	-	13,677
Total operating leases	-	107,016
Total property, plant & equipment (including intangible assets)	-	336,510

The expenditure commitments include any associated Goods and Services Tax. Related input tax credits expected to be recovered from the Australian Taxation Office is nil (2013: \$40.3m).

18.2 Minimum lease payments committed under non-cancellable operating leases

	Parent and Consolidated 30.6.2014 \$'000	Parent and Consolidated 30.6.2013 \$'000
Within 12 months	-	75,813
12 months or longer but not longer than 5 years	-	17,366
Longer than 5 years	-	13,677
Total committed	-	106,856

Minimum lease payment commitments include any associated Goods and Services Tax. Related input tax credits expected to be recovered from the Australian Taxation Office is nil (2013: \$9.7m).

18.3 Rolling stock PPP contract commitments

RailCorp transferred the finance lease asset and liability to Sydney Trains on 1 July 2013.

Refer to Note 2.5(ii) in regard to the contractual arrangements with Reliance Rail.

Payments under the Rolling Stock Public Private Partnership (PPP) contract were being made via a series of Standard Availability Unit (SAUs) payments by RailCorp to Reliance Rail. The SAUs ramp up progressively as each set becomes available for passenger service. The SAU payments are indexed to CPI.

Notes to the Financial Statements for the year ended 30 June 2014

Note 18 Expenditure commitments (continued)

18.3 Rolling stock PPP contract commitments

The previous RailCorp agreement with Reliance Rail constitutes a finance lease, refer Note 2.5(ii). These assets and associated finance lease liabilities are recognised on completion and delivery of the assets.

The Auburn Maintenance Facility (AMF) reached practical completion on 18 June 2010. The lease liability, inclusive of accrued interest, at 30 June 2013 was \$258.8m.

The Simulators achieved practical completion on 30 September 2010. The lease liability, inclusive of accrued interest, at 30 June 2013 was \$4.6m.

A total of 45 sets of rolling stock had achieved practical completion at 30 June 2013. There were a total of 35 sets during 2012-13 resulting in an addition to leased rolling stock of \$833m. An associated finance lease liability of \$833m was also recognised. Milestone payments made in respect of design and development of the rolling stock are applied on a pro-rata basis to the rolling stock lease liability at the rate of \$0.5m per set. The lease liability, inclusive of the application of the milestone payment and accrued interest, at 30 June 2013 was \$1,069.7m.

In addition to the capitalisation of the leased assets above, at practical completion project-related expenditure was allocated to the associated fixed assets. These capitalised expenditures were depreciated in line with the fixed asset to which they relate.

Interest of \$30m was accrued in the prior year in respect to the finance lease liability for the rolling stock, maintenance facility and simulators.

No milestone payments were made in 2012-13 to Reliance Rail related to the rolling stock. Milestone payments are interest free advances pending delivery of the associated asset upon which event those advances are applied against the finance lease liability.

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

	Note	Parent and Consolidated 30.6.2014 \$'000	Parent and Consolidated 30.6.2013 \$'000
Finance lease liabilities			
Within 12 months		-	88,505
12 months or longer but no longer than 5 years		-	496,907
Longer than 5 years		-	3,333,116
Total minimum lease payments		-	3,918,528
Less amount representing finance charges		-	(2,585,465)
Present value of net future minimum lease payments (included in the Financial Statements as borrowings)		-	1,333,063
Classified as:			
Current	13	-	61,870
Non-current	13	-	1,271,193
Total		-	1,333,063
Other PPP contract commitments			
Within 12 months		-	180,078
12 months or longer but no longer than 5 years		-	596,163
Longer than 5 years		-	4,958,856
Total other PPP contract commitments		-	5,735,097

Notes to the Financial Statements for the year ended 30 June 2014

Note 18 Expenditure commitments (continued)

Other PPP contract commitments represent future payments relating to the maintenance and future payments of principal and interest on rolling stock that have not achieved practical completion as at 30 June 2013.

Note 19 Contingent liabilities and contingent assets

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

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

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

RailCorp by virtue of its operations has a range of possible contamination in land and buildings. RailCorp is engaged in an ongoing process of identifying necessary remediation of land and buildings the final amount of which is contingent on further investigation and cannot be accurately calculated at the date of preparation of these Financial Statements. Land and buildings remediation, where there is a legal or constructive obligation to undertake remediation and the cost of which can be reliably estimated has been provided for.

Refer Note 14.10.

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 RailCorp against others in relation to contractual breaches and insurance claims in relation to other matters. The existence or quantum of each claim is usually in dispute.

Note 20 Fair value measurements of non-financial assets

20.1 Fair value measurements of non-financial assets

RailCorp measures and recognises the following assets at fair value on a recurring basis:

- Land
- Building
- Rolling stock
- Plant and machinery
- Track work and infrastructure

Due to the specialised nature of RailCorp assets apart from some plant and machinery items such as forklifts and loaders, all others are not traded in active market.

RailCorp has also measured assets at fair value on a non-recurring basis as a result of the reclassification of assets as held for sale.

Notes to the Financial Statements for the year ended 30 June 2014

Note 20 Fair value measurements of non-financial assets (continued)

20.1 Fair value measurements of non-financial assets (continued)

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2014. Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of the new standard.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
Recurring fair value measurements				
Land	-	-	3,844,298	3,844,298
Building	-	-	5,160,978	5,160,978
Rolling stock	-	-	1,955,206	1,955,206
Plant and equipment	-	1,627	187,653	189,280
Track work and infrastructure	-	-	11,495,903	11,495,903
Total recurring fair value measurements	-	1,627	22,644,038	22,645,665

Level 2 fair value inputs include inputs other than quoted prices being known sales of comparable items to those assessed on a market evidence basis.

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

Plant and Equipment had some level 2 market based evidence whilst all other categories have been based on level 3 inputs.

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

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

20.2 Valuation techniques used to derive level 2 and 3 fair values

Recurring fair value measurements

The fair value of non-financial assets that are not traded in an active market such as land, buildings, rolling stock and specialised plant and equipment is determined using valuation techniques. The valuation techniques adapted involve the use of the cost approach in view of the specialised nature of the assets and the not for profit nature of RailCorp. The fair value measurement reflected the lowest cost amount to replace the service capacity with a technologically modern equivalent optimised asset adjusted for obsolescence. The cost approach was consistent with the previous valuations of the assets. In arriving at the fair value for rolling stock and major plant and equipment where level 2 inputs other than quoted prices were used for similar assets that were observable with adjustments made to account for their operational suitability to RailCorp assets.

The resulting fair value estimates are included in levels 2 and 3 of the fair value hierarchy.

Notes to the Financial Statements for the year ended 30 June 2014

Note 20 Fair value measurements of non-financial assets (continued)

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

The following table is a reconciliation of level 3 items for the year ended 30 June 2014.

	Land \$'000	Building \$'000	Rolling stock \$'000	Plant and equipment \$'000	Track work and infrastructure \$'000	Total \$'000
Fair value at beginning of the year	3,853,661	5,477,192	3,815,864	285,153	10,738,365	24,170,235
Transfers to Sydney Trains and NSW Trains	-	(227,702)	(1,802,540)	(42,961)	-	(2,073,203)
Assets held for Sale	(5,122)	(2,199)	(54)	(2,743)	(1,215)	(11,333)
Additions	461	78,642	24,221	1,660	1,279,934	1,384,918
Disposals	(4,702)	(1,597)	-	(1,115)	(43,603)	(51,017)
Gains/(losses) recognised in the Statement of Comprehensive Income*	-	(163,358)	(138,371)	(34,504)	(477,578)	(813,811)
Gains/(losses) recognised in Other Comprehensive Income	-	-	56,086	(17,837)	-	38,249
Fair value at end of the year	3,844,298	5,160,978	1,955,206	187,653	11,495,903	22,644,038

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

There were no transfers from levels 1 and 2 during the reporting period to level 3.

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

Valuation inputs and relation to fair value

Valuation inputs are consistently applied and have taken account of observable inputs which have then been adjusted for obsolescence and there has been no material change.

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

Unobservable inputs for infrastructure and buildings relate to raw materials and labour rates after considering historical data, existing assets and current railway infrastructure technologies. The inputs are categorised in level 3 of the fair value hierarchy and are unobservable due to the specialised nature of RailCorp assets. Other inputs include pricing for tracks/wiring, construction methodology, structural foundations, and other specific allowances were considered to establish the optimised replacement cost of each asset.

There were no significant inter-relationships between unobservable inputs that materially affect fair value.

Notes to the Financial Statements for the year ended 30 June 2014

Note 20 Fair value measurements of non-financial assets (continued)

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

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurement:

Description	Significant Unobservable Input	Range of Inputs (probability or weighted average)	Relationship of unobservable inputs to fair value
Rolling Stock	<p>Qualitative attractiveness is part of obsolescence, and is based on the age of fleet. Qualitative attractiveness represents the discount to cost for an older item and is known as the indifference rental.</p> <p>Other optimisation factors include: traction package; brake controller costs; air conditioning costs; disability compliance costs; passenger information system costs; video surveillance system costs and digital voice announcement system costs.</p>	<p>5-20% based on fleet age of 10-30 years and above</p> <p>\$152m</p> <p>\$72m</p>	<p>The older the fleet the greater the obsolescence attributed to qualitative attractiveness, and the lower the fair value. A 1% increase / decrease will change fair value by \$1.5m</p> <p>The higher the obsolescence factors, the lower the fair value. A 1% increase / decrease will change fair value by \$720,000</p>
Plant & machinery	Physical & technical obsolescence	\$1.5M (attributed to overhaul costs)	Impact to fair value is not material

RailCorp has not quantified unobservable inputs relating to Land, Buildings, Trackwork and Infrastructure assets for 30 June 2014. AASB 13 is applied on a prospective basis. Quantitative information and a sensitivity analysis will be disclosed for the remaining asset classes when next revalued at which time the information will be available.

Notes to the Financial Statements for the year ended 30 June 2014

Note 21 Financial instruments

21.1 Financial instruments

RailCorp and the controlled entities hold the following financial instruments:

	Consolidated		Parent	
	30.06.14	30.06.13	30.06.14	30.06.13
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	178,983	157,156	177,458	156,858
Trade and other receivables*	297,210	173,564	290,518	177,651
Derivative financial assets	-	2,887	-	2,887
Total financial assets	476,193	333,607	467,976	337,396
Financial liabilities				
Trade and other payables**	142,725	543,905	136,526	548,066
Borrowings	883,499	501,490	883,499	501,490
Finance leases	-	1,333,063	-	1,333,063
Derivative financial liabilities	14	5,564	14	5,564
Total financial liabilities	1,026,238	2,384,022	1,020,039	2,388,183

* 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*

21.2 Financial risks

The operational activities of RailCorp expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and commodity price risk in respect of distillate and electricity purchases). A risk management program focuses on financial performance and seeks to minimise potential adverse effects from financial market price movements. RailCorp uses derivative instruments to hedge financial exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. Methods used to measure risk include sensitivity analysis in the case of interest rate, foreign exchange and other commodity price risks, and an ageing analysis for credit risk.

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

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

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

21.3 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 RailCorp's foreign exchange, interest rate and commodity price hedging instruments.

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

Notes to the Financial Statements for the year ended 30 June 2014

Note 21 Financial instruments (continued)

21.3 Market risk (continued)

21.3.1 Foreign exchange risk

RailCorp is exposed to foreign exchange risk arising from currency exposures. Foreign exchange risk arises from contractual commercial transactions denominated in a foreign currency. The risk is measured using sensitivity analysis and cash flow forecasting. The majority of RailCorp's exposure to foreign exchange risk was transferred to Sydney Trains and TfNSW from 1 July 2013.

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

Purchases involving foreign currency risk exposure that exceeds an aggregate of AUD 25,000, are required to be reviewed in advance of the signing by the Treasury section to assess the financial risk and formulate strategies to manage the risk. The Treasury section confirms a budget rate with project managers based on current forward prices and hedging strategies implemented. Counterparty risk is minimised by conducting all foreign exchange transactions with eligible counterparties, refer Note 21.4.

RailCorp's foreign currency contracts outstanding at year end were:

Maturity Profiles	Weighted Average Exchange Rate		Contract Value		Fair Value	
	2014	2013	2014 AUD '000	2013 AUD '000	2014 AUD '000	2013 AUD '000
Contracts denominated in US Dollars						
Not later than 3 months	-	0.9214	-	14,844	-	15,018
Later than 3 months and not later than 12 months	-	0.9826	-	14,026	-	15,308
Later than 12 months	-	0.9465	-	5,361	-	5,821
Total hedged US Dollar contracts			-	34,231	-	36,147
Contracts denominated in Euros						
Not later than 3 months	-	0.6385	-	38,546	-	35,169
Later than 3 months and not later than 12 months	0.6599	0.6589	414	7,804	400	7,440
Later than 12 months	-	0.6547	-	4,472	-	4,358
Total hedged Euros contracts			414	50,822	400	46,967
Contracts denominated in Pounds Sterling						
Not later than 3 months	-	0.6869	-	35	-	40
Later than 3 months and not later than 12 months	-	-	-	-	-	-
Later than 12 months	-	-	-	-	-	-
Total hedged Pounds Sterling contracts			-	35	-	40
Total hedged purchase			414	85,088	400	83,154

Notes to the Financial Statements for the year ended 30 June 2014

Note 21 Financial instruments (continued)

21.3 Market risk (continued)

21.3.1 Foreign exchange risk (continued)

Foreign exchange risk sensitivity analysis

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

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

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

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

Decrease of 10%	Surplus Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2014	2013	2014	2013
	AUD '000	AUD '000	AUD '000	AUD '000
US Dollars	-	-	-	(3,233)
Euros	-	-	(36)	(4,228)
Pounds Sterling	-	-	-	(3)
Total	-	-	(36)	(7,464)

Increase of 10%	Surplus Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2014	2013	2014	2013
	AUD '000	AUD '000	AUD '000	AUD '000
US Dollars	-	-	-	3,951
Euros	-	-	44	5,168
Pounds Sterling	-	-	-	4
Total	-	-	44	9,123

Notes to the Financial Statements for the year ended 30 June 2014

Note 21 Financial instruments (continued)

21.3 Market risk (continued)

21.3.2 Commodity price risk

RailCorp was exposed to a range of commodity price risks, principally from distillate and electricity purchases in the prior year. The commodity hedging contracts were transferred to Sydney Trains together with the associated risks on 1 July 2013.

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

RailCorp purchases its electricity under fixed price contracts. RailCorp's policy for electricity hedging is similar to distillate operations however electricity hedging applies only to periods not under contract. 100% of exposures are required to be hedged in year 1. Up to 60% of exposures can be hedged in year 2 and up to 40% in year 3. Hedges are subsequently closed out once a fixed price contract is in place.

At 30 June 2013 there were only commodity hedge contracts in place for distillate purchases.

Maturity profiles	Contract Value		Fair Value	
	2014 AUD '000	2013 AUD '000	2014 AUD '000	2013 AUD '000
Not later than 1 year				
Favourable	-	2,183	-	2,196
Non-favourable	-	17,152	-	16,487
	-	19,335	-	18,683
Between 1 and 5 years				
Favourable	-	2,744	-	2,757
Non-favourable	-	2,870	-	2,767
	-	5,614	-	5,524
Total commodity swap contracts	-	24,949	-	24,207

Commodity price risk sensitivity analysis

Based on contracts in place at 30 June 2013, had the Singapore Gas Oil spot price weakened/strengthened by 10%, with all other variables held constant, the impact on Comprehensive Income is shown in the table below:

	Change in unit price	Impact on surplus 2014 AUD '000	Impact on surplus 2013 AUD '000	Impact on Other Comprehensive Income 2014 AUD '000	Impact on Other Comprehensive Income 2013 AUD '000
Distillate	-10%	-	-	-	(2,458)
Distillate	+10%	-	-	-	2,458

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

Notes to the Financial Statements for the year ended 30 June 2014

Note 21 Financial instruments (continued)

21.3 Market risk (continued)

21.3.3 Interest rate risk

Interest rate risk refers to the market value of financial instruments or cash flows associated with the instruments fluctuating due to changes in market yields. RailCorp's main interest rate risk relates primarily to borrowings and deposits on call with TCorp.

The PPP maintenance facility finance lease recognised on RailCorp's Statement of Financial Position recognised in the prior year is not exposed to interest rate risk. Amounts payable under the leasing arrangement are fixed, based on the achievement of certain milestones and key performance indicators by Reliance Rail. The interest rate charged on the lease liability is that which is implicit within the lease and will not be impacted by market interest rate fluctuations. Refer Note 18.3.

Investment

RailCorp invests in the TCorp 11 am Call Deposit. Funds are held for operational rather than trading purposes.

The TCorp 11am Call Deposit facility is designated at cost through the profit and loss. Therefore, any changes in price impacts on profit and loss (rather than comprehensive income).

Debt

RailCorp adopts a continuously diversified approach to managing its debt portfolio. Debt maturity is spread across the yield curve, comprising both short-term TCorp borrowing and long-term semi government bonds. A neutral benchmark measures the performance of the debt portfolio.

RailCorp's Treasury Management Policy requires a fixed/floating ratio where no more than 70% of the portfolio's face value can be fixed rate debt or floating rate debt. Modified duration of the long-term debt must be between 2 and 6 years. The debt portfolio is managed through a restructuring facility offered by TCorp. Borrowings issued at variable rates expose RailCorp to cash flow risk.

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

Parent	Interest Rate		Principal Amount	
	2014	2013	2014	2013
	%	%	\$'000	\$'000
Financial assets				
Not later than 1 year				
Cash on hand	-	-	-	6,541
Cash at bank	3.35	3.14	175,494	147,392
Deposits on Call - TCorp Investment	2.48	3.30	1,964	2,925
Total financial assets			177,458	156,858
Financial liabilities				
Not later than 1 year				
Borrowings	2.73	3.21	(651,000)	(426,795)
Finance lease	-	-	-	(61,870)
Between 1 and 5 years				
Borrowings	4.08	5.26	(133,275)	(29,891)
Finance lease	-	-	-	(402,514)
Later than 5 years				
Borrowings	5.05	5.66	(99,223)	(44,804)
Finance lease	-	-	-	(868,679)
Total financial liabilities			(883,498)	(1,834,553)
Net exposure			(706,040)	(1,677,695)

Interest rate risk is not applicable to the finance lease.

Notes to the Financial Statements for the year ended 30 June 2014

Note 21 Financial instruments (continued)

21.3 Market risk (continued)

21.3.3 Interest rate risk (continued)

Interest rate sensitivity analysis

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

	Change in yield	Impact on surplus 2014 \$'000	Impact on surplus 2013 \$'000	Impact on Other Comprehensive Income 2014 \$'000	Impact on Other Comprehensive Income 2013 \$'000
TCorp investments and bank deposits	-1%	(1,775)	(1,503)	-	-
	1%	1,775	1,503	-	-

If interest rates had changed by 1% the TCorp investments bank deposits would have moved by 1% and affected RailCorp's profit and loss by the following:

	Change in yield	Impact on surplus 2014 \$'000	Impact on surplus 2013 \$'000	Impact on Other Comprehensive Income 2014 \$'000	Impact on Other Comprehensive Income 2013 \$'000
Borrowings	-1%	8,835	5,015	-	-
	1%	(8,835)	(5,015)	-	-

If interest yields had changed by 1% the market value of RailCorp's debt portfolio would have moved in accordance with the weighted average modified duration for the portfolio.

21.4 Credit risk

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

Credit risk can arise from financial assets of RailCorp, including cash and cash equivalents, derivative financial instruments, deposits with banks and TCorp, as well as credit exposure to customers, including outstanding receivables and committed transactions. RailCorp holds bank guarantees for significant customers as well as property bonds for some leased premises. RailCorp 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).

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

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

RailCorp held \$177.5m (2013: \$150.3m) in cash at bank and investments at 30 June 2014. This was held with TCorp and Westpac Banking Corporation.

Notes to the Financial Statements for the year ended 30 June 2014

Note 21 Financial instruments (continued)

21.4 Credit risk (continued)

Derivatives

In relation to foreign exchange contracts and commodity swap transactions, RailCorp only transacts with counterparties with a Standard & Poor's long-term credit rating of A or greater. RailCorp held a nil balance (2013: \$2.9m) in derivative financial assets and \$0.1m (2013: \$5.6m) in derivative financial liabilities.

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

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

Trade receivables

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

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

Investments

RailCorp held funds on deposit with TCorp and Westpac Banking Corporation at 30 June 2014. The deposits at balance date were earning an average interest rate of 3.31% (2013: 2.70%) while over the year the weighted average interest rate was 3.26% (2013: 3.30%) on a weighted average balance during the year of \$25.6m (2013: \$66.1m).

21.5 Liquidity risk

Liquidity risk refers to RailCorp being unable to meet its payment obligations when they fall due. RailCorp 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.

Current investment powers allow RailCorp to manage liquidity through TCorp's facilities. The bank balance is managed daily to a minimum set-off balance with surplus funds being invested in the TCorp 11am Call Deposit or Hour Glass Cash Facility. Shortfalls in working capital funding are managed through TCorp's Come & Go Facility. RailCorp's bank accounts are on an account set off arrangement so funds are aggregated to allow flexibility.

Credit standby arrangements are shown at Note 5.3.

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

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

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

Notes to the Financial Statements for the year ended 30 June 2014

Note 21 Financial instruments (continued)

21.5 Liquidity risk (continued)

Parent	Carrying Amount \$'000	Contract Cash flow \$'000	Less than 1 Year \$'000	Between 1 and 5 Years \$'000	Over 5 Years \$'000
30 June 2014					
Financial assets					
Cash & cash equivalents	177,458	177,458	177,458	-	-
Trade and other receivables	290,518	290,518	256,960	3,812	29,746
	467,976	467,976	434,418	3,812	29,746
Financial liabilities					
Trade and other payables	(136,526)	(136,526)	(136,526)	-	-
Borrowings	(883,499)	(938,505)	(665,403)	(167,483)	(105,619)
Finance lease liability	-	-	-	-	-
	(1,020,025)	(1,075,031)	(801,929)	(167,483)	(105,619)
Derivatives					
Forward exchange contracts outflow	(400)	(414)	(414)	-	-
Commodity swap contracts outflow	-	-	-	-	-
	(400)	(414)	(414)	-	-
30 June 2013					
Financial assets					
Cash & cash equivalents	156,858	156,858	156,858	-	-
Trade and other receivables	177,651	177,651	144,093	3,812	29,746
	334,509	334,509	300,951	3,812	29,746
Financial liabilities					
Trade and other payables	(548,066)	(548,066)	(548,066)	-	-
Borrowings	(501,490)	(525,591)	(432,861)	(43,450)	(49,280)
Finance lease liability	(1,333,063)	(3,918,528)	(88,505)	(496,907)	(3,333,116)
	(2,382,619)	(4,992,185)	(1,069,432)	(540,357)	(3,382,396)
Derivatives					
Forward exchange contracts outflow	(83,154)	(85,089)	(75,255)	(9,833)	-
Commodity swap contracts outflow	(24,208)	(24,950)	(19,336)	(5,614)	-
	(107,362)	(110,039)	(94,591)	(15,447)	-

21.6 Fair value compared to carrying amount

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

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

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

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

Notes to the Financial Statements for the year ended 30 June 2014

Note 21 Financial instruments (continued)

21.6 Fair value compared to carrying amount (continued)

Financial assets and liabilities recognised at fair value after initial recognition include foreign exchange contracts and borrowings in the current year. Foreign exchange contracts (assets and liabilities) are categorised within level 2 and are calculated from exchange rates that are observable either directly or indirectly and are appropriately adjusted for credit. The fair value of borrowings is estimated by discounting the future contractual cash flows at the current market interest rates that are available to RailCorp for similar financial instruments. As at 30 June 2014, the rates were determined to be between 2.65% to 3.68%. The financial assets and liabilities are recognised on a recurring basis in the Statement of Financial Position.

There were no transfers between levels 1 and 2 during the year.

The fair value of financial assets and liabilities recognised in the Statement of Financial Position is as follows:

	Fair value \$'000	Carrying value \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Fair value at 30 June 2014					
Financial liabilities					
Foreign exchange contracts	400	414	-	400	-
Borrowings	901,096	883,499	-	901,096	-
Total financial liabilities	901,496	883,913	-	901,496	-
Fair value at 30 June 2013					
Financial assets					
Foreign exchange contracts	34,532	31,671	-	34,532	-
Commodity swap contracts	4,953	4,927	-	4,953	-
Total financial assets	39,485	36,598	-	39,485	-
Financial liabilities					
Foreign exchange contracts	48,622	53,417	-	48,622	-
Commodity swap contracts	19,254	20,023	-	19,254	-
Borrowings	509,660	501,490	-	509,660	-
Total financial liabilities	577,536	574,930	-	577,536	-

Note 22 Joint venture

RailCorp has a participating 50% interest in the AK Car Joint Venture which operates an inspection railcar as a jointly controlled asset. The venture commenced on 1 February 2006. The aggregate amount of RailCorp's assets employed in the joint venture is \$0.2m (2013: \$0.3m).

Note 23 Events occurring after reporting date

Trainworks Ltd ceased trading effective 30 June 2014. The entity will continue to wind down in the first quarter of the 2014-15 financial year and its operations will transition to Transport Heritage NSW.

RailCorp ceased to have any employees from August 2014. Administrative orders have transferred the majority of staff and associated employee liabilities to Sydney Trains. The approximate value of the transfer of liability is \$165m and is a contribution by owner in accordance with TPP 09-3 *Accounting Policy: Contribution by owners made to wholly-owned public sector entities*.

The *Transport Administration (General) Amendment (Transport Cleaning Services) Regulation 2014* was effective on 1 August 2014 and has resulted in TCS becoming a controlled entity of Sydney Trains.

(End of audited Financial Statements)



INDEPENDENT AUDITOR'S REPORT

Rail Corporation New South Wales

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Rail Corporation New South Wales (RailCorp), which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, 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 of RailCorp and the consolidated entity. The consolidated entity comprises of RailCorp and the entities it controlled at the year's end or from time to time during the financial year.

Opinion

In my opinion, the financial statements:

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

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

The Chief Executive's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

- about the future viability of the RailCorp or consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information, that may have been hyperlinked to/from the financial statements.

Independence

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

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



A T Whitfield
Deputy Auditor-General

18 September 2014
SYDNEY

4 TCS Financial Statements

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Statement by the Executive Director

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

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

- (a) In my opinion, the accompanying financial statements, read in conjunction with the notes thereto, exhibit a true and fair view of the financial position of Transport Cleaning Services as at 30 June 2014 and of its financial performance for the year ended 30 June 2014.
- (b) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2010, the Australian Accounting Standards, which includes Australian Accounting Interpretations, and Treasurer's directions.
- (c) I am not aware, as at the date of this statement, of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Elizabeth Ward
Acting Executive Director

17 October 2014

(Start of audited financial statements)

Statement of Comprehensive Income for the year ended 30 June 2014

	Note	2013-14 \$'000	2012-13 \$'000
Income			
Fees from cleaning services		89,196	35,421
Interest		64	56
Income from operating activities		89,260	35,477
Expenses			
Operating expenses	3.1	89,260	35,477
Total expenses		89,260	35,477
Surplus/(deficit) for the period from continuing operations		-	-
Other Comprehensive Income		-	-
Total Comprehensive Income for the period		-	-

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

Statement of Financial Position as at 30 June 2014

	Note	30.6.2014 \$'000	30.6.2013 \$'000
Current assets			
Cash and cash equivalents	4.1	1,176	42
Trade and other receivables	5.1	11,075	10,493
Total current assets		12,251	10,535
Total assets		12,251	10,535
Current liabilities			
Trade and other payables	6.1	12,251	10,535
Total current liabilities		12,251	10,535
Total liabilities		12,251	10,535
Net Assets		-	-
Equity			
Retained earnings		-	-
Total equity		-	-

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 2014

	Retained earnings \$'000	Total \$'000
Balance as at 1 July 2013	-	-
Surplus/(deficit) for the year	-	-
Other Comprehensive Income	-	-
Balance as at 30 June 2014	-	-
Balance at 28 September 2012	-	-
Surplus/(deficit) for the period	-	-
Other Comprehensive Income	-	-
Balance as at 30 June 2013	-	-

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 2014

	Note	2013-14 \$'000	2012-13 \$'000
Cash flows from operating activities			
<i>Cash received</i>			
Other receipts from RailCorp, Australian Tax Office and others		87,518	27,562
Interest received		64	56
Total cash received		87,582	27,618
<i>Cash used</i>			
Payments to suppliers, employees and others		(86,448)	(27,576)
Total cash used		(86,448)	(27,576)
Net cash from/(used in) operating activities	4.2	1,134	42
Net cash from/(used by) investing activities		-	-
Net cash from/(used in) financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		1,134	42
Cash and cash equivalents at beginning of period		42	-
Cash and cash equivalents at end of period	4.1	1,176	42

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

Notes to the Financial Statements for the year ended 30 June 2014

Note 1 Reporting entity and financial statements

(a) Reporting entity

Transport Cleaning Services (TCS) is a public subsidiary corporation constituted on 28 September 2012 under the *Transport Administration Act 1988*. It is domiciled in Australia and its principle office is Level 7 477 Pitt Street Sydney NSW 2000. TCS is a not for profit entity as profit is not its principle objective.

TCS is responsible for the delivery of cleaning services and the improved presentation of railway stations, rolling stock and rail yard facilities. TCS commenced operations on 2 February 2013.

TCS is a fully owned public subsidiary corporation of Rail Corporation New South Wales (RailCorp) and is included in the Consolidated Financial Statements of RailCorp which is consolidated as part of the NSW Total State Sector Accounts.

(b) Comparative Information

Comparative information is for 5 months as TCS commenced operations on 2 February 2013.

(c) Authorisation of the Financial Statements

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

(d) Statement of compliance

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

Note 2 Summary of Significant Accounting Policies

2.1 Basis of Preparation

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

Generally, the historical cost basis of accounting has been adopted and these Financial Statements do not take into account changing money values or current valuations.

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

The Financial Statements have been prepared on a going concern basis which assumes that TCS is expected to be able to pay its debts as and when they fall due and continue in operation without any intention or necessity to liquidate or otherwise wind up their operations. TCS is a not-for-profit entity for accounting purposes.

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

2.1.1 Change in accounting policy

There have been no changes to accounting policies in 2013-14.

2.2 Adoption of new and revised Accounting Standards

TCS has adopted all the relevant new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) effective from 1 July 2013. The adoption of these new and revised Standards and Interpretations has not resulted in any significant changes to TCS.

TCS has not early adopted any new Accounting Standards and Interpretations that have been issued but are not yet effective in accordance with NSW Treasury mandates.

Notes to the Financial Statements for the year ended 30 June 2014

Note 2 Summary of Significant Accounting Policies (continued)

2.2 Adoption of new and revised Accounting Standards (continued)

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

AASB / Amendment	Title	Issue Date	Application date of Standard
AASB 9	Financial Instruments	Sept 2012	1 Jan 2017
AASB 1031	Materiality	Dec 2013	1 Jan 2014
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (Dec 2010)	Sep 2012	1 Jan 2015
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	Jun 2012	1 Jan 2014
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Operative dates: Part B Materiality- 1 Jan 2014; Part C Financial Instruments – 1 Jan 2015]	Dec 2013	1 Jan 2014/ 1 Jan 2015
AASB 2014-1	Amendments to Australian Accounting Standards	Jun 2014	1 Jul 2014/ 1 Jan 2015/ 1 Jan 2016

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

2.3 Financial instruments

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

(i) Recognition

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

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

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

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

Notes to the Financial Statements for the year ended 30 June 2014

Note 2 Summary of Significant Accounting Policies (continued)

2.3 Financial instruments (continued)

(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.

(iii) Measurement

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

2.4 Taxes

(i) Income tax equivalents

TCS 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.

2.5 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:

Fees from cleaning services

Fees from cleaning services are recognised by reference to the stage of completion of the transaction, provided that the transaction's outcome, stage of completion and the past and prospective costs are all reliably measurable and it is probable that the economic benefits will flow to TCS. Otherwise such revenue is only recognised to the extent of the associated recognised recoverable expenses.

Interest revenue

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

2.6 Cash and cash equivalents

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

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Refer Note 4.1

Notes to the Financial Statements for the year ended 30 June 2014

Note 2 Summary of Significant Accounting Policies (continued)

2.7 Trade and other receivables

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

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

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

If there is objective evidence at year end that a receivable may not be collectable, its carrying amount is reduced by means of an allowance for impairment and the resulting loss is recognised in the Statement of Comprehensive Income. Receivables are monitored during the year and bad debts are written off against the allowance when those are determined to be irrecoverable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that trade receivables are impaired. Refer Note 5.1

2.8 Impairment of financial assets

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

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

2.9 Trade and other payables

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

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

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

Trade payables are unsecured and, unless otherwise agreed with the creditor, are due for settlement by the end of the month following the month in which the invoice is received. Refer Note 6.1

2.10 Significant accounting judgements, estimates and assumptions

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

Notes to the Financial Statements for the year ended 30 June 2014

Note 3 Expenses

3.1 Operating expenses

	2013-14 \$'000	2012-13 \$'000
Cost of personnel assigned from RailCorp	55,344	23,536
Subcontractors	22,778	6,333
Materials	1,551	2,075
Plant and equipment hire	36	-
Administrative expenses from Rail entities	8,044	3,530
Audit fees*	41	-
Impairment trade receivables	1,096	-
Other	370	3
Total operating expenses	89,260	35,477

* The audit fee includes \$21,000 for 2013/14 and \$20,000 for the prior year.

Note 4 Cash and cash equivalents

4.1 Cash and cash equivalents

	2013-14 \$'000	2012-13 \$'000
Cash at bank	1,176	42
Total cash and cash equivalents	1,176	42

4.2 Reconciliation of surplus/(deficit) for the period with net cash from operating activities

	2013-14 \$'000	2012-13 \$'000
Surplus/(deficit) for the period	-	-
Impaired trade receivables expense	1,096	-
Net movements in assets and liabilities applicable to operating activities:		
(Increase) in trade and other receivables	(1,678)	(10,493)
Increase in trade and other payables and provisions	1,716	10,535
Net cash from operating activities	1,134	42

4.3 Credit standby arrangements and loan facilities

The credit standby arrangements and unused amounts available are:

	30.6.14 Credit Facilities \$'000	30.6.14 Unused \$'000	30.6.13 Credit Facilities \$'000	30.6.13 Unused \$'000
Transaction negotiation authority	6,000	6,000	6,000	6,000
Purchasing card facility	1,000	1,000	1,000	1,000
Total credit standby arrangements and loan facilities	7,000	7,000	7,000	7,000

Notes to the Financial Statements for the year ended 30 June 2014

Note 5 Trade and other receivables

5.1 Analysis of trade and other receivables

	Note	30.6.2014 \$'000	30.6.2013 \$'000
Current trade and other receivables			
Trade receivables		1,216	177
Other receivables		11,054	10,316
Less: allowance for impairment	5.2	(1,195)	-
Total trade and other receivables		11,075	10,493

Movements in the allowance for impairment were as follows:

	30.6.2014 \$'000	30.6.2013 \$'000
Balance at beginning of period	-	-
Allowance recognised in Statement of Comprehensive Income	1,096	-
GST movement	99	-
Balance at end of period	1,195	-

5.2 Impaired trade and other receivables

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

	30.6.2014 \$'000	30.6.2013 \$'000
1 to 3 months	590	-
3 to 6 months	200	-
over 6 months	405	-
Balance at end of period	1,195	-

5.3 Past due but not impaired receivables

The ageing analysis of trade receivables that are past due but not impaired is as follows:

	30.6.2014 \$'000	30.6.2013 \$'000
1 to 3 months	131	-
3 to 6 months	-	-
Over 6 months	-	-
Balance at end of period	131	-

5.4 Nature and extent of risk arising from receivables

Exposure to credit risk in relation to trade and other receivables is provided in Note 9.

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

Notes to the Financial Statements for the year ended 30 June 2014

Note 6 Trade and other payables

6.1 Current trade and other payables

	30.6.2014	30.6.2013
	\$'000	\$'000
Trade payables	255	253
Other payables and accruals	11,996	10,282
Total current trade and other payables	12,251	10,535

6.2 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 7 Contingent liabilities and contingent assets

TCS is not aware of any contingent liability and contingent assets as at 30 June 2014.

Note 8 Related parties

RailCorp controls TCS in accordance with Australian Accounting Standards.

Transactions and balances in the Financial Statements relate mainly to the labour costs from RailCorp staff assigned to TCS. TCS provides cleaning services to the rail entities and recovers the costs incurred as fees from cleaning services.

From 1 July 2013, TCS recovers the cleaning costs from Sydney Trains.

Note 9 Financial instruments

The operational activities of TCS expose it to a variety of financial risks. TCS's main risks arising from financial instruments are outlined below together with its objectives, policies and processes for measuring and managing risk.

The Executive Director has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of the risks. Risk management is carried out under the approved policies, best practice internal controls and reporting systems of TCS's parent entity, RailCorp.

TCS holds the following financial instruments:

	30.06.14	30.06.13
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	1,176	42
Trade and other receivables	10,174	9,456
Total financial assets	11,350	9,498
Financial liabilities		
Trade and other payables	(11,840)	(9,758)
Total financial liabilities	(11,840)	(9,758)

1. Trade and other receivables exclude statutory receivables and prepayments i.e. not within the scope of AASB 7.
2. Trade and other payables exclude statutory payables and unearned income i.e. not within the scope of AASB 7.

Notes to the Financial Statements for the year ended 30 June 2014

Note 9 Financial instruments (continued)

Credit risk

Credit risk arises when there is the possibility of TCS's debtors defaulting on their contractual obligations, resulting in financial loss to TCS. Credit risk arises from the financial assets of TCS including cash and trade receivables.

Cash

Cash comprises of cash at bank held with Westpac Banking Corporation. The balance at 30 June 2014 was earning an average interest rate of 3.35% (2013:3.6%).

Trade receivables

Credit risk arises from the financial assets of TCS i.e. receivables. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for Impairment). No collateral is held by TCS nor has it granted any financial guarantees.

Liquidity risk

Liquidity risk is the risk that TCS will be unable to meet its payment obligations when they fall due. TCS manages the risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Current investment powers allow TCS to manage liquidity through bank facilities.

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 statement is received.

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

Liquidity risk (continued)

The following table reflects the maturity band for all contractual obligations at reporting date excluding the impact of netting.

	Carrying Amount \$'000	Contract Cash flow \$'000	Less than 1 Year \$'000	Between 1 and 5 Years \$'000	Over 5 Years \$'000
30 June 2014					
Financial assets					
Cash & cash equivalents	1,176	1,176	1,176	-	-
Trade and other receivables	10,174	10,174	10,174	-	-
Financial liabilities					
Trade and other payables	11,840	11,840	11,840	-	-
Net maturity - asset/(liabilities)	(490)	(490)	(490)	-	-
30 June 2013					
Financial assets					
Cash & cash equivalents	42	42	42	-	-
Trade and other receivables	9,456	9,456	9,456	-	-
Financial liabilities					
Trade and other payables	9,758	9,758	9,758	-	-
Net maturity - asset/(liabilities)	(260)	(260)	(260)	-	-

Notes to the Financial Statements for the year ended 30 June 2014

Note 9 Financial instruments (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. TCS's exposure to market risk is considered to be minimal and it has no exposure to foreign currency risk and does not enter into commodity contracts.

Interest Rate Risk

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

Index	Change in yield	Impact on surplus 2014 \$	Impact on surplus 2013 \$	Impact on Other Comprehensive Income 2014 \$	Impact on Other Comprehensive Income 2013 \$
Cash and cash equivalents	-1%	(11,760)	(420)	-	-
	1%	11,760	420	-	-

Fair value Measurements

TCS do not hold financial assets and liabilities at fair value after initial recognition. The financial assets and liabilities are generally recognised at cost.

The amortised cost of financial instruments recognised in the Statement of Financial Position approximates fair value because of the short term nature of the financial instruments. The fair values of most of the contractual financial assets and liabilities are the same as the carrying amount.

Note 10 Events occurring after reporting date

The *Transport Administration (General) Amendment (Transport Cleaning Services) Regulation 2014* was effective on 1 August 2014. The Regulation has resulted in TCS becoming a controlled entity of Sydney Trains for the 2014-15 financial year.

(End of audited financial statements)



INDEPENDENT AUDITOR'S REPORT

Transport Cleaning Services

To Members of the New South Wales Parliament

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

Opinion

In my opinion, the financial statements:

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

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

The Executive Director's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

Independence

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

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



C J Giumelli
Director, Financial Audit Services

17 October 2014
SYDNEY

5 Appendices

Appendix 1: Changes In Acts And Subordinate Legislation

Government Sector Employment Act 2013

Date of Commencement: 24 February 2014

This Act repealed the *Public Sector Employment and Management Act 2002*. Schedule 6.10 amended the *Transport Administration Act 1988* at Schedule 2, clause 1A, and Schedule 7, clause 175(7) to affect transfer of the employment of the heads of certain transport authorities from the Government Service to Transport Service.

Under the Act, two employment structures are created: the Government Sector and, within that, the Public Service. The government sector comprises most NSW government employees, including the Public Service and the Transport Service.

Part 5 of the Act contains the provisions that apply to employees in the Transport Service and NSW Government agencies. Under the Act, the Public Service Commissioner is empowered to make Government Sector related rules. Those parts of the *Government Sector Employment Rules 2014* that apply to Sydney Trains mirror what applies under the parent Act.

In addition, 'Secretary' replaced the term 'Director-General'.

Promotional appeal rights to the New South Wales Industrial Relations Commission are removed as agencies and departments will now be required to create internal processes to deal with concerns regarding promotional decisions.

Graffiti Control Amendment Act 2014

Date of Commencement: 14 May 2014

Section 6 of the Graffiti Control Act 2008 was amended as a consequential amendment under the *Graffiti Control Amendment Act 2014* to omit matter concerned with the fixing of posters. Section 4 was also amended regarding intentionally 'marking premises or property'.

Public Authorities (Financial Arrangements) Regulation 2013

Date of Commencement: 30 August 2013

This Regulation remakes the provisions of the *Public Authorities (Financial Arrangements) Regulation 2005*, which was repealed on 1 September 2013. The Regulation deals with the following matters:

- a) The purchase, surrender, transfer, transmission and payment of securities by authorities under the Public Authorities (Financial Arrangements) Act 1987
- b) The powers of investment conferred on authorities by that Act
- c) The prescription of certain entities as authorities for the purposes of that Act

Rail Safety National Law National Regulations (Fees) Variation Regulations 2014

Date of Commencement: 20 June 2014

This Regulation amended the Annual fees payable by Sydney Trains for the management and usage of track per kilometre, under s76 (1) of the *Rail Safety National Law*.

Smoke-free Environment Act 2000

This Act was amended by the *Statute Law (Miscellaneous Provisions) Act (No 2) 2013* to give police officers the functions of inspectors under that Act in order to deal with smokers on railway platforms and stations, and other transport related areas. These functions included the power to issue a penalty notice and order a person to stop smoking and state the offender's name and address.

State Authorities Non-contributory Superannuation Act 1987, State Authorities Superannuation Act 1987, Superannuation Act 1916

These Acts were amended by the *State Authorities Superannuation Amendment (Train Corporations) Order 2013* to include Sydney Trains in the list of employers, enabling their employees to continue to contribute to the State Authorities Superannuation Fund if they were contributors to that Fund immediately before becoming employees of Sydney Trains.

Transport Administration Act 1988

This Act was subject to various amendments, in particular those made under Schedule 6, Clause 6.10 of the *Government Sector Employment Act 2013*, and Schedule 3, Clause 3.32 of the *Statute Law (Miscellaneous Provisions) Act 2014*, which included:

- a) Terminological changes from “Director-General” to “Transport Secretary”
- b) The omission of Division 1 Regulations relating to staff employed in connection with certain authorities under Part 7
- c) The insertion of miscellaneous provisions relating to the employment of TfNSW staff in the Transport Service
- d) The insertion of a new Schedule 2A, which has provisions relating to the Chief Executive of the Independent Transport Safety Regulator and the Chief Investigator of the Office of Transport Safety Investigations

Transport Administration (General) Amendment (Miscellaneous) Regulation 2013

Date of Commencement: 1 July 2013

Amended the *Transport Administration (General) Regulation 2005* to make further provision in relation to the operation of Sydney Trains to:

- a) Make it clear that the regulations do not prevent the establishment of separate funds in relation to the operation of Sydney Trains and NSW Trains, and
- b) Provide for the application, to Sydney Trains and NSW Trains, of IPART pricing determinations made in respect of railway passenger services supplied by RailCorp.

Transport Administration (General) Regulation 2013

Date of Commencement: 1 September 2013

This Regulation remakes, with increases in certain penalties and various other changes, the provisions of the *Transport Administration (General) Regulation 2005*, which is repealed on 1 September 2013 by section 10 (2) of the Subordinate Legislation Act 1989.

The Regulation makes provision with respect to the following:

- a) Traffic control on land that is vested in TfNSW, RailCorp, Sydney Trains, NSW Trains, Sydney Ferries or the State Transit Authority,
- b) Sydney Trains, NSW Trains, Transport Cleaning Services and Western Sydney Buses,
- c) Leases, licences and other arrangements relating to the Australian Rail Track Corporation Ltd and matters relating to its staff,
- d) Penalty notices for certain offences.

Appendix 2: Government Information (Public Access) Act 2009 – GIPA

Review of proactive release program - Clause 7(a)

From 1 January 2004 to 30 June 2013, RailCorp provided metropolitan passenger rail services via CityRail, which operated in metropolitan Sydney and CountryLink, which operated in regional NSW. RailCorp also owned and maintained the metropolitan rail network and provided access to freight operators in the metropolitan area.

RailCorp's functions have changed with Sydney Trains and NSW Trains commencing operation from 1 July 2013. RailCorp continues operating as the holding and property management company for major rail and rail property assets in the Sydney Metropolitan Rail Area, which is the rail network extending to Newcastle in the north, Bowenfels in the west, Macarthur in the southwest and Bomaderry (Nowra) in the south.

Under section 7 of the *Government Information (Public Access) Act 2009* (GIPA Act), agencies must review their programs for the release of government information to identify the kind of information that can be made publicly available. This review must be undertaken at least once every 12 months.

The information that RailCorp makes available on its website includes the following details:

[Access to RailCorp information](#)

[Access to the rail network](#)

[Contracts and procurement](#)

[Heritage and conservation register](#)

[Publications](#)

[Railway electricity rights](#)

[Safety performance](#)

[Training](#)

During 2013-14 applications for access to information held by RailCorp were managed by Sydney Trains and statistical information about access applications is aggregated with Sydney Trains' statistics in Appendix 2 of Sydney Trains' Annual Report.

Appendix 3: Privacy and Personal Information Protection Act, 1998

[Privacy Management Plan](#)

Clause 6 of the *Annual Reports (Department) Regulation 2010* requires NSW Government Agencies to provide a statement of the action taken by the Department in complying with the requirements of the *Privacy and Personal Information Protection Act 1998* (PPIP Act) and provide statistical details of any review carried out under Part 5 of the PPIP Act.

RailCorp does not collect personal or health information about customers or employees.

[Privacy Reviews](#)

During 2013-14, RailCorp did not receive any applications for reviews of conduct relating to the use, access or release of personal information.

Appendix 4: Public Interest Disclosures Act 1994

All Public Interest Disclosures received by RailCorp during 2013-14 were reported to the NSW Ombudsman.

1. Number of public officials who have made a PID to the public authority: 2
2. Number of PIDs received by the public authority in total: 3
3. Number of PIDs received the public authority relating to each of the following:
 - Corrupt Conduct: 3
 - Maladministration: 0
 - Serious and substantial waste of public money: 0
 - Government information contravention: 0
4. Number of PIDs finalised: 6
5. Whether the public authority has a PID Policy in place: Yes
6. Actions taken to ensure staff awareness responsibilities under s6E(1)(b) of the Act has been met: PID information contained in Policy & Procedures; Code of Conduct; links contained in intranet; information communicated via briefing papers and staff communication.

Appendix 5: Digital Information Security Policy Compliance Attestation

Appendix A – Annual Attestation Statement

I, Howard Collins, am of the opinion that RailCorp had an Information Security Management System in place during the financial year being reported on consistent with the Core Requirements set out in the Digital Information Security Policy for the NSW Public Sector.

I, Howard Collins, am of the opinion that the security controls in place to mitigate identified risks to the digital information and digital information systems of RailCorp are adequate for the foreseeable future.

I, Howard Collins, am of the opinion that all Public Sector Agencies, or part thereof, under the control of RailCorp with a risk profile sufficient to warrant an independent Information.

Security Management System have developed an Information Security Management.

System in accordance with the Core Requirements of the Digital Information Security Policy for the NSW Public Sector, except for the requirement to implement an information classification and labelling scheme. Implementation, as required by the Policy, is in progress.

I, Howard Collins, am of the opinion that, where necessary in accordance with the Digital Information Security Policy for the NSW Public Sector, certified compliance with AS/NZS ISO/IEC 27001 Information technology – Security techniques – Information security management systems – Requirements had been maintained by all or part of RailCorp and all or parts of any Public Sector Agencies under its control.



Howard Collins OBE
A/Chief Executive
RailCorp

Appendix 6: Internal Audit Risk Management Disclosure

Internal Audit and Risk Management Statement

I, Howard Collins am of the opinion that Rail Corporation NSW has internal audit and risk management processes in operation that are, in all material respects, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 *Internal Audit and Risk Management Policy*.

I, Howard Collins am of the opinion that the Audit and Risk Committee for Rail Corporation NSW is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. The Chair and Members of the Audit and Risk Committee are:

- G. Fletcher Independent Chair (1 year term of appointment with effect from 1 July 2013)
- E. Crouch Independent Member (1 year term of appointment with effect from 1 July 2013)
- B. Blood Independent Member (1 year term of appointment with effect from 1 July 2013)

I, Howard Collins declare that this Internal Audit and Risk Management Statement is made on behalf of the following controlled entities (or subsidiaries):

- Transport Cleaning Services

These processes provide a level of assurance that enables the senior management of Rail Corporation NSW to understand, manage and satisfactorily control risk exposures.

As required by the policy, I have submitted an Attestation Statement outlining compliance with the policy to Treasury on behalf of the Treasurer.



Howard Collins OBE
A/Chief Executive
RailCorp

Appendix 7: Insurance Management

RailCorp has a comprehensive tailored insurance program in place as part of its risk management strategy.

The insurance program is reviewed annually in consultation with its appointed insurance brokers to protect against insurable risks. These risks could affect:

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

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

Appendix 8: Major Works in Progress

RailCorp has a wide range of works completed and in progress as of 30 June 2014 including the following:

	Forecast Completion (year)
Clearways	2014
South West Rail Link	2015
North West Rail Link	2019
Northern Sydney Freight Corridor	2016
Traction Supply Upgrade (Waratah A-Sets)	2016
Digital Train Radio System	2016
Lidcombe to Granville Corridor Upgrade	2017
Automatic Train Protection	2017
Wynyard Walk	2015

The construction works are undertaken by Transport for NSW on behalf of RailCorp.

Appendix 9: Land Disposals

In the year ended 30 June 2014, RailCorp had no proceeds from land disposals in excess of \$5 million.

Appendix 10: Disclosure of Controlled Entities

1. Trainworks Limited

Trainworks Limited (ABN 59 147877 772) trading as *Trainworks* was registered on 15 December 2010 and commenced operations on 4 April 2011. Trainworks Limited is a subsidiary controlled entity of RailCorp with a special purpose to operate the rail heritage site at Thirlmere. It is a company limited by guarantee and RailCorp is the sole member.

During 2013-14, the functions of Office of Rail Heritage, with respect to non-entity heritage assets, were transferred to TfNSW. In May 2013, the NSW Government announced that the operations of Trainworks, the Office of Rail Heritage and the Rail Transport Museum were to be consolidated into a single new not-for-profit company, Transport Heritage NSW. Trainworks ceased trading effective 30 June 2014, with operations of the Trainworks site at Thirlmere being handed over to Transport Heritage NSW from 1 July 2014. The intention of RailCorp is to voluntarily deregister Trainworks Limited prior to December 2014, with Transport Heritage NSW to carry on the mission of the Trainworks site at Thirlmere.

Purpose

Trainworks Limited was established by RailCorp to meet RailCorp's obligation to preserve and manage identified rail heritage assets of the State of New South Wales not required for the delivery of essential daily commuter services. Creation of the company enables these obligations to be met separately from RailCorp's core business as an operating transport agency.

Objectives

Trainworks Limited is registered as a charitable institution to operate a cultural facility (museum) known and trademarked as *Trainworks*. It has its own independent governing board and management team and is required to apply all income and property to benefit its rail heritage preservation and promotion objectives.

Operations

Trainworks Limited operates from the RailCorp-owned facility at Thirlmere NSW, which it occupies under a formal Custody Management Agreement. Trainworks Limited manages the site and controls public access to the heritage collection items on display there. It receives limited interim financial support allocated from RailCorp's Heritage budget under a Funding and Member's Deed.

Core business

Trainworks core business is to promote and deliver an engaging and enjoyable visitor experience at Trainworks, by:

- Making the remarkable Rail Heritage Collection accessible
- Providing quality experiences to delight and engage visitors
- Encouraging repeat visitation
- Inspiring businesses, schools and government to use the site as a venue for learning, promotional activities and celebration

Performance targets 2013-14

1. Achieve a balanced/break-even budget result for the year ending 30 June 2014.
2. Achieve 10 per cent increase in visitation over previous year.
3. Expand awareness in the market via use of media.
4. Prepare Trainworks operations for transition to Transport Heritage NSW

	KPI	Target	Actual
1.	Achieved Balanced/break-even result for 2013-2014	Breakeven	(\$1,026) (2013:\$ 82,635)
2.1	Achieve increase in visitation growth of 10% per annum	Museum visitors 26,000 Special event visitors 17,000	Museum visitors 28,059 - 19% increase on prior year Special event visitors 13,915 - 10% decrease on prior year
2.2	Achieve increase in visitation revenue of 10% per annum	\$842,278	\$835,000 – stable on prior year
3	Expand market presence and visibility via website and media attention	Expand social media as part of the Trainworks brand	103,220 unique website visitors (2013: 84,922) 431,015 page views (2013: 418,511) 243 TV advertisement spots (2013: 7) 4457 Facebook likes (2013: 2,391)
5	Handover of operations to Transport Heritage NSW	RailCorp Transport Heritage NSW	Worked with RailCorp to revise Custody Management Agreement re assets with RailCorp in place to be transferred to Transport Heritage NSW. Continued to work closely with Transport Heritage NSW on both an ongoing routine basis and in preparing transfer of Trainworks site operations and assets.

Trainworks has established itself as an important part of the visitor economy in the Wollondilly region. Continued visitation growth during the financial year has built upon the early growth of previous years, showing there is a strong public interest in NSW rail heritage. Trainworks Ltd is intended to cease as an entity in the 2014-15 financial year, however the integration of the Trainworks museum itself into Transport Heritage NSW from 1 July 2014 offers a range of opportunities for continued growth and development as a major Australian rail heritage icon.

2. Transport Cleaning Services

Name: Transport Cleaning Services (TCS) ABN 90 744 953 255

Transport Cleaning Services was constituted as a public subsidiary corporation of RailCorp on 28 September 2012 and commenced cleaning operations on 2 February 2013.

Purpose

Transport Cleaning Services has all the functions of RailCorp with respect to cleaning and improved presentation of rolling stock, railway stations and platforms, rolling stock maintenance facilities and rail yard facilities.

Primary Objective

The primary objective of Transport Cleaning Services is to:

- Provide an environment which will foster improvement and innovation in the delivery the cleaning services
- Improve the quality of the cleaning services
- Provide accountability for the performance of the cleaning services
- Achieve best value for money in the performance of the cleaning services

Operations

Transport Cleaning Services operates from various RailCorp-owned facilities around the rail network.

Performance targets 2013-14

- Deliver services with budget result for the year ending 30 June 2014
- Manage essential business and risk management systems
- Improve cleaning benchmark outcomes for trains and stations (Target 5 per cent per quarter)
- Deliver projects as agreed with Sydney Trains (Seat Cleaning Blitz and External Graffiti Removal Blitz, and Station Deep Cleans).

Performance measures for 2013-2014

Transport Cleaning Services must for the Term of the Agreement meet or exceed all KPIs for Cleaning Services.

The Transport Administration (General) Amendment (Transport Cleaning Services) Regulation 2014 will result in TCS being a controlled entity of Sydney Trains, effective 1 August 2014.

Appendix 11: Payment of Accounts

Quarter	Current (i.e. within due date)	Less than 30 days overdue	Between 30 and 60 days overdue	Between 60 and 90 days overdue	More than 90 days overdue
	\$M	\$M	\$M	\$M	\$M
September 2013	1.8	0.1	0.0	0.1	0.0
December 2013	2.6	0.1	0.0	0.0	0.0
March 2014	0.8	0.4	0.0	0.0	0.0
June 2014	0.7	0.2	0.2	0.2	0.1
Small Business Suppliers					
September 2013	0.01	0.0	0.0	0.0	0.0
December 2013	0.04	0.0	0.0	0.0	0.0
March 2014	0.0	0.0	0.0	0.0	0.0
June 2014	0.0	0.0	0.0	0.0	0.0

Accounts paid on time within each quarter

Measure	Sept 13	Dec 13	Mar 14	Jun 14
Number of accounts due for payment	1,112	842	492	609
Number of accounts paid on time	993	743	384	435
Actual % accounts paid on time	89.3%	88.2%	78.0%	71.4%
\$ amount of accounts due for payment	\$232.3M	\$149.4M	\$169.8M	\$255.6M
\$ amount of accounts paid on time	\$231.4M	\$148.8M	\$147.1M	\$199.2M
Actual % accounts paid on time (based on \$)	99.6%	99.6%	86.6%	77.9%
Number of payments for interest	0.0	0.0	0.0	0.0
Interest paid on overdue accounts	\$0.0	\$0.0	\$0.0	\$0.0
Small Business Suppliers				
Number of accounts due for payment	12	16	30	22
Number of accounts paid on time	11	13	28	22
Actual % accounts paid on time	91.7%	81.3%	93.3%	100.0%
\$ amount of accounts due for payment	\$0.05M	\$0.09M	\$0.23M	\$0.12M
\$ amount of accounts paid on time	\$0.05M	\$0.08M	\$0.22M	\$0.12M
Actual % accounts paid on time (based on \$)	99.3%	93.3%	95.7%	100.0%
Number of payments for interest	0.0	0.0	1	0.0
Interest paid on overdue accounts	\$0.0	\$0.0	\$27.0	\$0.0

Appendix 12: Investment Management Performance

In the year ended 30 June 2014, RailCorp invested surplus funds with Westpac Banking Corporation and NSW Treasury Corporation 11am call deposits. The interest earned was 3.26 per cent on the funds invested. During the same period, the benchmark NSW Treasury Corporation Hour Glass Investment Facility was 2.92 per cent.

Appendix 13: Liability Management Performance

In the year ended 30 June 2014, RailCorp's cost of funds was 3.7 per cent against the benchmark of 4.76 per cent. The benchmark debt portfolio comprised an equal weighting of short and long-term debt instruments. RailCorp's debt portfolio was heavily weighted in low yielding short-term debt in this financial year resulting in lower cost of funds.

Appendix 14: Credit Card Certification

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

Appendix 15: Payment to Consultants

RailCorp had no payments to consultants during 2013-14.

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