

Annual Report

Transport for NSW

NSW Trains

2016-17 • Volume 1

NSW Trains

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Letter to Minister

The Hon. Andrew Constance
Minister for Transport and Infrastructure

Parliament House
Macquarie Street, Sydney NSW 2000

Dear Minister

I am pleased to submit for presentation to Parliament the Annual Report for NSW Trains for the financial year ended 30 June 2017.

The Annual Report has been prepared in accordance with the *Annual Reports (Statutory Bodies) Act 1984* and the *Annual Reports (Statutory Bodies) Regulation 2015*.

Yours sincerely

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

Howard Collins OBE
Acting Chief Executive
NSW Trains

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 Transport
NSW TrainLink

Overview







Report from the Acting Chief Executive

Welcome to the NSW Trains 2016-17 Annual Report.

This is my first Annual Report as Acting Chief Executive of NSW Trains after former Chief Executive, Rob Mason, left NSW Trains in March. Rob achieved a great deal in his time as NSW Trains' first ever Chief Executive, establishing it as a customer-focused organisation dedicated to delivering significant improvements to customer service and increasing patronage on intercity services. At the same time as my appointment, Pete Allaway was appointed NSW Trains' first Chief Operating Officer to manage the day-to-day running of the business.

I am pleased to say the hard work of our employees over the last 12 months has paid off with NSW Trains achieving a significant lift in customer satisfaction with scores increasing by more than seven per cent in the last three years. Substantial improvements have been achieved through the introduction of innovative and collaborative solutions in areas such as cleanliness of fleet and facilities, customer service and security.

We were also very pleased to hear the announcement that the tender for the construction and maintenance of the New Intercity Fleet has been awarded.

The New Intercity Fleet will be a game changer for our longer distance intercity customers. The new train will deliver a safer, more comfortable journey and the team is working hard to leverage the opportunities the new fleet brings to improve the experience for our customers.

The Government announced it has accelerated the replacement of the ageing regional train fleet, with the planning and procurement process starting during the year. This new train will provide our regional customers with a safer, more comfortable journey. In August 2017, we were excited to be appointed the operator of the new regional fleet.

The new fleets will provide the opportunity to meet our customers' expectations of a modern and reliable train service and ensure we are delivering tangible benefits for our customers.

To take delivery of the fleets we have to start transforming, rethinking the way we work to adapt to new technology and meet challenging customer expectations.

This year we began our transformation by identifying four key business priorities. These are to create great customer experiences, be safe and secure, spend smarter and build connections. These priorities will drive

everything we do and are supported by a new cross-functional service model. This includes the restructure of regional general management into two regional divisions and two functions focussed on delivering stronger organisational capabilities and better service offerings for core markets.

We are very proud of what we have achieved over the year and it's particularly rewarding to have our accomplishments recognised by others. We did exceedingly well in this year's Transport Awards with Karen Neader, Customer Service Attendant Gunnedah, winning the Transport for NSW Secretary's Award for Individual Excellence.

Our commitment to finding and implementing innovative and effective solutions to improving staff and customer safety on long-distance services was also acknowledged when we won the prestigious Australasian Rail Industry Safety Award for the introduction of personal safety cameras.

Every day, we get thousands of customers to their destinations safely across an area over 60 times the size of the Sydney Metropolitan Area. This could not be achieved without the hard work put in by the entire NSW Trains team and I thank them for their effort.



Howard Collins OBE
Acting Chief Executive
NSW Trains

About NSW Trains



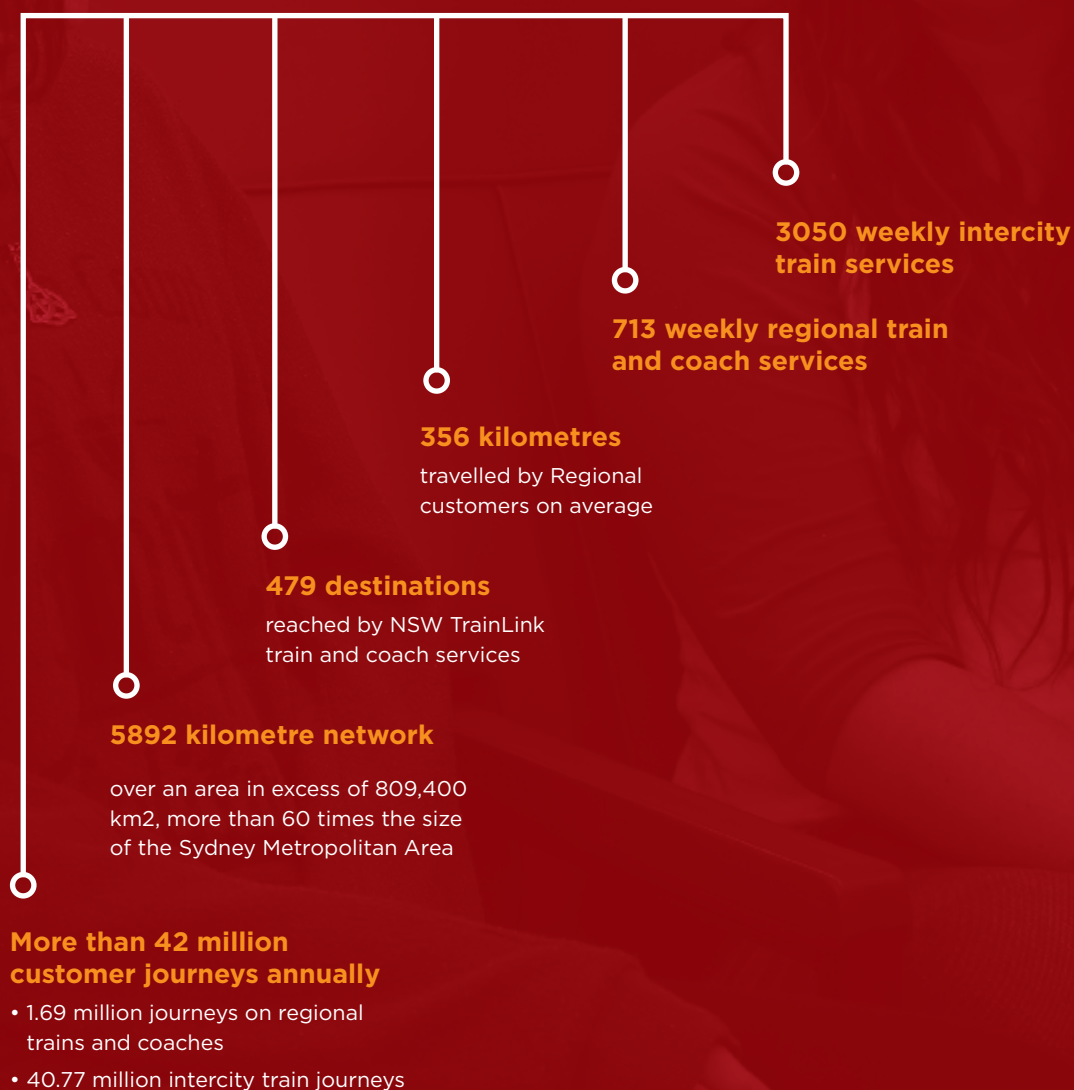


NSW Trains began operations on 1 July 2013 as the State's first multi-modal organisation dedicated to intercity and regional customers, operating as NSW TrainLink.

Our train and coach network reaches as far as Broken Hill and Bourke in the west, Eden and Melbourne in the south, and Brisbane in the north. Intercity train services operate between Sydney and the Hunter, Central Coast, Blue Mountains, Southern Highlands and the South Coast.

NSW Trains' annual cost base is more than \$800 million which funds the operating costs for train crew, station staff and business support functions. It also supports the maintenance of the assets it uses. Our annual capital expenditure is approximately \$5.5 million.

KEY FACTS



Our purpose

NSW Trains' purpose is to connect people and communities throughout NSW.

What we do

Customer Service Delivery

The Customer Service Delivery Directorate underwent a transformational change during the year, with four new directorates created and directors reporting directly to the Chief Operating Officer. These new directorates – Region North and Central, Region South and West, Network Services and Service Development and Support – represent more than 90 per cent of staff and focus on customer service and the day-to-day delivery of safe, reliable and clean train and coach services.

People and Transformation Delivery

The primary responsibilities of the People and Transformation Delivery Directorate are to attract, develop and retain a skilled workforce that can meet NSW Trains' needs by supporting and inspiring employees and managers. It provides HR strategies, policies, plans and programs that align business and organisational goals to enable workforce success and drives NSW Trains' People Plan. This plan has been translated into a series of strategic programs that form the basis of our delivery priorities. It also provides industrial relations advice and support to the management team.

Finance and Corporate Services

The Finance and Corporate Services Directorate manages and implements NSW Trains' financial policy, strategy, planning budgeting and financial reporting to both internal and external stakeholders. The Directorate develops and implements IT strategies, plans and standards for NSW Trains and its business units, as well as providing support to NSW Trains in Communications and Legal Services.



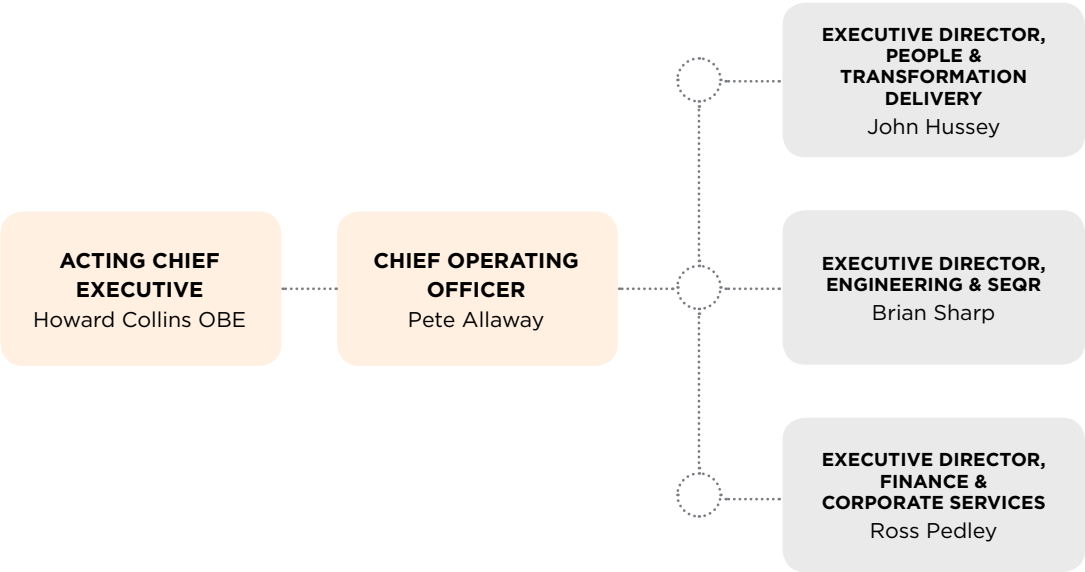
Engineering, Safety, Environment Quality and Risk

The Engineering & SEQR Directorate provides the underpinning systems, processes and frameworks to ensure that NSW Trains is a safe and reliable operator of passenger services and that it meets and maintains its safety accreditation as a rail operator.

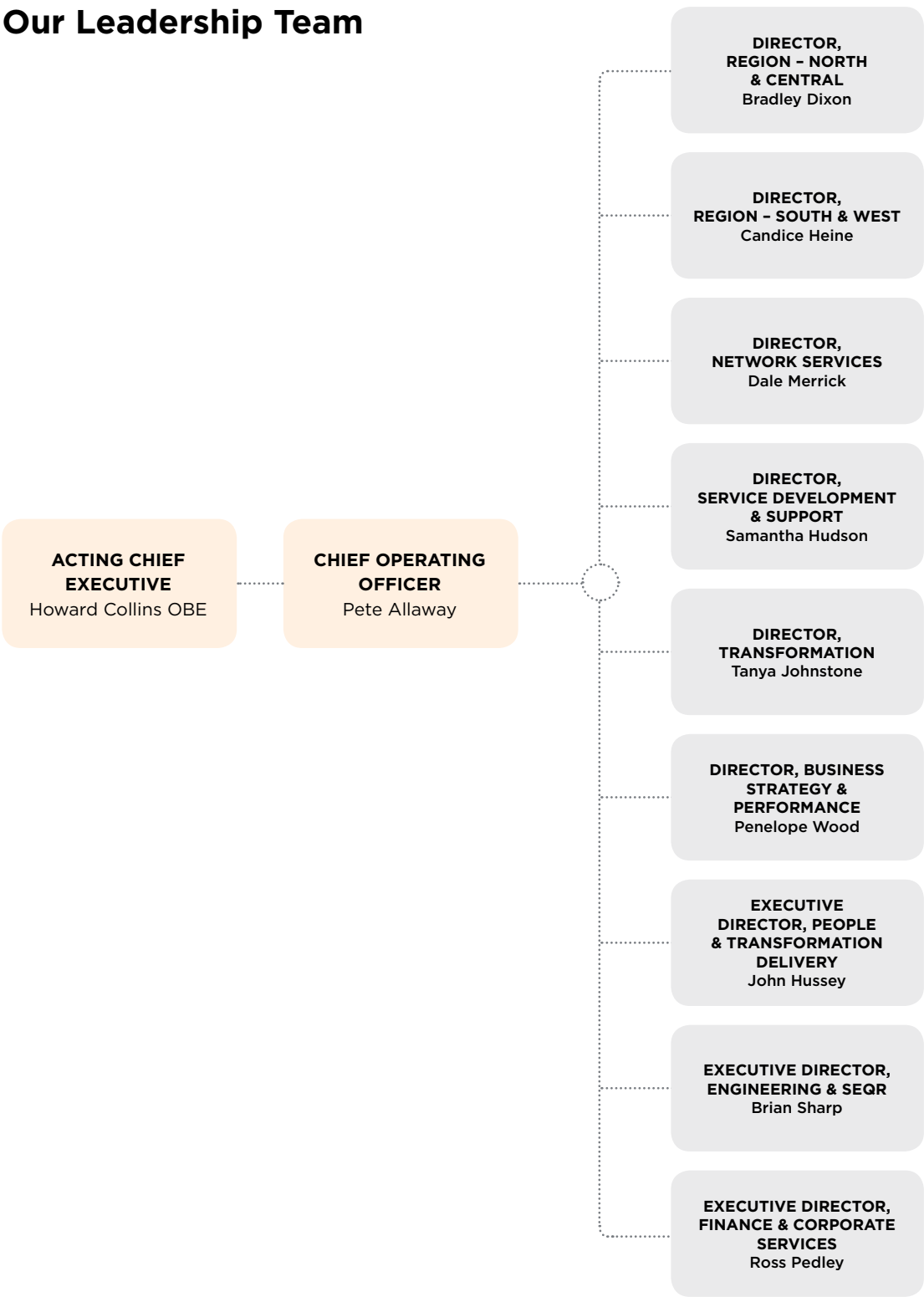
Business Strategy & Performance

The Business Strategy & Performance team supports the development and delivery of the five-year strategic vision for NSW Trains, in conjunction with the broader leadership team. The team is responsible for keeping the agency focused on improving performance, and manages internal and external reporting so that useful information can support good decision making.

Our Executive Team



Our Leadership Team



Strategy and planning





Business Plan

NSW Trains helps to deliver integrated transport solutions and improved transport outcomes for the community and economy of NSW. We take guidance from the priorities of the NSW Government and Transport for NSW – ensuring the customer is at the centre of decision making, working to improve the customer experience and the reliability of services.

Since NSW Trains was established we have built a solid foundation, getting the basics right by focusing on safe, reliable and clean journeys for our customers. However, we operate in an environment with a specific set of challenges including a shifting customer base, a funding gap, an ageing fleet, and operating on an ageing, busy and constrained network. We also know that the future of our business is dependent on getting the customer experience right – retaining our existing customers while attracting new ones.

We need to modernise our business and continually seek opportunities to better serve and connect regional communities, while providing value for money for customers and taxpayers. The new Intercity and Regional fleets will help us address some of our key business challenges, and there will be significant work for NSW Trains to prepare for the arrival of these trains.

Part of this work is to look at our priorities and make sure we are well set up for the future.

Over the year, we developed a new set of business objectives to drive the transformation of our business and prioritise our activities. These are:

- Create great customer experiences – raise patronage through improved service
- Be safe and secure – to instil confidence in the safety of our services
- Spend smarter – we will deliver value in every decision
- Build connections – increase trust and relevance in the community and improve employee engagement

We link all activity to our business objectives. We monitor the incremental delivery of our objectives through business plans and Key Performance Indicators (KPIs) and are required to report on specific KPIs as part of the Rail Services Contract with Transport for NSW.



New service model

Over the last three years NSW Trains has grown and developed as an organisation and our original operating model no longer suits our purpose. A change is needed to offer an improved level of service to meet the growing expectations of customers.

It was essential that we remain relevant in an ever changing transport sector and equip ourselves for transformation, including being in a position to accept brand new Intercity and Regional fleets.

In February 2017, we implemented a functional service model and restructured the management team in Customer Service Delivery (CSD). The restructure included a realignment of regional general management into two divisions – North and Central and South and West.

To support the regional management two new divisions were also created:

Network Services Division – focusing on customer service and day to day operations; and

Service Development and Support Division – to provide a longer term view of the customer service experience and business development.

The new service model and leadership structure will help us develop stronger organisational capabilities such as emergency readiness and workforce planning while delivering better service offerings for core markets.

Key performance indicators

Business objective	Key performance indicator	Results FY 13/14	Results FY 14/15	Results FY 15/16	Results FY 16/17	Target
Growth	Customer satisfaction % at least partly satisfied – overall *1	82%	85%	88%	87%	> 82%
	Customer complaints % resolved within 5 days	97.4%	99.0%	98.6%	99.7%	> 90%
	Customer delays – minutes that 90% of customers are delayed	4:28	4:54	4:58	4:24	4:00
	Punctuality (Intercity services) – % peak services on time *2	89.3%	87.9%	89.4%	88.8%	> 92%
	Punctuality (Regional services) – % all services on time	73.5%	77.3%	78.6%	74.8%	> 78%
	Punctuality (booked coach services) – % all services on time	94.8%	97.8%	96.1%	95.5%	> 90%
	Patronage growth (Intercity)		-2.4%	11.3%	6.0%	>0.5%
	Patronage growth (Regional)		-3.6%	-0.2%	-4.0%	>0.5%
	Service provision *3	99.4%	99.0%	99.3%	99.3%	99.0%
	Trains cleanliness 7 Point Scale (1-7) *4			5.06	5.66	> 5.8
	Stations cleanliness 7 Point Scale (1-7) *4			5.89	5.99	> 6
Safety and Security	Customer injuries *7	12	26	15	11 [#]	< 25
	Employee injuries (LTIFR) *5	33.60	29.01	27.26	21.94 [^]	< 18.87
Engaged Workforce	Employee sick leave – average monthly days per employee	0.81	0.89	0.90	0.88	< 0.75
	Employee overtime – overtime hours as % normal hours	6.2%	7.0%	6.9%	6.2%	< 7.5%
	Equal opportunity – % women in workforce	23%	24%	24%	25.3%	> 20%
	Headcount – Direct employees	1,916	2,037	2,085	2056	< 2138
Cost Effective Service Delivery	Net Op Cost/revenue car KM	\$8.36	\$8.69	\$8.49	\$8.76	N/A
	Net Op Cost/passenger journey	\$21.46	\$21.43	\$18.96	\$18.43	N/A
	Booked services load factor – Revenue KM as % of seat km *6	44%	46%	52%	51.9%	46%
Transport Cluster Outcomes	Station lifts reliability mean time between failures	105	98	146	165.38	>40
	Station lifts reliability mean hrs to repair	16	18		12.93	<20
	Fleet availability	88%	88%	88%	90%	88%

*1 The percentage of customers partly satisfied to very satisfied with the overall service as per the Customer Satisfaction Surveys (CSS) undertaken by TfNSW on average over four quarters.

*2 The percentage of timetabled peak services arriving on time without skipping stops or being cancelled

*3 The percentage of passenger services which are operated and configured in compliance with the timetable specifications

*4 Cleanliness scores moved to a 7 point scale in 15-16. Prior FY's not comparable

*5 The number of lost time injuries that occurred over a period time per number of employee hours worked in that same period

*6 Revenue passenger kilometres as a percentage of available seat kilometres

*7 Customer injury where medical treatment was required, excluding ill health

[#] Net operating costs are in nominal dollars

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

For this purpose cost is calculated as 'Net Operating Cost' which is total expenses excluding capital related costs, depreciation and amortisation, inter-entity cost recovery and items not part of normal operating costs. Prior period figures have been restated on the same basis.

Performance against these indicators has been improving in real terms through cost effective growth in patronage and services.

Performance overview





Growth

Patronage

Overall, Regional patronage has been declining since 2011-12 however, pricing specials have slowed this decline. While Intercity patronage appears to be increasing this is mostly due to comparing Opal usage against the previous magnetic stripe ticketing calculations.

The focus has continued on growing Regional patronage and revenue as well as encouraging the use of more convenient digital channels, including the website, for transactions which also provides commercial efficiencies

Promotional campaigns

During the year we undertook a wide range of campaigns, online as well as through traditional media, to promote Regional Services.

A major campaign was rolled out delivering information to our 'mainstay' customers – seniors and pension card holders – reminding them of their discounted travel entitlements on all NSW TrainLink Regional train and coach services.

We also expanded the rollout of our first major initiative to empower customers with online information particularly around travel planning and booking. The 'Promoting Self Service Transactions' included information directly to letter boxes as well as posters and flyers at stations to help remind customers of the ease and convenience of booking online.



Special fares for Regional customers

We continued to offer a range of discounted fares to encourage customers to travel in off-peak times and to book online.

Fares were also 'capped' for certain services across the state, with further discounts when booked online, making it even better value to travel with NSW TrainLink.

Customer satisfaction

We achieved a significant lift in intercity customer satisfaction; with scores increasing by more than seven per cent in the last three years. During the period under review, we scored the second highest customer satisfaction of any Transport for NSW agency with 91 per cent.

Notably significant improvements have been achieved through introducing innovative solutions in areas such as cleanliness of fleet and facilities, customer service and security.

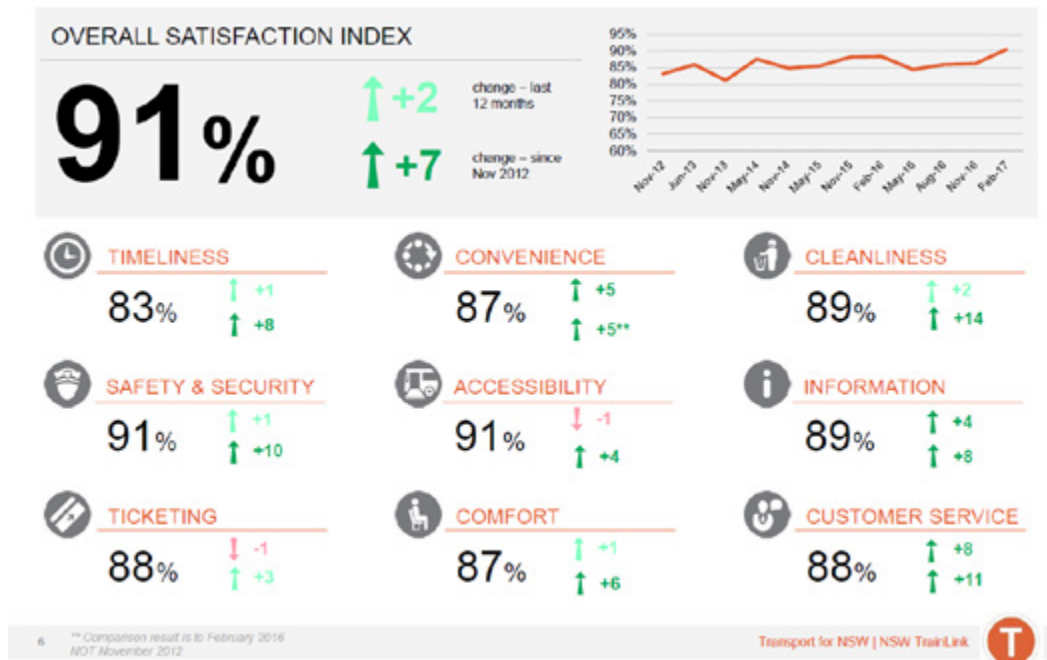
Cleanliness scores have increased by 14 per cent over three years. We achieved these results by taking over cleaning contracts, introducing innovations such as mobile plumbing services at Central Station and addressing rolling stock cleanliness issues with mobile cleaning crews.

Customer service scores have also significantly increased which were achieved by close collaboration with our people and ensuring we provide the frontline capability to keep our customers at the centre of everything that we do. Impressively these results have been achieved across the six different customer types ranging from full-fare to concession travellers.

Security scores increased by 10 per cent over three years and have been achieved through the following initiatives:

- developing a closer working relationship with the Police Transport Command. Using 'intelligence-based' targeting to ensure their resources are deployed where they make the most difference
- introducing a 'Managing Challenging Interactions' training course, so our people can de-escalate difficult situations before they become dangerous.

Summary dashboard – February Quarter 2017



The impact of the Cleaning Improvement Program across the business has shown positive results with cleaning complaints down by 37 per cent from the previous year. This is also reflected in the Customer Satisfaction score for cleanliness which improved from 82 per cent in quarter one 2015 to 89 per cent in quarter one 2017. While a strong result, there remains potential for improvement, with cleanliness being one of the main satisfaction drivers for customers.

Cleaning complaints were down by 29 per cent from 2015-16, following on from a reduction of 31 per cent from 2014-15.

The following initiatives were undertaken to provide customers with cleaner trains and stations:

- through the Deep Cleaning Program for trains and stations 595 carriages and 112 stations have been deep cleaned. Trains pre-service and a majority of stations are now consistently exceeding the target score of six
- in-transit cleaning across the Blue Mountains, South Coast and Central Coast Lines
- the successful implementation of an on-call plumber at Central Station extended to cover weekends, resulting in a significant improvement of more than 34 per cent availability of toilets in service.

A new independent verifier was appointed in April 2017 to assess the overall cleanliness of trains and stations. The verifier sends out real time alerts on any cleanliness issues, allowing speedy resolution by our staff. These cleaning improvement results are used to identify stations and specific train services where additional attention is required for 2017-18.

Catering

Following the overhaul of the onboard café menu in 2015-16 we continued to use the expertise of Gate Gourmet to improve the onboard food offering including:

- a new seasonal menu produced every six months
- sourcing 70 per cent of food from regional Australia
- the introduction pre-paid meals for group bookings.

Smart Stations

The Smart Stations Program is a series of six projects to improve safety and information amenity on Regional train stations including:

- CCTV and Help Points (Phase 2)
- Facility Remote Access
- Long Line Digital Voice Announcement System (LLDVA) at 12 locations
- Customer Information Boards
- Station Passenger Indicators
- A Mobile Public Address system.

All these projects are important enablers for our Regional Customer Support Centres, located at Maitland and Wollongong. These are 24/7 facilities providing customer service, information and security assistance to customers.

This year the LLDVA System and Customer Information Boards projects commenced while, in parallel, design works for Station Passenger Indicators were initiated based on a successful real-time information trial at Orange Station.

Customer channel transformation

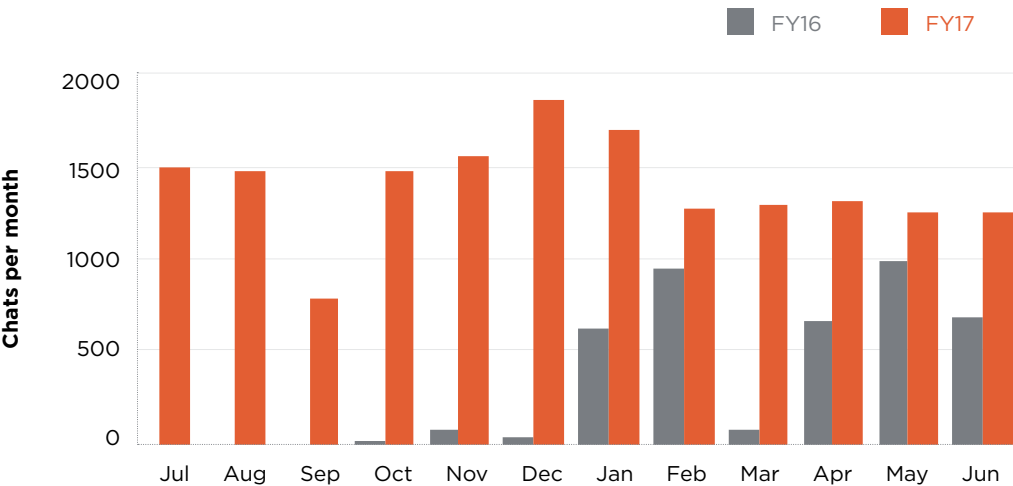
The Customer Channel Transformation Program (CCTP) will deliver an omni-channel customer experience for transport service information and feedback across the Transport cluster. The objectives of the program are to empower customers to make better transport decisions digitally; drive adoption by building customer confidence in digital self-service; and to coordinate and consolidate customer channels.

During the year we contributed to the creation of a single website across all public transport operators to provide customers with a single, convenient source of information as well as providing them with the ability to book their Regional travel.

The NSW TrainLink Regional booking system was also upgraded as part of an ongoing program of improvements to make it easier, quicker and safer to book travel online.

The NSW TrainLink website also continued to offer 'Live Chat' to customers to help them with immediate answers to their questions, and to better understand how to book online. This function proved to be extremely popular through the year with a significant increase in the number of customers using the service over the previous year.

Year-on-year chats



Customer feedback

Customer feedback, including complaints, enquiries, feedback and compliments decreased by nine per cent from 12,816 in 2015-16, to 11,609 in 2016-17 (See Table 1).

Customer complaints decreased by 14 per cent from 9184 in 2015-16, to 7860 in 2016-17, which is representative of the improved customer satisfaction results.

The top five complaint drivers represented 82 per cent of all complaints: Timeliness (34 per cent), Comfort (16 per cent), Information (12 per cent), Staff/Customer Service (10 per cent) and Safety and Security (10 per cent) (See Table 2).

Nine complaint categories show a reduction in the number of complaints received (see Table 2). The four categories with the greatest reductions were: Timetables (down 64 per cent), Comfort (down 34 per cent), Environment (down 33 per cent) and Cleanliness (down 29 per cent).

Complaints were up on Ticketing (up six per cent) and Timeliness (up one per cent).

Table 1

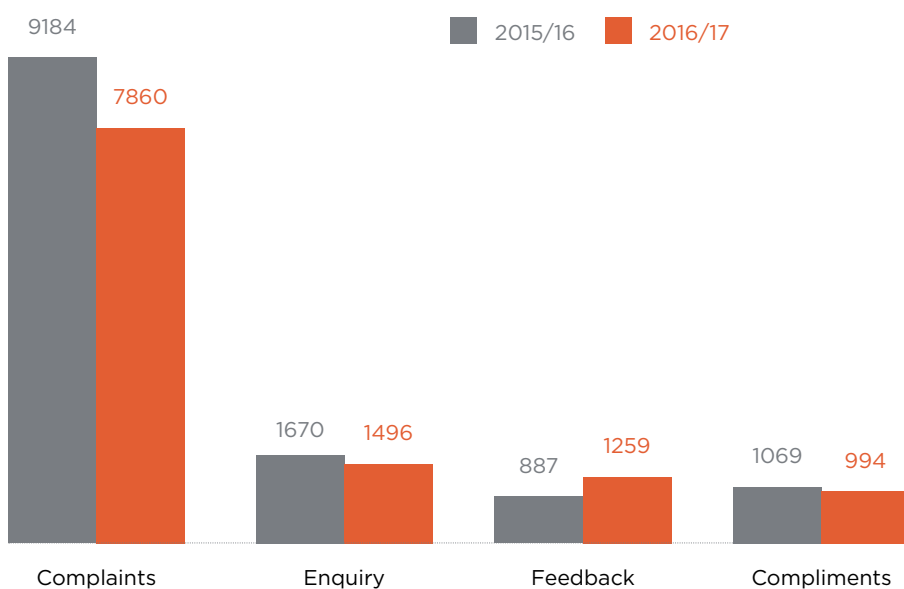


Table 2

Complaint Category	15/16	16/17	Change
Timetables	251	90	-64%
Comfort	2014	1326	-34%
Environment	115	77	-33%
Cleanliness	356	253	-29%
Staff/Customer Service	964	822	-15%
Access & Convenience	428	376	-12%
Information	981	879	-11%
Safety & Security	910	819	-10%
Timeliness	2617	2638	1%
Ticketing	548	580	6%
Total	9184	7860	-14%

Disability Inclusion Plan

The NSW Trains Disability and Inclusion Plan focuses on embedding accessibility into the strategy, business and people practices, and influencing our partners to deliver accessible services on our behalf.

This year, we completed an audit and replacement of boarding ramps on Regional XPT and XPLOER trains to improve functionality and safety.

In 2016-17 the following station improvements were delivered:

- new accessibility ramps, parking and improved safety signage in Broadmeadow
- pick up and drop off zone for public vehicles and an additional bay for coaches at Wagga Wagga
- two new pedestrian crossings and a designated zone for public vehicles to pick-up and drop-off customers at Albury
- power-assisted doors at the station and an upgraded accessible toilet in Tamworth
- new accessible ramp and car parks in Coffs Harbour.

Community engagement

The NSW TrainLink train and coach network serves a diverse range of communities from metropolitan to regional and rural.

As part of ensuring we meet the needs of our many communities into the future, we are working to develop closer links with our stakeholders and a greater understanding of the unique needs of each community we serve.

During 2015-16 we developed a 'Community Engagement Framework' to assist our staff engage effectively with our communities.

The framework guides staff in developing meaningful engagement practices that promote two-way communication and enable us to listen to our communities and keep them informed about our services and plans.

Through this we hope that both NSW TrainLink and our customers will develop a better mutual understanding. Through closer engagement we will be able to make sustainable decisions on behalf of our local communities and the wider NSW community.



New livery wrap being installed

Endeavour gets a good wrap

A trial of a new external livery on a two-car Endeavour set started in June. The new livery is predominantly a vinyl wrap which matches our seven Hunter Car sets. The vinyl wrap will be reviewed to determine a potential rollout of the livery to other sets.

Elvis Express 2017

The NSW TrainLink Elvis Express once again transported hundreds of Elvis and Priscilla lookalikes to the internationally renowned Elvis Festival held in Parkes in January. The Elvis Express reflects NSW TrainLink's commitment to supporting regional communities and their economic development.

Tickets for the train sold out in minutes and more than 380 customers enjoyed on board Elvis Tribute entertainment to Parkes and back – with some customers even heard to say it was the 'best Elvis Express ever'.

The departure concert at Central Station attracted hundreds of commuters and Elvis devotees, with the event gaining wide media coverage on national TV, radio and newspapers as well as in international print and broadcast media.

Help desk for rough sleepers at Central

In order to improve safety and cleanliness at Central Station for customers, the community and staff, NSW Trains instigated a collaboration with the Department of Family and Community Services, St Vincent's Hospital and several charities to start up a help desk to find accommodation, medical support or a trip home for the around 70 rough sleepers a night in the precinct.

The program has been extremely successful with 252 people provided with help over the year. The number of rough sleepers in the Central Station Precinct is now less than 40 and our cleaning scores are at a record high of 6.5.



Elvis Express 2017



Punctuality

INTERCITY

Intercity combined peak hour punctuality for the year, for services arriving and departing Central, was 88.8 per cent. This was below the peak punctuality target of 92 per cent and was a slight drop on 2015-16 performance of 89.4 per cent. The drop in performance was mainly due to the PM peak with a result of 84.9 per cent for 2016-17. The AM peak met target with 92.6 per cent of services punctual across the Intercity network during the reporting period.

The PM peak punctuality result was affected by some significant weather-related events during the reporting period including lightning strikes at several locations, flooding, extreme temperatures as well as infrastructure and rollingstock issues.

The overnight period provides an opportunity to 'reset' the system and typically enables better punctuality in the morning peak. The afternoon peak is also more likely to be affected by flow-on effects of delays on the rail network during the day.

We continued to look at ways to improve reliability and achieve the punctuality target in 2016-17, such as focusing technical support out on the network to minimise the impact of unexpected issues causing delays.

REGIONAL

Overall, Regional punctuality for the 2016-2017 financial year was 74.8 per cent which is below the target of 78 per cent. This was down over the 2015-16 performance result of 78.6 per cent. However, NSW TrainLink achieved target on four out of ten regional lines - Broken Hill, Dubbo, Grafton and Griffith.

Temporary speed restrictions put in place by the Australian Rail Track Corporation (ARTC) were imposed periodically throughout the financial year and the number of these increased from January to June 2017. The speed restrictions significantly affected Intercity services on the Southern Highlands line and Regional services on the Melbourne and Canberra lines between Campbelltown and Goulburn. ARTC speed restrictions were also an issue between Maitland and Moree affecting Intercity services on the Hunter line and Regional services on the Moree and Armidale lines, increasing from January through to March 2017.

Copper wire theft from the ARTC network affecting signal operation on the main South line during February 2017 and June 2017 caused delays to Southern Highlands Intercity and South Regional services.

To improve reliability and reduce customer delays, NSW TrainLink worked closely with ARTC and John Holland to better track work possession planning, prioritise rollingstock projects with Sydney Trains, the maintainer of the NSW TrainLink fleet, and develop plans for extreme weather conditions.

Reliability (%)

PEAK INTERCITY

North (Electric)	87.2% (▼ from 88.8% last year)
South Coast (Electric)	92.7% (▲ from 91.3% last year)
Southern Highlands (Diesel)	79.0% (▲ from 74.4% last year - six services measured)
West (Electric and Diesel)	88.9% (▼ from 90.9% last year)

REGIONAL

Armidale	68.9% (▼ from 74.6% last year)
Brisbane	66.9% (▼ from 68.9% last year)
Broken Hill	82.7% (▲ from 79.6% last year)
Canberra	75.6% (▼ from 79.2% last year)
Casino	83.1% (▼ from 87.2% last year)
Dubbo	87.4% (▲ from 84.8% last year)
Grafton	91.4% (▲ from 90.7% last year)
Griffith	93.9% (▲ from 91.6% last year)
Melbourne	63.8% (▼ from 71.4% last year)
Moree	67.2% (▼ from 76.0% last year)

There were 14,953 late trips in 2016-17, a reduction of 8.9 per cent from 16,426 last year:

- Intercity 24-hour late trips: 12,954 (12 per cent reduction from 14,752 last year)
- Regional 24-hour late trips: 1999 (19 per cent increase from 1674 last year).

Safety and security

Safety and security on stations and on board trains is critical for our customers and staff. This year we continued to improve security by leveraging technology such as personal safety cameras and CCTV as well as working with the Police Transport Command to increase the number of patrols on our services. In addition, the 'Tell Us' application started rolling out as a one stop shop for fleet defects. These initiatives have helped to ensure better reporting and a greater visibility of safety incidents.

Employee safety

The key indicator for employee safety is the Lost Time Injury Frequency Rate (LTIFR), a measure of the number of injuries resulting in time lost from work, per million hours worked. NSW Trains' total LTIFR (physical and psychological) improved in 2016-17, with a 20 per cent decrease from the previous year. See the table below.

	2015-2016	2016-2017	Change
LTIFR – physical Injuries	16.40	12.22	-25%
LTIFR – psychological Injuries	10.87	9.72	-11%
LTIFR – Total	27.27	21.94	-20%

An employee injury review was conducted to improve the quality of data reported. This resulted in a more accurate classification of injuries and better visibility of injury reporting.

Employee physical injuries

There were 117 physical injuries for in 2016-17 and 44 per cent of those resulted in Lost Time Injuries (LTIs). The injuries followed a downtrend from previous financial years, partially due to the exclusion of the 'Report Only' incidents from the total number of injuries reported. During the reporting period, we introduced a new injury reporting process with employees reporting directly to line managers which also contributed to a reduction in LTIs.

To help reduce the number of physical injuries this year we introduced:

- more effective immediate support for injured employees
- improved links between root causes of injuries and risks in the Safety Risk Register (SRR)
- a risk review cycle, allowing managers to identify high frequency causes and organise more frequent reviews
- a more thorough analysis of failed controls of causes in the SRR.

Employee psychological injuries

There were 152 psychological injuries in 2016-17, of which eight per cent resulted in LTIs. Psychological injuries can result from near miss incidents or trauma from witnessing fatalities and/or major incidents. Nine fatalities were reported in the period as a result of people being struck by our trains; three were at stations, two at level crossings and four in the rail corridor.

'Near miss' incidents also have a strong impact on our staff, predominantly on drivers and train guards. At 51 per cent, they are by far the highest category of psychological injury.

Despite the downtrend of LTIs and psychological injuries overall, the psychological LTIFR followed a slight uptrend, indicating the impact the fatalities and near misses have on our drivers and train guards, particularly in terms of time off work to recover.

To address psychological injuries, the organisation delivered 'Coping with Trauma' training to all employees. This is designed to help our people feel more prepared should they be exposed to a stressful incident.

This year we also adopted a Critical Incident Support Procedure to better manage incidents and events that have a traumatic outcome. Discussions were held with staff regarding their experiences with trauma, the level of support they received and how improvements could be made in the area.

Health and Wellbeing Program

The Health and Wellbeing Program seeks to influence the behaviour of our staff both inside and outside the work environment. The aim of the program is to improve the overall wellbeing of staff, both physically and mentally.

This year we focussed on the prevention of illness through building wellbeing into everyday activities with specifically targeted events that support mental, physical and financial wellbeing including:

- Rail R U OK? Day
- Flu vaccinations
- Muscular Skeletal Injury Reduction to Train Drivers Project – research and design for health stream initiatives
- Employee health fairs
- Mental health awareness and fitness for duty process workshops facilitated by The Black Dog Institute for frontline leaders
- Posture seminar improvement for crew and office based workers at Central
- Executive health checks
- Three new Employee Assistance program videos for staff – including information on Critical Incident Support Program, Manager Assistance Program and Employee Assistance Program
- Fitness passport – affordable gym membership
- Salary packaging information sessions.

Many local and regional health and wellbeing events were held and employees participated in the annual City2Surf and the Sydney Chinese New Year Festival Dragon Boat Race.

Support for those affected by domestic and family violence (DFV)

NSW Trains is resolute that the workplace should be a place of safety for those suffering DFV, where our people can feel supported through difficult times and where we model resolving conflict without violence.

Comprehensive support for those affected by DFV has been introduced including:

- up to seven days paid special leave annually
- access to specialist advice for leaders and employees through the Employee Assistance Program
- information on the intranet on where to go for professional services and advice
- workshops for leaders to build awareness and confidence to support employees who may be affected.

Rail R U OK? Day

Rail R U OK? Day is an industry-wide event which focuses on engaging rail staff in conversations about their emotional status by prompting them to answer one simple question: Are you ok?

Taking part in Rail R U OK? Day and the learnings from that help move NSW Trains a step forward in addressing the

stigma surrounding emotional and mental trauma that might manifest as a result of exposure to incidents on the railway.

During the week (18–22 April) a range of events were held across all areas of NSW Trains which focused on engaging with our staff to raise awareness around mental health and emotional stability for individuals and teams in the workplace.



Ask a mate R U OK?

Customer injuries

During the reporting period there was an increased focus on capturing and reporting customer injuries.

Most customer injuries occur due to loss of balance when boarding or alighting the train at a station. Initiatives to address this risk are presented in the 'Platform/train interface' section.

Anti-social behaviour

Anti-social behaviour continues to be an unacceptable risk to the safety of our staff and customers on some of our services and stations.

Anti-social behaviour performance was consistent in 2016-17 with around 150 incidents per month on average, with no visible change from month-to-month.

Following the successful pilot of 28 personal safety cameras in 2015, 100 devices were successfully delivered to our staff on regional train services and at selected stations identified as hot spots for anti-social behaviour.

We continued to engage with the Police Transport Command to reduce anti-social events on our services and stations. As a result, 40 Regional Police Operations were organised through the year.

Regional CCTV and customer help and information points were installed at 40 regional stations.

Platform/train interface

A key risk customers need to be aware of when they travel with NSW TrainLink is the gap between a train and the platform as well as the differential height between the train carriage floor and the platform. Statistics show that those most 'at risk' are customers with disabilities, children, the elderly and intoxicated people.

There was a 25 per cent improvement in the number of slip/trip/falls recorded when boarding or alighting trains at stations, with 93 incidents recorded in 2016-17. Central Station had the highest number of incidents, followed by a number of stations along the Central Coast and Hunter lines, reflecting the higher number of trains operating and customers carried on these lines.

The topic of 'platform/train interface' was regularly discussed during Safety Action Group meetings and a number of issues and initiatives were identified, including the need for improved reporting to get a better understanding of the high risk stations.

Trespass

There was an increasing number of incidents involving trespass in the rail corridor reported throughout the financial year 2016-17 with around 225 incidents monthly on average, predominantly on the South Coast Line. This was partly due to better reporting since the Remote Customer Service Centre (RCSC) at Wollongong started operation. High numbers of incidents were also recorded at Leeton in the Riverina Region and Wellington in the central west of the State.

We are actively involved in working with third parties to reduce the risk of trespass with undercover police targeting and fining regular offenders.

We are also continuing to warn customers about the dangers of trespassing in the rail corridor through voice announcements at station platforms.

Level crossings

There were 454 level crossing incidents during the reporting period, representing 97 per cent more incidents reported than the previous financial year. This is partially due to improved reporting since the opening of the Regional Customer Support Centre in Wollongong. Data shows that the main hotspots were on the South Coast Line, especially at the level crossings at Woonona, Bellambi and Albion Park, which continue to incur the highest number of incidents.

NSW Trains helped develop strategies to address the risk of trespass at level crossings and participated in the Transport for NSW 2016-17 Level Crossing Improvement Program. The draft of this program includes upgrades to a number of level crossings used by NSW Trains.

Four items were progressed through the Transport for NSW Level Crossings Working Group, Level Crossings Strategy Council and other forums, including:

- opportunities for the introduction of cameras at identified high incident rate level crossings to capture pedestrian violations
- potential for introducing yellow hatched lines (or similar) to define the area of the level crossing that should not be entered if the exit is blocked
- potential for introducing speed bumps and/or rumble strips on approach to level crossings
- development of strategy for mental health management for staff who witness traumatic events.

Safety education

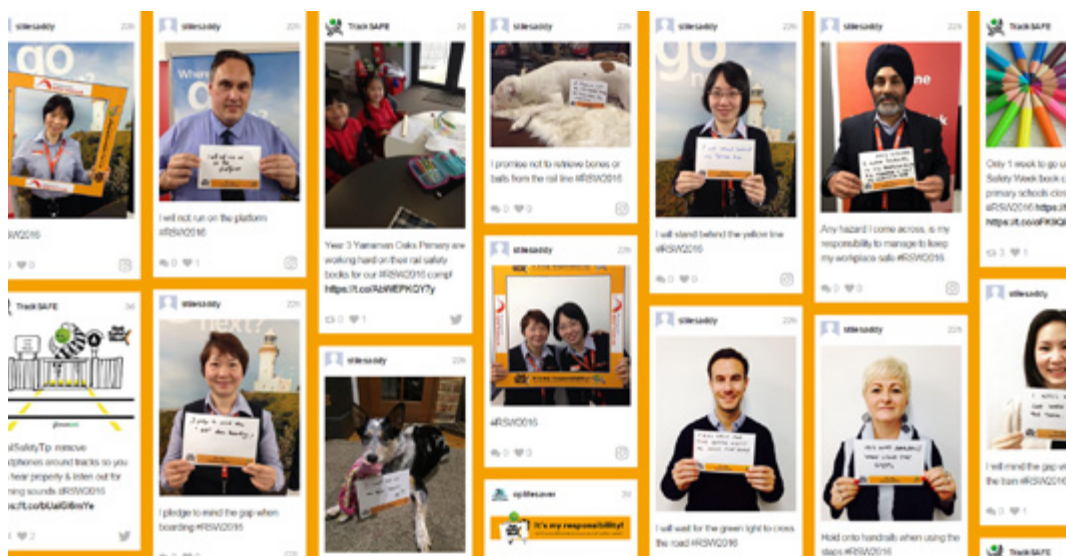
NSW TrainLink took part in Rail Safety Week 2016 (15–21 August) and joined with TrackSAFE and associated stakeholders to promote and encourage safe practices on the rail network with the theme 'It's my responsibility'.

Rail Safety Week is aimed at improving education and awareness around track safety for customers and staff.

The week started with a visit from Thomas the Tank Engine and the Fat Controller to Central Station where pre-school aged children enjoyed a range of activities aimed at getting the rail safety message across in a fun way.

Staff were also out and about raising awareness about rail safety and involving customers in the safety messages. During the week staff handed out promotional material to customers at stations and on board trains across the network. They also participated in school visits and handed out pledge cards where customers and staff could write their own personal safety pledge.

One of the great successes of Rail Safety Week was a short video produced by two of our employees, Driver Steve Hewitt and Guard Damian Batancs. The video showed just how little warning drivers of passenger trains have to apply the emergency brakes if they see someone illegally crossing the tracks. The video was used by numerous media outlets across the state to spread the message to the community of the need to take extra care at level crossings.



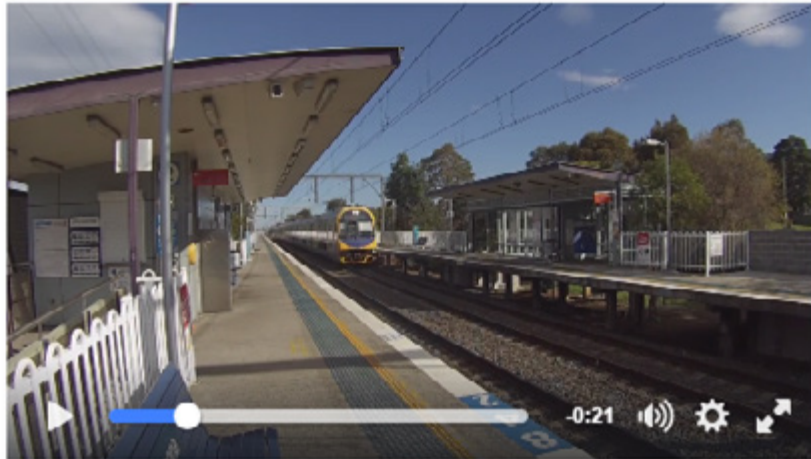
Customers and staff pledge to be safe on the network



NSW Public Transport

15 hrs · 🌐

Why should you obey level crossing signs? See what happens when a 400 tonne train slams on the emergency brake as it reaches a level crossing #RSW2016



Video produced by two employees shows how long a train takes to stop.

Rail safety

There were 34 Signals Passed at Danger (SPADs) in 2016-17 which is an eight per cent improvement over the previous year. There was also a slight improvement for the 'Other Operational Safety Breaches' including 'Fail to Stop' and 'Overshoots'.

Work has been done to improve SPAD investigations and understand their root cause. A historical review of investigation reports was completed to identify trends and implement actions to address these trends. Following the review, the root causes were analysed and mapped against the Contributing Factors Framework.

There were two derailments in stabling yards; one at Lithgow in December 2016 and the other at Port Kembla in March 2017. There were no injuries or LTIs as a result of these incidents.

Safety Management System

NSW Trains continues to improve its Safety Management System, delivering practical solutions for the business and compliance with regulatory requirements. Areas of improvement include:

- action management
- drug and alcohol management
- emergency preparedness
- environmental impacts
- incident and occurrence reporting
- investigation
- management system review
- operational standards
- safety accountabilities
- safety and environment audit
- reporting system upgrades.

Risk management

NSW Trains understands the need for systematic, effective management of risk in a challenging operating environment. Key business risks, their causes, consequences and controls in place to manage them are documented in the Corporate Risk Register. This register is maintained by the Chief Operating Officer and is regularly reviewed by the Acting Chief Executive and Executive Directors at Executive Management Committee meetings.

There is independent oversight of the Corporate Risk Register and risk management activities by the Audit and Risk Committee.

The Safety Risk Register (SRR), an integral part of the organisation's rail safety accreditation continues to evolve and mature as new hazards, causes and controls are added and reviewed in light of operational events, risk assessments and investigation findings.

The content of the SRR is assured through several levels of co-ordinated activity:

- formal, periodic risk reviews in which a group of subject matter experts from across the business, convened by a designated Assessment Team Leader, confirms the causes, consequences and controls for each risk, and identifies further actions to minimise the risk so far as is reasonably practicable
- updates in response to investigation findings following significant incidents or, on occasion, previously unseen minor incidents
- revisions where Safety, Environment, Quality and Risk professionals become aware of gaps in descriptions of causes, consequences or controls, or where descriptions must be updated in response to changes, e.g. new procedures, processes or technology.

In addition, Control Owners are required to ensure their controls are in place and are working effectively. This is done at a local level where managers, delegated by Control Owners and supported by Safety, Environment, Quality and Risk professionals, review their controls on an ongoing basis to provide the required assurance to Control Owners.

There is independent oversight of the SRR and associated Safety Management System processes in the form of an annual audit by the Office of the National Rail Safety Regulator.

Environment

During 2016–17, 20 environmental incidents were recorded, of which one was reported to the NSW Environment Protection Agency. No remediation was required by NSW Trains.

A combined Safety and Environment Management Plan was published and presented to the business for review and implementation.

Under the National Greenhouse and Energy Reporting Scheme, NSW Trains has focused on the provision of quality data and improved efficiencies in collection and analysis.

NSW Trains continues to collaborate with Transport for NSW and its new supplier of the New Intercity Fleet in meeting energy efficiency and sustainability requirements.

NSW Trains Environmental Risks have been integrated with its SRR in line with the integration of the Safety and Environmental Management System in previous years.

Engaged workforce

Located in communities across regional NSW our workforce of 2000 is critical to the delivery of services to our customers. Our aim is to provide tools, support and communication so that our people give their best every day for their customers and communities.

To connect with our geographically dispersed workforce we completed proof of concept trials in mobile learning delivery and online performance support. We also started leader-led 'In the Know' sessions, allowing our frontline teams to engage directly in conversations with senior leaders about our goals and objectives.

This year we introduced key initiatives aligned to Transport for NSW focus areas of increasing the number of women in senior leadership roles as well as Aboriginal representation and workforce flexibility.

Engagement and recognition

We have two sources of feedback to help us identify how team members are experiencing working for NSW Trains and develop targeted action plans aimed at increasing employee engagement. Our engagement was 55 per cent in the 2017 Pulse Check Survey, an increase of six per cent on the prior year, and 56 per cent in the most recent People Matter Employee survey which was held in June 2017.

Internally we continued the Recognition @ NSW TrainLink Program, recognising 37 individuals and 11 teams through Quarterly Awards, providing 78 'On the Spot' awards and 74 thank you messages from our leadership team.

We also celebrated a number of events with staff including the launch of the wellbeing program, as well as Rail Safety Week, Rail R U OK? Day, International Women's Day and NAIDOC Week.

Diversity and inclusion

NSW Trains is committed to developing a more diverse and inclusive workplace through our Diversity and Inclusion Plan and strategic workforce planning activities, with a particular focus on women in leadership roles and Aboriginal representation.

Our focus on developing and retaining senior women has led to 50 per cent of director-level operational leadership roles being held by women, with 38 per cent of broader director roles being held by women. NSW Trains continues to have a female leader formally participating in key executive governance forums on a rotational basis.

Additional development options are also being identified, including leveraging Transport for NSW development programs and events such as International Women's Day.

We are actively partnering with external Aboriginal employment agencies to increase the number of Aboriginal candidates applying for our roles, as well as supporting these candidates through the application process and, if successful, through the onboarding process.

Celebration of key Aboriginal events has also been identified as an area of focus with our calendar of events including NAIDOC Week and Reconciliation Day.

We also continue to support and participate in the Transport for NSW float at the Sydney Gay and Lesbian Mardi Gras and the annual celebration of Diwali - the Festival of Lights to mark the beginning of the Hindu year.

Diversity metrics have been included in both the engagement data and talent identification and succession plans to identify opportunities to promote and further build a diverse workforce.

Next year we will be refreshing our Diversity and Inclusion Plan to ensure our workforce is reflective of the communities we serve and that we are providing the sufficient opportunities and support to our people from diverse backgrounds.

NAIDOC Week

For NSW Trains NAIDOC Week is an opportunity to celebrate the diversity of our workforce and the contribution Indigenous employees make to the success and culture of our organisation.

NAIDOC week was held from 3 to 10 July and the theme was 'Songlines – The Living Narrative of our Nation'. The theme highlighted the importance of Songlines to the existence of Aboriginal and Torres Strait Islander people. Celebrations were held on the main concourse at Central Station and at stations across the network which included a smoking ceremony, dancing and didgeridoo playing.

Aboriginal cultural awareness

In March 2017, 10 leaders attended a full day of Aboriginal Cultural Awareness training aimed at building capability to attract and retain Indigenous employees in our teams and also to improve the customer experience for indigenous people on our Regional services.

We also partnered with John Holland, Roads and Maritime Services and Transport for NSW in May to create an employment roadshow targeting Indigenous students and encouraging them to consider rail and road careers. On 9 May, 20 Indigenous students enrolled in before and after school programs with the Clontarf Foundation and the Girls Academy. They heard about the careers of our Indigenous staff members Driver Nathan Lyons, Senior Customer Attendant Stacey Locke and Passenger Service Supervisor Glenn Russell. The students experienced a day in the life of our staff including travelling on the XPT between Wellington and Dubbo.

In May, to acknowledge the 20th Anniversary of the outcomes of the Bringing Them Home Enquiry, a candlelight vigil was held for the Stolen Generation on Platform 1 at Central Station. Central Station is significant as many of the Stolen Generation passed through there after being removed from their families. Around 150 people gathered for a ceremony and to witness people of the Stolen Generations signing a cloth to recognise the survivors, followed by a minute of silence.

Flexible workplace practices and staying connected

We are committed to providing flexible workplace arrangements for our people. In many cases these arrangements allow staff to continue their employment with NSW Trains when they may have otherwise departed the organisation, increasing turnover costs and meaning we lose valuable skills and experience. Flexible working can also reduce the requirement for office space and help improve morale and staff engagement.

NSW Trains has processes that allow for both flexibility in the hours staff are working, and where staff are physically working. In operational environments staff are in some cases able to access part-time work or agree 'shift-swaps' or variable hours of work to meet their personal circumstances. In the management and administration areas some staff are now working a component of the week from their residential address or with some variability on their hours of employment. The organisation also has a leave purchase scheme which allows staff to increase the amount of leave they have access to.

We are also aware that when staff take parental leave they often lose contact with the work environment which affects their interest in returning to work. NSW Trains encourages staff to interact with work while on parental leave and in some cases pro-actively provides communication to staff on parental leave so they can remain informed on key developments.

Cost effective service delivery

NSW Trains aims to provide value for money for customers, the community and Government. A number of initiatives we implemented this year are expected to deliver savings in coming years.

Contact Centre

During the reporting period, NSW Trains commenced the consolidation of the NSW TrainLink Contact Centre in Newcastle with Service NSW – the State Government’s main customer service agency for transport and other services – to provide better value for the tax payers of NSW.

The transition of the NSW TrainLink Contact Centre to Service NSW is a key deliverable as part of Transport for NSW’s consolidation of voice channels. Operational and change management activities to transition 70 staff and functions commenced in July 2016. NSW TrainLink provided support to all staff affected by the transition.

Fuel for Growth

In the first half of the reporting period, the Fuel for Growth Program brought into effect the results of the Regional Tourism Review Implementation Plan. This plan delivered an optimised regional station staffing model as well as a number of operating efficiencies and business cost savings. In parallel with this, a new Customer Service Delivery Operating Model was developed which involved a restructure of the Division’s Regional and Support directorates. The first phase of this restructure was fully implemented in June 2017.

Transport for NSW outcomes

As a member of the Transport cluster, this year we participated in the delivery of several major projects which will provide better customer experiences.

New Intercity Fleet

In August 2016 the NSW Government awarded the tender for the construction and maintenance of a new generation of Intercity trains to RailConnect, an unincorporated joint venture between Hyundai Rotem Company, Mitsubishi Electric Australia and UGL Rail.

The New Intercity Fleet project will see 512 new carriages delivered progressively from 2019 to provide customers travelling from Sydney to the Central Coast, Newcastle, the Blue Mountains, Lithgow, Wollongong and Kiama with a new and enhanced customer experience.

The introduction of the new fleet, with advanced technology to keep our customers safe, offers NSW Trains the opportunity to take a fresh look at the best way to safely operate trains and provide the high levels of comfort and service our customers deserve. The contract for the train allows for three modes of operation and NSW Trains proposes to operate the train as driver only where it is safe and appropriate to do so.

The safety of our customers and staff is at the centre of the design of the new Intercity train and the plans for how it will operate. As part of this process, NSW Trains has been working with unions since mid-2016 to better understand potential issues and how they may be addressed.

When it enters service, NSW Trains will have one of the most modern Intercity fleets in Australia featuring improved onboard comfort and features, with better accessibility in line with the Disability Standards for Accessible Public Transport. We are designing the train with customers’ comfort and safety in mind and incorporating feedback wherever possible to ensure the New Intercity Fleet provides for the needs of Intercity customers well into the future.

This year a dedicated project team began preparations for the safe introduction of the fleet, working closely with staff, unions, regulators and Transport for NSW.

Metro

The Sydney Metro program will see the construction of metro platforms underneath platforms 12, 13, 14 and 15 at Central Station with business readiness planning commencing with NSW Trains, Sydney Trains and Transport for NSW.

Plans are being developed to manage our services during the changed operating conditions at Central Station and the XPT Maintenance Centre. Platform closures at Central Station will limit the number NSW TrainLink trains that will operate into and out of the station. Platform closures at Sydenham Station will also limit the shunting operation for the XPT Maintenance Centre.

New Regional Fleet

In October the Government announced that it had accelerated the replacement of the ageing Regional train fleet, starting with the XPT and exploring opportunities to also replace the XPLOER and Endeavour trains.

Transport for NSW began the planning and procurement process in early 2017 with industry engagement and marketing sounding workshops.

The new Regional fleet will be stabled and maintained at a facility in regional NSW, with the first trains expected to be delivered in the early 2020s.

Appendices





Dubb

Coach Bay 2

Services towards
Bourke

Stopping at

Narromine
Trangie
Nevertire
Nyngan
Girilambone
Coolabah
Byrock
Bourke

Change at Coolabah for

Gongolgon
Brewarrina

I. Finance and asset management

Overseas travel

International travel (itemised): July 2016 – June 2017

Agency	Officer Name position	Date	Destination	Purpose/cost explanation	International travel cost \$
NSW Trains	Pete Allaway Chief Operating Officer	September 2016	UK and Norway	Attended Initiation Meeting of the International Mainline Rail Benchmarking Group	\$13,286
NSW Trains	Brian Sharp Executive Director Engineering and SEQR	November 2016	Singapore	Executive Fellows Program 2016	\$3008
NSW Trains	Penelope Wood General Manager Business Strategy and Performance	March 2017	Belgium	Attended Phase One Meeting of the International Mainline Rail Benchmarking Group	\$6479

Grants to non-government community organisations

In relation to the reporting requirement in *Premier's Memorandum 1991-34*:

NSW Trains did not grant any funds to non-government community organisations during the year.

Consultants

Consultants are reported in accordance with the requirement in Premier's Memorandum 2001-07.

Consultant	Project	Costs(\$)
Contracts of \$50,000 or more		
Total contracts of \$50,000 or more		-
Total contracts of less than \$50,000		18,000
Total expenditure in 2016-17		18,000

Payment of accounts

In accordance with the requirements of the Annual Reports (Statutory Bodies) Regulation 2010, performance in paying trade creditors' accounts during the year is reported below.

Payment of accounts (GST included)

Quarter	Current (i.e. within due date)	Less than 30 days overdue	Between 30 and 60 days overdue	Between 60 and 90 days overdue	More than 90 days overdue
	\$M	\$M	\$M	\$M	\$M
Sep-16	0.9	0.1	0.0	0.1	0.0
Dec-16	0.5	0.0	0.0	0.0	0.0
Mar-17	0.9	1.2	0.0	0.0	0.0
Jun-17	4.0	2.5	0.0	0.0	0.0
Small business suppliers					
Sep-16	0.0	0.0	0.0	0.0	0.0
Dec-16	0.0	0.0	0.0	0.0	0.0
Mar-17	0.0	0.0	0.0	0.0	0.0
Jun-17	0.2	0.0	0.0	0.0	0.0

Timing for payments of accounts

ACCOUNTS PAID ON TIME WITHIN EACH QUARTER

Measure	Sep-16	Dec-16	Mar-17	Jun-17
Number of accounts due for payment	2843	3347	1415	3271
Number of accounts paid on time	2651	3235	1391	3270
Actual % accounts paid on time	93.25%	96.65%	98.30%	99.97%
\$ amount of accounts due for payment	\$21,844,279	\$22,174,614	\$25,647,043	\$32,848,643
\$ amount of accounts paid on time	\$20,483,402	\$19,277,655	\$25,435,852	\$32,863,799
Actual % accounts paid on time (based on \$)	93.77%	86.94%	99.18%	100%
Number of payments for interest	0	0	0	0
Interest paid on overdue accounts	\$0	\$0	\$0	\$0
Small business suppliers				
Number of accounts due for payment	25	24	12	35
Number of accounts paid on time	25	24	12	35
Actual % accounts paid on time	100%	100%	100%	100%
\$ amount of accounts due for payment	\$538,562	\$570,597	\$469,628	\$350,209
\$ amount of accounts paid on time	\$538,562	\$570,597	\$469,628	\$350,209
Actual % accounts paid on time (based on \$)	100%	100%	100%	100%
Number of payments for interest	0	0	0	0
Interest paid on overdue accounts	\$0	\$0	\$0	\$0

Internal audit and risk management and policy attestation

TPP15-03 INTERNAL AUDIT AND RISK MANAGEMENT STATEMENT FOR THE 2016-2017 FINANCIAL YEAR FOR NSW TRAINS

I, Howard Collins am of the opinion that NSW Trains has internal audit and risk management processes in operation that are, in all material respects, compliant with the eight (8) core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

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 the Audit and Risk Committee are:

Position	Name	Start Term Date	Finish Term Date
Independent Chair	Peter Mayers	6/11/13	4/11/18
Independent Member 1	David Antaw	6/11/13	01/7/18
Independent Member 2	Shirley Liew	11/11/13	01/7/18



Howard Collins OBE
Acting Chief Executive
NSW Trains

18 August 2017

Risk management and insurance activities

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

The insurance program is to be reviewed annually to protect against insurable risks. These risks could affect:

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

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

LAND DISPOSAL

NSW Trains holds no land assets and has made no land disposals in the past year.

DISCLOSURE OF CONTROLLED ENTITIES

NSW Trains had nil controlled entities during the past financial year.

DISCLOSURE OF SUBSIDIARIES

NSW Trains had nil subsidiaries during the past financial year.

INVESTMENT MANAGEMENT PERFORMANCE

NSW Trains holds nil investments with TCorp.

LIABILITY MANAGEMENT PERFORMANCE

NSW Trains is not required to report on liability management performance in accordance with Treasury Circular 09/07.

CREDIT CARD CERTIFICATION

I certify that the credit card usage for NSW Trains during the financial year ended 30 June 2017 was in accordance with the Premier's Memoranda and the Treasurer's Directions.



Howard Collins OBE
Acting Chief Executive
NSW Trains

18 August 2017

Capital works

NSW Trains total capital investment in FY17 was \$6.17 million.

The NSW Trains FY17 capital works completed or in progress as at 30 June 2017 include the following:

Capital projects	FY17 expenditure	Forecast completion (year)
Various capital projects including:	6.172	Various
<ul style="list-style-type: none"> personal safety cameras safety & environment management (FPe) TellUs Mobility Reporting Project Regional refurbishments & fit-for-purpose accommodation including Central Platform 1 refurbishment Regional CCTV and Customer Help Info Points evacuation ladders VSet SEP speakers. 		

Response to matters raised by the Auditor-General

No significant matters were raised by the Auditor-General in the Statutory Audit Report for the year ended 30 June 2017.

EXCEPTIONAL MOVEMENTS IN WAGES, SALARIES OR ALLOWANCES

An overall increase of 3.2 per cent for those NSW Trains employees covered by the Enterprise Agreement 2014 was paid with effect from the first pay period after 30 September 2016.

II. People

Human resources

INDUSTRIAL RELATIONS LEGISLATION, AWARDS AND AGREEMENTS

NSW Trains, together with Sydney Trains commenced negotiations with unions to agree a new Enterprise Agreement. The current agreement, approved in October 2014 remains in force, and has a nominal expiry date of 30 September 2017.

Terms and conditions of employment of NSW Trains' employees are also governed by:

- Executive contracts
- Fair Work Act 2009 (Cwth)
- Rail Industry Award 2010

HUMAN RESOURCES POLICIES AND PRACTICES

A number of new human resources initiatives, policies and procedures were implemented in the past year to support NSW Trains management and employees, including:

- leadership development programs
- mobile learning proof of concept for Passenger Attendants
- technical competency based programs
- customer relationship training
- providing support after trauma workshops
- coping with trauma workshops
- Transport for NSW policies:
 - grievance management
 - managing conduct and discipline.

Headcount as at 30 June 2017

Workforce by directorate	Headcount
Customer Service Delivery	1957
Engineering and Safety, Environment, Quality & Risk	18
Business Strategy and Performance	4
Finance and Corporate Services	33
People and Transformation Delivery	17
Outplacement	27
Total headcount*	2056

Source: Transport Shared Services HR Reports

* Total headcount excludes 69 Senior Service employees (who are substantively employed by Transport for NSW) and Transport for NSW vested employees (Human Resources Business Partners and Organisational Development).

WORKPLACE HEALTH AND SAFETY

NSW Trains is a self-insurer under the *Workers Compensation Act 1987*, all workers compensation claims are managed through Transport Shared Services:

- total claims received – 178
- number of claims accepted – 142
- number of new LTIs – 66 (where weekly benefits were paid against the claim)
- the average cost of claims was \$5255.40.
- NSW Trains incurred no WorkCover prosecutions during the 2016–17 year.

NSW Trains ran comprehensive health and wellness programs for its employees throughout the year.

Workplace-related injuries

Category	Count
Total days lost due to workplace related injuries or illness	696
Prosecutions reported	0
Prosecutions under the Act	0

SENIOR EXECUTIVES – TABLE

Senior Service officers accounted for six per cent of the total employee related expenditure (4.6 per cent in 2015–16).

Nsw Trains – Senior Service Levels 2 To 6

Pay scale group	Female	Male	Total	Average total remuneration package
Senior Service 2	4	8	12	\$230,956
Senior Service 3	2	3	5	\$265,100
Senior Service 4		2	2	\$350,874
Senior Service 5		2	2	\$426,442
Senior Service 6		1	1	\$514,806
Total	6	16	22	\$280,291

AGREEMENTS WITH MULTICULTURAL NSW

There were no agreements required.

Workforce diversity

Trends in representation of workforce diversity groups

Workforce diversity group	Benchmark/target	2014	2015	2016	2017
Women	20%	23.8%	24.1%	24%	25.3%
Aboriginal people and Torres Strait Islanders	2.3%	1.4%	1.5%	1.5%	1.7%
Staff members whose first language is not English	N/A	3.9%	4.6%	6.3%	4.5%
People with a disability	N/A	2.7%	2.6%	2.6%	2.4%
People with a disability requiring work-related adjustment	N/A	1.3%	1.2%	1.2%	1.1%

Note: The 2014-15 targets represented targets set by the NSW Public Service Commission. The 2015-17 targets now represent figures provided by the Rail Service Contract for NSW Trains.

Trends in distribution of workforce diversity groups

Workforce diversity group	Benchmark/target	2014	2015	2016	2017
Women	100	86	89	90	91
Aboriginal people and Torres Strait Islanders	100	83	81	81	86
Staff members whose first language is not English	100	109	103	103	102
People with a disability	100	92	93	95	93
People with a disability requiring work-related adjustment	100	88	90	95	89

Source: NSW Public Service Commission

Note 1: 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.

Note 2: The Distribution Index is not calculated where workforce diversity group or non-workforce diversity group numbers are less than 20.

Multicultural policies and services program

NSW Trains continues to align to and support the Transport for NSW commitment to promoting the value of diversity and inclusion. Our ongoing Diversity and Inclusion Program outlines our key multicultural strategies for the upcoming year on page 34.

III. Legal

Government information and disclosures

CHANGES IN ACTS AND SUBORDINATE LEGISLATION

NSW Trains is not responsible for the administration of any Acts or subordinate legislation.

EXEMPTIONS

NSW Trains neither sought nor received any reporting exemptions under the Annual Reporting provision of the Annual Reports (Statutory Bodies) Regulation 2010.

DIGITAL INFORMATION SECURITY POLICY ATTESTATION

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

I, Howard Collins, Acting Chief Executive of NSW Trains, am of the opinion that the security controls in place to mitigate identified risks to the digital information and digital information systems of Sydney Trains are adequate for the foreseeable future.

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



Howard Collins OBE
Acting Chief Executive
NSW Trains

18 August 2017

Government Information (Public Access) Act 2009 (GIPA Act)

Under section 125(1) of the *Government Information (Public Access) Act 2009*, NSW Trains is required to report annually on details and outcomes of access applications received. Twenty-three applications were received: none were invalid, none were determined to have any public interest against disclosure and all were granted access where the information requested was held by NSW Trains.

FORMAL REQUESTS

NSW Trains received 18 formal requests for information under the GIPA Act. Access was granted where the information was found to be held by NSW Trains.

INFORMAL REQUESTS

Five informal requests for information were received. Where the requested information was held by NSW Trains access was granted in full to the applicant.

PRIVACY AND PERSONAL INFORMATION PROTECTION ACT 1998 (PPIPA)

NSW Trains had no applications under the *Privacy and Personal Information Protection Act*.

PUBLIC INTEREST DISCLOSURES ACT 1994 (PID ACT)

NSW Trains did not receive any public interest disclosures.

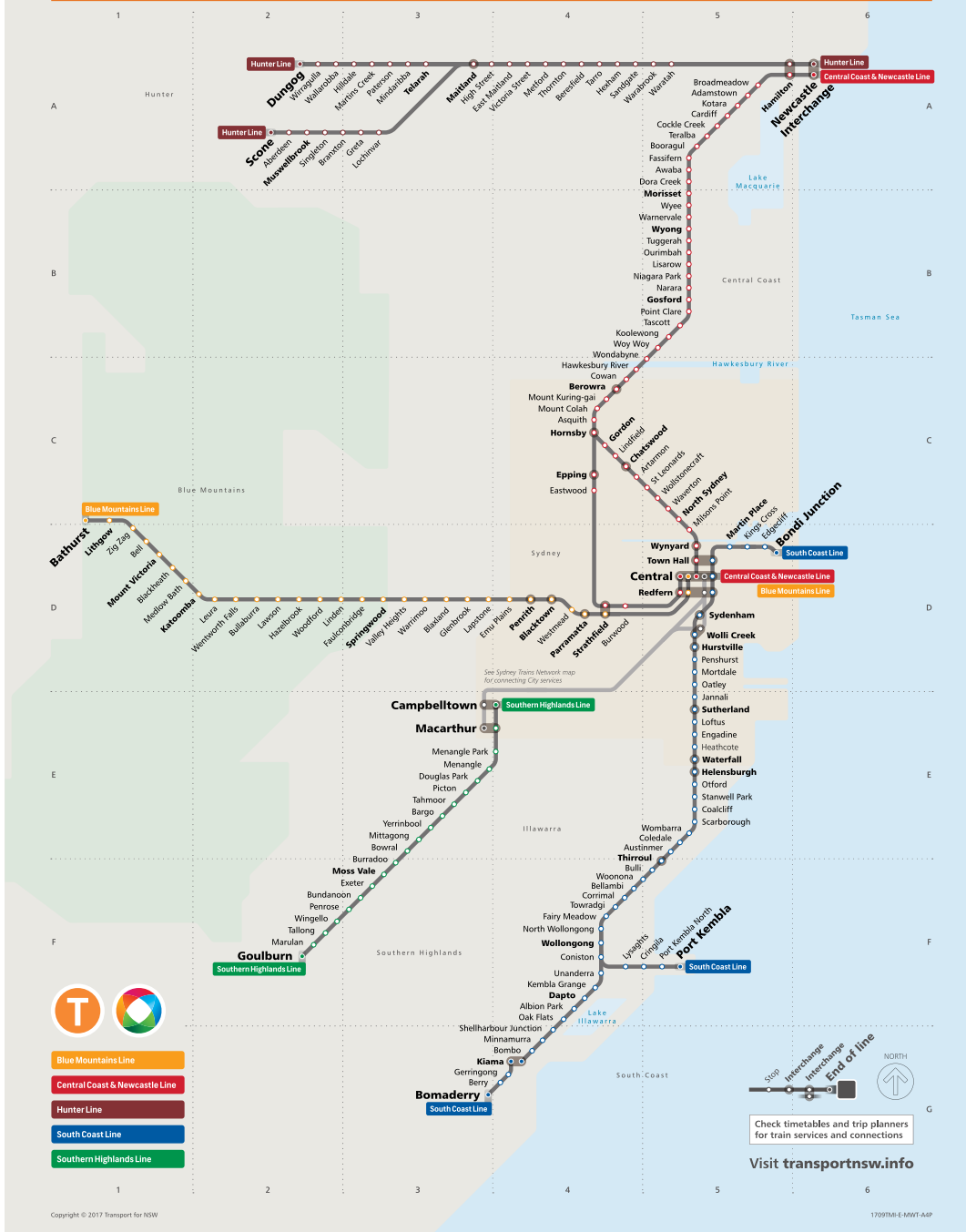
NSW Trains actions to meet its staff awareness responsibilities under s6E(1)(b) of the PID Act include:

- PID information contained in Policy and Procedures
- Code of Conduct
- Links contained on the NSW Trains intranet – including 'Whistleblowing/Public Interest Disclosures' page
- Information communicated via briefing papers and staff communication

IV. Annual Report accessibility requirements

The NSW 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.

Intercity Trains Network



Regional Trains and Coaches



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Annual Report

Transport for NSW

NSW Trains

2016-17 • Volume 2



NSW Trains

Annual Financial Statements

for the year ended 30 June 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 NSW 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 requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015*, the applicable Australian Accounting Standards, which includes Australian Accounting Interpretations, and 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.



Peter Allaway
A/Chief Executive

25 September 2017

Statement of Comprehensive Income for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Income			
Passenger services revenue		116,367	107,458
Non passenger revenue	3.1	35,043	27,272
Interest		4,408	6,831
Income from operating activities		155,818	141,561
Expenses			
Operating expenses			
- Employee related expenses	4.1	252,359	250,923
- Personnel services expenses	4.3	15,779	12,042
- Other operating expenses	4.4	540,145	515,313
Depreciation and amortisation	7.2, 8.2	1,378	1,676
Total expenses		809,661	779,954
Deficit from operations before Government contributions		(653,843)	(638,393)
Government subsidies and concessions	3.2	620,070	555,046
Deficit from operations before Capital contributions		(33,773)	(83,347)
Contributions for capital expenditure		6,533	10,279
Deficit for the year from continuing operations		(27,240)	(73,068)
Other Comprehensive Income			
<i>Items that will not be reclassified to surplus/deficit in subsequent periods</i>			
Superannuation actuarial gains/(losses) on defined benefit schemes		46,049	(86,531)
Total Other Comprehensive Income for the year		46,049	(86,531)
Total Comprehensive Income for the year		18,809	(159,599)

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

Statement of Financial Position as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	5.1	198,205	216,939
Trade and other receivables	6.1	25,208	28,763
Total current assets		223,413	245,702
Non-current assets			
Plant and equipment	7.1	5,639	9,506
Intangible assets	8.1	4,832	4,019
Total non-current assets		10,471	13,525
Total assets		233,884	259,227
Current liabilities			
Trade and other payables	9.1	71,009	66,923
Provisions	10.1	87,722	88,828
Total current liabilities		158,731	155,751
Non-current liabilities			
Provisions	10.1	139,240	179,170
Total non-current liabilities		139,240	179,170
Total liabilities		297,971	334,921
Net assets/(liabilities)		(64,087)	(75,694)
Equity			
Contributed equity	11.1	252,968	260,170
Accumulated losses		(317,055)	(335,864)
Total equity		(64,087)	(75,694)

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

	Note	Contributed equity \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2016		260,170	(335,864)	(75,694)
Deficit for the year		-	(27,240)	(27,240)
Other comprehensive income				
Superannuation actuarial gains on defined benefit schemes	10.2.6	-	46,049	46,049
Total other comprehensive income for the year		-	46,049	46,049
Total comprehensive income for the year		-	18,809	18,809
Transactions with owners in their capacity as owners				
Decrease in net assets from equity transfers (contribution to owners)	11.2	(7,202)	-	(7,202)
Balance at 30 June 2017		252,968	(317,055)	(64,087)
Balance at 1 July 2015		260,170	(176,265)	83,905
Deficit for the year		-	(73,068)	(73,068)
Other comprehensive income				
Superannuation actuarial losses on defined benefit schemes	10.2.6	-	(86,531)	(86,531)
Total other comprehensive income for the year		-	(86,531)	(86,531)
Total comprehensive income for the year		-	(159,599)	(159,599)
Transactions with owners in their capacity as owners				
Increase in net assets from equity transfers (contribution by owners)	11.2	-	-	-
Balance at 30 June 2016		260,170	(335,864)	(75,694)

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	2017 \$'000	2016 \$'000
Cash flows from operating activities			
<i>Cash received</i>			
Passenger Services		127,805	118,282
Other receipts from customers and others		45,662	31,879
Government subsidies and concessions		620,070	555,046
Interest received		5,736	3,566
Total cash received		799,273	708,773
<i>Cash used</i>			
Payment to employees		(228,754)	(221,883)
Payment to suppliers and others		(589,647)	(565,480)
Total cash used		(818,401)	(787,363)
Net cash flows used in operating activities	5.2	(19,128)	(78,590)
Cash flows from investing activities			
<i>Cash received</i>			
Capital grants		6,533	10,279
Total cash received		6,533	10,279
<i>Cash used</i>			
Plant and equipment and intangible assets acquisitions		(6,139)	(7,549)
Total cash used		(6,139)	(7,549)
Net cash flows from investing activities		394	2,730
Cash flows from financing activities			
<i>Cash received</i>			
Proceeds from equity vesting		-	179,824
Total cash received		-	179,824
Net cash flows from financing activities		-	179,824
Net increase/(decrease) in cash and cash equivalents		(18,734)	103,964
Cash and cash equivalents at beginning of year		216,939	112,975
Cash and cash equivalents at end of year	5.1	198,205	216,939

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

Note 1 Reporting entity and Financial Statements

(i) Reporting entity

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

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

The Transport Administration Amendment (Transport Entities) Act 2017 No 12, proclaimed on 28 June 2017, provides that NSW Trains will no longer be a subsidiary of RailCorp from 1 July 2017, and that RailCorp itself will transition as the Transport Asset Holding Entity of NSW.

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

(ii) 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.

(iii) Statement of compliance

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

Note 2 Summary of significant accounting policies

2.1 Basis of preparation

The Financial Statements are general purpose Financial Statements prepared in accordance with applicable Australian Accounting Standards, which includes Australian Accounting Interpretations, the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015*, and 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, certain liabilities are calculated on a present value basis such as leave entitlements and other provisions. Refer Note 2.3(ii).

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

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

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

Note 2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

The Financial Statements are for the year from 1 July 2016 to 30 June 2017.

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

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

Change in accounting policy

There have been no changes in accounting policy in the year (2015-16: nil).

2.2 Adoption of new and revised Accounting Standards

The Financial Statements have adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to NSW Trains effective for the reporting period beginning on 1 July 2016. The adoption of these new and revised Standards and Interpretations has not resulted in any significant changes to NSW Trains' accounting policies.

The following new relevant Accounting Standards and Interpretations have not yet been adopted and are not effective as 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
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 101	Presentation of Financial Statements	Jul 2015	1 Jan 2018
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors	Aug 2015	1 Jan 2018
AASB 110	Events after the Reporting Period	Aug 2015	1 Jan 2018
AASB 116	Property, Plant and Equipment	Oct 2015	1 Jan 2018
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance	Aug 2015	1 Jan 2018
AASB 136	Impairment of Assets	Aug 2015	1 Jan 2018
AASB 137	Provisions, Contingent Liabilities and Contingent Assets	Aug 2015	1 Jan 2018
AASB 138	Intangible Assets	Oct 2015	1 Jan 2018
AASB 1058	Income of Not-for-Profit Entities	Dec 2016	1 Jan 2019
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9	Sep 2012	1 Jan 2018
AASB 2014-1 (Part E)	Amendments to Australian Accounting Standards	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	Dec 2014	1 Jan 2018
AASB 2015-8	Amendments to Australian Accounting Standards – Effective Date of AASB 15	Oct 2015	1 Jan 2017

Note 2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised accounting standards (continued)

AASB/ Amendment	Title	Issue Date	Application Date
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 2016-7	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

The impact of these standards and interpretations on the Financial Statements is not expected to be significant, apart from AASB16 Leases. With the adoption of AASB16, nearly all leases will be on balance sheet.

2.3 Financial Instruments

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

(i) Recognition

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

Financial assets are derecognised when the contractual rights to the associated cash flows expire, 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. Their fair value at year end is disclosed in Note 15.

Note 2 Summary of significant accounting policies (continued)

2.4 Taxes

(i) Income tax equivalents

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

(ii) Goods and Services tax

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

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

2.5 Leases

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

Accounting treatment – operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as 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.

2.6 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 revenue

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

Opal card is managed by Transport for NSW. Remittance of Opal passenger revenue to NSW Trains is on the basis of journeys undertaken recorded by the electronic ticketing system. Accordingly, no deferred revenue is recognised by NSW Trains.

Note 2 Summary of significant accounting policies (continued)

2.6 Income (continued)

(ii) Government contributions

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

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

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

(iii) 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.

(iv) Sale of assets and goods

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

2.7 Cash and cash equivalents

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

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

Note 2 Summary of significant accounting policies (continued)

2.8 Trade and other receivables

Trade receivables are measured initially at fair value and subsequently at invoiced cost less an allowance for impairment where necessary, 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 right 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.

2.9 Asset maintenance

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

2.10 Plant and equipment

(i) Recognition

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

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

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

Note 2 Summary of significant accounting policies (continued)

2.10 Plant and equipment (continued)

(i) Recognition (continued)

The capitalisation threshold for a network of plant and equipment items or for an individual (non-networked) item is \$5,000.

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

(ii) Measurement

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

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

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

(iii) Depreciation

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

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

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

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

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

	<u>Years</u>
Plant and equipment	5 – 20

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.

Note 2 Summary of significant accounting policies (continued)

2.10 Plant and equipment (continued)

(iv) Derecognition

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

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

2.11 Intangible assets

(i) Recognition

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

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

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

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

(ii) Measurement

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

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

(iii) Amortisation

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

In determining the asset's useful life, consideration is given to its expected usage, technical, technological, commercial or other types of 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 2 and 5 years.

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

Note 2 Summary of significant accounting policies (continued)

2.11 Intangible assets (continued)

(iii) Amortisation (continued)

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

(iv) Derecognition

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

2.12 Trade and other payables

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

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

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

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

2.13 Provisions

(i) Provisions generally

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

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

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

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

Note 2 Summary of significant accounting policies (continued)

2.13 Provisions (continued)

(ii) Employee benefits

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

Short – term obligations

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

Other long – term obligations

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

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

Retirement benefit obligations

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

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

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

Past service cost are recognised in the Statement of Comprehensive Income immediately.

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

Note 2 Summary of significant accounting policies (continued)

2.13 Provisions (continued)

(ii) Employee benefits (continued)

Termination Benefits

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

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

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

2.15 Critical accounting estimates

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

(i) Judgements

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

(ii) Assumptions and estimation of uncertainties

Note 10.2 - Measurement of defined benefit obligations: key actuarial assumptions

Note 10.3 - Measurement of long service leave obligations: key actuarial assumptions

Note 10.5 - Measurement of workers compensation obligations: key actuarial assumptions.

2.16 Personnel service

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

2.17 Change in classification

During the current year NSW Trains modified the Statement of Financial Position, the Redundancy liability was reclassified from Accrued salaries and wages to Current provisions for consistency within cluster. The comparative amount of \$5,406k was also reclassified.

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

Note 3 Income

3.1 Non passenger revenue

	2017	2016
	\$'000	\$'000
Labour cost recovery	4,147	3,012
Cost recovery for services performed	11,741	4,130
Resources free of charge*	527	476
Catering revenue	7,151	7,302
Recoveries for interstate services	11,040	11,507
Other revenue	437	845
Total non-passenger revenue	35,043	27,272

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

3.2 Government subsidies and concessions

	2017	2016
	\$'000	\$'000
Operating subsidies	617,787	554,427
Redundancy payments	2,283	619
Total government subsidies and concessions	620,070	555,046

Note 4 Expenses

4.1 Employee related expenses

Employee related expenses include the following items:

		2017	2016
	Note	\$'000	\$'000
Salaries and wages		185,874	178,451
Annual leave		18,906	16,876
Long service leave		4,441	10,015
Superannuation - defined benefits plan	4.2	8,544	7,000
Superannuation - defined contribution plan		12,645	11,730
Workers' compensation		3,846	5,901
Payroll tax and fringe benefit tax		12,744	12,353
Redundancy		2,559	6,030
Other employee-related expenses		2,800	2,567
Total employee related expenses		252,359	250,923

Note 4 Expenses (continued)

4.2 Defined benefit superannuation expense

		2017	2016
	Note	\$'000	\$'000
Current service cost		5,187	4,632
Net interest		3,357	2,368
Total defined benefit superannuation expense	10.2.5	8,544	7,000

4.3 Personnel service expenses

		2017	2016
		\$'000	\$'000
Salaries and wages		12,054	9,296
Annual leave		1,301	799
Long service leave		467	408
Superannuation - defined benefits plan		57	73
Superannuation - defined contribution plan		1,078	802
Workers' compensation		10	19
Payroll tax and fringe benefit tax		812	645
Total personnel service expenses		15,779	12,042

4.4 Other operating expenses

		2017	2016
	Note	\$'000	\$'000
Subcontractors		12,319	13,027
Materials		6,531	6,781
Operating lease non-contingent rents (including private rail access fees)		38,270	37,821
Insurance costs		628	673
Computer expenses		3,005	2,908
Corporate and shared services costs from TfNSW		17,680	14,383
Travelling expenses		3,120	2,651
Advertising and marketing		629	1,153
Printing and Stationery		662	757
Audit fees - audit of financial statements		174	161
Allowance/(recovery) of trade receivables		17	(8)
Services costs from Rail entities	4.5	450,866	427,932
Other		6,244	7,074
Total operating expenses		540,145	515,313

Note 4 Expenses (continued)

4.5 Services costs from Rail entities

	2017	2016
	\$'000	\$'000
Asset maintenance	400,481	384,820
Customer service	18,160	17,840
Operations	15,277	19,692
Other	16,948	5,580
Total services costs from Rail entities	450,866	427,932

Note 5 Cash and cash equivalents

5.1 Cash and cash equivalents

	2017	2016
	\$'000	\$'000
Cash at bank	198,050	216,804
Cash on hand and in transit	155	135
Total cash and cash equivalents	198,205	216,939

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

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

	2017	2016
	\$'000	\$'000
Deficit for the year	(27,240)	(73,068)
Capital grants	(6,533)	(10,279)
Depreciation and amortisation	1,378	1,676
Allowance/(recovery) of trade receivables	17	(8)
Write off of assets	201	-
Net movements in assets and liabilities applicable to operating activities:		
(Increase)/ decrease in trade and other receivables	3,538	(4,641)
Increase in trade and other payables and provisions	9,511	7,730
Net cash flows used in operating activities	(19,128)	(78,590)

5.3 Non-cash investing activities

During 2016-17 NSW Trains transferred some Capital work in progress, building works performed on the intercity and regional rail stations, to RailCorp by way of equity transfers. The net transfer represents a non-cash decrease of \$7.2m (2015-16: nil) in Net Assets. Refer Note 11.2 for details.

Note 5 Cash and cash equivalents (continued)

5.4 Credit standby arrangements and loan facilities

The credit standby arrangement and unused amounts available are:

	2017 Credit Facilities \$'000	2017 Unused \$'000
Transaction negotiation authority	50,000	50,000
Purchasing card facility*	10,000	6,460
Bank guarantee	11	-
Come and Go facility	30,000	30,000
Total credit standby arrangements and loan facilities	70,011	66,460

* NSW Trains has a Purchasing Card Facility of \$10m. Although cards issued to-date have a combined limit of \$3.54m, as at 30 June 2017 only \$455,000 was spent on these cards.

	2016 Credit Facilities \$'000	2016 Unused \$'000
Transaction negotiation authority	30,000	30,000
Purchasing card facility	10,000	6,540
Bank guarantee	11	-
Come and Go facility	30,000	30,000
Total credit standby arrangements and loan facilities	70,011	66,540

Note 6 Trade and other receivables

6.1 Trade and other receivables

	2017 \$'000	2016 \$'000
Current trade and other receivables		
Trade receivables	318	380
Inter entity receivables	10,489	9,566
Other receivables	14,439	18,848
Less: allowance for impairment	(38)	(31)
Total current trade and other receivables	25,208	28,763

Movements in the allowance for impairment were as follows:

	2017 \$'000	2016 \$'000
Balance at beginning of year	31	40
Bad debts written off	(11)	-
Allowance/(recovery) recognised in Statement of Comprehensive Income	17	(8)
GST Movement	1	(1)
Balance at end of year	38	31

Note 6 Trade and other receivables (continued)

6.2 Impaired trade and other receivables

As at 30 June 2017, current trade and other receivables with a nominal value of \$38k (2016: \$31k) were impaired. The ageing of the impaired trade and other receivables is as follows:

	2017 \$'000	2016 \$'000
1-3 months	13	13
3 to 6 months	11	12
Over 6 months	14	6
Balance at end of year	38	31

6.3 Past due but not impaired receivables

As at 30 June 2017, trade receivables of \$77k (2016: \$162k) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2017 \$'000	2016 \$'000
1 to 3 months	73	162
3 to 6 months	4	-
Over 6 months	-	-
Balance at end of year	77	162

6.4 Nature and extent of risk arising from receivables

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

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

Note 7 Plant and equipment

7.1 Classes

	2017 \$'000	2016 \$'000
Plant and Machinery		
Gross carrying amount	2,249	2,249
Less accumulated depreciation	(1,940)	(1,722)
Total plant and machinery	309	527
Capital works in progress		
Capital works in progress	5,330	8,979
Total capital works in progress	5,330	8,979
Total plant and equipment	5,639	9,506

Note 7 Plant and equipment (continued)

7.2 Asset class movement

	Plant and equipment \$'000	Capital work in progress \$'000	Total \$'000
Year ended 30 June 2017			
Gross carrying amount			
Balance at 1 July 2016	2,249	8,979	11,228
Additions	-	3,965	3,965
Transfers	-	(7,614)	(7,614)
Balance at 30 June 2017	2,249	5,330	7,579
Accumulated depreciation			
Balance at 1 July 2016	(1,722)	-	(1,722)
Depreciation for the year	(218)	-	(218)
Balance at 30 June 2017	(1,940)	-	(1,940)
Net carrying amount			
At 1 July 2016	527	8,979	9,506
At 30 June 2017	309	5,330	5,639
Year ended 30 June 2016			
Gross Carrying amount			
Balance at 1 July 2015	2,002	2,779	4,781
Additions	-	6,379	6,379
Transfers	247	(179)	68
Balance at 30 June 2016	2,249	8,979	11,228
Accumulated depreciation			
Balance at 1 July 2015	(1,448)	-	(1,448)
Depreciation for the year	(274)	-	(274)
Balance at 30 June 2016	(1,722)	-	(1,722)
Net carrying amount			
At 1 July 2015	554	2,779	3,333
At 30 June 2016	527	8,979	9,506

Note 8 Intangible assets

8.1 Classes

	2017	2016
	\$'000	\$'000
Software		
Gross carrying amount	19,799	20,976
Less accumulated amortisation	(18,878)	(18,694)
Net carrying amount of software	921	2,282
Software work in progress	3,911	1,737
Total intangible assets	4,832	4,019

8.2 Asset class movement

	Software	Software	
	\$'000	work in	Total
		progress	\$'000
		\$'000	
Year ended 30 June 2017			
Gross carrying amount			
Balance at 1 July 2016	20,976	1,737	22,713
Additions	-	2,174	2,174
Write-offs	(1,177)	-	(1,177)
Balance at 30 June 2017	19,799	3,911	23,710
Accumulated amortisation			
Balance at 1 July 2016	(18,694)	-	(18,694)
Amortisation for the year	(1,160)	-	(1,160)
Write-offs	976	-	976
Balance at 30 June 2017	(18,878)	-	(18,878)
Net carrying amount			
At 1 July 2016	2,282	1,737	4,019
At 30 June 2017	921	3,911	4,832

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

Note 8 Intangible assets (continued)

8.2 Asset class movement (continued)

	Software \$'000	Software work in progress \$'000	Total \$'000
Year ended 30 June 2016			
Gross carrying amount			
Balance at 1 July 2015	20,007	1,604	21,611
Additions	-	1,170	1,170
Transfers	969	(1,037)	(68)
Balance at 30 June 2016	20,976	1,737	22,713
Accumulated amortisation			
Balance at 1 July 2015	(17,292)	-	(17,292)
Amortisation for the year	(1,402)	-	(1,402)
Balance at 30 June 2016	(18,694)	-	(18,694)
Net carrying amount			
At 1 July 2015	2,715	1,604	4,319
At 30 June 2016	2,282	1,737	4,019

Note 9 Trade and other payables

9.1 Current trade and other payables

	2017 \$'000	2016 \$'000
Current payables		
Trade payables	6,406	4,708
Inter entity payables	46,917	44,641
Accrued salaries and wages	5,171	4,749
Other payables and accruals	10,250	10,900
Deferred revenue	2,265	1,925
Total current trade and other payables	71,009	66,923

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

9.2 Fair value

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

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

Note 10 Provisions

10.1 Provisions

	Note	2017 \$'000	2016 \$'000
Current provisions			
Annual leave (see note (a) below)		28,536	26,041
Long service leave (see note (a) below)	10.3	50,102	52,666
Pay in lieu of certain holidays worked (see note (a) below)		2,822	2,541
Redundancy		3,787	5,406
Total current employee benefits		85,247	86,654
Workers' compensation	10.5	2,475	2,174
Total current provisions		87,722	88,828
Non-current provisions			
Superannuation	10.2	129,689	170,194
Long service leave (see note (a) below)	10.3	2,073	2,399
Total non-current employee benefits		131,762	172,593
Workers' compensation	10.5	7,478	6,577
Total non-current provisions		139,240	179,170
Total provisions			
Superannuation	10.2	129,689	170,194
Annual leave		28,536	26,041
Long service leave	10.3	52,175	55,065
Pay in lieu of certain holidays worked		2,822	2,541
Redundancy		3,787	5,406
Total employee benefits		217,009	259,247
Workers' compensation	10.5	9,953	8,751
Total provisions		226,962	267,998

(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 NSW Trains does not have an unconditional right to defer settlement. Only conditional long service leave is shown as a non-current liability. However, on the basis of past payment experience, leave is expected to be settled in the following pattern:

	Within 12 months \$'000	Later than 12 months \$'000	Total \$'000
Year ended 30 June 2017			
Long service leave	7,732	44,443	52,175
Annual leave	13,602	14,934	28,536
Pay in lieu of certain holidays worked	2,822	-	2,822
	24,156	59,377	83,533
	Within 12 months \$'000	Later than 12 months \$'000	Total \$'000
Year ended 30 June 2016			
Long service leave	7,670	47,395	55,065
Annual leave	16,306	9,735	26,041
Pay in lieu of certain holidays worked	2,541	-	2,541
	26,517	57,130	83,647

Note 10 Provisions (continued)

10.2 Superannuation

10.2.1 Overview

Nature of the benefits

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

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 at 30 June 2018.

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.1 Overview (continued)

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.

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.

Significant events

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

Financial impacts

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

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.1 Overview (continued)

Financial impacts (continued)

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

Year ended 30 June 2017	SASS \$'000	SANCSS \$'000	SSS \$'000	Total \$'000
Accrued liability*	367,208	34,010	1,212	402,430
Estimated reserve account balance	(246,790)	(25,309)	(642)	(272,741)
Deficit	120,418	8,701	570	129,689
Future service liability**	-	-	-	-
Surplus in excess of recovery available from schemes	-	-	-	-
Net liability recognised in statement of financial position	120,418	8,701	570	129,689

Year ended 30 June 2016	SASS \$'000	SANCSS \$'000	SSS \$'000	Total \$'000
Accrued liability*	406,965	37,647	1,241	445,853
Estimated reserve account balance	(248,763)	(26,307)	(589)	(275,659)
Deficit	158,202	11,340	652	170,194
Future service liability**	13,140	12,241	287	25,668
Surplus in excess of recovery available from schemes	-	-	-	-
Net liability recognised in statement of financial position	158,202	11,340	652	170,194

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

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

Year ended 30 June 2017	SASS	SANCSS	SSS
Member numbers			
Contributors	488	489	1
Pensioners	32	-	-

Year ended 30 June 2016	SASS	SANCSS	SSS
Member numbers			
Contributors	550	551	1
Pensioners	16	-	-

Note 10 Provisions (continued)**10.2 Superannuation (continued)****10.2.2 Reconciliation of the net defined benefit liability**

Year ended 30 June 2017	SASS \$'000	SANCSS \$'000	SSS \$'000	Total \$'000
Net Defined Benefit Liability at start of year	158,202	11,340	652	170,194
Current service cost	3,722	1,425	40	5,187
Net Interest on the net defined benefit liability/(asset)	3,125	219	13	3,357
Actual return on Fund assets less Interest income	(17,122)	(1,762)	(43)	(18,927)
Actuarial (gains)/losses arising from changes in demographic assumptions	23	(53)	(25)	(55)
Actuarial gains arising from changes in financial assumptions	(27,747)	(1,733)	(194)	(29,674)
Actuarial (gains)/losses arising from liability experience	2,589	(109)	127	2,607
Employer contributions	(2,374)	(626)	-	(3,000)
Net defined benefit liability at end of year	120,418	8,701	570	129,689

Year ended 30 June 2016	SASS \$'000	SANCSS \$'000	SSS \$'000	Total \$'000
Net Defined Benefit Liability at start of year	73,037	6,392	233	79,662
Current service cost	3,249	1,356	27	4,632
Net Interest on the net defined benefit liability	2,167	194	7	2,368
Actual return on Fund assets less Interest income	(217)	(31)	(1)	(249)
Actuarial (gains)/losses arising from changes in demographic assumptions	29,981	(77)	145	30,049
Actuarial losses arising from changes in financial assumptions	45,980	3,093	306	49,379
Actuarial (gains)/losses arising from liability experience	7,005	413	(65)	7,353
Employer contributions	(3,000)	-	-	(3,000)
Net defined benefit liability at end of year	158,202	11,340	652	170,194

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.3 Reconciliation of the fair value of fund assets

Year ended 30 June 2017	SASS \$'000	SANCSS \$'000	SSS \$'000	Total \$'000
Fair value of fund assets at the beginning of the year	248,763	26,307	589	275,659
Interest income	4,714	492	9	5,215
Actual return on Fund assets less Interest income	17,122	1,762	43	18,927
Employer contributions	2,374	626	-	3,000
Contributions by participants	2,502	-	7	2,509
Benefits paid	(28,326)	(3,952)	-	(32,278)
Taxes, premiums & expenses paid	(359)	74	(6)	(291)
Fair value of fund assets at the end of the year	246,790	25,309	642	272,741

Year ended 30 June 2016	SASS \$'000	SANCSS \$'000	SSS \$'000	Total \$'000
Fair value of fund assets at the beginning of the year	254,319	27,403	568	282,290
Interest Income	7,389	790	17	8,196
Actual return on fund assets less Interest income	217	31	1	249
Employer contributions	3,000	-	-	3,000
Contributions by participants	2,404	-	6	2,410
Benefits paid	(17,726)	(1,860)	2	(19,584)
Taxes, premiums and expenses paid	(840)	(57)	(5)	(902)
Fair value of fund assets at the end of the year	248,763	26,307	589	275,659

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.4 Reconciliation of the present value of the defined benefit obligation

Year ended 30 June 2017	SASS \$'000	SANCSS \$'000	SSS \$'000	Total \$'000
Present value of defined benefit obligations at beginning of the year	406,965	37,647	1,241	445,853
Current service cost	3,722	1,425	40	5,187
Interest cost	7,838	710	24	8,572
Contributions by participants	2,502	-	7	2,509
Actuarial (gains)/losses arising from changes in demographic assumptions	23	(53)	(25)	(55)
Actuarial gains arising from changes in financial assumptions	(27,746)	(1,732)	(196)	(29,674)
Actuarial (gains)/losses arising from liability experience	2,589	(109)	127	2,607
Benefits paid	(28,326)	(3,952)	-	(32,278)
Taxes, premiums & expenses paid	(359)	74	(6)	(291)
Present value of defined benefit obligation at the end of the year	367,208	34,010	1,212	402,430
Year ended 30 June 2016	SASS \$'000	SANCSS \$'000	SSS \$'000	Total \$'000
Present value of defined benefit obligations at beginning of the year	327,356	33,795	801	361,952
Current service cost	3,249	1,356	27	4,632
Interest cost	9,556	984	24	10,564
Contributions by participants	2,404	-	6	2,410
Actuarial (gains)/losses arising from changes in demographic assumptions	29,981	(77)	145	30,049
Actuarial losses arising from changes in financial assumptions	45,980	3,093	306	49,379
Actuarial (gains)/losses arising from liability experience	7,005	413	(65)	7,353
Benefits paid	(17,726)	(1,860)	2	(19,584)
Taxes, premiums and expenses paid	(840)	(57)	(5)	(902)
Present value of defined benefit obligation at the end of the year	406,965	37,647	1,241	445,853

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.5 Expense recognised in the Statement of Comprehensive Income

Year ended 30 June 2017	SASS \$'000	SANCSS \$'000	SSS \$'000	Total \$'000
Components recognised as expense				
Current service cost	3,722	1,425	40	5,187
Net interest	3,125	219	13	3,357
Expense recognised	6,847	1,644	53	8,544
Year ended 30 June 2016	SASS \$'000	SANCSS \$'000	SSS \$'000	Total \$'000
Components recognised as expense				
Current service cost	3,249	1,356	27	4,632
Net interest	2,167	194	7	2,368
Expense recognised	5,416	1,550	34	7,000

Note 10 Provisions (continued)**10.2 Superannuation (continued)****10.2.6 Amounts recognised in Other Comprehensive Income**

Year ended 30 June 2017	SASS \$'000	SANCSS \$'000	SSS \$'000	Total \$'000
Actuarial gains on liabilities	(25,134)	(1,894)	(94)	(27,122)
Actual return on Fund assets less Interest income	(17,122)	(1,762)	(43)	(18,927)
Total Remeasurements*	(42,256)	(3,656)	(137)	(46,049)

Year ended 30 June 2016	SASS \$'000	SANCSS \$'000	SSS \$'000	Total \$'000
Actuarial losses on liabilities	82,966	3,428	386	86,780
Actual return on fund assets less Interest income	(217)	(31)	(1)	(249)
Total Remeasurements	82,749	3,397	385	86,531

* The Total Remeasurements in current year reflect (i) the increase in the discount rate of defined benefit obligations and, (ii) improved return on fund assets.

10.2.7 Fund assets

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

	2017 %	2016 %
Cash/ Short Term Securities	7.7	5.4
Australian Fixed Interest	6.2	7.1
International Fixed Interest	1.2	2.2
Australian Equities	23.6	25.4
International Equities	30.1	31.7
Property	8.6	9.6
Alternatives	22.6	18.6
Total	100.0	100.0

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.8 Fair value of Fund assets

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

Asset Category	Total \$'000	Quoted prices in active markets Level 1 \$'000	Significant observable inputs Level 2 \$'000	Unobservable inputs Level 3 \$'000
Year ended 30 June 2017				
Cash	3,087,307	3,077,362	9,945	-
Australian Fixed Interest	2,500,725	997	2,499,728	-
International Fixed Interest	480,991	-	480,991	-
Australian Equities	9,446,079	8,947,483	498,572	24
International Equities	12,053,503	9,033,497	1,869,112	1,150,894
Property	3,453,107	926,105	533,191	1,993,812
Alternatives	9,066,055	390,899	5,068,137	3,607,020
Total	40,087,767	22,376,343	10,959,675	6,751,750

Asset Category	Total \$'000	Quoted prices in active markets Level 1 \$'000	Significant observable inputs Level 2 \$'000	Unobservable inputs Level 3 \$'000
Year ended 30 June 2016				
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	12,093,667	9,026,207	2,078,766	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	38,186,137	21,827,177	9,928,540	6,430,420

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.

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

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.9 Significant actuarial assumptions at the reporting date

	Year ended 30 June 2017
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.
	Year ended 30 June 2016
Discount rate	1.99%
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.

10.2.10 Fair value of entity's own financial instruments

The disclosures below relate to total assets of the Pooled Fund.

The fair value of the Pooled Fund assets includes, as at 30 June 2017, \$354.0 million (2016: \$189.6 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 (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 (2016: \$243 million).

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.11 Sensitivity analysis

The entity's total defined benefit obligation as at 30 June 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
Year ended 30 June 2017			
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)	402,431	451,197	363,316
	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Year ended 30 June 2017			
Discount rate	as above	as above	as above
		above rates plus	above rates less
Rate of CPI increase	as above	0.5% pa	0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	402,431	414,519	391,443
	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Year ended 30 June 2017			
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
		above rates plus	above rates less
Salary inflation rate	as above	0.5% pa	0.5% pa
Defined benefit obligation (\$'000)	402,431	411,992	393,303
	Base case	Scenario G Higher Mortality*	Scenario H Lower Mortality**
Year ended 30 June 2017			
Defined benefit obligation (\$'000)	402,431	400,352	407,454

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.11 Sensitivity analysis (continued)

	Base case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
Year ended 30 June 2016			
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 (\$'000)	445,853	506,803	397,637
	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Year ended 30 June 2016			
Discount rate	as above	as above above rates plus	as above above rates less
Rate of CPI increase	as above	0.5% pa	0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	445,853	460,252	432,794
	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Year ended 30 June 2016			
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above above rates plus	as above above rates less
Salary inflation rate	as above	0.5% pa	0.5% pa
Defined benefit obligation (\$'000)	445,853	458,120	434,171
	Base case	Scenario G Higher Mortality*	Scenario H Lower Mortality**
Year ended 30 June 2016			
Defined benefit obligation (\$'000)	445,853	443,340	452,146

*Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2017 to 2021 (2016: 2016 to 2021).

**Assumes the short term pensioner mortality improvement factors for years 2017-2021 (2016: 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.

10.2.12 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.

Note 10 Provisions (continued)**10.2 Superannuation (continued)****10.2.13 Funding arrangements**

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review 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.

a) 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":

Year ended 30 June 2017	SASS \$'000	SANCSS \$'000	SSS \$'000	Total \$'000
Accrued benefits*	249,014	25,695	433	275,142
Net market value of fund assets	(246,790)	(25,309)	(642)	(272,741)
Net (surplus)/deficit	2,224	386	(209)	2,401

Year ended 30 June 2016	SASS \$'000	SANCSS \$'000	SSS \$'000	Total \$'000
Accrued benefits*	254,244	26,981	360	281,585
Net market value of fund assets	(248,763)	(26,307)	(589)	(275,659)
Net (surplus)/deficit	5,481	674	(229)	5,926

*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.

b) Contribution recommendations

Year ended 30 June 2017	SASS multiple of member contributions	SANCSS % member salary	SSS multiple of member contributions
Recommended contribution rates for the entity	N/A	N/A	N/A

Year ended 30 June 2016	SASS multiple of member contributions	SANCSS % member salary	SSS multiple of member contributions
Recommended contribution rates for the entity	N/A	N/A	N/A

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.13 Funding arrangements (continued)

c) Economic assumptions

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

Weighted-average assumptions	Year ended 30 June 2017
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
	2.7% to 30 June 2019 then
Expected salary increase rate (excluding promotional salary increases)	3.2% pa thereafter
Expected rate of CPI increase	2.2% pa

Weighted-average assumptions	Year ended 30 June 2016
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
	3.0% to 30 June 2019 then
Expected salary increase rate (excluding promotional salary increases)	3.5% pa thereafter
Expected rate of CPI increase	2.5% pa

d) Expected contributions

Year ended 30 June 2017	SASS	SANCSS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Expected employer contributions to be paid for 2018	3,600	-	-	3,600

Year ended 30 June 2016	SASS	SANCSS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Expected employer contributions to be paid for 2017	-	3,000	-	3,000

e) Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 12.6 years (2016: 14.7 years).

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.14 Nature of asset / liability

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

10.3 Long service leave

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

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

The liability for long service leave was assessed by a consulting actuary, Mercer Consulting (Australia) Pty Ltd. The actuary assumed a discount rate of 2.4% (2016: 2.1%) per annum and a salary growth rate of 2.5% per annum (2016: 3.2% per annum effective 30 September 2016 and 3.0% per annum thereafter).

10.4 Movements in provisions (other than employee benefit provisions)

	Carrying amount at start of year \$'000	Increase in provision \$'000	Discounting adjustment \$'000	Subtotal \$'000	Payment of claims \$'000	Carrying amount at end of year \$'000
Year ended 30 June 2017						
Workers' compensation	8,751	3,995	699	13,445	3,492	9,953
	Carrying amount at start of year \$'000	Increase in provision \$'000	Discounting adjustment \$'000	Subtotal \$'000	Payment of claims \$'000	Carrying amount at end of year \$'000
Year ended 30 June 2016						
Workers' compensation	5,637	4,536	1,364	11,537	2,786	8,751

10.5 Workers' compensation

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

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

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

Note 11 Contributed equity

11.1 Contributed equity

	Note	2017 \$'000	2016 \$'000
Contributed equity at start of year		260,170	260,170
Net assets contributed to Government	11.2	(7,202)	-
Contributed equity at end of year		252,968	260,170

11.2 Net assets contributed to the Government

The net transfers noted below are considered to be an adjustment to contribution by owner in accordance with TPP 09-3 *Accounting Policy: Contribution by Owners made to wholly owned public sector entities* and are treated as an adjustment to equity.

	2017 \$'000	2016 \$'000
Assets transferred		
Capital work in progress	7,202	-
Total assets	7,202	-
Net assets transferred out	7,202	-

Refer Note 5.3 for details.

Note 12 Expenditure commitments

12.1 Expenditure commitments

	2017 \$'000	2016 \$'000
Operating leases		
Within 12 months	39,299	39,790
12 months or longer but not longer than 5 years	30,189	69,551
Total operating leases	69,488	109,341
Total plant and equipment (including intangible assets)	1,424	2,444

Other commitments

Sydney Trains and NSW Trains entered a service contract commencing on 1 July 2013, expiring on 30 June 2018. Under this contract, Sydney Trains will provide maintenance, operational, security, cleaning and other services to NSW Trains. The estimate amount for 2017-2018 is \$446m (2016-2017: \$446.6m).

The expenditure commitments include any associated Goods and Services Tax. Related input tax credits of \$6.4m (2016: \$10.2m) are expected to be recoverable from the Australian Taxation Office.

12.2 Minimum lease payments committed under non-cancellable operating leases

	2017 \$'000	2016 \$'000
Within 12 months	39,299	39,790
12 months or longer but not longer than 5 years	30,189	69,551
Total committed	69,488	109,341

Minimum lease payment commitments include any associated Goods and Services Tax. Related input tax credits of \$6.4m (2016: \$10.2m) are expected to be recoverable from the Australian Taxation Office.

Note 13 Contingent liabilities and contingent assets

13.1 Contingent liabilities

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

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.

Guarantee

NSW Trains has a bank guarantee of \$11,000 issued by the Westpac Banking Corporation.

Litigation

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

Note 13 Contingent liabilities and contingent assets (continued)

13.2 Contingent assets

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

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

Note 14 Financial instruments

14.1 Financial instruments

NSW Trains holds the following financial instruments:

	2017 \$'000	2016 \$'000
Financial assets		
Cash and cash equivalents	198,205	216,939
Trade and other receivables*	23,858	25,386
Total financial assets	222,063	242,325
Financial Liabilities		
Trade and other payables**	65,333	66,212
Total financial liabilities	65,333	66,212

* 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*

14.2 Financial risks

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

Risk management is carried out under approved policies. Treasury Management Policy establishes a prudential framework covering policies, best practice internal controls and reporting systems for the management of financial risks within NSW Trains' operation. The policy covers specific areas such as foreign exchange risk, interest rate risk, commodity risk, and credit risk, use of derivative financial instruments and investment of excess funds. The NSW Trains has a Treasury Management Policy. The primary objective of this policy is to achieve management of all financial risks in strict compliance with internal policies and guidelines within the broad framework of the NSW Treasury Management Policy (TPP07-7). Accounting for Treasury Instruments is in accordance with NSW Treasury accounting policy, Accounting for Financial Instruments (TPP08-1).

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

Note 14 Financial instruments (continued)

14.3 Market risk

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

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

14.3.1 Foreign exchange risk

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

14.3.2 Interest rate risk

Interest rate risk refers to the market value of financial instruments or cash flows associated with the instruments fluctuating due to changes in market yields. NSW Trains' main interest rate risk relates primarily to cash at bank.

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

	Interest Rate %	Principal Amount \$'000
Year ended 30 June 2017		
Financial assets		
Not later than 1 year		
Cash on hand and in transit	-	155
Cash at bank	1.50	198,050
Total financial assets		198,205
Year ended 30 June 2016		
Financial assets		
Not later than 1 year		
Cash on hand and in transit	-	135
Cash at bank	1.75	216,804
Total financial assets		216,939

Note 14 Financial instruments (continued)

14.3 Market risk (continued)

14.3.2 Interest rate risk (continued)

Interest rate sensitivity analysis

A change of +/- 1 per cent is used, consistent with current trends in interest rates, to measure NSW Trains' financial sensitivity to interest rate movements. NSW Trains' exposure to interest rate risk is set out below.

	Change in yield	Impact on Net result \$'000	Impact on Equity \$'000
Year ended 30 June 2017			
Bank deposits	-1%	(1,981)	(1,981)
	1%	1,981	1,981
	Change in yield	Impact on Net result \$'000	Impact on Equity \$'000
Year ended 30 June 2016			
Bank deposits	-1%	(2,168)	(2,168)
	1%	2,168	2,168

14.4 Credit risk

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

Credit risk can arise from financial assets of NSW Trains, including cash and cash equivalents, deposits with banks, as well as credit exposure to customers, including outstanding receivables and committed transactions. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

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

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

Cash

NSW Trains held \$198m in cash at bank at 30 June 2017 (2016: \$216.8m). This was held with Westpac Banking Corporation.

Trade receivables

The maximum credit risk exposure in relation to receivables is the carrying amount, less the allowance for impaired debts. 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. Collectability of debtors is reviewed on an ongoing basis.

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

No interest is earned on trade debtors.

Note 14 Financial instruments (continued)

14.5 Liquidity risk

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

Credit standby arrangements are shown at Note 5.4.

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

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

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

	Carrying amount \$'000	Contract Cash flow \$'000	Less than 1 Year \$'000	Between 1 and 5 Years \$'000	Over 5 Years \$'000
Year ended 30 June 2017					
Financial liabilities					
Trade and other payables	65,333	65,333	65,333	-	-
	65,333	65,333	65,333	-	-
Year ended 30 June 2016					
Financial liabilities					
Trade and other payables	66,212	66,212	66,212		
	66,212	66,212	66,212	-	-

Note 15 Fair value measurements

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

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

NSW Trains does not own any land or building. The current holding of Plant and Equipment is mainly operational equipment with useful lives of 10 years or less. Management has reviewed and concluded that the written down value of these assets approximate their fair value.

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

	Carrying Amount \$'000	Fair Value \$'000
Year ended 30 June 2017		
Financial assets		
Cash and cash equivalents	198,205	198,205
Trade and other receivables	25,208	25,208
Total financial assets	223,413	223,413
Non-financial assets		
Plant and machinery	309	309
Total non-financial assets	309	309
Financial liabilities		
Trade and other payables	71,009	71,009
Total financial liabilities	71,009	71,009
Year ended 30 June 2016		
Financial assets		
Cash and cash equivalents	216,939	216,939
Trade and other receivables	28,763	28,763
Total financial assets	245,702	245,702
Non-financial assets		
Plant and machinery	527	527
Total non-financial assets	527	527
Financial liabilities		
Trade and other payables	66,923	66,923
Total financial liabilities	66,923	66,923

Note 16 Related party disclosures

(i) Key Management Personnel Compensation

During the year, NSW Trains incurred \$1.9m in respect of the key management personnel services that are provided by Transport Service NSW.

(ii) Transactions and Outstanding Balances with Key Management Personnel of NSW Trains and its parent during the financial year

There is no transaction and outstanding balance with Key Management Personnel of NSW Trains and its parent during the financial year.

(iii) Transactions and Outstanding balances with Other Related Parties during the financial year

Nature of transaction	Transaction value	Net receivable / (payable) as at 30 June 2017
	\$'000	\$'000
Employer contribution to the Pooled Fund	3,376	-

(iv) Transactions with Government Related Entities during the financial year

NSW Trains applied the exemption in paragraph 25 of AASB 124, and the following disclosure only includes individually significant and collectively significant transactions with Government Related Entities.

RailCorp provides NSW Trains with access rights to assets including the rail stations, properties, tracks and rolling stock at no charge, refer Note 2.9.

During the year, NSW Trains has transferred \$7.2m Capital work in progress to RailCorp by way of equity transfer, refer Note 5.3.

NSW Treasury has issued a letter of comfort to NSW Trains to ensure its ongoing viability for at least 12 months from the date the accompanying audit report was signed, refer Note 2.1.

Sydney Trains and NSW Trains has entered into a service contract commencing on 1 July 2013, refer Note 12.1.

Transport Service of New South Wales provides personnel services to NSW Trains by supplying senior staff to the entity, refer Note 4.3.

TfNSW provides some corporate and transactional services to NSW Trains, including Legal and Corporate Governance, Human Resources, Information Technology, Organisational Development, Transport Shared Services, Information, Corporate Policy and Investigations, refer Note 4.4.

NSW Trains receives contributions from TfNSW towards the cost of providing certain agreed services, concession and capital expenditure, refer Note 3.2.

Opal card is managed by TfNSW. Opal passenger revenue is remitted to NSW Trains monthly on the basis of the output from electronic ticketing system, refer Note 2.6 (i).

NSW Trains manages some projects on behalf of RailCorp and TfNSW.

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

Note 17 Events occurring after reporting date

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

(End of audited financial statements)



Mr Peter Allaway
Acting Chief Executive
NSW Trains
PO Box K349
HAYMARKET NSW 1238

Contact: Somaiya Ahmed
Phone no: 02 9275 7424
Our ref: D1721733/1644

4 October 2017

Dear Mr Allaway

STATUTORY AUDIT REPORT

for the year ended 30 June 2017

NSW Trains

I have audited the financial statements of NSW Trains as required by the *Public Finance and Audit Act 1983* (PF&A Act). This Statutory Audit Report outlines the results of my audit for the year ended 30 June 2017, and details matters I found during my audit that are relevant to you in your role as one of those charged with the governance of NSW Trains. The PF&A Act requires me to send this report to NSW Trains, the Minister and the Treasurer.

This report is not the Independent Auditor's Report, which expresses my opinion on NSW Trains' financial statements. I enclose the Independent Auditor's Report, together with NSW Trains' financial statements.

My audit is designed to obtain reasonable assurance the financial statements are free from material misstatement. It is not designed to identify and report all matters you may find of governance interest. Therefore, other governance matters may exist that I have not reported to you.

My audit is continuous. If I identify new significant matters, I will report these to you immediately.

Audit result

I expressed an unmodified opinion on NSW Trains' financial statements and I have not identified any significant matters since my previous Statutory Audit Report.

Quality and timeliness of financial reporting

Treasury Circulars TC 16-13 'Agency guidelines for the 2016–2017 Mandatory Early Close' and TC 17-06 'Agency Guidelines for the 2016–17 Mandatory Annual Returns to Treasury' were issued as Treasurer's Directions in accordance with sections 9 and 45E of the PF&A Act. Non-compliance with such Directions represents a breach of the PF&A Act.

TC 16-13 required NSW Trains to prepare certain aspects of the financial statements before year-end and provide the outcomes to the audit team.

Treasury Circular TC 17-06 required NSW Trains to submit its year-end information to Treasury and its financial statements to the Audit Office on 24 July 2017.

NSW Trains complied with the Directions by completing the mandatory early close procedures set out in TC 16-13 and submitting its financial information to Treasury and its financial statements and supporting working papers to the Audit Office by the due dates.

Misstatements in the financial statements

I have certain obligations for reporting misstatements:

- the PF&A Act requires agencies to obtain the Auditor-General's approval for all changes to the financial statements originally submitted for audit. The more significant/material changes are reported in a Statutory Audit Report
- the Auditing Standards require matters of governance interest and significant misstatements identified during the audit to be brought to your attention and that of others charged with governance
- statutory obligations require the Auditor-General to report misstatements resulting from or not detected because of failures in internal controls and/or systemic deficiencies which pose a significant risk to NSW Trains.

The financial statements did not contain any monetary misstatements. Minor disclosure deficiencies were corrected by NSW Trains.

Compliance with legislative requirements

My audit procedures are targeted specifically towards forming an opinion on NSW Trains' financial statements. This includes testing whether NSW Trains has complied with legislative requirements that may materially impact on the financial statements. The results of the audit are reported in this context. My testing did not identify any reportable instances of non-compliance with legislative requirements.

Auditor-General's Report to Parliament

A 2017 Auditor-General's Report to Parliament will incorporate the results of the audit.

Publication of the Statutory Audit Report

I consider this Statutory Audit Report to fall within the definition of 'excluded information' contained in Schedule 2(2) of the *Government Information (Public Access) Act 2009*. Under Schedule 1(6) of this Act, please seek consent from the Audit Office before releasing this report publicly. Agencies are advised to also seek approval from the Minister(s) and the Treasurer before publishing this report.

Acknowledgment

I thank NSW Trains' staff for their courtesy and assistance.

Yours sincerely



Margaret Crawford
Auditor-General of NSW

NSW Trains

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