

Annual Report

Transport for NSW

Sydney Trains

2016-17 • Volume 1

Sydney Trains

477 Pitt Street
Sydney NSW 2000

All customer feedback to go
to website or 131 500 only.
TransportNSW.info or
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Letter of submission

The Hon. Andrew Constance
Minister for Transport and Infrastructure
Parliament House
Macquarie Street, Sydney NSW 2000

Dear Minister,

For your information and presentation to Parliament it is my pleasure to provide the *Sydney Trains Annual Report* for the year to 30 June 2017.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Howard Collins', with a long horizontal line extending from the end of the signature.

Howard Collins OBE
Chief Executive
Sydney Trains

30 October 2017

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Foreword







Chief Executive's foreword

Welcome to the Sydney Trains 2016-17 Annual Report.

I am pleased to report this year has again seen Sydney Trains make great progress in realising our core promise of delivering safe, customer-focused, reliable and clean services.

When Sydney Trains was first established we made the commitment to place our customers at the centre of everything we do. We realigned our focus from moving trains to moving people.

Now, four years later, we are reaping the benefits of this shift in mindset. Our customer satisfaction rate has continuously improved and sat at 90 per cent in May 2017, with complaints down by 13 per cent.

This success is all the more satisfying as it was achieved against a backdrop of a relentless increase in demand for our services. Last year alone we recorded 340.7 million customer journeys, which is a 5.6 per cent increase on the previous year.

While customer satisfaction will always be a key focus for Sydney Trains, of equal importance is the issue of safety.

Whether it is on our platforms, tracks and trains, or in our maintenance yards and signal boxes, our priority is always to ensure our customers and staff are safe. I am pleased to report our efforts this year have seen our customer injury rate and operational safety index continue their steady downward trend.

Another key priority for Sydney Trains this year was improving the diversity and inclusion of our workforce. Our goal at the beginning of the year was clear - we wanted to better reflect the community we serve.

While there is still work we need to do in this respect, we have made progress. Our representation of women in senior roles has increased to 23 per cent, exceeding our 20 per cent target.

The number of female train drivers has also increased by 14 per cent and was a key focus when we recruited an additional 290 new drivers and guards to support the upcoming delivery of the new 2017 timetable.

It is also pleasing to note that many more Sydney Trains staff and teams were recognised as either winners or finalists by external

organisations for innovative solutions to everyday challenges faced in running our railway. Among them, technological, heritage, fleet management and customer service awards.

As Sydney continues its undoubted transport revolution, these staff will play a key role in meeting the ever increasing demand for our services.

Also central to keeping our city moving are the rail assets that we depend on to deliver services for our customers. With over 961 kilometres of track, deep heritage roots and a complex operating environment this is a challenging task. That is why it was especially satisfying that in June 2017, Sydney Trains became the first public sector organisation in Australia to achieve ISO 55001:2014 accredited certification of our asset management system.

This certification is a formal, globally-recognised confirmation of our asset management maturity and provides a solid foundation to continuously improve how we manage our assets. It assures our customers and stakeholders that we understand how our assets perform and how best to manage them.

We continue working with Sydney Metro, Light Rail and other partners who will integrate with our network and ensure that our public transport system continues to deliver world-class services to support Sydney.

We're justly proud of our achievements over the 2016-17 financial year and will move confidently forward, on strong foundations of safety, accountability and excellence through collaboration to contribute to the success of transport in NSW.



Howard Collins OBE
Chief Executive
Sydney Trains

Overview





Grand Concourse



About Sydney Trains

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

As well as maintaining trains and a large proportion of the infrastructure used by NSW TrainLink, Sydney Trains also operates the network-wide Rail Management Centre, providing train control services to all operators on the Sydney metropolitan network, and is responsible for maintenance of over \$32 billion in assets, including tracks, trains, signals, overhead wiring, stations and facilities.

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

Sydney Trains' vision is to keep Sydney moving by delivering safe, customer-focused, reliable and clean rail services. Sydney Trains recorded a 90 per cent customer satisfaction rating for the financial year 2016-17 and achieved 93.4 per cent peak punctuality against its target of 92 per cent, while customer patronage (340.7 million passenger journeys) was up 5.6 per cent on 2015-16 (322.7 million passenger journeys).

Aims and objectives

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

Sydney Trains has seven strategic objectives:

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

Strategic alignment with NSW Government

Sydney Trains is committed to the delivery of the NSW Government's priorities for transport. These have been outlined in the State Priorities and have been further detailed by Transport for NSW in partnership with all peer transport operators.

Transport for NSW is the lead agency for transport within New South Wales and has primary responsibility for coordinating transport policy, funding allocations and planning for all modes of transport. Its purpose is to make New South Wales a better place to live, do business and visit, by managing and shaping the future of the whole transport system.

Premier's priorities and State priorities

The NSW Government's 12 Premier's priorities and 18 State priorities aim to grow the economy, deliver infrastructure, protect the vulnerable and improve services across NSW. Sydney Trains has direct responsibility to contribute towards the following priorities:

- **Ensure on-time running for public transport:** maintain or improve reliability of public transport services over the next four years
- **Deliver strong budgets:** ensure expenditure growth is less than revenue growth.

Sydney Trains also contributes to the delivery of State priorities, which include:

- **Creating jobs:** 150,000 new jobs by 2019
- **Delivering infrastructure:** key infrastructure projects to be delivered on time and on budget
- **Improving government services:** improving customer satisfaction with key government services every year
- **Driving public sector diversity:** increasing the number of women and Aboriginal and Torres Strait Islander people in senior leadership roles.

Sydney Trains will contribute to each of the six priorities through our strategic objectives.

NSW Long Term Transport Master Plan

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

Sydney's rail future

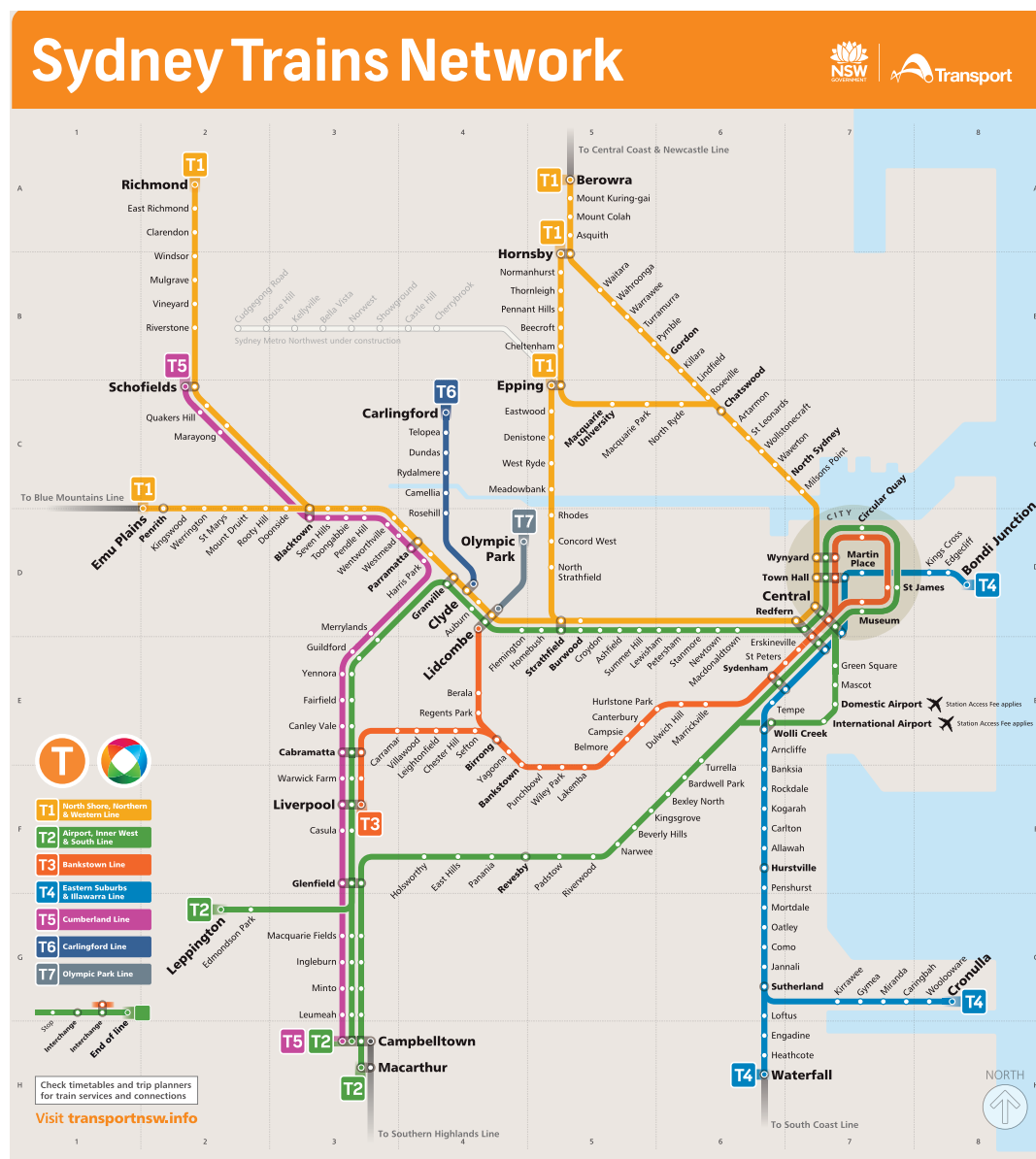
Sydney's Rail Future is an integral part of the NSW Long Term Transport Master Plan. It will deliver a three-tiered system of rapid transit, suburban and intercity services to meet changing customer needs.

It aims to achieve operational and network efficiencies and the completion of major works, like the new Sydney Metro Northwest and Sydney Metro City & Southwest. It has five key stages:

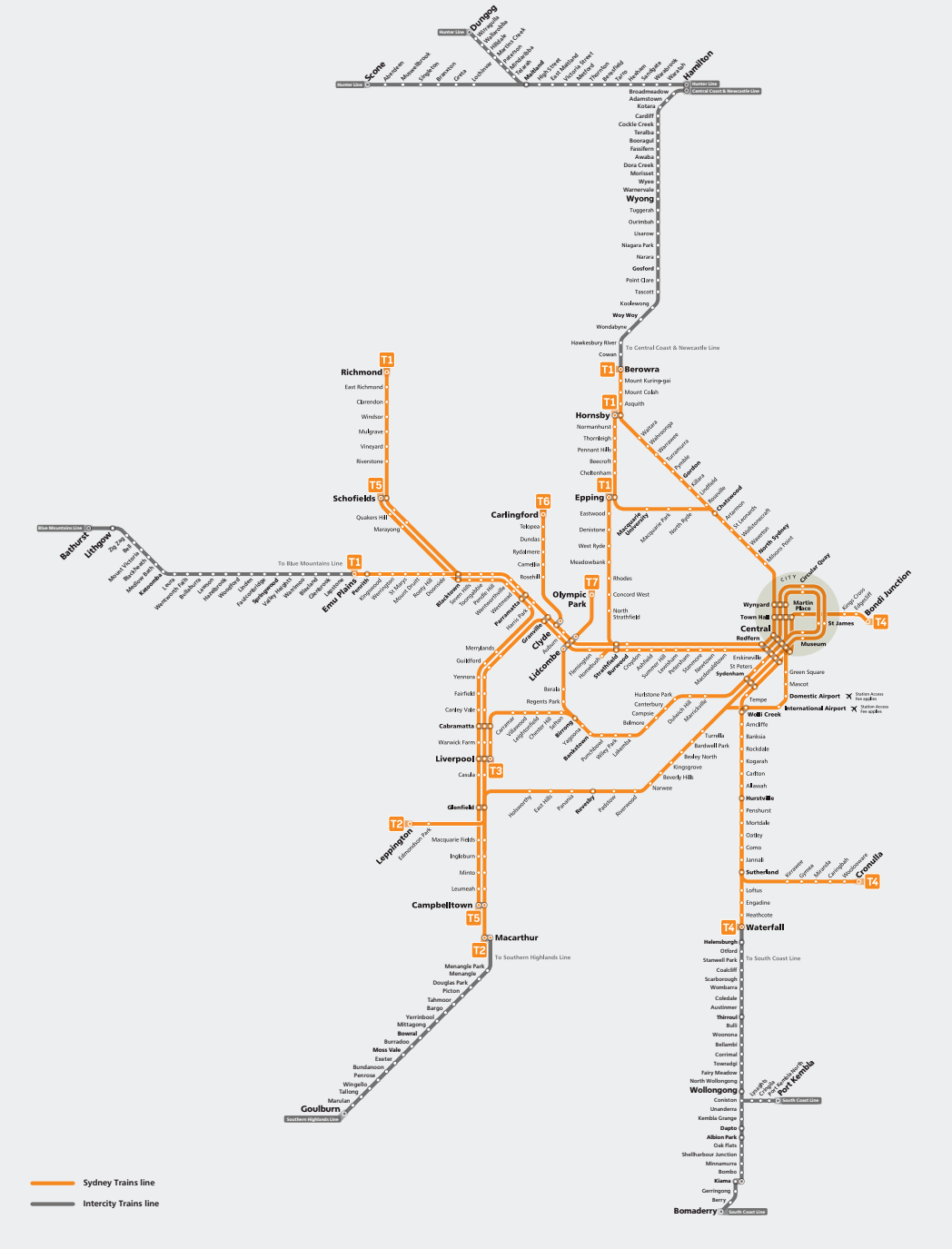
1. operational efficiencies
2. network efficiencies
3. new rapid transit system
4. second Harbour crossing
5. conversion of the Bankstown Line to the Sydney Metro.

Sydney Trains is a key delivery partner in the implementation of Sydney's Rail Future. We will work with Transport for NSW to implement their plans, including the Sydney Metro projects.

Sydney Trains network



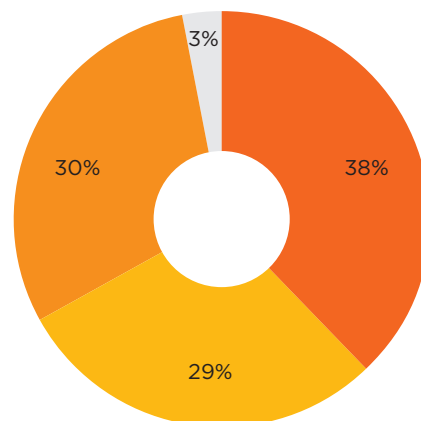
Combined Sydney & Intercity trains networks



Financial performance summary

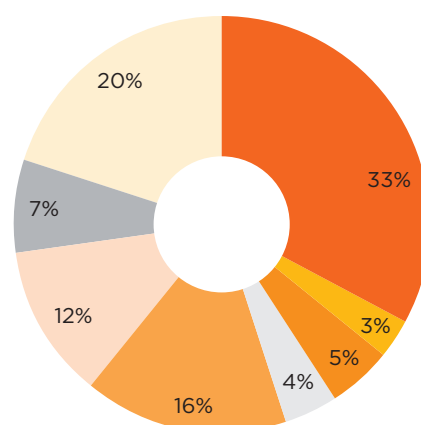
2016-17 Income from operating activities

Passenger services revenue	\$779.6m	38%
Construction revenue	\$577.1m	29%
Inter-entity cost recovery	\$602.3m	30%
Miscellaneous	\$68.9m	3%
Total income	\$2027.9m	



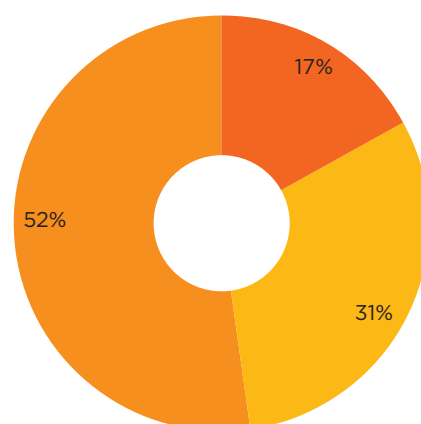
2016-17 Total expenses

Employee-related expenses	\$1154.0m	33%
Personnel services expenses	\$113.0m	3%
Finance costs	\$158.1m	5%
Depreciation and amortisation	\$149.3m	4%
Construction costs	\$577.1m	16%
Other contractors	\$414.2m	12%
External maintenance costs	\$258.7m	7%
Other operating expenses	\$707.5m	20%
Total expenses	\$3531.9m	



2016-17 Total maintenance

Capital maintenance	\$215.3m	17%
Routine maintenance	\$392.7m	31%
Major periodic maintenance	\$663.7m	52%
Total maintenance	\$1271.7m	



Sydney Trains financials at a glance

	2013-14 \$ million	2014-15 \$ million	2015-16 \$ million	2016-17 \$ million
Passenger services revenue	745.3	712.4	721.6	779.6
Other income	1092.5	1124.1	1204.8	1248.3
Income from operating activities	1837.8	1836.5	1926.4	2027.9
Total expenses	3224.0	3371.6	3362.9	3531.9
Deficit from operations before government contributions	-1386.2	-1535.1	-1436.5	-1504.0
Government subsidies and concessions	1186.4	1256.5	1213.0	1281.3
Deficit from operations before capital contribution	199.8	-278.6	-223.5	-222.7
Government contributions for capital expenditure	28.5	64.0	0.0	58.3
Deficit from continuing operations	-171.3	-214.7	-223.5	-164.4

Cost and revenue per journey/revenue car kilometre

Sydney Trains	2013-14	2014-15	2015-16	2016-17
Net operating costs per revenue car kilometre* ¹	\$8.97	\$9.00	\$8.82	\$9.43
Net operating costs per passenger journey* ²	\$6.13	\$6.00	\$5.38	\$5.50
Passenger Revenue per Passenger Journey	\$2.65	\$2.44	\$2.24	\$2.29

* Net operating costs are in nominal dollars.

¹ The real cost per revenue car kilometre is \$9.45 for 2013-14, \$9.32 for 2014-15, \$9.00 for 2015-16 and \$9.43 for 2016-17. Revenue car kilometre is based on scheduled revenue car kilometre.

² The real cost per passenger journey is \$6.48 for 2013-14, \$6.21 for 2014-15, \$5.49 for 2015-16 and \$5.50 for 2016-17.

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

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

Revenue and expenses

For the 2016-17 year, Sydney Trains received \$2027.9 million [2015-16: \$1926.4 million] in income from operating activities, while total expenses of \$3531.9 million [2015-16: \$3362.9 million] were incurred in operations, depreciation and financing costs. The resulting deficit from operations, before government support, was \$1504.0 million [2015-16: \$1436.5 million].

Government contributions and other comprehensive income

Government contributions towards day-to-day operations of Sydney Trains were \$1281.3 million [2015-16: \$1213.0 million], resulting in an operating deficit of \$222.7 million [2015-16: deficit \$223.5 million] for the year. Government contribution towards Sydney Trains capital investment program for 2016-17 was \$58.3 million compared to nil in 2015-16. Sydney Trains recorded a deficit from continuing operations of \$164.4 million [2015-16: deficit \$223.5 million].

Other comprehensive income for the year of \$119.7 million includes superannuation actuarial gains on defined benefit schemes of \$128.8 million [2015-16: Loss \$247.0 million]. The total comprehensive income for the period was therefore a deficit of \$44.7 million [2015-16: deficit \$465.9 million].

Transport entity cost recoveries

During 2016-17 Sydney Trains recovered \$1179.4 million [2015-16: \$1130.1 million] in services revenue from related transport entities, \$598.4 million for operational and maintenance services to related transport entities [2015-16: \$553.3 million], \$577.1 million for capital delivery activities as construction revenue [2015-16: \$572.7 million] and \$3.9 million for assigned staff to other entities [2015-16: \$4.1million].

Total expenses (net of recoveries) were \$2352.5 million [2015-16: \$2232.8 million].

Performance against budget

Sydney Trains net operating income performance was \$98 million favourable to budget.

Maintenance expenditure

Maintenance expenditure by Sydney Trains totalled \$1271.7 million [2015-16: \$1318.4 million], which included \$215.3 million [2015-16: \$321.0 million] of capitalised maintenance on RailCorp and Sydney Trains assets. Total maintenance undertaken includes work performed for the NSW Trains fleet, facilities and network infrastructure.

Capital investment

Sydney Trains' total capital investment was \$21.6 million.

Sydney Trains was also engaged in the delivery of capital works for RailCorp assets throughout the year. In total, Sydney Trains delivered \$595.5 million [2015-16: \$610.8 million] of capital works, including \$215.3 million [2015-16: \$321.0 million] of capitalised maintenance.



Our performance





Our customers

In 2016-17, Sydney Trains focused on improving the customer experience with rail transport services and running trains on time, in line with State priorities.

We measured our success through:

- sustained high level of customer satisfaction of 90 per cent
- improved information to our customers
- improved incident response and recovery times
- improved customer journey times.

Overview

Sydney Trains delivers a consistently high-quality customer experience, and continues to receive positive feedback for improved customer service, clean trains and updated stations.

We ensure our staff are visible and empowered to provide accurate and timely information and a safe and secure journey across all 178 stations on the Sydney Trains network.

We aim to deliver customer journey growth, growing patronage year-on-year by delivering high-quality services which attract new customers.

Customer service

Sydney Trains' Customer Satisfaction result was 90 per cent in the May 2017 reporting period, representing a two per cent increase since May 2016 and 11 per cent increase since November 2012.

Customer satisfaction has been consistently high in this category. During the 2016-17 financial year, we continued to focus on moving customers, with our frontline staff being visible and informed to meet customer needs across the station environment.

In April 2017, a new Customer Experience Management Program (CXMP) was implemented, allowing measurement of our customer service interactions, supported by coaching to improve the customer experience. The CXMP also provides data on information, cleaning and overall customer satisfaction, significantly accelerating a timely response from both frontline and leadership teams.

Information

Customers not only acknowledged that service information has improved but that they appreciate our staff are better informed. We have continued to focus on delivering real-time information to ensure station staff have the latest information on network performance available. We provide updated information through our social media channels, particularly Twitter, and give staff better tools and technologies to access up-to-date, real-time information and help customers more effectively.

In 2016-17 we:

- made digital upgrades to our analogue public address systems at another seven stations (making a total of 26 stations upgraded to digital to date)
- enabled staff at an additional 19 stations to run public address systems directly from their mobile phones, further improving customer information announcements (a total of 66 stations equipped with this system to date)
- completed new-look passenger information screens to 168 stations so customers can access the latest real-time service information
- issued over 2300 drivers and guards with iPads in October 2016 as part of the Train Crew Mobility Program. The mobile device rollout saw electronic solutions replacing paper-based processes, significantly improving the quality and accuracy of incident reporting, while custom-built apps assist with daily tasks and improve workforce capability. The timeliness of reports to train crews has also improved.

Cleanliness

Our daily focus on clean stations and trains was supported by a program of deep cleans throughout the year. Customer satisfaction in cleanliness increased from 87 per cent in May 2016 to 89 per cent in May 2017.

Station environment

We continued to modernise stations across the network through the Station Refresh and Town Hall Programs, improving station amenities and refreshing general presentation to deliver a better customer experience.

These programs have delivered significant improvements to the stations by de-cluttering platforms, restoring heritage buildings and installing LED lighting systems. This in turn has impacted positively on the environment, reducing costs and increasing safety and security for our customers. Town Hall also saw the unveiling of new escalators as well as modernisation of the concourse.

Improved connectivity

In collaboration with Transport for NSW, Sydney Trains has worked to improve access to stations by improving car parking, implementing pedestrian crossings and upgrading bus interchanges through the Transport Access Program. This has entailed installation of over 12,000 directional and safety signs across all modes of transport through the Wayfinding Program, helping our customers navigate a complex transport environment.

A safe environment

We implemented the Wayfinding Program to provide consistent and easy-to-follow visual messages to improve our customer's journey, particularly when changing modes or when they are unfamiliar with our network. Effective signage enhances the customer's experience and can leave a favourable impression long after they have left the network.

Sydney Trains has recently installed new signage at Central Station. This initiative has received positive feedback and helped to reduce safety incidents at the station. Rollout of new signage at other CBD stations will go ahead in the near future.

These activities contributed to our low customer injury frequency rate (CIFR) of 2.29, below our target of 2.61.

Paramedics and nurses

In looking out for the health and wellbeing of our customers, we have 12 paramedics and registered nurses located at 12 stations during morning and afternoon peaks. This not only allows customers suffering from an illness to receive appropriate attention but also gets trains moving again.

Improved revenue protection

Sydney Trains is responsible for revenue protection across the Transport cluster through our Transport Officers, who collaborate with Transport for NSW and the Police Transport Command. The Fare Compliance Unit aims to increase fare compliance and improve the customer experience across all modes of public transport. Since its inception, a number of key initiatives have been delivered, including:

- supporting the rollout of Opal across all modes of transport, encouraging uptake and educating customers on the correct use of products
- leveraging mobile technologies to allow for an electronic penalty notice system that has resulted in the improved quality and timeliness of infringement processing
- working in partnership with Transport for NSW, Authorised Officers within Transdev Sydney are patrolling the Inner West Light Rail, conducting fare compliance operations. This has resulted in improved fare compliance from 89.0 per cent in 2012 to 94.2 per cent in 2017.

Awards

In 2016-17, we won a range of awards demonstrating our commitment and efforts to put the customer at the centre of everything we do.

The iPhone Rollout for Customer Service staff was awarded a coveted 2016 Australasian Rail Industry Award for Customer Service.

The staff-driven Sydney Trains version of the transport app NextThere was a finalist in the Transport Awards Solutions category, and then went on to win three 2017 DRIVENxDESIGN awards: gold in the Digital TravelTech category in the Sydney Design and Government Design Awards, and silver in TravelTech Innovation in the global Tech Design Awards.

Cleaning Services were a finalist in the Premier's Awards in 2016.

Our people

In 2016-17, Sydney Trains focused on supporting our staff by creating an effective leadership culture and engaged workforce.

We measured our success through:

- increased staff capability through investment in their development
- a more diverse workplace with increased representation of female leaders and Aboriginal employees
- maintaining staff wellbeing and recognising their achievements.

Overview

Our staff are our most important assets, providing critical knowledge, services and leadership. It is our staff who ensure that our customers are at the centre of everything we do – this has been a core focus for our nearly 10,000 people. Leaders at all levels champion a one-team approach to our behaviours and the way we work.

We are building practices and environments to ensure we are a diverse, flexible, engaged and agile workforce. We have also focused on building the capability and competence of our staff, matching workforce capacity to areas subject to change, driving accountability for individuals and enhancing the competency and capability of frontline staff.

Development

We have a robust training program for our guard and driver recruits, that run for five and 12 months respectively. This investment ensures our staff are positioned to deliver safe and reliable services.

Our multi-skilling and depot reset program focuses on building the capability of the Fleet Maintenance workforce, and positioning Sydney Trains' fleet maintenance depots to meet future demand. The program will see a multi-skilled workforce developed and optimise the way we structure our business and resources to meet increasing demand.

Diverse workplace

As part of our commitment to diversity and inclusion, in March 2017 Sydney Trains ran a recruitment campaign targeting women considering careers as train crew. The campaign was an overwhelming success, achieving a 53 per cent increase in female applicants overall, with 14 per cent more female drivers and nine per cent more guards. The campaign also raised the profile of Sydney Trains through media coverage that reached as far as the BBC in the United Kingdom. Representation of women in senior executive roles also increased to 23 per cent, exceeding the targeted 20 per cent.

This is recognised by our staff, with a 10 point increase in our organisational People Matters Engagement Survey 2017. Fifty-five per cent of staff agreed the statement 'senior managers in my organisation support the career advancement of women', compared with 45 per cent in 2016.

We introduced Thrive forums, career-empowerment programs focused on advancing women in Sydney Trains, and delivered female and Indigenous graduate and apprenticeship recruitment campaigns.

Almost 290 new drivers and guards were recruited during the year to ensure we have the required number of crew available to deliver an increasing number of services. New guard and driver recruits undergo a robust training program of five and 12 months respectively.

Health and wellbeing

Our health and wellbeing initiatives included Health Fairs, the R U OK? Day and influenza vaccinations. We also launched health apps including the Mind Your Step Globetrekker step challenge app, recruited Health Champions to support the Health on Track Programs, held Health Hit Workshops (involving nutrition and exercise), launched the *Sydney Trains Eats* recipe book, and initiated post-incident trauma support counselling and defibrillator training.

Leadership

Transport NSW 'Drive IT' leadership programs were held, attended by 250 Sydney Trains supervisory and management staff, seeking to define and embed the concept of flexibility within Sydney Trains, particularly as a portion of our workforce moves to activity-based working. Together with this initiative, we supported staff affected by change through the provision of a dedicated Workforce Transition Centre.

During the year we also administered both the NSW Public Sector People Matters Engagement Survey (PMES) and the Sydney Trains Pulse Survey, with targeted actions and initiatives to be rolled out across the business. These surveys measure a range of issues to better understand the engagement of our people.

Employees demonstrating our Sydney Trains SPACE behaviours – safety, pride, accountability, collaboration and excellence – are recognised across three categories, including operational excellence, safety and customer experience.

Other

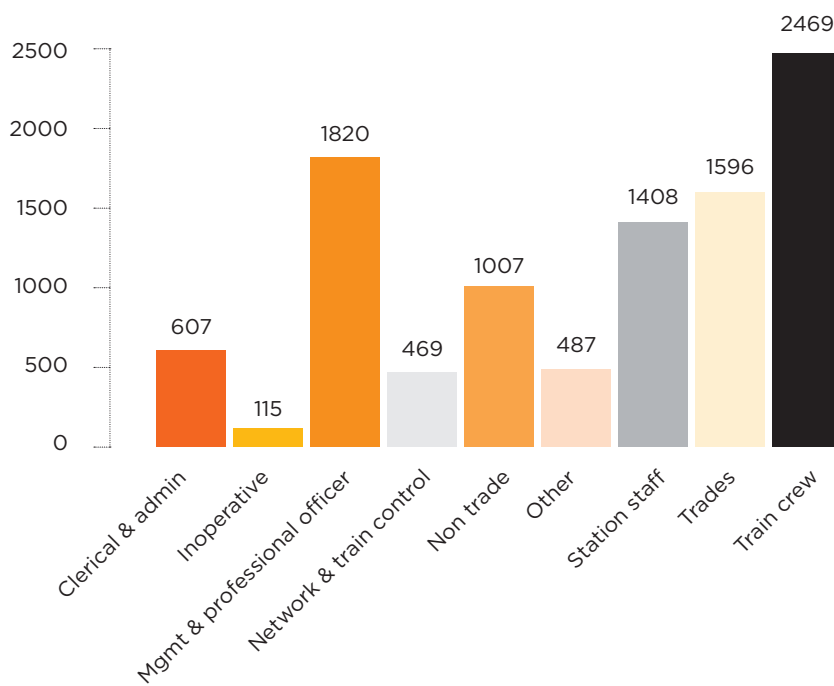
Other activities included:

- reform of the Major Works Division to achieve service delivery and efficiency gains
- embedding of the new customer experience model, with station staff being more visible and accessible to customers
- successful placement of graduating apprentices into permanent positions.

Employee recognition

Underpinning our achievements are our staff. Twenty teams and 51 individuals were recognised with Staff Excellence Awards during 2016-17. The awards, held twice yearly, acknowledge and reward the individuals and teams who have gone above and beyond in the line of duty, and significantly contributed to the overall success of Sydney Trains.

Employee totals by category



Salaries

Salary Band Sydney Trains	Award	Level 1	Level 2	Level 3	Level 4	Level 5	Level 6	Grand total
<\$50,000	446							446
\$50,000 to \$75,000	4093							4093
\$75,001 to \$100,000	2734							2734
\$100,001 to \$125,000	1192							1192
\$125,001 to \$150,000	987							987
>\$150,000	39	383	64	18	15	3	4	526
Grand Total	9491	383	64	18	15	3	4	9978

Safety

In 2016-17, Sydney Trains focused on creating and fostering an environment that improves safety.

We measured our success through:

- reduced frequency and severity of safety incidents
- fewer staff lost time injuries and medical treatment injuries
- reduced number of incidents leading to delays
- fewer criminal offences by supporting NSW Police Transport Command Officers.

Overview

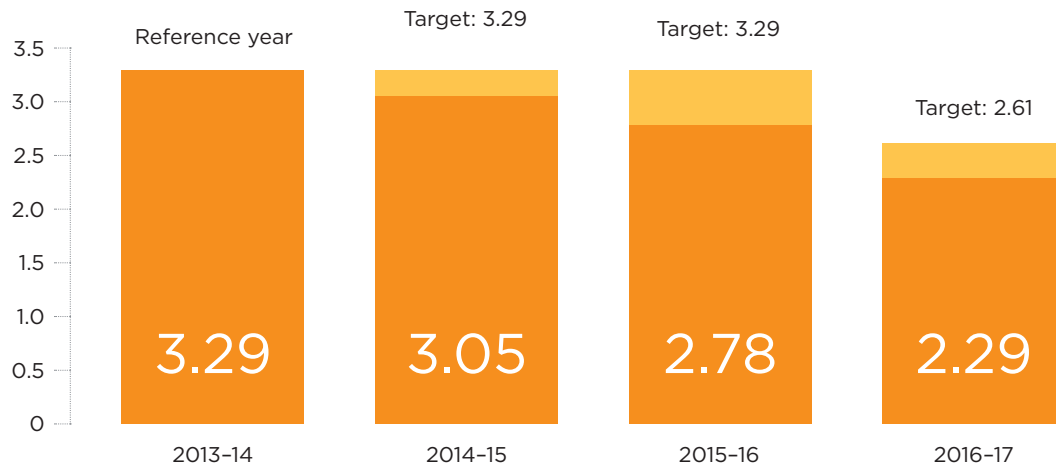
During a period of increasing patronage and ongoing change, the safety of our customers, our staff and the general public remains Sydney Trains' highest priority. Our success in this regard is reflected in the safety performance information presented below.

The comprehensive Sydney Trains Safety Management System meets or exceeds all legislative requirements and is the subject of continuous improvement. The Safety Management System collates the information, processes and requirements that ensure the organisation continues to meet operational requirements, mitigate safety risks and ensures compliance with safety regulation.

Customer and operational safety

Customer safety is maintained and monitored through Sydney Trains' operational effectiveness and its attention to customer-specific safety indicators such as the customer injury frequency rate (CIFR), which measures incidents per million passenger journeys. In 2016-17 we achieved a CIFR of 2.29, representing ongoing improvement as shown in the chart below.

Customer injury frequency rate – annualised

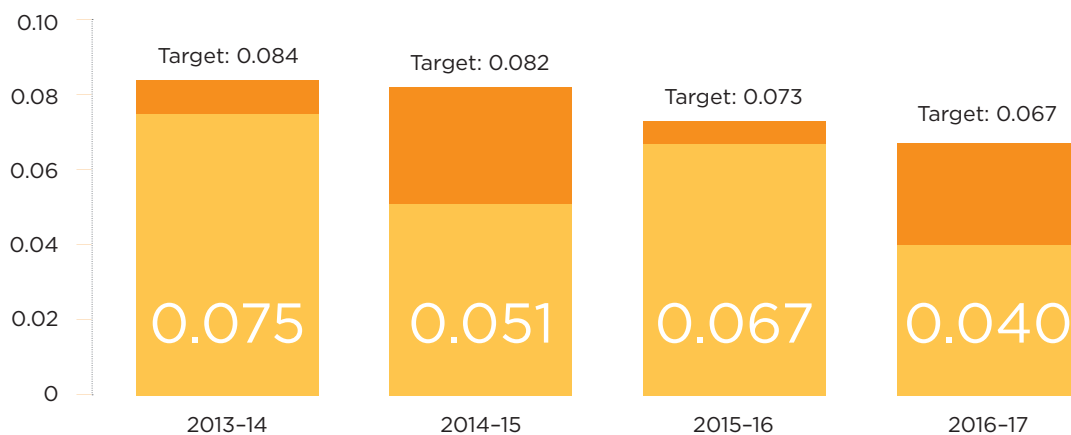


Reduced number of incidents

Our operational safety performance represents the total number of qualifying incidents per year normalised per million passenger journeys, and is measured through the operational safety index (OSI), a composite of 12 incident categories considered to present potentially significant risk to passengers.

Sydney Trains' annualised OSI value for 2016-17 of 0.040 was well below our target of 0.067. Our annualised OSI performance over four years is shown in the following chart.

Operational safety index – annualised



In addition to these measures, a number of programs and activities specifically focused on customer safety were conducted during the year, including an ongoing stations refurbishment program involving improved lighting, accessibility and wayfinding. Our schools program is educating school children about safety on trains and stations, and influencing their behaviours in a positive and enduring way.

Greater staff interaction with customers continues to deliver benefits, through daily promotion of safer ways to travel on our network. Staff across the network use dedicated apps on Sydney Trains iPhones and iPads to provide guidance and information to customers, and to facilitate a faster response to passenger issues and incidents.

Fewer criminal offences

Sydney Trains continued to work closely with the Police Transport and Public Safety Command to provide information and intelligence.

As a result of our collaboration, rates of personal violence decreased from 3.9 to 3.6 incidents per million passenger journeys during the year. A new contract security provider saw us move away from purely static patrols to mobile security officers with the ability to conduct security surveillance operations at key hot spots.

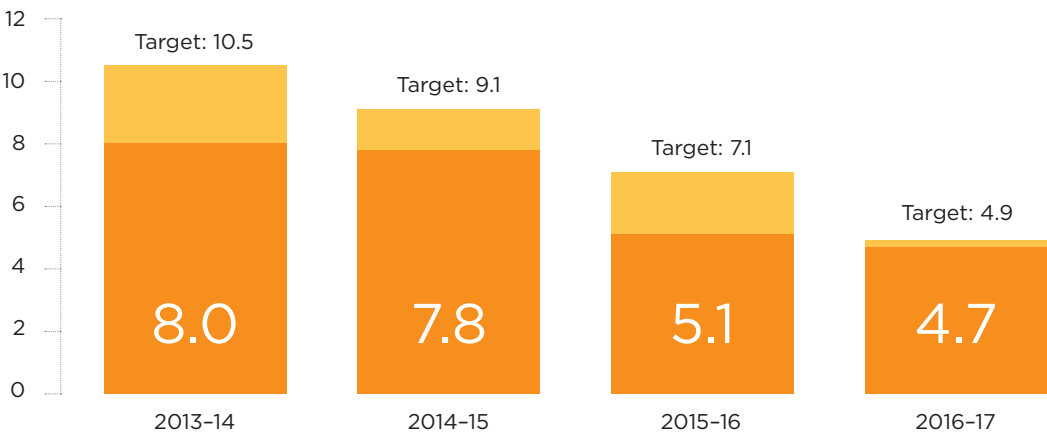
Through our Graffiti Management Strategy and partnership with NSW Police, Sydney Trains uses a combination of cutting-edge technology and traditional methods to tackle graffiti and vandalism. As a result, graffiti has consistently trended down, with 2016-17 seeing a 42 per cent reduction on the three years prior. There has also been an increase in successful prosecutions of graffiti matters.

Employee safety

Our key performance indicator for employee safety remains the Lost Time Injury Frequency Rate (LTIFR), measuring the number of staff injuries leading to lost working hours, normalised per million hours worked.

The year-end LTIFR performance for Sydney Trains of 4.7 was better than the target of 4.9 and represents the realisation of sustainable improvements over the last several years, as can be seen in the following chart. This result continues to demonstrate performance that surpasses most of our comparable heavy industry benchmarking partners.

Lost time injury frequency rate – annualised



Twenty-four hour incidents are down 5.6 per cent since last financial year, despite a 5.6 per cent growth in customer patronage to 340.7 million passenger journeys for the year.

The continuing reduction in the number of lost time injuries has been accompanied by a reduction in the average days lost as a result of injury, and a reduction in both the number and overall cost of workers compensation claims.

Safety Focus Sessions were held during the first six months of the reporting year following the tragic death of a Sydney Trains employee in June 2016. Conducted at locations across the network, the sessions, involving senior managers and all maintenance workers, aimed to bring safety to absolute front-of-mind for all Engineering & Maintenance staff and to ensure the circumstances of the fatality could not be repeated. Safety Focus Sessions were also held in 2017 for the benefit of drivers, guards, signallers and controllers.

At a more strategic level, five streams of work have been established to generate further improvements in safety performance within Sydney Trains. Known as the Safety Focus Program these streams are:

1. **Culture:** a series of initiatives designed to gain overall measurable improvement in safety knowledge, awareness and behaviours across the organisation.
2. **Worksite protection arrangements:** improving competencies associated with worksite protection rules and procedures, and providing enhanced protection regimes best adapted to the requirements of specific work sites.
3. **Safety critical communications:** the provision of more effective communications training and a monitoring regime for sustainable improvements.
4. **Planning for maintenance work:** an overhaul of planning processes to ensure the presence of key safety gateways for all maintenance work requirements.
5. **Fatigue management:** a major review and upgrading of existing systems and procedures for more effective fatigue management across all operational areas.

The following table contains additional, more detailed information regarding Sydney Trains' health and safety metrics.

Work health and safety category	Count
Number of staff injury notifications received	1178
Total days lost due to workplace related injuries or illness	2742 (note that data excludes psychological injuries)
Prosecutions reported against Sydney Trains	0
Lost Time Injury Frequency Rate	4.7
Prosecutions under the Act	0
Workplace safety inspections	1489 Safety Leadership visits

Operational performance

In order to meet Premier and State priorities, we track and review our punctuality performance every day during the morning and evening peak and on weekends.

Punctuality

Achieving peak punctuality of 93.4 per cent during the 2016-17 financial year was a significant achievement for Sydney Trains, exceeding the Rail Services Contract target of 92 per cent.

Key facts about Sydney Trains' peak performance in 2016-17:

- Seven of eleven rail lines achieved peak punctuality above the 92 per cent target.
- The Eastern Suburbs Line (T2) was the best performing line with peak punctuality of 96.2 per cent.
- The Eastern Suburbs Line was followed by the Inner West Line (T2 - 95.9 per cent), Bankstown Line (T3 - 95.7 per cent), North via Macquarie Park Line (T1 - 95.1 per cent), Airport Line (T2 - 94.3 per cent), Illawarra Line (T4 - 93.7 per cent) and North via Strathfield Line (T1 - 92.8 per cent).
- Compared to 2015-16 Sydney Trains' peak punctuality performance reduced by 0.8 per cent.

The North Shore, West, South and East Hills lines fell short of their punctuality targets due to a number of reasons, chief among them, trespass, track and power issues, and extreme weather conditions.

Customer satisfaction overall

90%

Who are our customers?



Customer satisfaction by service area

(% change since Feb 17)

Timeliness	85%	1%
Safety/Security	90%	1%
Ticketing	91%	
Convenience	86%	2%
Accessibility	90%	1%
Comfort	87%	
Cleanliness	89%	1%
Information	88%	1%
Customer Service	84%	1%

Customer Satisfaction by line

(% change since Feb 17)

T1 North Shore, Northern & Western Line	90%	3%
T2 Airport, Inner West & South Line	89%	
T3 Bankstown Line	89%	3%
T4 Eastern Suburbs & Illawarra Line	92%	1%
T5 Cumberland Line	86%	7%
T6 Carlingford Line	77%	27%

% change (rounding has been applied)

Supporting Sydney major events

Sydney Trains coordinated train services for hundreds of concerts, sporting and public events in and around Sydney (including the Royal Easter Show, Anzac Day, Mardi Gras, the Vivid Festival, State of Origin, City 2 Surf and New Year's Eve), as well as a box office film shoot for Peter Rabbit in February and March 2017. The shoot involved over 220 cast and crew across various locations on the network including Central Grand Concourse, Mortuary Station and Thirlmere in the Southern Highlands.

Maintaining our assets

In 2016–17, Sydney Trains focused on managing assets for Sydney Trains and NSW TrainLink by balancing cost, risk and performance.

We measured our success through:

- reduced customer impact from asset-related incidents
- delivery of the annual works program across our asset base
- improved reliability and availability of assets.

Overview

As an operator, maintainer and deliverer of choice, Sydney Trains operates train services, manages stations and crewing, and undertakes the maintenance of metropolitan rail infrastructure, rollingstock and stations.

Sydney Trains manages over \$32 billion in assets and over the financial year delivered approximately \$600 million worth of projects to modernise the State's metropolitan rail infrastructure.

To drive continuous improvement, we're investing in new technologies and innovative engineering and maintenance solutions while delivering operational efficiencies and cost savings.

Annual Works Program

Projects delivered as part of the \$1.3 billion Annual Works Program include:

- 21.852 km rerailing (AMP)
- 31.234 km rerailing (squats)
- 579.401 km resurfacing plain track
- 12.965 km ballast cleaning
- 20.55 km contact wire renewal
- 42.5 turnout renewals
- 952.802 km rail grinding
- 8.493 km track reconditioning
- 3.362 km OHW modernisation
- 3.99 km track reconstruction
- 16 bridge refurbishments
- 196 cars component change out (electric fleet)
- 504 bogie overhaul (electric)
- 718 traction motor overhaul (electric).

Key projects

LILY STREET BRIDGE, ALLAWAH

To ease traffic congestion, the Lily Street overbridge at Allawah was expanded from two to four lanes. The project, a collaboration between Sydney Trains and Roads and Maritime Services, was completed ahead of schedule in November 2016.

WATERFALL CULVERT UPGRADE

Completed in stages over two years, the project, providing high-capacity drainage infrastructure, was delivered without disruption to the 84,000 Illawarra residents and considerable freight traffic that use the Illawarra line each week. As well as significantly improving drainage and track stability in the area, the project has reduced geotechnical monitoring and track maintenance costs, and helped reduce erosion.

The steep terrain, remote location and the risks of tunnelling beneath tracks during live train operations presented numerous engineering challenges, added to which was a worksite located within a national park and water catchment area.

BOMBO CUTTING STABILISATION

This project delivered a long-term solution to recurring landslips on both sides of the track near Bombo on the South Coast Line. A post and panel retaining wall 120 metres long and three metres high was constructed, requiring bracing posts drilled six metres down into high-strength rock. The project also required reducing the gradient of the western slope, improving drainage and enlarging nearby culverts. Two weeks of heavy construction work generated significant noise and vibration for 85 residential properties within 75 metres of the work site, however no complaints were received from those affected. The project was delivered on time and without incident or injury.

SIGNALLING AUTOMATION

Signalling automation is essential to manage the increased volume of train movements that will be generated by the 2017 timetable and commissioning of the Sydney Metro lines. We automated and consolidated our signalling system in key sections of the network, reducing dependency on manual methods while improving the efficiency of

train operations. Key projects include the completion of the five-year Woodville Junction to Hamilton re-signalling project, which involved modernising signalling and power infrastructure and level crossing and turnout renewals, as well as the transfer of signalling from the Sydney Signal Box to Sydenham and remote control of the Eastern Suburbs Line.

TANGARA TECHNOLOGY UPGRADE

Following successful completion of the Tangara Phase 1 upgrade in July 2016, work continued with the procurement of 36 new Tangara bogie frames to provide a rotatable pool. The pool will allow Sydney Trains to remove, inspect and repair fatigue damage in existing frames, ensuring the Tangara cars operate safely through their extended 40-year life-cycle.

Major works

We continued to consolidate our maintenance facilities footprint by amalgamating 35 facilities into four new sites, one refurbished site and three existing sites, to enable greater collaboration across multi-disciplinary teams.

The construction of the Clyde Hub is almost complete. The purpose-built, activity-based working environment will co-locate more than 1500 staff from 16 sites and drive business efficiency through a more flexible and collaborative working environment.

Other key initiatives during 2016-17 include creating a dedicated isolations switching team to isolate high and low voltage feeders and 1500V overhead wiring on sections of tracks subject to possession. This has allowed rail infrastructure maintainers to focus on their core function, rather than writing electrical permits, organising walk-throughs, attending possession meetings, and planning and performing electrical isolations.

In anticipation of changes to track access windows, a new production planning process has been developed to find efficiencies in the delivery of maintenance. The process is designed to support collaboration across teams and drive innovation while improving communication, transparency and management disciplines. It is proving to be a very effective means of providing feedback to the planning process.

A project to extend the design life of the ENDEAVOUR and XPLOERER fleets to 2023 commenced in March 2017 and is scheduled for completion in September 2018. The project will also improve the reliability and maintainability of these sets and improve customer amenity.

Awards and industry recognition

During 2016-17, we received a number of industry accolades, further establishing Sydney Trains' solid reputation as a world-class asset manager and provider of engineering and maintenance solutions.

The Production Planning Pre-Advice Windows won the Safety in Asset Management Award and the Rail Integrated Process Architecture won the Asset Management Innovation Award at the Asset Management Council International Conference (AMPeak) in April 2017.

A Possession Search mobile application developed in-house won the Innovation and Technology Award at the Australasian Rail Industry Awards.

The Enterprise Asset Management Program was selected as an ABA100 Winner for Change Management in the 2017 Australian Business Awards in August 2017.

Subject matter experts in Fleet Maintenance were finalists at the Transport Cluster Awards in 2016 for their work on the Enterprise Asset Management program.

The Tangara Technology Upgrade Phase 1 project won Project Team of the Year at the Transport Cluster Awards in February 2017, and the project was a finalist in the 2016 Premier's Awards.

The environment

For 2016-17, we committed to implement our environment and sustainability strategy, improving our environmental performance whilst adding value to the business.

We measured our success through:

- reduced impact from rail noise on our stakeholders
- improved planning, identification and assessment of our biodiversity risks

- improving our ability to measure our energy use while reducing usage and costs
- improving our understanding of the impacts of climate change on the network and our operations.

Overview

As part of our commitment to enhancing the environmental sustainability of the rail network, Sydney Trains undertook a number of initiatives aimed at improving energy efficiency and reducing greenhouse gas emissions during the 2016–17 financial year.

Noise

In 2016–17, management of the noise impacts of Sydney Trains' operations and maintenance activities were a key environmental focus. We engaged with the community in locations of particular concern around rail noise, to better understand residents' concerns and increase their understanding of operational requirements and constraints.

Some of the recommendations from the Pollution Reduction Program carried out in 2015–16 were implemented during the period. This included carrying out a top of rail friction modifier (TORFMA) performance trial and an improved lubrication assessment for the Waverton Wollstonecraft area.

This trial was undertaken in full consultation with the NSW Environmental Protection Authority (EPA) as part of a new Pollution Reduction Program placed on Sydney Trains' Environment Protection License (EPL12208). Subject to the findings of the performance trial, an assessment of expanding friction modification systems (TORFMA) for corrugation noise impact areas will be carried out in 2018.

Biodiversity

During 2016–17, Sydney Trains implemented a management plan for the Blue Gum High Forest and Sydney Turpentine Ironbark trees located in the rail corridor. The management plan provides direction to manage, restore and protect these communities where they occur along the T1 (North Shore) Line. Ecological surveys were conducted to assess the condition of sites with populations of these endangered ecological communities, and consultations were held with Sydney Trains representatives to develop management plans. To date, a bush regeneration team has carried out work at 15 high-priority sites in accordance with the plan.

We continued to implement the Wolli Creek Grey-Headed Flying Fox Camp Management Plan, participating in the steering group and undertaking vegetation management activities within the camp. The objective of the work was to maintain habitat so that the site can continue to sustain the flying-fox population. Vines impacting on canopy trees were removed, woody weeds were controlled and local provenance canopy and sub-canopy tree species were planted.

Bush regeneration also continues at sites where populations of the vulnerable Downy Wattle (*Acacia pubescens*) occur, these sites received follow up weeding during the year.

Energy efficiency

Over the past financial year we have continued to install new energy efficient LED light fixtures at stations to improve energy performance. Some 116 stations now have LED fixtures, saving around 5GWh of electricity and over 4000 tonnes of CO₂-e per annum. Our efforts to improve the efficiency and sustainability of our stations were recognised with a highly commended award in the NSW Blue Star Sustainability awards.

We also increased the number of electricity smart meters installed across our network – meters are now in place across 136 stations – enabling Sydney Trains to accurately measure, monitor and manage electricity use. Smart meters were also installed at six train maintenance centres and four operational facilities.

Two 20kW solar photovoltaic (PV) systems were installed at our Clyde Heavy Plant facility and Blacktown Crew Base, with installations planned for another two locations, bringing the total installed capacity across the network to 473kW. An active investigation of further suitable locations for PV deployment is currently underway.

Other achievements during the 2016–17 financial year include the formation of an advanced energy working group, with representation from across the Transport cluster. It will oversee the development of strategies and projects to increase the use of renewable energy.

We continue to work with our asset delivery partners to ensure energy efficiency is considered and addressed in the design and delivery of new rail assets. Locally, staff have been encouraged to conserve energy in their day-to-day activities and to participate in key initiatives like Earth Hour.

Climate change

Sydney Trains is continuing to integrate climate change adaptation measures into its operational processes. Climate change considerations are now integrated into the new Asset Management System Framework and Objectives, including a requirement to consider extreme weather and climate change during asset management processes and planning.

In addition, Sydney Trains:

- contributed to the published Asset Standards Authority ambient environmental conditions climatic standard, which defines a single, consistent set of existing environmental conditions for heavy rail and light rail assets, and includes projections of future environmental conditions
- used the previous assessment work and Asset Standards Authority ambient environmental conditions climatic standard to refine the design and construction of climate-resistant tropical roofs for signalling locations
- contributed as a founding partner to the XDI Adapt Infrastructure climate risk mapping software that integrates climate, hazard and environmental conditions data alongside asset information to provide a refined understanding of future risk exposure and vulnerability of critical assets in NSW.

Waste

We have continued our roll out of co-mingled recycling at stations across the metropolitan network and have achieved continuous improvements in organisational recovery rates over the last year.

Environmental compliance

Sydney Trains did not receive any penalty infringement notices, formal warning letters, clean-up or prevention notices from the NSW EPA for its network operations, the Chullora Ballast Recycling Centre or the Bombo Quarry during the 2016-17 financial year.

Community relations

In 2016-17, Sydney Trains focused on building greater awareness among our staff to deliver effective community engagement.

We measured our success through strengthening our relationships with the communities in which we operate.

Overview

Sydney Trains undertakes a number of initiatives to engage with the wider Sydney community. These relationships promote our work, build goodwill and improve our reputation among other government organisations, communities and customers.

Remembrances

Sydney Trains recognises and values the cultural diversity of the community and our workforce. We support events such as Harmony Day and NAIDOC Week – this year recognising the 50th anniversary of the 27 May 1967 Australian referendum that approved two amendments to the Australian Constitution relating to Indigenous Australians – as well as Mardi Gras, International Day of People with a Disability and the Diwali festival.

Community

Sydney Trains supported and became involved for the first time in 'Vivid Sydney', a four-week long festival of light, music and ideas between May and June. The Central Station clock tower was illuminated with moving images of Sydney's historic rail roots and visions of the future.

We participate in a number of events that are of significance to our customers and our staff. We regularly recognise and promote Rail RU OK? Day and raise awareness of the importance of mental health in the workplace. We recognise the impact of fatigue and prepare inductions and health reminders.

Sydney Trains also partnered with TrackSAFE Foundation to launch Rail Safety Week with the Minister for Transport and Infrastructure, Andrew Constance, and NSW TrainLink.

Sydney Trains was also represented at Orientation Week at two universities, at the Girl Guides Science in the Garden event, the Club Scouts yearly fun day, and at community engagements with Police Transport Command. Sydney Trains also runs Transport information

sessions with new adult migrants at Navitas English. Following feedback from Seniors Week 2016 and in conjunction with TfNSW, Sydney Trains developed instructional videos of a number of transport apps which were launched at Seniors Week 2017. The videos were then posted on Sydney Trains and Transport for NSW's Facebook pages, YouTube channels and intranet sites.

We focused on working with councils to ensure quick and coordinated responses to local matters, as well as promoting our work to community groups and stakeholders. We are engaging with outreach and health workers to provide support for homeless people on our network to access community support services.

We also gave presentations at local community meetings to explain Sydney Trains' role as operator of rail services across Sydney.

Charities and not-for-profits

We supported a range of organisations through our Workplace Giving Program, including the Children's Hospital Westmead, Alzheimer's Australia, Lifeline Australia, NSW Rural Fire Service, Vision Australia and the National Heart Foundation.

We also worked with disability advocates and organisations to identify and address barriers to using our services

We continued to work with a range of national, regional and local charities to allow them access to our stations for their fundraising efforts, including but not limited to:

- Red Nose Day
- Jeans for Jeans Day
- Salvation Army
- Pink Ribbon Day – Cancer Council
- Alzheimer's Australia
- Bandanna Day – 'CanTeen'
- Remembrance Day – Returned Services League
- Legacy Badge Day.

International delegations

Sydney Trains hosted delegations from:

- Ministry of Transport Vietnam
- Iowa State University USA – Engineering students
- Keikyu Corporation – Tokyo Private Railway
- Queensland Rail – Rail Station Operations

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

Achievements

Enterprise Asset Management

The Enterprise Asset Management (EAM) Program was developed by Sydney Trains to mitigate strategic and operational challenges due to the state of its existing end-of-life asset management systems.

The replacement of legacy systems with an integrated Enterprise Asset Management solution has implemented standardised, end-to-end business processes aligned to superior asset management practices.

The EAM Program has transformed the way in which Sydney Trains deploys asset management.

Among the benefits delivered are:

- a single source of data throughout the asset lifecycle delivering improved asset management capabilities
- implementation of a common operating model with standardised, end-to-end business processes
- the ability to review and improve complex business processes such as integrated works program planning
- better investment decisions based on asset lifecycle condition and cost
- integrated maintenance planning and budgeting, including condition-based, predictive maintenance
- field based mobile data collection
- increased control of maintenance contractors

- the opportunity to move Sydney Trains from regulatory-driven, reactive practices to a world class, intelligent asset management capability.

The EAM program has been delivered in a phased approach, starting with fleet maintenance in 2016. A further deployment saw EAM delivered to over 3300 Sydney Trains staff, including fleet maintainers, asset managers, cleaners and train crew. By July 2017, an additional 4200 staff were using EAM, taking the total number of Sydney Trains users to over 7500.

Sydney Trains is the first Transport for NSW agency to implement an EAM solution (within budget and on time) with \$260 million invested over three years.

The EAM Program has created new benchmarks within Sydney Trains in terms of how to manage complex change initiatives successfully. The program has enabled the organisation to collaborate across business divisions in a way not done before, not only improving information and data, but also ensuring that Sydney Trains leverages technology to meet future challenges.

ISO 55001 certified accreditation

We depend on our assets, the majority of which are high-value and characterised by a long service life, to deliver safe, clean and reliable rail services to our customers.

As previously noted in this report, in June 2017, Sydney Trains became the first public sector organisation in Australia to achieve ISO 55001:2014 accredited certification of its asset management system.

The certification is a formal, globally-recognised confirmation of our asset management maturity and provides a solid foundation to continuously improve how we manage our assets.

It assures customers and stakeholders that we understand how our assets perform to an acceptable level of risk with available funding. It also recognises that we are able to make appropriate, timely decisions over the lifecycle of our assets.

Decentralising Sydney Trains

Sydney Trains has been decentralising its workforce as part of the NSW State Government's 'Decade of Decentralisation' initiative to locate government agencies outside the CBD. More than 2500 Sydney Trains staff are being relocated from 477 Pitt Street and additional CBD sites to four new locations, two of which are purpose-built sites.

Beginning in December 2016, staff have moved to sites in Burwood, Green Square, Clyde and Central Station, aligning our Accommodation Strategy to the NSW State Government's initiative.

The Clyde Hub - comprising a five-storey main building and a two-storey amenities building - has been purpose-built for activity-based working. An extensive staff engagement and change management process was undertaken to create workspaces that meet the needs of the business and our staff. Over 90 workshops involving 600 Engineering & Maintenance staff were completed in late 2016, as part of the change management process.

The Hub is in close proximity to Clyde station and a new walkway has been constructed between the station and the building.

Rail heritage

Sydney Trains is responsible for managing one of the largest portfolios of statutory-listed heritage assets in NSW, including historic railway stations, bridges, workshops, signal boxes and significant railway landscapes.

Sydney Trains' Heritage Asset Management Strategy focuses on initiatives that improve heritage asset management, identify smarter ways of delivering works at heritage places, achieve conservation outcomes in project delivery and share Sydney Trains' history with our customers.

Significant achievements

In April 2017, Sydney Trains received four awards and one high commendation at the annual National Trust Heritage Awards, which recognises excellence in the heritage industry across NSW. Sydney Trains was recognised for the following projects:

- Going Underground: a commemoration event, tunnel tours and exhibition at St James Station, won the *Events and Exhibition* category
- Running on Time: a documentary, publications, 'Time Tours' and clock collection audit and display, won the *Tours and Multimedia* category
- Lives on the Line: an ANZAC Centenary commemoration community art project, won the *Education* category
- MacDonalddown Gasholder: restoration during site remediation, won the *Conservation* category
- Canopy Design Guide: a design guide for new canopies at heritage stations received a high commendation in the *Design* category.

Key events

In November 2016, Sydney Trains' Mortuary Station, the St James disused tunnels, Central Station clock tower and 'ghost' platforms were opened to the public in collaboration with Sydney Living Museums, part of Sydney Open. Sydney Trains' heritage sites proved very popular with 'golden ticket' winners and demonstrated a huge public appetite for access to these hidden rail heritage places. This was the second year Sydney Trains participated in Sydney Open.

In December 2016, *90 years of the Underground* was celebrated at St James Station, with historic guided tours of the disused tunnels, public exhibitions in the platform display cabinets, a short online film and a commemorative photo. As part of the celebrations and in collaboration with Transport Heritage NSW, Sydney Trains' heritage electric train, 'F1', operated public train rides around the City Circle.

Over the June long weekend (11-12 June), Mortuary Station was opened to the public, in collaboration with Transport Heritage NSW and Rookwood General Cemeteries Reserve Trust, part of the Transport Heritage Expo.

Heritage conservation

In October 2016, as part of the Central Station's stone conservation program, Sydney Trains completed sandstone repairs and heritage lighting installations along the 1906 Pitt Street Western Forecourt perimeter wall (the entrance to Railway Square).

In February 2017, the conservation program moved to the Belmore Park tram ramp along Pitt Street. Heritage architects, engineers and specialist trades, including stonemasons, made up the conservation team, while sandstone was supplied by Public Works NSW.

Sydney Trains continued to provide a heritage approval service to the business under the Rail-Specific Exemptions. Over the past 12 months, Sydney Trains heritage specialists processed 238 approvals under Rail-Specific Exemptions. This represents 92 per cent of all minor works undertaken by Sydney Trains at State Heritage Register places.

An annual review of the S170 Heritage Conservation Register was completed in May 2017 and submitted to the Heritage Division of the Office of Environment and Heritage. The updated register included two de-listings (Civic Station and Newcastle Station, vested to Hunter Development Co) and over 200 updated heritage listings.

As part of the delivery of the Sydney Trains Movable Heritage Management Strategy, heritage specialists have identified and registered over 800 movable heritage objects at both listed and non-listed heritage sites around the network. Many of these items are retained in situ; however, some continue to be stored on a temporary basis at numerous storage spaces throughout the network, such as Chullora, Bankstown and Central Station.

In August 2016, in collaboration with TfNSW, Sydney Trains Heritage managed and delivered the *Heritage Conservation Strategy for Railway Footbridges* to assist with informed decision-making at heritage-listed places during the concept phases of major works, notably the Transport Access Program. Heritage specialists also developed and delivered a 'Canopies and Shelters' design guide for heritage-listed railway stations, to meet both functional and heritage requirements, in collaboration with Station Development and Customer Service.

Legislative context

Sydney Trains is a NSW Government agency constituted under the *Transport Administration Act 1988*.

Sydney Trains operates under a Rail Service contract with Transport for NSW. The contract stipulates the NSW Government's expectations regarding service levels, and sets out how Sydney Trains and Transport for NSW will work cooperatively to address service alterations, community consultations, regular service reviews, performance standards and complaints handling.

Sydney Trains provides rail services in its capacity as operator and maintainer under the Rail Services Contract with Transport for NSW. The principal objectives of Sydney Trains are to:

- deliver safe, reliable, effective and efficient rail, passenger and network access services in a financially responsible manner
- ensure that that part of the NSW rail network vested in, or owned by, RailCorp enables safe and reliable railway passenger and freight services and that these services are provided in an efficient, effective and financially responsible manner.

The other statutory objectives of Sydney Trains are to:

- maintain reasonable priority and certainty of access for railway passenger services
- promote and facilitate access to that part of the NSW rail network vested in, or owned by, RailCorp
- be a successful business, and to that end, operate at least as efficiently as any comparable business, maximising the net worth of the State's investment in Sydney Trains
- exhibit a sense of social responsibility by having regard to the interests of the community in which it operates
- conduct its operations in compliance with rail safety national law and the principles of ecologically sustainable development as contained in section 6(2) of the *Protection of the Environment Administration Act 1991* where its activities affect the environment.

Executive team 2016-17





Appendices





Appendix 1: Changes in Acts and subordinate legislation

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

(Acts assented to or commenced during 2016-17)

Transport Administration Amendment (Independent Transport Safety Regulator) Act 2017 (2017 No 4)

Commencement Proclamation 2017 No 114

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

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

Commencement Proclamation 2015 No 524

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

Passenger Transport Act 2014 (No 46)

Commencement Proclamation 2016 No 93

Rail Safety National Law (South Australia) (Miscellaneous No 2) Amendment Act 2016

South Australian Act making amendments applying to the *Rail Safety National Law (NSW)*

Commencement Proclamation South Australian Government Gazette 21.07.2016 p 2989

Industrial Relations Amendment (Industrial Court) Act 2016

Schedule 2.29 amends the *Passenger Transport Act 1990*; Schedule 2.31 amends the *Rail Safety (Adoption of National Law) Act 2012*

Commencement Proclamation 2016 No 674

Transport Administration Amendment (Transport Entities) Act 2017 (2017 No 12)

Commencement Proclamation 2017 No 330 - Schedule 1 to commence 01.07.2017

Electronic Transactions Legislation Amendment (Government Transactions) Act 2017 (No 25)

Transport Administration Amendment (Closure of Railway Line Between Rosewood and Tumbarumba) Act 2017 (No 34)

Rail Safety National Law (South Australia) (Miscellaneous No 3) Amendment Act 2017

South Australian Act making amendments applying to the *Rail Safety National Law (NSW)*

Commencement Proclamation South Australian Government

Gazette 07.06.2017 p 2044 (to commence 01.07.2017)

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

(Amending Acts, subordinate legislation made or commenced during 2016–17)

Rail Safety National Law National Regulations Variation Regulations 2016 (2016 No 360)
(to commence on 01.07.2016)

Rail Safety National Law National Regulations (Fees) Variation Regulations 2016 (2016 No 361)
(to commence on 01.07.2016)

Transport Administration (General) Amendment (Newcastle Light Rail) Regulation 2017
(2017 No 30)

Transport Administration Amendment (Independent Transport Safety Regulator) Act 2017
(2017 No 4)

Transport Administration (General) Amendment (Transitional) Regulation 2017 (2017 No 119)

Passenger Transport Amendment (Approved Payment Devices) Regulation 2017 (2017 No 233)

Passenger Transport Amendment (Smartcards) Regulation 2017 (2017 No 234)

Passenger Transport Amendment (Ticket Offences) Regulation 2017 (2017 No 235)

Rail Safety National Law National Regulations (Fees and Returns) Variation Regulations 2017
(2017 No 257) (to commence on 01.07.2017)

Rail Safety National Law National Regulations (Miscellaneous) Variation Regulations 2017
(2017 No 258) (to commence on 01.07.2017)

Rail Safety National Law National Regulations (Queensland Fatigue Provisions) Variation
Regulations 2017 (2017 No 259) (to commence on 01.07.2017)

Transport Administration (General) Amendment Regulation 2017
(2017 No 331) (to commence 01.07.2017)

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

(Acts assented to or commenced during 2016–17)

Statute Law (Miscellaneous Provisions) Act 2016 (2016 No 27)

Statute Law (Miscellaneous Provisions) Act (No 2) 2016 (2016 No 55)

Regulatory and Other Legislation (Amendments and Repeals) Act 2016 (2016 No 60)

Statute Law (Miscellaneous Provisions) Act 2017 (2017 No 22)
(to commence on 01.07.2017 or 07.07.2017 as specified)

Transport Administration Amendment (Senior Executive Transitional Arrangements) Regulation
2017 (2017 No 291) (to commence on 01.07.2017)

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

(Amending Acts, subordinate legislation made or commenced during 2016-17)

Heavy Vehicle (General) National Amendment Regulation (2016 No 261)
Heavy Vehicle (Adoption Road of National Law) Amendment (Penalties) Regulation (No 2) 2016 (2016 No 325)
Photo Card Amendment (Fees and Penalty Notice Offences) Regulation 2016 (2016 No 339)
<i>Statute Law (Miscellaneous Provisions) Act 2016</i> (2016 No 27)
Road Transport Legislation Amendment (Fees, Penalty Levels and Charges) Regulation 2016 (2016 No 345)
Roads Amendment (Penalty Notice Offences) Regulation 2016 (2016 No 346)
Road Amendment (Miscellaneous) Rule 2016 (2016 No 412)
Road Transport (Vehicle Registration) Amendment (Auxiliary Number-plates) Regulation 2016 (2016 No 413)
Road Transport (Vehicle Registration) Amendment (SIRA) Regulation 2016 (2016 No 429)
<i>Statute Law (Miscellaneous Provisions) Act (No 2) 2016</i> (2016 No 55)
<i>Statute Law (Miscellaneous Provisions) Act 2017</i> (2017 No 22) (to commence in July 2017)
Road Transport (Vehicle Registration) Amendment (Compliance Certificates) Regulation 2016 (2016 No 620)
Road Transport Legislation (Mobile Phones – P2 Licences) Regulation 2016 (2016 No 667)
Roads Amendment (Authorised Officers) Regulation 2016 (2016 No 668)
<i>Regulatory and Other Legislation (Amendments and Repeals) Act 2016</i> (2016 No 60)
Photo Card Amendment (Fees) Regulation 2017 (2017 No 42)
Road Transport Legislation Amendment (Penalties for Over-length Bus Offences) Regulation 2017 (2017 No 156)
Marine Safety Amendment (Fees) Regulation 2017 (2017 No 242) (to commence on 01.07.2017)
Photo Card Amendment (Fees and Penalty Notice Offences) Regulation 2017 (2017 No 244) (to commence on 01.07.2017)
Road Transport Legislation Amendment (Fees, Penalty Levels and Charges) Regulation 2017 (2017 No 246) (to commence on 01.07.2017)
Roads Amendment (Penalty Notice Offences) Regulation 2017 (2017 No 247) (to commence on 01.07.2017)
Heavy Vehicle (Adoption of National Law) Amendment (Penalties) Regulation 2017 (2017 No 311) (to commence on 01.07.2017)
Heavy Vehicle National Amendment Regulation 2017 (2017 No 329) (Commencement linked to commencement of named Acts – see Reg. 2)

Appendix 2: Obligations under the GIPA Act

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

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

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

- the punctuality of Sydney Trains' fleet – this information sets out a comparison of the punctuality of Sydney Trains' fleet for the last five business days for the AM and PM peak hours. The published information also sets out punctuality for all suburban lines dating back to 2002
- train-load statistics up until the latest survey of March 2016
- safety and security statistics
- passenger journeys taken by Sydney Trains' customers
- peak on-time rolling stock incidents

- daily service interruptions for all Sydney Trains' lines
- maintenance and construction work carried out on Sydney Trains
- information about railway electricity rights
- information about Sydney Trains' environment protection licences
- up-to-date information about track work for all Sydney Trains' lines
- information about the Waratah train fleet, and
- rollingstock availability against daily working timetable.

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

During the reporting period, Sydney Trains received a total of 108 access applications (including withdrawn applications but not invalid applications).

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

During the reporting period, Sydney Trains refused a total of one access application, in part because the information requested was information referred to in Schedule 1 to the GIPA Act.

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

Table A: Number of applications by type of applicant and outcome*

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	1	0	3	0	0	0	0	7
Members of Parliament	11	2	0	1	0	0	0	2
Private sector business	11	0	1	3	1	0	0	0
Not for profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	31	0	1	3	0	0	0	2
Members of the public (other)	23	2	0	5	0	0	0	0
Total	77	4	5	12	1	0	0	11

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

Table B: Number of applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/ deny whether information is held	Application withdrawn
Personal information applications*	1	0	0	0	0	0	0	0
Access applications (other than personal information applications)	76	4	5	12	1	0	0	11
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0
Total	77	4	5	12	1	0	0	11

*A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual). The total number of decisions in Table B should be the same as Table A.

Table C: Invalid applications

Reason for invalidity*	Number of applications
Application does not comply with formal requirements (s. 41 of the Act)	44
Application is for excluded information of the agency (s. 43 of the Act)	0
Application contravenes restraint order (s. 110 of the Act)	0
Total number of invalid applications received	44
Invalid applications that subsequently became valid applications	42

*TfNSW's Resource & Compliance Unit makes decisions on validity. Due to the introduction of a credit card payment facility, applications must be initially entered as invalid and then changed to valid after the credit card payment is approved. Of the 44 invalid applications, 38 were credit-card related. As such, only six applications received were invalid.

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of the Act

	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	1
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

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

Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of the Act

	Number of occasions when application not successful
Responsible and effective government	1
Law enforcement and security	4
Individual rights, judicial processes and natural justice	5
Business interests of agencies and other persons	0
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	95
Decided after 35 days (by agreement with applicant)	16
Not decided within time (deemed refusal)	0
Total	111

**Table G: Number of applications reviewed under Part 5 of the Act
(by type of review and outcome)**

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under s. 93 of Act	0	0	0
Review by NCAT	0	0	0
Total	0	0	0

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

Table H: Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review
Applications by access applicants	0
Applications by persons to whom information the subject of access application relates (see s. 54 of the Act)	0

Table I: Applications transferred to other agencies

	Number of applications for review
Agency-initiated transfers	5
Applicant-initiated transfers	1

Appendix 3: *Privacy and Personal Information Protection Act 1998*

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

- personal and health information about customers who have been involved in incidents, such as falls on Sydney Trains' property – the information is collected from customers to assist them during and after incidents
- personal information about customers who have witnessed incidents on Sydney Trains' property and provided their details to Sydney Trains
- personal information about customers who have lost property on Sydney Trains' fleet and other railway land
- personal information about customers who provide feedback via the customer feedback line: 131 500
- personal information about customers who have been issued with infringements such as fair evasion.

Sydney Trains, along with the other agencies in the Transport cluster, have been working towards creating greater consistency in the management of personal information to achieve the best possible results for members of the public. This work is evidenced in the development of the privacy management plans for each transport agency. The plans are designed to provide the highest standard of information regarding compliance with the information protection and health records principles in the *Privacy and Personal Information Protection Act 1998* (PPIP Act) and the *Health Records and Information Privacy Act 2002* (HRIP Act).

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

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

The Privacy Officer
Information & Privacy Unit
Transport for NSW
PO Box K659, Haymarket NSW 1240
Phone: 02 8202 3768
Email: privacy@transport.nsw.gov.au

Privacy reviews

During 2016–17, Sydney Trains received one application for an internal review of conduct relating to the use, access or release of personal information. Sydney Trains' internal review found that there was no breach of privacy in this case.

Appendix 4: *Public Interest Disclosures Act 1994*

All Public Interest Disclosures (PID) received by Sydney Trains during 2016-17 were presented to the Ombudsman. The particulars are as follows:

- number of public officials who have made a PID to the public authority: 21
- number of PIDs received by the public authority in total: 22
- number of PIDs received by the public authority relating to each of the following:
 - corrupt conduct: 21
 - maladministration: 1
 - serious and substantial waste of public money: 0
 - government information contravention: 0
 - local government pecuniary interest contraventions: 0
- number of PIDs finalised: 22
- whether the public authority has a PID Policy in place: Yes

Actions taken to ensure staff awareness of responsibilities under s. 6E(1)(b) of the Act have been met:

- training by NSW Ombudsman
- training provided by Sydney Trains
- email messages to all staff
- posters in stations and back offices
- PID information contained in Policy and Procedures
- Code of Conduct links contained in intranet
- information communicated via briefing papers and staff communication.

Appendix 5: Digital information security policy compliance annual attestation statement

I, Howard Collins, am of the opinion that Sydney Trains had an Information Security Management System (ISMS) in place in both the IT division and the Operational Core Data Network in Operational Technology during the 2016-17 financial year that is consistent with the Core Requirements set out in the *NSW Government Digital Information Security Policy*.

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

- A. There is no agency under the control of Sydney Trains, which is required to develop an independent ISMS in accordance with the *NSW Government Digital Information Security Policy*.
- B. Risks to the digital information and digital information system of Sydney Trains have been assessed with an independent ISMS developed in accordance with the *NSW Government Digital Information Security Policy*.



Howard Collins OBE
Chief Executive
Sydney Trains

30 October 2017

Appendix 6: Internal audit risk management disclosure

30 October 2017

Director
Financial Management and Accounting Policy
NSW Treasury
Level 27, 52 Martin Place
Sydney NSW 2000

TPP15-03 Internal Audit and Risk Management Policy for the NSW Public Sector – Sydney Trains Attestation Statement

Dear Director,

In accordance with the requirements of TPP15-03, please find attached Sydney Trains' Internal Audit and Risk Management Attestation Statement, attesting that the core requirements were in place for the 2016-17 financial year.

Regards,



Howard Collins OBE
Chief Executive
Sydney Trains

Internal audit and risk management attestation statement for the 2016-17 financial year for Sydney Trains

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

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

Membership

The chair and members of Sydney Trains' Audit and Risk Committee for the FY2016-17 are:

- Independent Chair, Peter Housden
- Independent Member 1, Felicity Barr
- Independent Member 2, Todd Davies



Howard Collins OBE
Chief Executive
Sydney Trains

30 October 2017

Appendix 7: Insurance management

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

- our operations
- our legal liabilities to third parties
- existing assets and those under construction.

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

Appendix 8: Senior executives – gender and average remuneration

Senior Service Level	Female		Male		Total		Average TRP (\$)		% of total employee-related expenditure relating to Senior Executives	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
2	10	9	49	55	59	64	\$239,214	\$240,140		
3	2	5	11	13	13	18	\$284,525	\$274,794		
4	0	0	13	15	13	15	\$322,162	\$324,369	2%	2%
5	0	0	3	3	3	3	\$432,392	\$443,619		
6	1	1	3	3	4	4	\$453,212	\$495,605		
Total	13	15	79	89	92	104				

Appendix 9: Workforce diversity

Workforce Diversity Sydney Trains 30 June 2017	Percentage	Notes
Women	17.8	
Aboriginal/Torres Strait Islanders	0.86	And/or
People whose first language is other than English	13.77	Only counted those who identified a language other than English as first language
People with disability	1.88	Percentage of total – Sydney
People with disability (adjustments required for work)	0.40	Percentage of total – Sydney

Workforce Diversity Group Distribution Index	Benchmark	2014	2015	2016
Women	100	94	93	94
Aboriginal/Torres Strait Islanders	100	59	89	89
People whose first language is other than English	100	98	97	98
People with disability	100	101	100	99
People with disability (adjustments required for work)	100	100	101	101

Notes:

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

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

Appendix 10: Work health and safety

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

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

In accordance with the provisions of s.38 of the *Work Health and Safety Act 2011*, Sydney Trains notified 49 incidents to WorkCover/SafeWork NSW during the year. Of these incidents:

- 26 involved fatalities as a confirmed or likely consequence of intention to self-harm
- five involved fatalities as a consequence of misadventure, health condition or self induced causes such as drug overdose
- two involved serious injuries to a worker
- eight involved serious injuries to another person, four of which were a confirmed or likely consequence of intention to self-harm.

Sydney Trains was not the subject of any WorkCover/SafeWork NSW prosecutions during 2016-17.

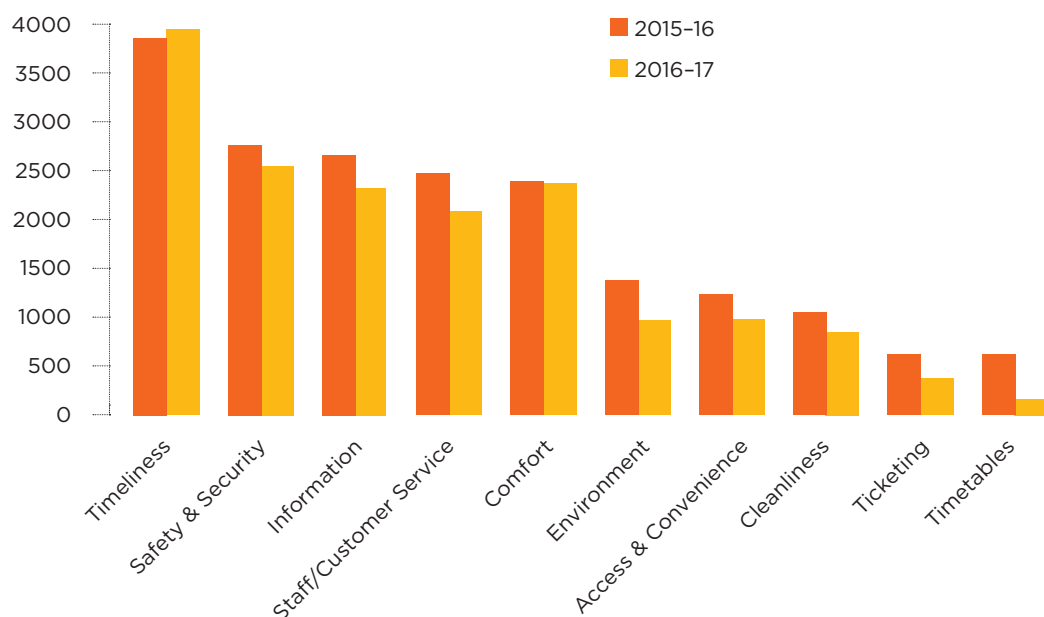
Appendix 11: Consumer response

The number of complaints regarding Sydney Train fell from 19,076 in 2015-16 to 16,653 in 2016-17, a decline of 12.7 per cent on the previous year's totals. By contrast, compliments were down from 3030 in 2015-16 to 2791 in 2016-17, a decrease of 7.9 per cent.

Issue type	Total
Complaint	16,653
Compliment	2791
Enquiry	2489
Feedback	3772
Grand total	25,705

The downward trend in complaints continues, with the majority of Customer Satisfaction drivers showing a decrease in complaints from 2015-16.

Sydney Train complaints by type 2016-17



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

Safety and security (2548 complaints) showed a decrease of 7.75 per cent on the previous year's total of 2762 complaints. Complaints regarding information fell by 12.5 per cent, from 2661 in 2015-16 to 2329 in 2016-17. Staff and customer service complaints were also down in 2016-17, from 2473 to 2085; this was a drop of 15.7 per cent.

Complaints and service improvements

Category	Total complaints 2016-17	Services improved/changed in response
Timeliness	3943	We have improved incident responses/resolutions and communications to keep customers informed of the latest travel information.
Safety and security	2548	Sydney Trains works closely with the Police Transport and Public Safety Command to provide information and intelligence for targeted police operations. We have a network of more 10,000 CCTV cameras, which can be live-monitored by our 24-hour Security Control Centre. Emergency Help Points are also available on all Sydney Trains platforms and are connected to trained staff who can arrange assistance in an emergency. Guided by our Graffiti Management Strategy, Sydney Trains uses a combination of cutting edge technology and traditional methods to tackle graffiti and vandalism.
Information	2329	We have continued to focus on delivery of real-time information to ensure station staff have the latest information on network performance available. We also provide updated information through our social media channels, particularly Twitter. As at 30 June 2016, 169 of 178 stations have information screens installed, while 120 have enhanced audio announcement systems providing improved sound quality.
Comfort	2373	We have undertaken station upgrades.

Category	Total complaints 2016-17	Services improved/changed in response
Staff/customer service	2085	Under our Customer Service Model, frontline employees are increasingly visible and proactive at stations. The new Customer Experience Management Program (CXMP) was implemented in April 2017 allowing measurement of customer service interactions. We have also provided coaching wherever required to improve the customer experience.
Access & convenience	985	Improving customer accessibility across the station precincts to meet the current <i>Disability Discrimination Act</i> (DDA) requirements is a key focus area for Sydney Trains. Projects are initiated, developed and funded through collaboration with TfNSW under the Transport Access Program (TAP), with the Customer Service Directorate being the deliverer. As part of TAP upgrades five rural and regional projects were upgraded to meet DDA requirements, including installation of vertical transport and car parking improvements.
Environment	973	We are continuing to work with the community and relevant environmental bodies to reduce the impact of rail operations.
Cleanliness	858	A specialised cleaning team provides cleaning services across the network and on trains, as well as a program of deep cleans for stations. The Station Refresh Program has enhanced the station environment with environment improvements and graffiti remediation.
Ticketing	385	The Opal card system has now fully replaced the old ticketing system. Our customer service employees are visible at stations to answer customer ticketing requests, while our specialised Fare Compliance Unit manages the deployment of Transport Officers across the cluster to protect revenue and provide general information and customer ticketing support.
Timetables	174	We have provided additional trains during major special events. A project team was set up to work on a revised timetable.
Grand total	16,653	

Appendix 12: Multicultural Policies and Services Program

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

The TfNSW plan outlines how it will respond to the NSW Government's multicultural objectives, and incorporate multicultural principles into TfNSW processes and systems.

The plan is reviewed within the Transport cluster steering committee and this leads to continuing development of the strategy for prioritisation across the Transport cluster. Sydney Trains applies the plan to ensure its operations reflect the multicultural nature of its staff and the community in which it operates. Sydney Trains staff is reflective of the city it serves, with almost one third from racial, ethnic or ethno-religious minority groups.

Sydney Trains participated in numerous multicultural events in the financial year 2016-17, including Harmony Day, Diwali, International Women's Day, the Eid Festival and National Aboriginal and Islanders Day Observance Committee (NAIDOC) Week. Participation came from all levels of Sydney Trains. The Chief Executive attended and spoke at many events, including NAIDOC, which were organised by operational staff. Multicultural initiatives were communicated through internal communications channels, including supporting events in which our employees participate.

Sydney Trains is committed to developing its multicultural credentials further in 2017-18. An Aboriginal Employment team has been established, which will look at building pathways into frontline roles and ultimately increasing representation.

Appendix 13: Disability Action Plans

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

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

Building an accessible transport network

Target	Performance
Progressively undertake works to upgrade railway stations and interchanges to improve access for all customers.	152 stations (49.5%) on the metropolitan rail network are wheelchair accessible. Currently, Sydney Trains is involved in feasibility studies to scope and cost the next tranche of the Transport Access Program (TAP). To date the scope is planned across 61 stations and scheduled to be delivered between 2019 and 2023.

Improving the journey experience of people with disability

Target	Performance
Introduce practical measures to improve the journey experiences of people with disability or restricted mobility	<p>At 30 June 2017, Sydney Trains had delivered:</p> <ul style="list-style-type: none"> • information screens at 169 (of 178) stations • enhanced audio announcement systems at 120 stations • capability for staff to make announcements from any location at 72 stations. <p>Funding is being sought to accelerate the delivery of hearing loops to all Sydney Trains stations – at 30 June 2017, hearing loops were turned on at 15 stations with plans to test and then turn on loops installed at a further 15 stations.</p> <p>After a period of approximately eight years, announcements at Waverton Station have recommenced to the benefit of customers with vision impairment, with plans in place to also recommence announcements at Wollstonecraft Station in October 2017. The use of new specialised equipment and intensive stakeholder liaison has made this possible.</p>

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

Target	Performance
Offer tailored journey planning for people with disability	Travel apps such as TripGo, Orientrip and Lend-A-Hand are being developed as part of the Accessible Cities initiative to assist customers with disability to access transport services. Accessible Cities is an initiative led by the Department of Finance, Services and Innovation and TfNSW.
Increase our insight into the travel needs of customers with disability and older people through qualitative research on their journey experiences	<p>The Accessible Transport Advisory Committee (ATAC), comprising representatives from diverse disability and ageing organisations, met four times to provide expert guidance on access and inclusion to TfNSW.</p> <p>Sydney Trains has committed to work with the ATAC members and TfNSW in a review of Sydney Trains' Disability Awareness training material.</p>

Appendix 14: Environmental compliance

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

Appendix 15: Investment management performance

In the year ended 30 June 2017, Sydney Trains held cash in the Westpac Treasury Banking System and a term deposit through a NSW Treasury Corporation arranged facility. The interest earned was 1.69 per cent on the funds invested, which was below the benchmark rate of 1.82 per cent.

Appendix 16: Implementation of Price Determinations

There were no increases to Opal fares for Sydney Trains in 2016-17.

Appendix 17: Credit card certification

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

Appendix 18: Payment of accounts

Outstanding invoices by age at the end of each quarter

Quarter	Current (i.e. within due date) \$M	Less than 30 days overdue \$M	Between 30 and 60 days overdue \$M	Between 60 and 90 days overdue \$M	More than 90 days overdue \$M
Suppliers					
Sep-16	59.8	4.2	0.1	0.0	0.2
Dec-16	42.9	2.4	0.1	0.3	0.1
Mar-17	41.7	1.9	0.0	0.0	0.1
Jun-17	0.0	0.1	0.0	0.0	0.0
Small business suppliers					
Sep-16	0.4	0.0	0.0	0.0	0.0
Dec-16	0.6	0.0	0.0	0.0	0.0
Mar-17	0.6	0.0	0.0	0.0	0.0
Jun-17	0.0	0.0	0.0	0.0	0.0

Accounts paid on time within each quarter

Measure	Sept-16	Dec-16	Mar-17	Jun-17
Suppliers				
Number of accounts due for payment	28,558	26,101	22,944	39,014
Number of accounts paid on time	25,455	23,103	19,382	33,722
Actual % accounts paid on time	89%	89%	85%	86%
\$ amount of accounts due for payment	\$485.9M	\$447.7M	\$447.3M	\$595.2M
\$ amount of accounts paid on time	\$395.1M	\$386.2M	\$355.5M	\$515.1M
Actual % accounts paid on time (based on \$)	81%	86%	79%	87%
Number of payments for interest	2	2	-	-
Interest paid on overdue accounts	\$104	\$12	-	-
Small business suppliers				
Number of accounts due for payment	540	520	440	787
Number of accounts paid on time	538	520	440	787
Actual % accounts paid on time	100%	100%	100%	100%
\$ amount of accounts due for payment	\$3.0M	\$2.8M	\$3.2M	\$4.8M
\$ amount of accounts paid on time	\$3.0M	\$2.8M	\$3.2M	\$4.8M
Actual % accounts paid on time (based on \$)	100%	100%	100%	100%
Number of payments for interest	2	-	-	-
Interest paid on overdue accounts	\$104	-	-	-

Appendix 19: Grants to non-government community organisations

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

Appendix 20: Overseas travel

Officer name	Travel period	Destination	Purpose of travel
Warwick Talbot	18 Sept 16 – 29 Sept 16	UK & Germany	To attend the International Trade Fair for Transport Technology
Robert Groves	1 Oct 16 – 8 Oct 16	France	To attend the International Railway Safety Council Conference
Lynn Herisson	14 Oct 16 – 23 Oct 16	UK	To meet underwriters for the placement of the annual liability and property insurance renewal.
George Stojkovski	7 Nov 16 – 13 Nov 16	Spain	To attend the International Suburban Rail Benchmarking Group Management Meeting
Howard Collins	22 Apr 17 – 4 May 17	UK	To attend the 13th World MetroRail Congress
Howard Collins	25 Jun 17 – 28 Jun 17	New Zealand	To attend the Australasian Railway Association meeting and participate in the Rail Conference.

Appendix 21: Payments to consultants

Consultant	Category	Project	Costs \$
Third Horizon Consulting Pty Ltd	Management Services	Provide strategic advice on various operational programs and improvement strategies	1,898,785
KPMG	Management Services	Provide strategic advice on various operational programs and improvement strategies	348,271
Deloitte	Information Technology	Provide advice on the IT governance framework	98,750
University of Wollongong	Engineering	Research and advice on rail defects	120,000
Ernst & Young	Organisational Review	Undertake an independent safety risk assessment	98,671
Total contracts of \$50,000 or more		(six contracts)	2,564,477
Total contracts less than \$50,000		(one contract)	4463
Total expenditure for 2016-17			2,568,940

Appendix 22: Waste reduction

Sydney Trains is continually improving its approach to waste and recycling to address the requirements of the Government Resource Efficiency Policy (GREP). During the reporting period, we:

- developed an organisational waste policy
- continued to implement co-mingled recycling bins at stations throughout the metropolitan network
- conducted an investigation into reducing coffee cup contamination
- conducted trials to improve customer recycling performance with the use of intuitive, user-friendly signs and decals
- purchased recycled or part-recycled products when appropriate.

Appendix 23: NSW Government Resource Efficiency Policy

The NSW Government has established the Government Resource Efficiency Policy (GREP) to reduce NSW Government's operating costs and lead by example in increasing the efficiency of the resources it uses. Compliance with GREP is mandatory for all general Government-sector agencies on a whole-of-cluster basis, while local government, State-owned corporations, public trading enterprises and public financial enterprises are strongly encouraged to adopt the policy. Sydney Trains reports on its performance against GREP via Transport for NSW.

Appendix 24: Major works in progress

Sydney Trains has works completed and in progress as at 30 June 2017 including the following:

	Cost to date (\$ million)	Forecast completion (year)
Waratah Rolling stock – enabling and ancillary works	643	2019

Appendix 25: Annual Report accessibility requirements

The Sydney Trains Annual Report was produced in-house and complies with Web Content Accessibility Guidelines 2.0, as per the Premier's Circular 2012-18 NSW Government Website Management.



Abbreviations and acronyms





Abbreviations and acronyms

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

Sydney Trains

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Annual Report

Transport for NSW

Sydney Trains

2016-17 • Volume 2

Sydney Trains

Financial Statements 2016-2017



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Statement by the Chief Executive

In relation to the Financial Statements for the year ended 30 June 2017

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

- (a) In my opinion, the accompanying financial statements, read in conjunction with the notes thereto, exhibit a true and fair view of the financial position of Sydney Trains as at 30 June 2017 and of its financial performance for the year ended 30 June 2017.
- (b) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2015, Australian Accounting Standards, which includes Australian Accounting Interpretations and Financial Reporting Directions mandated by the Treasurer.
- (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.



Gary Pedersen
Acting Chief Executive

22 September 2017

(Start of audited financial statements)

Statement of Comprehensive Income for the year ended 30 June 2017

	Note	2016-17 \$'000	2015-16 \$'000
Income			
Passenger services revenue		779,644	721,604
Non passenger revenue	3.1	1,239,003	1,193,125
Investment revenue	3.2	9,248	11,665
Income from operating activities		2,027,895	1,926,394
Expenses			
Operating expenses			
- Employee related expenses	4.1	1,154,015	1,112,390
- Personnel service expenses	4.3	113,018	108,974
- Other operating expenses	4.4	1,957,549	1,829,023
Depreciation and amortisation	9.2, 10.2	149,265	153,965
Finance costs	4.6	158,078	158,526
Total expenses		3,531,925	3,362,878
Deficit from operations before Government contributions		(1,504,030)	(1,436,484)
Government subsidies and contributions	3.3	1,281,327	1,213,034
Deficit from operations before capital expenditure contributions		(222,703)	(223,450)
Contributions for capital expenditure		58,300	-
Deficit for the year from continuing operations		(164,403)	(223,450)
Other Comprehensive Income			
<i>Items that may be reclassified to surplus/deficit</i>			
Net gain/(loss) in foreign exchange		(4,885)	1,819
Net gain/(loss) in commodity swaps		(737)	2,677
Hedge reserve reclassification		(3,467)	-
<i>Items that will not be reclassified to surplus/deficit</i>			
Superannuation actuarial gains/(losses) on defined benefit schemes		128,780	(246,963)
Total Other Comprehensive Income for the year		119,691	(242,467)
Total Comprehensive Income for the year		(44,712)	(465,917)

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

Statement of Financial Position as at 30 June 2017

	Note	30.6.2017 \$'000	30.6.2016 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	288,403	590,217
Trade and other receivables	6.1	314,650	320,825
Inventories	7	16,212	14,563
Derivative financial instruments		277	7,260
Other financial assets	8	200,000	-
Total current assets		819,542	932,865
Non-current assets			
Inventories	7	28,338	27,823
Property, plant and equipment	9	2,978,583	3,105,305
Intangible assets	10	174,993	199,350
Derivative financial instruments		70	898
Total non-current assets		3,181,984	3,333,376
Total assets		4,001,526	4,266,241
Liabilities			
Current liabilities			
Trade & other payables	11	384,621	479,222
Provisions	13	402,098	397,357
Derivative financial instruments		2,497	4,394
Total current liabilities		789,216	880,973
Non-current liabilities			
Finance lease liabilities	12	2,027,291	2,015,814
Provisions	13	494,398	611,475
Derivative financial instruments		1,267	1,558
Total non-current liabilities		2,522,956	2,628,847
Total liabilities		3,312,172	3,509,820
Net assets		689,354	756,421
Equity			
Contributed equity	14.1	1,184,739	1,207,094
Reserves		439,339	450,160
Retained earnings		(934,724)	(900,833)
Total equity		689,354	756,421

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 2017

Consolidated	Note	Contributed equity	Retained earnings	Asset revaluation	Other reserves	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2016		1,207,094	(900,833)	447,955	2,205	756,421
Surplus/(deficit) for the year		-	(164,403)	-	-	(164,403)
Reserves transferred to/(from) retained earnings		-	1,732	(1,732)	-	-
Other Comprehensive Income						
Net gain/(loss) in foreign exchange		-	-	-	(8,352)	(8,352)
Net gain/(loss) in commodity swap		-	-	-	(737)	(737)
Superannuation actuarial gains/(losses) on defined benefit schemes		-	128,780	-	-	128,780
Total Other Comprehensive Income for the year		-	128,780	-	(9,089)	119,691
Total Comprehensive Income for the year		-	(33,891)	(1,732)	(9,089)	(44,712)
Transactions with owners in their capacity as owners		-	-	-	-	-
Increase/(decrease) in net assets from equity transfers (contribution by owners)	14.2	(22,355)	-	-	-	(22,355)
Balance at 30 June 2017		1,184,739	(934,724)	446,223	(6,884)	689,354

Balance at 1 July 2015		1,207,094	(430,420)	447,955	(2,291)	1,222,338
Surplus/(deficit) for the year		-	(223,450)	-	-	(223,450)
Other Comprehensive Income						
Net gain/(loss) in forward foreign exchange		-	-	-	1,819	1,819
Net gain/(loss) in commodity swaps		-	-	-	2,677	2,677
Superannuation actuarial gains/(losses) on defined benefit schemes		-	(246,963)	-	-	(246,963)
Total Other Comprehensive Income for the year		-	(246,963)	-	4,496	(242,467)
Total Comprehensive Income for the year		-	(470,413)	-	4,496	(465,917)
Balance at 30 June 2016		1,207,094	(900,833)	447,955	2,205	756,421

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 2017

	Note	2016-17 \$'000	2015-16 \$'000
Cash flows from operating activities			
<i>Cash received</i>			
Passenger services		845,082	777,516
Other receipts from customers and others		1,418,850	1,301,116
Government subsidies and concessions		1,277,189	1,205,758
Interest received		10,022	6,009
Total cash received		3,551,143	3,290,399
<i>Cash used</i>			
Payments to suppliers and others		(2,323,475)	(2,018,604)
Payments to employees		(1,217,876)	(1,212,687)
Interest paid on finance lease		(146,601)	(144,824)
Total cash used		(3,687,952)	(3,376,115)
Net cash from/(used in) operating activities	5.2	(136,809)	(85,716)
Cash flow from investing activities			
<i>Cash received</i>			
Capital grants		58,300	17,732
Total cash received		58,300	17,732
<i>Cash used</i>			
Property, plant and equipment and intangible assets acquisitions		(23,305)	(61,847)
Bank deposits more than 90 days		(200,000)	-
Total cash used		(223,305)	(61,847)
Net cash from/(used by) investing activities		(165,005)	(44,115)
Cash flows from financing activities			
<i>Cash received</i>			
Proceeds from inter entity transactions		-	430,011
Total cash received		-	430,011
<i>Cash used</i>			
Repayment of finance lease		-	(13,423)
Total cash used		-	(13,423)
Net cash from/(used in) financing activities		-	416,588
Net (decrease)/increase in cash and cash equivalents		(301,814)	286,757
Cash and cash equivalents at beginning of year		590,217	303,460
Cash and cash equivalents at end of year	5.1	288,403	590,217

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 2017

Note 1 Reporting entity and financial statements

(a) Reporting entity

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

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

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

(b) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the Financial Statements. Where required, comparative information has been reclassified to align with the current year.

(c) Authorisation of the Financial Statements

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

(d) Statement of compliance

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

Notes to the Financial Statements for the year ended 30 June 2017

Note 2 Summary of significant accounting policies

2.1 Basis of preparation

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

Generally, the historical cost basis of accounting has been adopted and these Financial Statements do not take into account changing money values or current valuations. However, property, plant and equipment and derivative financial assets and liabilities are measured at fair value. Refer Notes 2.11(ii) and 2.9(ii). Certain liabilities are calculated on a present value basis such as leave entitlements and other provisions.

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

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

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

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

2.1.1 Going concern

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

2.1.2 Change in accounting policy

There is no change to accounting policies in 2016-17.

2.2 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, Note 13 and Note 17.

Notes to the Financial Statements for the year ended 30 June 2017

Note 2 Summary of significant accounting policies (continued)

2.3 Income

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

(i) Passenger services revenue

Proceeds from OPAL train trips are reported as passenger services revenue. OPAL card is managed by TfNSW. Remittance of OPAL passenger revenue is on the basis of journeys taken based on the output from the electronic ticketing system as agreed with TfNSW.

(ii) Non passenger revenue

Inter entity cost recovery

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

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.

Fines and penalties

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

Rendering of services

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

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

Refer Note 3.1.

(iii) Investment revenue

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.

Rental income

Rental 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.

Notes to the Financial Statements for the year ended 30 June 2017

Note 2 Summary of significant accounting policies

2.3 Income (continued)

(iv) 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 expenditure contributions. That presentation has been adopted as it is a more informative representation of the operating result with reference to Sydney Trains' sources of funding.

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

2.4 Personnel services expenses

Personnel services expenses include salaries and wages, leave entitlements and superannuation for contract staff employed by TS. Sydney Trains recognises the expenses when incurred. Refer Note 4.3.

2.5 Depreciation and amortisation

(i) Depreciation

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

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

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

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

	Years
Buildings	20-100
Rolling stock	32 - 35
Plant and machinery	4 - 22

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

(ii) Amortisation

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

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

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

Notes to the Financial Statements for the year ended 30 June 2017

Note 2 Summary of significant accounting policies

2.5 Depreciation and amortisation (continued)

(ii) Amortisation (continued)

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.

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, short-term deposits with a maturity of 90 days or less and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Term deposits greater than 90 days are classified as Other Financial Assets.

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.

2.7 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.

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

Refer Note 6.

2.8 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.

Notes to the Financial Statements for the year ended 30 June 2017

Note 2 Summary of significant accounting policies

2.8 Inventories (continued)

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

2.9 Property, plant and equipment

(i) Recognition

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

A component is accounted for separately if it:

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

A dedicated spare part does not normally have a useful life of its own. Dedicated spares purchased specifically for a particular asset, or class of assets, and which would become redundant if that asset or class were retired or use of that asset or class were discontinued, are considered to form part of the historical cost of that asset or class.

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

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

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

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

(ii) Measurement

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

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.

Notes to the Financial Statements for the year ended 30 June 2017

Note 2 Summary of significant accounting policies

2.9 Property, plant and equipment (continued)

(ii) Measurement (continued)

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date or if such a price is not observable or estimable from market evidence its replacement cost. Replacement cost is the written-down cost of an optimised modern equivalent asset.

Non-specialised assets with short useful lives such as minor plant and equipment are measured at depreciated historical cost as a proxy for fair value. Sydney Trains has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

Specialised assets are measured at depreciated replacement cost. Depreciated replacement cost is based on the incremental optimised replacement cost. Optimised replacement cost is the minimum cost in the normal course of business to replace the existing asset with a technologically modern equivalent asset with the same economic benefits after adjusting for over design, over capacity and redundant components.

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

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

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

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

Revaluation increments are credited directly to revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the Statement of Comprehensive Income, in which case 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) 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 2017

Note 2 Summary of significant accounting policies

2.9 Property, plant and equipment (continued)

(iv) Impairment of property, plant and equipment

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

2.10 Intangible assets

(i) Recognition

An identifiable, non-monetary asset without physical substance (such as computer software that is not integral to the related hardware) is recognised as an intangible asset if it has service potential controlled by Sydney Trains, is expected at acquisition to be used for more than 1 year, and has a cost or value that:

- a) can be measured reliably,
- b) exceeds the capitalisation threshold of \$5,000 and
- c) has not previously been expensed.

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

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

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

(ii) Measurement

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

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

(iii) 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 2017

Note 2 Summary of significant accounting policies

2.11 Financial instruments

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

(i) Recognition

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

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

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

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

(ii) Measurement

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

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

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

(iii) Hedging

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

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

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

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

Notes to the Financial Statements for the year ended 30 June 2017

Note 2 Summary of significant accounting policies

2.11 Financial instruments (continued)

(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. For other cash flow hedges, the deferred gain or loss is reclassified from the Hedging Reserve to the Statement of Comprehensive Income accordingly. If the hedge is ineffective the portion of the gain or loss on the ineffective portion of the hedging instrument is recognised immediately in the Statement of Comprehensive Income.

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

Hedge accounting is discontinued when the hedging instrument expires, is sold, is terminated, is exercised, no longer meets the hedge accounting criteria, has its designation revoked, or if the hedged forecast transaction is no longer expected to occur. Generally, any associated cumulative gain or loss in the Hedging Reserve is only transferred out when the hedged cash flow eventually occurs. However, if the hedged transaction is no longer expected to occur, the gain or loss is immediately transferred to the Statement of Comprehensive Income. Refer Note 18.

2.12 Offsetting financial assets and liabilities

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

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

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

2.14 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.

Notes to the Financial Statements for the year ended 30 June 2017

Note 2 Summary of significant accounting policies

2.15 Trade and other payables

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

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

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

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

Refer Note 11.

2.16 Provisions

(i) Provisions generally

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

A provision is recognised when:

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

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

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

(ii) Employee benefits

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

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

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

Notes to the Financial Statements for the year ended 30 June 2017

Note 2 Summary of significant accounting policies (continued)

2.16 Provisions (continued)

(ii) Employee benefits (continued)

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

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

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

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

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

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

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

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

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

Refer Note 13.

Notes to the Financial Statements for the year ended 30 June 2017

Note 2 Summary of significant accounting policies (continued)

2.17 Leases

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

(i) Details of PPP finance leasing arrangements

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

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

In accordance with the PPP contract Sydney Trains 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.

(ii) Accounting treatment – operating leases

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

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

(iii) Accounting treatment – finance leases

As lessee

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

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

Refer Note 15.3.

Notes to the Financial Statements for the year ended 30 June 2017

Note 2 Summary of significant accounting policies (continued)

2.17 Leases (continued)

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

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

Refer Note 2.3.

2.18 Contributed equity

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

Refer Note 14.

2.19 Taxes

(i) Income tax equivalents

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

(ii) Goods and Services Tax

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

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

(iii) State taxes

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

2.20 Fair value hierarchy

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

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

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

Refer Notes 17 and 18.

Notes to the Financial Statements for the year ended 30 June 2017

Note 2 Summary of significant accounting policies

2.21 Adoption of new and revised Accounting Standards

The Financial Statements have adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Sydney Trains effective for the annual reporting periods ending 30 June 2017. The adoption of these new and revised Standards and Interpretations has not resulted in any significant changes to Sydney Trains accounting policies. Sydney Trains did not early adopt any new accounting standards and interpretations that are not yet effective in accordance with NSW Treasury mandates.

The following new Accounting Standards and Interpretations apply to Sydney Trains, however have not been adopted and are not effective at 30 June 2017. The standards are effective for annual reporting periods commencing on or after 1 January 2017.

AASB / Amendment	Title	Issue Date	Application date of Standard
AASB 9	Financial Instruments	Dec 2014	1 Jan 2018
AASB 15	Revenue from Contracts with Customers	Oct 2015	1 Jan 2018
AASB 16	Leases	Feb 2016	1 Jan 2019
AASB 1058	Income of Not-for-Profit Entities	Dec 2016	1 Jan 2019
AASB 2014-1	Amendments to Australian Accounting Standards [Operative dates: Parts A-C – 1 Jul 2014; Part D – 1 Jan 2016; Part E – 1 Jan 2018]	Jun 2014	1 Jan 2018
AASB 2014-5	Amendments to Australian Accounting Standards arising from AASB 15	Dec 2014	1 Jan 2018
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	Dec 2014	1 Jan 2018
AASB 2015-8	Amendments to Australian Accounting Standards – Effective Date of AASB 15	Oct 2015	1 Jan 2017
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	Mar 2016	1 Jan 2017
AASB 2016-3	Amendments to Australian Accounting Standards – Clarifications to AASB 15	May 2016	1 Jan 2018
AASB 2016-4	Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	Jun 2016	1 Jan 2017
AASB 2016-6	Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts	Oct 2016	1 Jan 2018
AASB 2016-7	Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities	Dec 2016	1 Jan 2017
AASB 2016-8	Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities	Dec 2016	1 Jan 2019
AASB 2017-1	Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments	Feb 2017	1 Jan 2019
AASB 2017-2	Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle	Feb 2017	1 Jan 2017

Notes to the Financial Statements for the year ended 30 June 2017

Note 2 Summary of significant accounting policies

2.21 Adoption of new and revised Accounting Standards (continued)

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

- AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15* and AASB 2016-7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities* amend the mandatory date of application of AASB 15 to 1 January 2018 and 1 January 2019 (for not for profit entities). The impact of the standards is not significant other than a change to the effective date.
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* requires disclosures to enable financial statement users to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. The Standard will require additional disclosures in the next reporting period.
- AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities* clarifies that AASB 136 *Impairment of Assets* does not apply to non cash generating assets of not for profit entities that are regularly revalued to fair value under a revaluation model. The impact of the Standard is not significant.

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

Notes to the Financial Statements for the year ended 30 June 2017

Note 3 Income

3.1 Non passenger revenue

	2016-17 \$'000	2015-16 \$'000
Inter entity cost recovery	598,421	553,331
Construction revenue RailCorp	577,081	572,706
Sale of rail products	1,833	1,172
Construction revenue from third party	93	5
Advertising revenue	27,540	25,002
Fines and penalties	10,190	11,603
Sale of quarry products	548	261
Inter entity direct labour cost recovery	3,911	4,067
Other revenue	19,386	24,978
Total non passenger revenue	1,239,003	1,193,125

3.2 Investment revenue

Interest	9,248	11,665
Total investment revenue	9,248	11,665

3.3 Government subsidies and contributions

Operating subsidies	1,251,268	1,174,656
Redundancy payments	25,768	30,691
Personnel services benefit	4,138	7,276
Training funding	153	411
Total government subsidies and contributions	1,281,327	1,213,034

Notes to the Financial Statements for the year ended 30 June 2017

Note 4 Expenses

4.1 Employee related expenses

Employee related expenses include the following items:

	Note	2016-17 \$'000	2015-16 \$'000
Salaries and wages		923,743	901,419
Annual leave		84,700	80,538
Long service leave		6,183	48,347
Superannuation-defined benefit plans	4.2	29,271	25,816
Superannuation-defined contribution plans		70,899	68,133
Workers compensation insurance		12,953	11,797
Payroll tax and fringe benefits tax		63,461	62,842
Redundancy		26,950	12,970
Other payroll costs		21,992	23,594
Less: Employee related expenses allocated to capital expenditure		(600)	(13,093)
Less: Employee related expenses allocated to capital construction*		(85,537)	(109,973)
Total employee related expenses		1,154,015	1,112,390

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

4.2 Defined benefit superannuation plan expense/(income)

Current service cost		18,258	16,967
Net interest		11,013	8,849
Total defined benefit superannuation expense/(income)	20	29,271	25,816

4.3 Personnel services expenses

Salaries and wages		82,997	81,450
Annual leave		8,565	7,204
Long service leave		2,925	5,601
Superannuation-defined benefit plan		1,149	1,614
Superannuation-defined contribution		6,754	6,642
Workers compensation		67	210
Payroll and fringe benefit tax		5,825	5,961
Redundancy		4,492	-
Other payroll costs		244	292
Total personnel services expenses		113,018	108,974

Notes to the Financial Statements for the year ended 30 June 2017

Note 4 Expenses (continued)

4.4 Other operating expenses

	2016-17 \$'000	2015-16 \$'000
Other contractors	414,218	369,251
Construction costs	577,081	572,706
External maintenance costs	258,744	238,718
Materials	120,975	108,583
Inter entity charges	198,682	162,674
Electricity	73,659	73,508
Plant and equipment	73,992	61,963
Bus hire	26,795	31,627
Computer expenses	70,773	64,328
Insurance	13,669	14,510
Security costs	25,473	22,820
Motor vehicle expenses	20,274	18,994
Printing & stationery	6,765	6,774
Consultants	2,569	2,809
Auditor's remuneration - audit of the financial statements	320	291
Cost of sales	22,710	27,583
Cost of inventory held for distribution	22,369	17,887
Impairment losses	55	(15)
Other	28,426	34,012
Total other operating expenses	1,957,549	1,829,023

4.5 Maintenance expenses

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

Labour	323,180	316,503
Contracted & other non-labour expenditure	733,222	680,983
Total maintenance expenses	1,056,402	997,486

In addition included in construction costs is \$203.0m (2016: \$306.7m) major periodic maintenance which is charged to RailCorp and capitalised in RailCorp.

4.6 Finance costs

Interest charges	158,078	158,526
Total finance costs	158,078	158,526

Notes to the Financial Statements for the year ended 30 June 2017

Note 5 Cash and cash equivalents

5.1 Cash and cash equivalents

	30.6.2017 \$'000	30.6.2016 \$'000
Cash at bank	288,403	588,857
Cash in hand and in transit	-	1,360
Total cash and cash equivalents	288,403	590,217

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

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

Deficit for the year	(164,403)	(223,450)
Cash capital grants	(58,300)	(17,732)
Depreciation and amortisation	149,265	153,965
Impaired trade receivables expense	55	(15)
Derecognition and write off of assets	1,080	150
Other reclassification adjustments/discounting	(3,467)	525
Net movements in assets and liabilities applicable to operating activities:		
(Increase)/decrease in trade and other receivables	6,121	(61,904)
(Increase)/decrease in inventories	(2,164)	3,705
Increase/(decrease) in trade and other payables and provisions	(64,996)	59,040
Net cash flows from operating activities	(136,809)	(85,716)

5.3 Credit standby arrangements and loan facilities

The credit standby arrangements and unused amounts available are:

	30.6.17 Credit Facilities \$'000	30.6.17 Unused \$'000	30.6.16 Credit Facilities \$'000	30.6.16 Unused \$'000
Transaction negotiation authority	130,150	130,150	129,150	129,150
Purchasing card facility *	30,000	5,129	30,000	6,925
Come and Go facility	30,000	30,000	30,000	30,000
Total	190,150	165,279	189,150	166,075

* As at 30 June 2017, the purchasing cards issued had a combined limit of \$24.9m with a payable of \$6.9m.

5.4 Non-cash investing activities

In 2016-17, Sydney Trains transferred rolling stock of \$22.4m to RailCorp in the current year (2016: nil).

Refer Note 14.1.

Notes to the Financial Statements for the year ended 30 June 2017

Note 6 Trade and other receivables

6.1 Trade and other receivables

	30.6.2017 \$'000	30.6.2016 \$'000
Current trade and other receivables		
Sale of goods and services	2,191	1,932
Inter entity receivables	268,751	272,776
Other receivables	36,803	42,437
Less: allowance for impairment	(240)	(201)
	307,505	316,944
Prepayments	7,145	3,881
Total current trade and other receivables	314,650	320,825

Movements in the allowance for impairment were as follows:

Balance at beginning of year	201	217
Bad debts expense	(19)	-
Allowance recognised in Statement of Comprehensive Income	55	(15)
GST movement	3	(1)
Balance at end of year	240	201

6.2 Impaired trade and other receivables

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

1 to 3 months	34	80
3 to 6 months	55	37
over 6 months	151	84
Balance at end of year	240	201

6.3 Past due but not impaired receivables

The ageing analysis of these receivables is as follows:

1 to 3 months	3,310	12,462
3 to 6 months	21	30
Over 6 months	12	127
Balance at end of year	3,343	12,619

6.4 Nature and extent of risk arising from receivables

Information about Sydney Trains' exposure to credit risk in relation to trade and other receivables is provided in Note 18.

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 2017

Note 7 Inventories

	30.6.2017 \$'000	30.6.2016 \$'000
Materials and supplies, at cost	58,143	56,259
Work in progress	279	309
	58,422	56,568
Less: allowance for obsolete inventory	(13,872)	(14,182)
Total inventories	44,550	42,386
Total inventories are comprised of:		
Current inventories	16,212	14,563
Non-current inventories	28,338	27,823
Total	44,550	42,386

Note 8 Other financial assets

	30.6.2017 \$'000	30.6.2016 \$'000
Term deposits	200,000	-
Total other financial assets	200,000	-

Notes to the Financial Statements for the year ended 30 June 2017

Note 9 Property, plant and equipment

9.1 Classes

	30.6.2017 \$'000	30.6.2016 \$'000
Leased buildings		
Gross carrying amount	249,262	249,262
Less accumulated depreciation	(15,405)	(12,100)
Net carrying amount - leased buildings	233,857	237,162
Leased rolling stock		
Gross carrying amount	2,698,835	2,698,835
Less accumulated depreciation	(355,161)	(271,004)
Net carrying amount - leased rolling stock	2,343,674	2,427,831
Leased plant and machinery		
Gross carrying amount	5,844	5,844
Less accumulated depreciation	(2,662)	(2,273)
Net carrying amount - leased plant and machinery	3,182	3,571
Rolling stock		
Gross carrying amount	609,175	715,851
Less accumulated depreciation	(250,176)	(314,802)
Net carrying amount - rolling stock	358,999	401,049
Plant and machinery		
Gross carrying amount	64,817	72,912
Less accumulated depreciation	(44,857)	(51,092)
Net carrying amount - plant and machinery	19,960	21,820
Capital work in progress		
Capital work in progress	18,911	13,872
Total - capital work in progress	18,911	13,872
Total property, plant and equipment	2,978,583	3,105,305

Notes to the Financial Statements for the year ended 30 June 2017

Note 9 Property, plant and equipment (continued)

9.2 Asset class movement

	Leased Buildings \$000	Leased Rolling stock \$000	Leased Plant and machinery \$000	Rolling stock \$000	Plant and machinery \$000	Capital works in progress \$000	Total \$000
Year ended 30 June 2017							
Net carrying amount as at 1 July 2016	237,162	2,427,831	3,571	401,049	21,820	13,872	3,105,305
Additions	-	-	-	-	-	5,052	5,052
Completed capital work	-	-	-	-	-	-	-
Assets held for sale	-	-	-	-	-	-	-
Disposals/derecognition/write-offs	-	-	-	-	88	(13)	75
Revaluations	-	-	-	-	-	-	-
Depreciation expense	(3,305)	(84,157)	(389)	(19,695)	(1,948)	-	(109,494)
Other movements	-	-	-	(22,355)	-	-	(22,355)
Net carrying amount as at 30 June 2017	233,857	2,343,674	3,182	358,999	19,960	18,911	2,978,583
Year ended 30 June 2016							
Net carrying amount as at 1 July 2015	240,466	2,490,153	3,961	411,271	26,183	33,271	3,205,305
Additions	-	6,480	-	-	-	15,538	22,018
Completed capital work	-	8,077	-	17,217	3,527	(28,821)	-
Disposals/derecognition/ write-offs	-	-	-	-	(2,053)	(89)	(2,142)
Revaluation	-	-	-	-	-	-	-
Depreciation expense	(3,304)	(76,879)	(390)	(27,439)	(5,837)	-	(113,849)
Other movements	-	-	-	-	-	(6,027)	(6,027)
Net carrying amount as at 30 June 2016	237,162	2,427,831	3,571	401,049	21,820	13,872	3,105,305
Gross carrying amount							
At 1 July 2015	249,262	2,676,960	5,844	705,952	79,380	33,271	3,750,669
At 30 June 2016	249,262	2,698,835	5,844	715,851	72,912	13,872	3,756,576
At 1 July 2016	249,262	2,698,835	5,844	715,851	72,912	13,872	3,756,576
At 30 June 2017	249,262	2,698,835	5,844	609,175	64,817	18,911	3,646,844
Accumulated depreciation							
At 1 July 2015	(8,796)	(186,807)	(1,883)	(294,681)	(53,197)	-	(545,364)
At 30 June 2016	(12,100)	(271,004)	(2,273)	(314,802)	(51,092)	-	(651,271)
At 1 July 2016	(12,100)	(271,004)	(2,273)	(314,802)	(51,092)	-	(651,271)
At 30 June 2017	(15,405)	(355,161)	(2,662)	(250,175)	(44,857)	-	(668,260)
Net carrying amount							
At 1 July 2015	240,466	2,490,153	3,961	411,271	26,183	33,271	3,205,305
At 30 June 2016	237,162	2,427,831	3,571	401,049	21,820	13,872	3,105,305
At 1 July 2016	237,162	2,427,831	3,571	401,049	21,820	13,872	3,105,305
At 30 June 2017	233,857	2,343,674	3,182	358,999	19,960	18,911	2,978,583

Notes to the Financial Statements for the year ended 30 June 2017

Note 9 Property, plant and equipment (continued)

9.3 Valuation of property, plant and equipment

To confirm that the carrying value of the asset classes for buildings and rolling stock materially reflects fair value as at 30 June 2017, independent valuers reviewed the appropriateness of the replacement costs as at 31 March 2017 for rolling stock and buildings and confirmed again at 30 June 2017.

(a) Buildings

The Auburn Maintenance Facility (AMF) was designed and manufactured by Reliance Rail under the Rolling Stock Public Private Partnership (PPP) contract with Sydney Trains which incorporates a finance lease arrangement. The AMF leased asset at 30 June 2017 was \$233.9m (2016: \$237.2m) and the associated finance lease liability, inclusive of accrual interest was \$265.5m (2016: \$264.9m).

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

A fair value assessment was undertaken in the current year to confirm the carrying value materially reflects the fair value at 30 June 2017.

(b) Rolling stock

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

A fair value assessment was undertaken in the current year to confirm the carrying value materially reflects the fair value at 30 June 2017.

9.4 Leasing arrangements – certain rolling stock

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

Note to the Financial Statements for the year ended 30 June 2017

Note 10 Intangible assets

10.1 Classes

	30.6.2017 \$'000	30.6.2016 \$'000
Software / Licenses		
Gross carrying amount	430,746	436,503
Less accumulated amortisation	(294,799)	(258,551)
Net carrying amount of software / licenses works in progress	135,947	177,952
Software / licenses works in progress	39,046	21,398
Total - intangible assets	174,993	199,350

10.2 Movements during the year

	Software / Licenses \$'000	Software / Licenses works in progress \$'000	Total \$'000
2017			
Net carrying amount at start of year	177,952	21,398	199,350
Additions	-	16,572	16,572
Disposals/write-offs	(1,158)	-	(1,158)
Amortisation expense	(39,771)	-	(39,771)
Other movements	(1,076)	1,076	-
Net carrying amount at end of year	135,947	39,046	174,993
2016			
Net carrying amount at start of year	186,468	12,887	199,355
Additions	-	33,930	33,930
Disposals/write-offs	166	(13)	153
Amortisation expense	(40,116)	-	(40,116)
Other movements	31,434	(25,406)	6,028
Net carrying amount at end of year	177,952	21,398	199,350

Note to the Financial Statements for the year ended 30 June 2017

Note 11 Trade and other payables

11.1 Trade and other payables

	30.6.2017 \$'000	30.6.2016 \$'000
Trade payables	33,383	142,969
Inter entity payables	58,623	68,550
Capital expenditure accruals	2,787	4,471
Accrued salaries, wages and oncosts	32,171	25,818
Other payables and accruals	252,830	232,996
Unearned revenue	4,827	4,418
Total trade and other payables	384,621	479,222

11.2 Fair value

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

11.3 Risk exposure

Information about Sydney Trains exposure to payables with a foreign exchange risk is provided in Note 18.

Note 12 Finance lease liabilities

	Note	30.6.2017 \$'000	30.6.2016 \$'000
Current			
Finance lease liabilities	15.3	-	-
		-	-
Non-current			
Finance lease liabilities	15.3	2,027,291	2,015,814
		2,027,291	2,015,814
Total finance lease liabilities		2,027,291	2,015,814

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

Notes to the Financial Statements for the year ended 30 June 2017

Note 13 Provisions

13.1 Provisions

	Note	30.6.2017 \$'000	30.6.2016 \$'000
Current provisions			
Annual leave (see note (a) below)		134,376	131,996
Long service leave (see note (a) below)	13.2	217,428	231,309
Pay in lieu of certain holidays worked (see note (a) below)		9,272	9,155
Redundancy	13.8	23,436	16,332
Total employee benefits and related on-costs		384,512	388,792
Workers' compensation	13.4	6,439	4,641
Public liability claims	13.5	2,013	684
Legal claims	13.6	1,500	2,000
Ballast disposal	13.7	1,364	1,240
Restoration of leased premises	13.9	6,270	-
Total other provisions		17,586	8,565
Total current provisions		402,098	397,357
Non-current provisions			
Superannuation	20	448,232	559,119
Long service leave (see note (a) below)	13.2	20,796	24,396
Total employee benefits and related on-costs		469,028	583,515
Workers' compensation	13.4	21,220	17,708
Restoration of leased premises	13.9	4,150	10,252
Total other provisions		25,370	27,960
Total non-current provisions		494,398	611,475
Total provisions			
Superannuation	20	448,232	559,119
Annual leave		134,376	131,996
Long service leave	13.2	238,224	255,705
Pay in lieu of certain holidays worked		9,272	9,155
Redundancy	13.8	23,436	16,332
Total employee benefits and related on-costs		853,540	972,307
Workers' compensation	13.4	27,659	22,349
Public liability claims	13.5	2,013	684
Legal claims	13.6	1,500	2,000
Ballast disposal	13.7	1,364	1,240
Restoration of leased premises	13.9	10,420	10,252
Total other provisions		42,956	36,525
Total provisions		896,496	1,008,832

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

Notes to the Financial Statements for the year ended 30 June 2017

Note 13 Provisions (continued)

13.1 Provisions (continued)

	Within 12 months \$'000	Later than 12 months \$'000	Total \$'000
2017			
Long service leave	29,513	208,711	238,224
Annual leave	94,390	39,986	134,376
Pay in lieu of certain holidays worked	9,272	-	9,272
	133,175	248,697	381,872
2016			
Long service leave	31,987	223,718	255,705
Annual leave	97,623	34,373	131,996
Pay in lieu of certain holidays worked	9,155	-	9,155
	138,765	258,091	396,856

13.2 Long service leave

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

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

The liability for long service leave was assessed by Mercer Consulting (Australia) Pty Limited. The actuary assumed an interest rate of 2.54% (2016: 2.1%) and a salary growth rate of 2.5% (2016: 3.2%) per annum.

Notes to the Financial Statements for the year ended 30 June 2017

Note 13 Provisions (continued)

13.3 Movements in provisions (other than employee benefit provisions)

	Carrying amount at start of year \$'000	Increase in provision \$'000	Discounting adjustment \$'000	Subtotal \$'000	Payment of claims \$'000	Unused amount reversed \$'000	Carrying amount at end of period \$'000
2017							
Workers Compensation	22,349	12,953	358	35,660	8,001	-	27,659
Public liability claims	684	2,334	-	3,018	937	68	2,013
Legal Claims	2,000	437	-	2,437	937	-	1,500
Ballast disposal	1,240	3,083	-	4,323	2,959	-	1,364
Restoration of leased premises	10,252	226	(58)	10,420	-	-	10,420
2016							
Workers Compensation	16,077	11,797	305	28,179	5,830	-	22,349
Public liability claims	-	778	-	778	94	-	684
Legal Claims	-	2,000	-	2,000	-	-	2,000
Ballast disposal	9,250	4,369	112	13,731	3,930	8,561	1,240
Restoration of leased premises	11,540	1,759	97	13,396	1,201	1,943	10,252

13.4 Workers' compensation

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

The workers' compensation liability at year end was assessed by McMahon Actuarial Services Pty Limited assuming a discount rate ranging from 1.7% to 4.0% (2016: 1.6% to 4.0%) per annum over the next 10 years and a future wage inflation rate of 2.5% for year 1, 3.0% for year 2 and 3.5% per annum up to year 10 (2016: 3.5% per annum over the next 10 years).

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

13.5 Public liability claims

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

Any claim recoverable from Sydney Trains' insurer is also recognised as a receivable or disclosed as a contingent asset, depending on its probability of settlement. Refer Notes 6 and 16.

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

13.6 Legal claims

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

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

Notes to the Financial Statements for the year ended 30 June 2017

Note 13 Provisions (continued)

13.7 Ballast disposal provision

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

The liability was assessed at 3 April 2017 (2016: 1 April 2016) by management after investigation of stockpiles at the Chullora site. The liability is inherently uncertain due to the timing of future disposal.

13.8 Redundancy

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

13.9 Restoration of leased premises

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

Note 14 Contributed equity

14.1 Contributed equity

	Note	30.6.2017 \$'000	30.6.2016 \$'000
Contributed equity at start of the year		1,207,094	1,207,094
Net assets contributed by Government	14.2	(22,355)	-
Contributed equity at end of the year		1,184,739	1,207,094

14.2 Contributed equity movements

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

Sydney Trains transferred rolling stock of \$22.4m to RailCorp in the current year.

There were no equity contributions in the prior year.

Assets transferred to/ from other entities		
Property, plant and equipment	(22,355)	-
Total assets	(22,355)	-
Total liabilities	-	-
Net assets transferred	(22,355)	-
Contributed equity	(22,355)	-

Notes to the Financial Statements for the year ended 30 June 2017

Note 15 Expenditure commitments

15.1 Expenditure commitments

	30.6.2017 \$'000	30.6.2016 \$'000
Operating leases		
Within 12 months	7,605	6,030
12 months or longer but not longer than 5 years	7,617	6,779
Longer than 5 years	295	12
Total operating leases	15,517	12,821
Total property, plant & equipment (including intangible assets)	4,357	7,670
Total committed	19,874	20,491

The expenditure commitments include any associated Goods and Services Tax. Related input tax credits of \$1.8m (2016: \$1.9m) are expected to be recoverable from the Australian Taxation Office. For more details on rolling stock PPP contract commitments refer Note 15.3.

15.2 Minimum lease payments committed under non-cancellable operating lease

Within 12 months	7,605	6,030
12 months or longer but not longer than 5 years	7,617	6,779
Longer than 5 years	295	12
Total committed	15,517	12,821

Minimum lease payment commitments include any associated Goods and Services Tax. Related input tax credits of \$1.4m (2016: \$1.2m) are expected to be recoverable from the Australian Taxation Office.

Notes to the Financial Statements for the year ended 30 June 2017

Note 15 Expenditure commitments (continued)

15.3 Rolling stock PPP contract commitments

The Sydney Trains contract with Reliance Rail constitutes a finance lease, refer Note 2.17(i). These assets and associated finance lease liabilities were recognised on completion and delivery of the assets.

The leased asset includes the following assets:

- 78 sets of Rolling Stock achieved Final Completion on 8 March 2016. Milestone payments made in respect of design and development of the rolling stock have been applied to the rolling stock lease liability. The lease liability, inclusive of the application of the milestone payment and accrued interest at 30 June 2017 was \$1,756.9m (2016: \$1,746.0m),
- The Auburn Maintenance Facility (AMF) reached practical completion on 18 June 2010. The lease liability, inclusive of accrued interest, at 30 June 2017 was \$265.5m (2016: \$264.9m), and
- The Simulators achieved practical completion on 30 September 2010. The lease liability, inclusive of accrued interest, at 30 June 2017 was \$4.9m (2016: \$4.8m).

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

The total payments to be made by Sydney Trains to Reliance Rail, including milestone payments and financing costs, over the term of the contract are estimated to be \$8,426m (2016: \$8,709m) in nominal dollars. The weighted average discount rate at 30 June 2017 for the finance lease liabilities were 9.29% (2016: 9.29%).

Interest of \$11.5m (2016: \$13.7m) has been accrued in respect to the finance lease liability for the rolling stock, maintenance facility and simulators.

No Final Completion payments were made in 2016-17 (2015-16: \$13.4m) to Reliance Rail related to rolling stock. Those payments were made and applied against the finance lease liability once in service performance criteria had been achieved and minor defects closed out.

Notes to the Financial Statements for the year ended 30 June 2017

Note 15 Expenditure commitments (continued)

15.3 Rolling stock PPP contract commitments (continued)

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

	Note	30.6.2017 \$'000	30.6.2016 \$'000
Finance lease liabilities			
Within 12 months		168,679	165,566
12 months or longer but no longer than 5 years		710,803	696,324
Longer than 5 years		4,672,262	4,855,421
Total minimum lease payments		5,551,744	5,717,311
Less amount representing finance charges		(3,524,453)	(3,701,497)
Present value of net future minimum lease payments (included in the Financial Statements as finance lease liabilities)		2,027,291	2,015,814
Classified as:			
Current	12	-	-
Non-current	12	2,027,291	2,015,814
Total		2,027,291	2,015,814
Other PPP contract commitments			
Within 12 months		94,336	98,405
12 months or longer but no longer than 5 years		369,361	366,297
Longer than 5 years		2,410,929	2,526,783
Total other PPP contract commitments		2,874,626	2,991,485

Other PPP contract commitments represent future payments relating to maintenance and other future payments as at 30 June 2017.

Note 16 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 not wholly within the control of Sydney Trains.

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

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

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

Contingent assets represent matters that are unconfirmed (pending the occurrence or non-occurrence of an uncertain future event), or not reliably measurable or unlikely to be settled.

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

Notes to the Financial Statements for the year ended 30 June 2017

Note 17 Fair value measurements of non-financial assets

17.1 Fair value measurements of non-financial assets

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

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

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2017.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2017				
Plant and machinery	-	537	22,605	23,142
Rolling stock	-	-	2,702,673	2,702,673
Building	-	-	233,857	233,857
Total recurring fair value measurements	-	537	2,959,135	2,959,672
2016				
Plant and machinery	-	-	25,391	25,391
Rolling stock	-	-	2,828,880	2,828,880
Building	-	-	237,162	237,162
Total recurring fair value measurements	-	-	3,091,433	3,091,433

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

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

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

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

17.2 Valuation techniques used to derive level 3 fair values

Recurring fair value measurements

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

Notes to the Financial Statements for the year ended 30 June 2017

Note 17 Fair value measurements of non-financial assets (continued)

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

The following table is a reconciliation of level 3 items for the period ended 30 June 2017.

	Plant and machinery	Rolling stock	Building	Total
	\$'000	\$'000	\$'000	\$'000
2017				
Fair value at 1 July 2016	25,391	2,828,880	237,162	3,091,433
Additions	-	-	-	-
Disposals/transfers out	88	(22,355)	-	(22,267)
Gains/(losses) recognised in the Statement of Comprehensive Income*	(2,874)	(103,852)	(3,305)	(110,031)
Fair value at 30 June 2017	22,605	2,702,673	233,857	2,959,135
2016				
Fair value at 1 July 2015	30,108	2,901,424	240,466	3,171,998
Additions	3,527	31,774	-	35,301
Disposals	(2,053)	-	-	(2,053)
Gains/(losses) recognised in the Statement of Comprehensive Income*	(6,191)	(104,318)	(3,304)	(113,813)
Fair value at 30 June 2016	25,391	2,828,880	237,162	3,091,433

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

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

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

Valuation inputs and relations to fair value

Valuation inputs are based on market comparable approach for recent transaction prices for similar assets consistently applied. These have taken account of observable inputs which have then been adjusted for obsolescence and there has been no material change.

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

Unobservable inputs for buildings include contractor and model indirect costs which are based on past index movements, current industry standards and similar project outcomes.

Notes to the Financial Statements for the year ended 30 June 2017

Note 18 Financial instruments

18.1 Financial instruments

Sydney Trains holds the following financial instruments:

	30.6.2017 \$'000	30.6.2016 \$'000
Financial assets		
Cash and cash equivalents	288,403	590,217
Trade and other receivables*	259,517	274,288
Derivative financial assets	347	8,158
Other financial assets	200,000	-
Total financial assets	748,267	872,663
Financial liabilities		
Trade and other payables**	346,661	421,021
Finance leases	2,027,291	2,015,814
Derivative financial liabilities	3,764	5,952
Total financial liabilities	2,377,716	2,442,787

* 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*

18.2 Financial risks

The operational activities of Sydney Trains expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and commodity price risk in respect of distillate and electricity purchases). A risk management program focuses on financial performance and seeks to minimise potential adverse effects from financial market price movements. Sydney Trains uses derivative instruments to hedge financial exposures. Sydney Trains does not enter into or trade financial instruments for speculative reasons. Methods used to measure risk include sensitivity analysis in the case of interest rate, foreign exchange and other commodity price risks, and an ageing analysis for credit risk.

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

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

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

18.3 Market risk

Market risk relates to fluctuations in the fair value of future cash flows of financial instruments because of changes in market prices. This applies to Sydney Trains' foreign exchange, interest rate and commodity price hedging instruments. Sensitivity analysis on market risk is based on price variability taking into account the economic environment in which Sydney Trains operates and the time frame for assessment, that is, until the end of the next reporting period. The sensitivity analysis is based on financial instruments held at the balance date. The analysis assumes that all other variables remain constant.

Notes to the Financial Statements for the year ended 30 June 2017

Note 18 Financial instruments (continued)

18.3 Market risk (continued)

18.3.1 Foreign exchange risk

Sydney Trains is exposed to foreign exchange risk arising from currency exposures. Foreign exchange risk arises from contractual commercial transactions denominated in a foreign currency. The risk is measured using sensitivity analysis and cash flow forecasting.

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

Purchases involving foreign currency risk exposure that exceeds an aggregate of AUD 25,000, are required to be reviewed prior to signing to assess the financial risk and formulate strategies to manage the risk. Sydney Trains 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 18.4.

Sydney Trains' foreign currency contracts outstanding at period end were:

Maturity Profiles	Weighted Average Exchange Rate		Contract Value		Fair Value	
	2017	2016	2017 AUD '000	2016 AUD '000	2017 AUD '000	2016 AUD '000
Contracts denominated in US Dollars						
Not later than 3 months	0.7528	0.7646	3,978	3,592	3,894	3,707
Later than 3 months and not later than 12 months	0.7433	0.7198	8,764	41,308	8,491	40,301
Later than 12 months	0.7154	0.7146	9,797	10,722	9,191	10,530
Total hedged US Dollar contracts			22,539	55,622	21,576	54,538
Contracts denominated in Euros						
Not later than 3 months	0.6894	0.6549	834	1,623	856	1,594
Later than 3 months and not later than 12 months	-	0.6430	-	31,406	-	30,530
Later than 12 months	-	-	-	-	-	-
Total hedged Euros contracts			834	33,029	856	32,124
Contracts denominated in Pounds Sterling						
Not later than 3 months	0.5710	0.4488	32	29	31	24
Later than 3 months and not later than 12 months	0.5661	-	1,511	-	1,456	-
Later than 12 months	0.5571	-	1,347	-	1,296	-
Total hedged Pounds Sterling contracts			2,890	29	2,783	24
Contracts denominated in Japanese Yen						
Not later than 3 months	-	-	-	-	-	-
Later than 3 months and not later than 12 months	-	85.15	-	44,948	-	50,828
Later than 12 months	-	-	-	-	-	-
Total hedged Japanese Yen contracts			-	44,948	-	50,828
Net present value adjustment					49	-
Total hedged purchase *			26,263	133,628	25,264	137,514

* The total includes the impact of discounting on an aggregate level.

Notes to the Financial Statements for the year ended 30 June 2017

Note 18 Financial instruments (continued)

18.3 Market risk (continued)

18.3.1 Foreign exchange risk (continued)

Foreign exchange risk sensitivity analysis

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

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

Based on the financial instruments held at 30 June 2017, had the AUD spot price weakened/strengthened by 10% against currencies in which contracts are held, with all other variables held constant, the impact on Comprehensive Income is shown in the table below.

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

Decrease of 10%	Surplus / deficit Higher/(Lower)		Equity Higher/(Lower)	
	2017	2016	2017	2016
	AUD '000	AUD '000	AUD '000	AUD '000
US Dollars	-	-	(1,952)	(4,917)
Euros	-	-	(78)	(2,889)
Japanese Yen	-	-	-	(4,570)
Pounds Sterling	-	-	(250)	(2)
Total	-	-	(2,280)	(12,378)

Increase of 10%	Surplus/deficit Higher/(Lower)		Equity Higher/(Lower)	
	2017	2016	2017	2016
	AUD '000	AUD '000	AUD '000	AUD '000
US Dollars	-	-	2,385	6,009
Euros	-	-	95	3,531
Japanese Yen	-	-	-	5,586
Pounds Sterling	-	-	305	3
Total	-	-	2,785	15,129

Notes to the Financial Statements for the year ended 30 June 2017

Note 18 Financial instruments (continued)

18.3 Market risk (continued)

18.3.2 Commodity price risk

Sydney Trains is exposed to a range of commodity price risks, principally from distillate and electricity purchases.

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

Sydney Trains purchases its electricity under a fixed price contract. Sydney Trains has entered into a 4 year fixed term contract ending 30 June 2021. Sydney Trains' policy for electricity hedging is similar to distillate operations however electricity hedging applies only to periods not under contract. 50 - 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 2017 there were only commodity hedge contracts in place for distillate purchases.

Maturity profiles	Contract Value		Fair Value	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Not later than 1 year				
Favourable	724	4,508	862	5,396
Non-favourable	11,343	8,265	9,360	6,203
	12,067	12,773	10,222	11,599
Between 1 and 5 years				
Favourable	3,372	3,293	3,445	3,952
Non-favourable	5,819	6,894	5,168	5,757
	9,191	10,187	8,613	9,709
Net present value adjustment			34	-
Total commodity swap contracts *	21,258	22,960	18,869	21,308

* The total includes the impact of discounting on an aggregate level

Notes to the Financial Statements for the year ended 30 June 2017

Note 18 Financial Instruments (continued)

18.3 Market risk (continued)

18.3.2 Commodity price risk (continued)

Commodity price risk sensitivity analysis

Based on contracts in place at 30 June 2017, had the Singapore Gas Oil spot price weakened/strengthened by 10%, with all other variables held constant, the impact on Comprehensive Income is shown in the table below:

	Change in unit price	Surplus/deficit		Equity	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Commodity	-10%	-	-	(1,830)	(2,038)
Commodity	+10%	-	-	1,830	2,038

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.

18.3.3 Interest rate risk

Interest rate risk refers to the market value of financial instruments or cash flows associated with the instruments fluctuating due to changes in market yields.

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

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

	Interest Rate		Principal Amount	
	2017 %	2016 %	2017 \$'000	2016 \$'000
Financial assets				
Not later than 1 year				
Cash on hand	-	-	-	1,360
Cash at bank	1.50	1.75	288,403	588,857
Other financial assets	2.56	-	200,000	-
Total financial assets			488,403	590,217
Financial liabilities				
Not later than 1 year				
Finance lease	-	-	-	-
Between 1 and 5 years				
Finance lease	-	-	1,787	-
Later than 5 years				
Finance lease	-	-	2,025,504	2,015,814
Total financial liabilities			2,027,291	2,015,814
Net exposure			2,515,694	2,606,031

Interest rate risk is not applicable to the finance lease

Notes to the Financial Statements for the year ended 30 June 2017

Note 18 Financial instruments (continued)

18.3 Market risk (continued)

18.3.3 Interest rate risk (continued)

Interest rate sensitivity analysis

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

	Carrying Amount \$'000	Surplus/deficit \$'000		Equity \$'000	
		-1%	+1%	-1%	+1%
2017					
Bank deposits	288,403	(2,884)	2,884	(2,884)	2,884
Other financial assets	200,000	(2,000)	2,000	(2,000)	2,000
2016					
Bank deposits	588,857	(5,889)	5,889	(5,889)	5,889

Investment

Sydney Trains held funds with Westpac Banking Corporation for operational purposes at 30 June 2017. The facility is designated at cost. Therefore any changes in price impacts on surplus and deficit (rather than comprehensive income). The deposits at balance date were earning an average interest rate of 1.89% (2016: 1.75%) while over the year the average interest rate was 1.69% (2016: 1.96%) on an average balance during the year of \$546.8m (2016: \$590.8m).

18.4 Credit risk

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

Credit risk can arise from financial assets of Sydney Trains, including cash and cash equivalents, derivative financial instruments, deposits with banks, as well as credit exposure to customers, including outstanding receivables and committed transactions. Sydney Trains has not granted any financial guarantees. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

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

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

Sydney Trains held \$288.4m (2016: \$588.9m) in cash at bank at 30 June 2017. This was held with Westpac Banking Corporation.

Notes to the Financial Statements for the year ended 30 June 2017

Note 18 Financial instruments (continued)

18.4 Credit risk (continued)

Derivatives

In relation to foreign exchange contracts and commodity swap transactions, Sydney Trains only transacts with counterparties with a Standard & Poor's long-term credit rating of A or greater. Sydney Trains held \$0.3m (2016: \$8.2m) in derivative financial assets and \$3.8m (2016: \$6.0m) in derivative financial liabilities.

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

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

Trade receivables

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

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

18.5 Liquidity risk

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

Credit standby arrangements are shown at Note 5.3.

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

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

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

Notes to the Financial Statements for the year ended 30 June 2017

Note 18 Financial instruments (continued)

18.5 Liquidity risk (continued)

	Carrying Amount \$'000	Contract Cash flow \$'000	Less than 1 Year \$'000	Between 1 and 5 Years \$'000	Over 5 Years \$'000
30 June 2017					
Financial assets					
Cash & cash equivalents	288,403	288,403	288,403	-	-
Trade and other receivables	259,517	259,517	259,517	-	-
Other financial assets	200,000	200,000	200,000	-	-
	747,920	747,920	747,920	-	-
Financial liabilities					
Trade and other payables	346,661	346,661	346,661	-	-
Finance lease liability	2,027,291	5,551,745	168,679	710,803	4,672,263
	2,373,952	5,898,406	515,340	710,803	4,672,263
Derivatives					
Forward exchange contracts outflow	(25,215)	(26,265)	(15,120)	(11,145)	-
Forward exchange contracts inflow	-	-	-	-	-
Commodity swap contracts outflow	(18,835)	(21,258)	(12,067)	(9,191)	-
Commodity swap contracts inflow	-	-	-	-	-
	(44,050)	(47,523)	(27,187)	(20,336)	-
30 June 2016					
Financial assets					
Cash & cash equivalents	590,217	590,217	590,217	-	-
Trade and other receivables	274,288	274,288	274,288	-	-
	864,505	864,505	864,505	-	-
Financial liabilities					
Trade and other payables	421,021	421,021	421,021	-	-
Finance lease liability	2,015,814	5,717,310	165,566	696,324	4,855,420
	2,436,835	6,138,331	586,587	696,324	4,855,420
Derivatives					
Forward exchange contracts outflow	(137,514)	(133,628)	(122,906)	(10,722)	-
Forward exchange contracts inflow	-	-	-	-	-
Commodity swap contracts outflow	(21,308)	(22,960)	(12,773)	(10,187)	-
Commodity swap contracts inflow	-	-	-	-	-
	(158,822)	(156,588)	(135,679)	(20,909)	-

18.6 Fair value compared to carrying amount

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

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

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

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

Notes to the Financial Statements for the year ended 30 June 2017

Note 18 Financial instruments (continued)

18.6 Fair value compared to carrying amount (continued)

Financial assets and liabilities recognised at fair value after initial recognition include foreign exchange contracts and commodity swap contracts. Foreign exchange and commodity hedging instruments (assets and liabilities) are categorised within level 2 and are calculated from current market prices / exchange rates that are observable either directly or indirectly and appropriately adjusted for credit. The financial assets and liabilities are recognised on a recurring basis in the statement of financial position.

There were no transfers between levels 1 and 2 and levels 2 and 3 during the current period.

The fair value of financial assets and liabilities recognised in the statement of financial position is as follows:

	Fair value \$'000	Carrying value \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Fair value at 30 June 2017					
Financial assets					
Foreign exchange contracts	3,300	3,160	-	3,300	-
Commodity swap contracts	4,306	4,096	-	4,306	-
Total financial assets	7,606	7,256	-	7,606	-
Financial liabilities					
Foreign exchange contracts	21,915	23,105	-	21,915	-
Commodity swap contracts	14,529	17,161	-	14,529	-
Total financial liabilities	36,444	40,266	-	36,444	-
Fair value at 30 June 2016					
Financial assets					
Foreign exchange contracts	61,356	54,679	-	61,356	-
Commodity swap contracts	9,348	7,801	-	9,348	-
Total financial assets	70,704	62,480	-	70,704	-
Financial liabilities					
Foreign exchange contracts	76,158	78,949	-	76,158	-
Commodity swap contracts	11,960	15,159	-	11,960	-
Total financial liabilities	88,118	94,108	-	88,118	-

Notes to the Financial Statements for the year ended 30 June 2017

Note 19 Related parties

19.1 Key management personnel compensation

During 2016-17, Sydney Trains incurred \$4.6m in respect of key management personnel services provided by Transport Service NSW.

19.2 Transactions & outstanding balances with key management personnel

During 2016-17 Sydney Trains did not enter into transactions with its key management personnel (including the key management personnel of the parent).

19.3 Transactions with government related entities during the year

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

The following transactions are significant either individually or in aggregate:

Nature of Transaction	Agency	Value
		\$'000
Access rights to rail network , stations and property	RailCorp	No charge
Routine maintenance services	RailCorp	No charge
Operating subsidies	TfNSW	1,251,268
Rolling stock transferred out at fair value of \$22.4m	RailCorp	Nil
Cost recoveries for services provided to transport entities including maintenance activities for NSW Trains	NSW Trains	
	RailCorp	598,421
	TfNSW	
	RMS	
Construction revenue	RailCorp	577,081
Defined benefit superannuation liability	SAS Trustee Corporation	448,232

19.4 Transactions and outstanding balances with other related parties

During 2016-17, Sydney Trains did not engage in any transactions / have outstanding balances with other related parties.

Notes to the Financial Statements for the year ended 30 June 2017

Note 20 Superannuation

Overview

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

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

Nature of the benefits provided by the fund

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

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

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

All the schemes are closed to new members.

Notes to the Financial Statements for the year ended 30 June 2017

20 Superannuation (continued)

Description of the regulatory framework

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

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

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

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

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

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

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

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

Description of risks

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

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

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

Description of significant events

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

Notes to the Financial Statements for the year ended 30 June 2017

Note 20 Superannuation (continued)

30 June 2017

The following pages contain disclosures from the 2017 Pillar Administration Letter.

The following is the 30 June 2017 superannuation position:

Member Numbers	SASS 30-Jun-17	SANCS 30-Jun-17	SSS 30-Jun-17	TOTAL 30-Jun-17
Contributors	1,335	1,338	3	
Deferred benefits	-	-	-	
Pensioners	166	-	1	
Pensions fully commuted	-	-	-	
Superannuation Position for AASB 119 purposes	\$'000	\$'000	\$'000	\$'000
Accrued liability (Note 1)	1,139,035	106,781	8,035	1,253,851
Estimated reserve account balance	(731,731)	(70,864)	(3,024)	(805,619)
1. Deficit/(surplus)	407,304	35,917	5,011	448,232
2. Future Service Liability (Note 2)	-	-	-	-
3. Surplus in excess of recovery available from schemes				
(- 1. - 2. and subject to a minimum of zero)	-	-	-	-
4. Net (asset)/liability to be recognised in statement of financial position (1. + 3.)	407,304	35,917	5,011	448,232

Note 1:

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

Note 2:

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

Notes to the Financial Statements for the year ended 30 June 2017

Note 20 Superannuation (continued)

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

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Net Defined Benefit Liability/(Asset) at start of year	512,479	40,859	5,781	559,119
Current service cost	13,754	4,381	123	18,258
Net Interest on the net defined benefit liability/(asset)	10,085	813	115	11,013
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	(49,829)	(4,775)	(193)	(54,797)
Actuarial (gains)/losses arising from changes in demographic assumptions	(16)	(154)	(5)	(175)
Actuarial (gains)/losses arising from changes in financial assumptions	(85,373)	(5,627)	(1,008)	(92,008)
Actuarial (gains)/losses arising from liability experience	17,583	419	198	18,200
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(11,378)	-	-	(11,378)
Effects of transfers in/out due to business combinations and disposals	-	-	-	-
Net Defined Benefit Liability/(Asset) at end of year	407,305	35,916	5,011	448,232

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

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair value of Fund assets at beginning of the year	721,769	74,727	2,855	799,351
Interest income	13,829	1,387	56	15,272
Actual return on Fund assets less Interest income	49,830	4,775	193	54,798
Employer contributions	11,378	-	-	11,378
Contributions by participants	8,632	-	37	8,669
Benefits paid	(73,432)	(10,245)	(114)	(83,791)
Taxes, premiums & expenses paid	(275)	220	(3)	(58)
Transfers in/out due to business combinations and disposals	-	-	-	-
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of Fund assets at end of the year	731,731	70,864	3,024	805,619

Notes to the Financial Statements for the year ended 30 June 2017

Note 20 Superannuation (continued)

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

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of defined benefit obligations at beginning of the year	1,234,248	115,586	8,636	1,358,470
Current service cost	13,754	4,381	123	18,258
Interest cost	23,914	2,201	171	26,286
Contributions by participants	8,632	-	37	8,669
Actuarial (gains)/losses arising from changes in demographic assumptions	(16)	(154)	(5)	(175)
Actuarial (gains)/losses arising from changes in financial assumptions	(85,373)	(5,627)	(1,008)	(92,008)
Actuarial (gains)/losses arising from liability experience	17,583	419	198	18,200
Benefits paid	(73,432)	(10,245)	(114)	(83,791)
Taxes, premiums & expenses paid	(275)	220	(3)	(58)
Transfers in/out due to business combinations and disposals	-	-	-	-
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of the year	1,139,035	106,781	8,035	1,253,851

Reconciliation of the effect of the Asset Ceiling - Para 140(a)(iii)

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

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

Notes to the Financial Statements for the year ended 30 June 2017

Note 20 Superannuation (continued)

Fair value of Fund assets - Para 142

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

As at 30 June 2017	Total	Quoted prices in active markets for identical assets Level 1	Significant unobservable inputs Level 2	unobservable inputs Level 3
Asset category	\$'000	\$'000	\$'000	\$'000
Cash	3,087	3,077	10	-
Australian Fixed Interest	2,501	1	2,500	-
International Fixed Interest	481	-	481	-
Australian Equities	9,446	8,947	499	-
International Equities	12,054	9,033	1,869	1,151
Property	3,453	926	533	1,994
Alternatives	9,066	391	5,068	3,607
Total^A	40,088	22,375	10,960	6,752

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

As at	30-Jun-17
Cash	7.7%
Australian Fixed Interest	6.2%
International Fixed Interest	1.2%
Australian Equities	23.6%
International Equities	30.1%
Property	8.6%
Alternatives	22.6%
Total	100.0%

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

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

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

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

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

The fair value of the Pooled Fund assets as at 30 June 2017 include \$354.0 million in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$250 million (30 June 2016: \$222 million).

Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of \$261 million (30 June 2016: \$243 million).

Notes to the Financial Statements for the year ended 30 June 2017

Note 20 Superannuation (continued)

Significant Actuarial Assumptions at the Reporting Date - Para 144

Discount rate	2.62%
Salary increase rate (excluding promotional increases)	2.50% 2017/2018 and 2018/2019; 3.50% 2019/2020 and 2020/2021; 3.00% pa 2021/2022 to 2025/2026; 3.50% pa thereafter
Rate of CPI increase	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2015 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.

Sensitivity Analysis - Para 145

The entity's total defined benefit obligation as at 30 June 2017 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 2017.

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

	Base case	Scenario A -1.0% Discount rate	Scenario B +1.0% Discount rate
Discount rate	as above	as above -1.0% pa	as above +1.0% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	1,253,851	1,404,765	1,131,999

	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of Discount rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	1,253,851	1,291,907	1,219,259

	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (\$'000)	1,253,851	1,283,562	1,225,563

	Base case	Scenario G Higher Mortality*	Scenario H Lower Mortality**
Defined benefit obligation (\$'000)	1,253,851	1,269,183	1,247,352

*Assumes the short term pensioner mortality improvement factors for years 2017-2021 also apply for years after 2021

**Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2017 to 2021

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

Notes to the Financial Statements for the year ended 30 June 2017

Note 20 Superannuation (continued)

Asset-Liability matching strategies - Para 146

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

Funding arrangements - Para 147(a)

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

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

Surplus/deficit

The following is a summary of the 30 June 2017 financial position of the Fund calculated in accordance with AASB 1056 Accounting Standard "Superannuation Entities":

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Accrued benefits*	766,472	78,935	3,679	849,086
Net market value of Fund assets	(731,730)	(70,865)	(3,024)	(805,619)
Net (surplus)/deficit	34,742	8,070	654	43,466

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

Contribution recommendations

Recommended contribution rates for the entity are:

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

Economic assumptions

The economic assumptions adopted for the 30 June 2017 AASB 1056 Accounting Standard "Superannuation Entities":

Weighted-Average Assumptions

Expected rate of return on Fund assets backing current pension liabilities		7.4% pa
Expected rate of return on Fund assets backing other liabilities		6.4% pa
Expected salary increase rate (excluding promotional salary increases)	2.7% to 30 June 2019 then 3.2% pa thereafter	
Expected rate of CPI increase		2.2% pa

Expected contributions - Para 147(b)

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Expected employer contributions	16,700	-	-	16,700

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

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

Notes to the Financial Statements for the year ended 30 June 2017

Note 20 Superannuation (continued)

Profit or Loss Impact

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Current service cost	13,754	4,381	123	18,258
Net interest	10,085	813	115	11,013
Past service cost	-	-	-	-
(Gains)/Loss on settlement	-	-	-	-
Profit or loss component of the Defined Benefit Cost	23,839	5,194	238	29,271

Other Comprehensive Income

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actuarial (gains) losses on liabilities	(67,806)	(5,362)	(815)	(73,983)
Actual return on Fund assets less Interest income	(49,829)	(4,775)	(193)	(54,797)
Change in the effect of asset ceiling	-	-	-	-
Total remeasurement in Other Comprehensive Income	(117,635)	(10,137)	(1,008)	(128,780)

Notes to the Financial Statements for the year ended 30 June 2017

Note 20 Superannuation (continued)

30 June 2016

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

The following is the 30 June 2016 superannuation position:

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

Note 1:

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

Note 2:

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

Notes to the Financial Statements for the year ended 30 June 2017

Note 20 Superannuation (continued)

Reconciliation of the Net Defined Benefit Liability/(Asset)

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

Reconciliation of the Fair Value of Fund Assets

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

Notes to the Financial Statements for the year ended 30 June 2017

Note 20 Superannuation (continued)

Reconciliation of the Defined Benefit Obligation

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

Reconciliation of the effect of the Asset Ceiling

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

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

Notes to the Financial Statements for the year ended 30 June 2017

Note 20 Superannuation (continued)

Fair value of Fund assets

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

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

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

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

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

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

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

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

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

Fair value of entity's own financial instruments

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

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

Notes to the Financial Statements for the year ended 30 June 2017

Note 20 Superannuation (continued)

Significant Actuarial Assumptions at the Reporting Date

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

Sensitivity Analysis

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

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

	Base case	Scenario A -1.0% Discount rate	Scenario B +1.0% Discount rate
Discount rate	1.99%	0.99%	2.99%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$)	1,358,470	1,540,800	1,213,162

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

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

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

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

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

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

Notes to the Financial Statements for the year ended 30 June 2017

Note 20 Superannuation (continued)

Asset-Liability matching strategies

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

Funding arrangements

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

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

Surplus/deficit

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

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

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

Contribution recommendations

Recommended contribution rates for the entity are:

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

Economic assumptions

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

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

Expected contributions

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

Maturity profile of defined benefit obligation

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

Notes to the Financial Statements for the year ended 30 June 2017

Note 20 Superannuation (continued)

Profit or Loss Impact

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

Other Comprehensive Income

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

Note 21 Events occurring after reporting date

From 1 July 2017, Sydney Trains is no longer a public subsidiary corporation of RailCorp under the *Transport Administration Amendment (Transport Entities) Act 2017 No 12*.

(End of audited financial statements)



INDEPENDENT AUDITOR'S REPORT

Sydney Trains

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Sydney Trains, which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of Sydney Trains as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015

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

Basis for Opinion

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

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

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

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

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

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

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

The Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Chief Executive must assess Sydney Trains' ability to continue as a going concern except where Sydney Trains will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

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

The description forms part of my auditor's report.

My opinion does *not* provide assurance:

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



Margaret Crawford
Auditor-General of NSW

22 September 2017
SYDNEY

Sydney Trains

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