

Transport Asset
Holding Entity

Volume 1

Annual Report

FINANCIAL YEAR 2022 - 2023



Get in touch.

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WELCOME TO OUR 2022 - 2023

Annual Report

Acknowledgement of Country

Transport Asset Holding Entity of New South Wales acknowledges the traditional custodians and their ancestors of the lands and waters where we work, live and learn.

We celebrate the First Peoples' unique cultural and spiritual relationship to Country and acknowledge the significance of Aboriginal cultures in Australia. We pay our respect to Elders, past and present and acknowledge their continuing connection to land, water and community.

“



Credit: Tu-Wai and Dennis MacDonald through Blue Tongue Management

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To:

The Hon. Daniel Mookhey MLC

Treasurer

52 Martin Place
SYDNEY NSW 2000

The Hon. Courtney Houssos MLC

Minister for Finance
Minister for Natural Resources

52 Martin Place
SYDNEY NSW 2000



Letter to Shareholder Ministers

Re: Report on performance for the year ended 30 June 2023.

We are pleased to submit the Annual Report of Transport Asset Holding Entity of New South Wales for the year ended 30 June 2023, for presentation to Parliament.

Our Annual Report FY23 has been prepared according to the requirements of section 24A of the *State Owned Corporations Act 1989* (NSW) and the *Government Sector Finance Act 2018* (NSW).

The financial statements, which form part of this Annual Report, have an unmodified audit opinion from the Auditor-General of New South Wales.

The Audit Office has however issued an emphasis of matter regarding the NSW Government's decisions relating to the future of TAHE. The decisions have significant impact on TAHE's financial position and future operating model including converting TAHE from a for-profit State Owned Corporation to a non-commercial Public Non-Financial Corporation.

The Government's decisions were not announced until August 2023, impacting the finalisation of TAHE's financial statements for inclusion in the Annual Report.

NSW Treasury granted an extension to the Annual Report deadline pursuant to clause 4 of Treasurer's Direction TD23-11 *Annual Reporting Requirements* to the 31 December 2023.

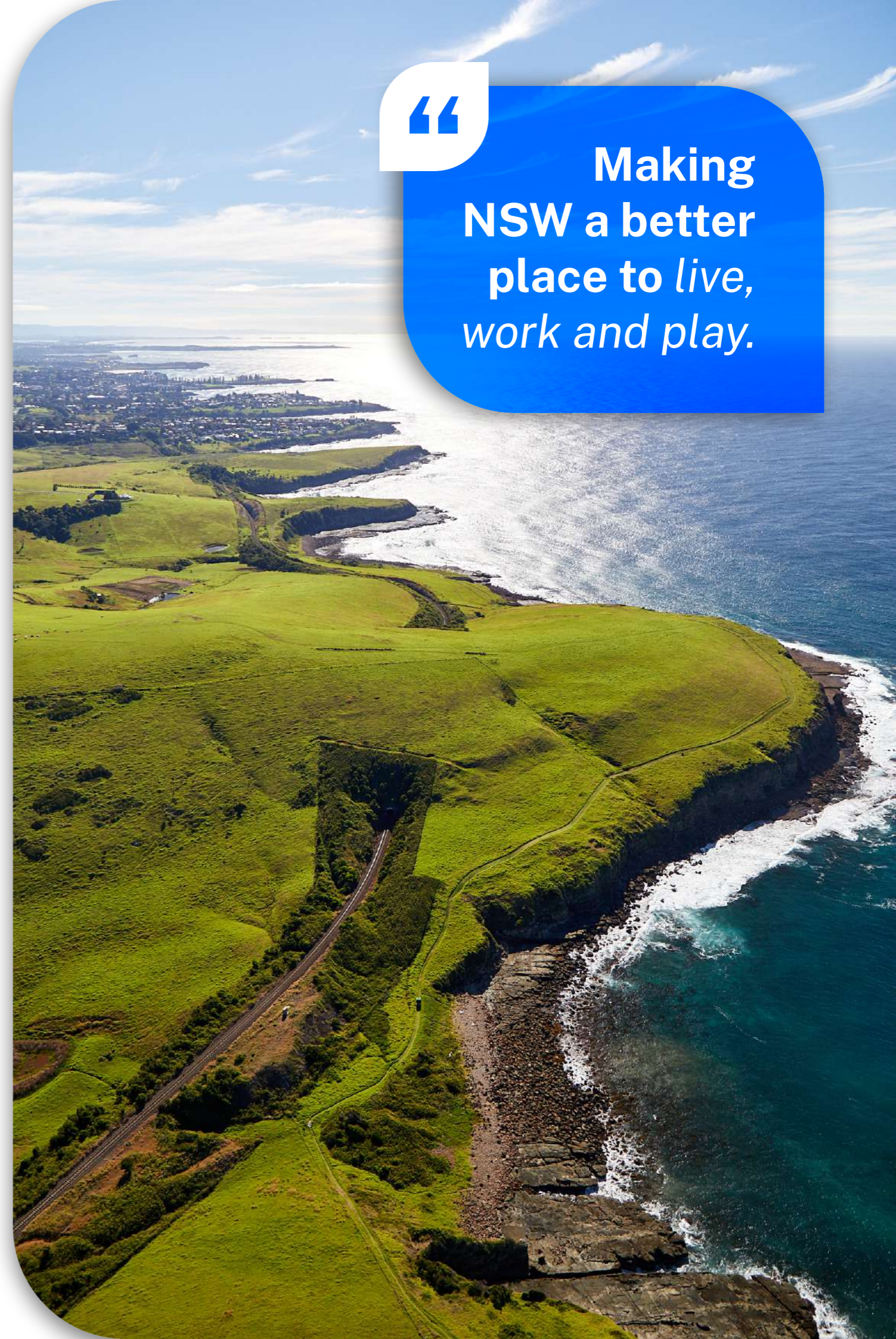
Yours sincerely,

Bruce Morgan
Chair
22 December 2023

Bénédicte Colin
Chief Executive Officer
22 December 2023

“

**Making
NSW a better
place to live,
work and play.**



Section 1

Overview

Section Contents

- 1.1 Message from our Chair and CEO
- 1.2 FY22/23 Year in Review
- 1.3 About Us





MESSAGE FROM

Our Chair & CEO

The 2023 Financial Year (FY23) continued to be a year of change for TAHE. In March 2023, following the NSW election, a new government was formed.

Leading up to the election, the Government made the electoral commitment to abolish TAHE. Subsequently, in August 2023, the NSW Government made several key decisions regarding the future of TAHE. These will see TAHE transition from operating as a for-profit State Owned Corporation (SOC) to operating as a non-commercial Public Non-Financial Corporation (PNFC) effective from 1 July 2024. The decisions have not impacted the for-profit SOC standing of TAHE in FY23 but will have financial, funding, and operational impacts on the organisation in FY24 and thereafter, as detailed below.

In November 2023, the TAHE Board was issued with Directions under the State Owned

Corporations Act from the Portfolio Minister. The Board will comply with those directions and oversee and support the transition of TAHE to the new operating model.

In the meantime, TAHE will continue to operate in accordance with its current Operating Licence and Statement of Expectations including maintaining a key priority of providing an effective assurance framework for safety, environment and asset management. TAHE will continue to deliver on its two key functions of strategic asset management and property development in collaboration with our key partners.

The following is a summary of TAHE's operations throughout FY23.

Transforming our assets

As the custodian of rail assets, our team has made progress in activating our under-utilised property. Our approach is aligned with State Government priorities on supporting growth in and around our public transport locations.

In particular, TAHE is leading the revitalisation of the Redfern-North Eveleigh Precinct. Consistent with Government policy, it will help increase housing supply through a range of market, affordable and social housing. The planned adaptive re-use of the 6,000m² Paint Shop Building and the neighbouring, historic Clothing Store is a key priority in achieving these outcomes.

Co-ordinating TAHE's pre-development activities across the various Transport agencies have been challenging. The delays in achieving pre-development site clearances by Sydney Trains remain a key risk to our development pipeline going forward. The transition to a future operating model for TAHE provides an opportunity to review and streamline the interfaces and governance within the Transport cluster and other relevant agencies. This will enable a more effective delivery process to achieve the key housing and other social objectives of Government within the TAHE portfolio.

Strategic asset management

TAHE has continued to strengthen relationships with its contracted rail operators and asset maintainers to assure a safe, reliable and resilient rail network for passengers and freight operators. Resilience is a core part of our strategic planning, and we are

making investment decisions to future proof our rail network against the impacts of climate change.

TAHE's Strategic Asset Management Plan (SAMP) describes how TAHE's organisational objectives are translated into asset management objectives and performance outcomes that seek to achieve true value for money over the whole asset lifecycle. The scope of the SAMP covers all current and planned non-financial assets under the control of TAHE. The SAMP also provides asset management objectives and performance measures for application across TAHE's asset portfolio including planned assets.

TAHE continues to comply with the NSW Treasury Asset Management Policy. The TAHE Asset Management Plan (AMP) provides an overview of the performance and condition of, and risks relating to, TAHE assets based on current funding levels to achieve asset management objectives and service outcomes. The SAMP and AMP are aligned to the requirements of the International Standards for Asset Management for best practice asset management.

Supporting our regional communities

Our Community Heritage Program has helped preserve State Heritage Listed structures including station buildings, signal boxes and administration structures, while creating new fit for purpose community uses, which are accessible and connected to the local area.

In partnership with Sydney Trains and NSW TrainLink, TAHE has delivered three restored and adapted heritage station precincts for new community purposes at Blayney, Tarana and Gunning, while completing safety and compliance upgrades.

Freight and connectivity

With both rail infrastructure and property holdings, TAHE aims to invest in solutions to support the road-to-rail transformation for rail operators and supply chains.

TAHE is reviewing its strategic rail corridors, freight, and industrial precincts, along with land and property locations, to unlock the full value of redeveloping or redeploying these assets. These initiatives will strengthen rail infrastructure and logistic facilities to meet the NSW freight task.

TAHE's strategy is to improve the efficient use of existing rail infrastructure, creating better integrated transport hubs to deliver greater connectivity, capacity, access and resilience.

Social and cultural outcomes

TAHE has identified services to support some of the most vulnerable people in our community, establishing partnerships with the not-for-profit sector to use our sites.

TAHE has progressed on several placemaking and social initiatives such as Tom Uren Place Redevelopment, Armidale Domestic Family Violence Shelter and Woolloomooloo Sustainability Hub. These initiatives are in partnership with local Councils and not-for-profit organisations.

Our assets have also been used for cultural and event opportunities. This year our Wynyard Tunnels, Central Station and the Goods Line were backdrops for the Vivid Festival, attracting hundreds of thousands of visitors to witness our assets transformed for light, sound and colour experiences.

Affordable housing

As the housing crisis deepens across NSW, we've been progressing plans to utilise our property portfolio for the development of housing, including social, affordable and build to rent housing. The first tranche of our Affordable Housing Pilot Project will deliver more than 400 homes across three locations in Sydney.

The adaptive re-use of the historic Paint-Shop and Clothing Store at the Redfern-North Eveleigh Precinct will also unlock new housing opportunities.

Building a high-performance culture

FY23 has been a challenging year due to the uncertainty of the future operating model of the entity. Our Executive Leadership Team has focussed on leading through this change and maintaining our resilient, collaborative, high performance and agile workplace.

We have embedded and strengthened our policies to enable a safe and resilient work environment. Our people and engagement initiatives have been focussed on team connection, systems, learning and development and enabling a flexible work environment.

We're continuing to evolve our systems, technologies and processes, while creating new learning and engagement opportunities to build on our people's experiences at work.

Financial performance

TAHE has invested approximately \$2.1b in major capital works to support a safe and reliable rail network in NSW.

The NSW Government's decisions regarding the future of TAHE includes changes to contributions from equity injections to grants, use of TAHE cash reserves and the basis on which access and licence fees are charged to the public rail operators. There is no longer a requirement to provide returns to government in the form of income tax equivalents and dividends from FY24.

Due to the uncertainty of the future operating model of TAHE as of 30 June 2023, the income-based valuation of TAHE's assets materially declined in value. Valuation sensitivities also contributed to this result. Having regard to these factors, a decrement of \$1.5b to the statement of comprehensive income and \$1.3b to the asset revaluation reserve was reported.

In accordance with the NSW Treasury Commercial Policy Framework and in line with the Statement of Corporate Intent, a dividend was declared in May 2023 of \$77.7m.

Governance

The appointment of three new Board members, Deborah Spring, Erin Flaherty and Guy Pahor, has increased the Board representation to seven. Each of the new members brings specific skills and experience to the TAHE Board further enhancing the guidance, governance and oversight of key projects under each of our strategic themes. The Board and sub-committee

governance has also been strengthened with reviews and recommendations provided by the internal Investment Assurance Committee.

Trevor Bourne has been a TAHE Director since its establishment on 1 July 2020. On 1 July 2022, Trevor was re-appointed for a one-year term, expiring on 30 June 2023. Trevor's one year appointment enabled provision of information gained during his three years at TAHE, ensuring a smooth transition of directorships. We thank Trevor for his contribution, leadership and dedication to the TAHE Board and organisation.

Bénédicte Colin has been the CEO and Director of TAHE since September 2021. In July 2023, Bénédicte made the decision to leave TAHE. During her tenure, Bénédicte was instrumental in establishing the organisation, resetting the strategy, focusing on asset management and property development. Most importantly, Bénédicte built a thriving culture and a high performing team, an outstanding legacy which positions TAHE well to effectively meet its future challenges. We thank Bénédicte for her outstanding contribution and wish her well in her future endeavours.

Sustainability

Our sustainability strategy is aligned with the NSW Government's ambitions to reach net zero emissions, along with the Transport cluster's climate change and net zero targets.

This year we have completed a number of initiatives including materiality assessments, peer benchmarking and assessment of current and emerging sustainability reporting requirements both nationally and internationally to support the development of our sustainability reporting metrics.

The coming financial year will see us continue to implement a range of sustainable business practices and further develop our reporting metrics to enable transparent reporting of progress against sustainability targets in line with future mandatory sustainability reporting requirements.

Looking ahead

We are committed to working with the NSW Government to implement its policy commitments regarding TAHE.

TAHE has provided advice to support the independent review by Carolyn Walsh into Sydney Trains Rail Infrastructure and Systems. The report has highlighted TAHE's role in strategic asset management, driving sustainable and resilient solutions and unlocking value in the assets we own. TAHE is committed to continuing to drive the improvement of asset management and assurance across its portfolio.

We are supporting Carolyn Walsh with the next iteration of her review, to implement the governance and operating transition from a SOC to a non-commercial PNFC.

Our strategy will also see us shift our focus towards the new policy direction of the NSW Government. The transition to a non-commercial PNFC and new operating model will require re-alignment of TAHE's Business Plan for FY24 which may result in changes to the actions and Key Performance Indicators (KPIs), along with potential adjustments across financial, budgeting, accounting, legislation and governance.

TAHE is looking forward to progressing several projects directly relevant to election commitments made by the NSW Government, including our Affordable Housing Pilot Project and the renewal of the Redfern-North Eveleigh Precinct.

Moving forward, TAHE will focus on new projects with our rail assets, particularly in our regional areas to create new housing and public place experiences. We're also optimistic about the opportunities with our extensive retail, commercial and industrial rental portfolio, working with the private and public sector to improve opportunities and enhance customer experiences.

Support from the NSW Government and Transport for NSW (TfNSW) is essential during this transition period to ensure the success of these projects and continuance of TAHE's important role and contribution to NSW.

Thank you to our partners and stakeholders for their collaboration, engagement and support over the past financial year. We're looking forward to continuing these strong relationships and working to make NSW a better place to live, work and play.

Bruce Morgan
Chair
Transport Asset Holding Entity

Bénédicte Colin
Chief Executive Officer
Transport Asset Holding Entity

FINANCIAL YEAR 2022 - 2023

Year In Review



\$2 billion +
Capex



5
Projects announced



FY23 value of assets
\$22 billion +



>50%
Female TAHE Board

OVERVIEW

About Us







From our cities to the country, rail is what connects us.

It's been the backbone of our major industries for more than a century, the link between our homes and places of work and the gateway to experiencing the wonders NSW has to offer.

TAHE is proud to continue this legacy, as the owner of NSW's extensive portfolio of railway assets. Our portfolio includes railway tracks, trains, stations, retail spaces and property surrounding stations within Sydney and across regional NSW.

We're bringing in world leading practice in strategic asset management, following a similar path to rail infrastructure organisations in London and Paris.

Our long-term mindset is aimed at maximising the benefits NSW gets from our rail assets through:

-  **Providing** assurance that our assets are being managed and delivered in a safe and reliable manner.
-  **Repurposing** our under-utilised property assets for housing.
-  **Adaptive** re-use of our property portfolio to provide communities with better public transport interchanges, business precincts and green, open spaces.
-  **Increasing** freight travelling by rail and enhancing our logistics and supply chains through last mile delivery and better use of our industrial land assets and rail infrastructure.
-  **Supporting** network resilient planning and digital upgrades to future proof our assets for climate change impacts.
-  **Restoring** and revitalising heritage properties.

TAHE's partnerships with the NSW Government, private sector, not-for-profit and local communities are essential to delivering innovative and sustainable outcomes.

Strategic Asset Management

TAHE has a very specific role within the NSW rail system, as the strategic owner of these assets.

Safety is a key priority for TAHE and underpins how we operate. It's also a core focus for the culture we build with our workforce.

TAHE appoints and collaborates with a number of organisations who undertake end to end management and operation of assets on TAHE's behalf.

These organisations include TfNSW, Sydney Trains, NSW TrainLink, Transport Heritage NSW, UGL, JLL and Australian Rail Track Corporation (ARTC). These organisations are responsible for the safe operation and maintenance of TAHE's assets. These activities must ensure that assets are capable of fulfilling their optimum function in a safe and reliable application.

TAHE works with our contracted rail system operators and asset maintainers to deliver value-for-money outcomes over the whole life of our infrastructure and property.

SUPPORTING REGIONAL DEVELOPMENT



Our Vision

Making NSW a better place to live, work and play.

Our Values

To deliver on our vision for NSW, TAHE has adopted a set of values which inform every decision and action we take.

Care
Genuinely care about each others wellbeing.

Accountability
Each of us is responsible for our words, our actions, and our results.

Courage
Courage to speak up, have an opinion, share your voice in a safe environment.

Integrity
Act with uncompromising honesty and integrity in everything we do.

Collaboration
We achieve more when we collaborate and all work together.

Our Objectives

Safe and reliable

to undertake activities in a safe and reliable manner.

Commercially successful

to be a successful business and, to this end:

- » to operate at least as efficiently as any comparable businesses, and
- » to maximise the net worth of the State's investment in TAHE.

Socially responsible

to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates.

Ecologically sustainable

where its activities affect the environment, to conduct its operations in compliance with the principles of ecologically sustainable development.

Support regional development

to exhibit a sense of responsibility towards regional development and decentralisation in the way in which it operates.

“

TAHE is proud to continue this legacy, as the owner of NSW's extensive portfolio of railway assets.



Section 2

Strategy

Section Contents

- 2.1 Our Strategy
- 2.2 Strategic Asset Management
- 2.3 Placemaking
- 2.4 Freight & Connectivity
- 2.5 Sustainability



✓ STRATEGY

Our Strategy

TAHE's role is to deliver long-term sustainable returns to fulfill commitments to customers, the community, and the people of NSW.

In fulfilling its role TAHE's approach rests on the four strategic themes:

- 1. Strategic Asset Management
- 2. Placemaking
- 3. Freight and Connectivity
- 4. Sustainability

At our annual strategy day held early this year, we reassessed each strategic themes for its continued relevance in light of the changes in macroeconomic conditions, increasing focus on the impacts of climate change, technological advancement and the social and demographic changes post COVID-19.

This process validated and provided assurance that we continue our four strategic themes, which remain aligned with our vision and supports and enables the NSW Government policies and direction.



CASE STUDY

TAHE and International Business Benchmarking

TAHE conducted an analysis of global and local comparable infrastructure ownership models to identify leading practice, lessons learned, innovation of comparators and areas of commercial focus.

The review identified that TAHE is demonstrating direct alignment with policy, functions, and leading practice against global and local comparators. In addition, TAHE is pursuing a majority of the opportunities identified globally, and is aware of the remaining opportunities, which tend to have less economic and social value, and are challenging to execute.

This analysis has also led to direct engagement with similar entities globally, with TAHE developing a global knowledge sharing forum. This forum will create an opportunity for dialogue and ongoing collaboration with similar entities and will enable TAHE to utilise global innovative practices to better support the people of NSW.

✓ STRATEGY

Strategic Asset Management

TAHE is the owner of a substantial number of state significant assets, infrastructure, land, and property in key locations across NSW.

Through its agents, contracted rail system operators and asset maintainers TAHE assures that its assets are actively managed and maintained to optimise safety and reliability through the implementation of a comprehensive Strategic Asset Management Plan (SAMP) and Asset Management Plan (AMP).

In addition to the assurance, we provide strategic advice on asset management and possess the capability to invest in our assets for resilience and to ensure they are adapted to the impacts of a changing climate.

Our aspirations:

1. Improved safety and reliability outcomes
2. Reduced emissions
3. Increase visibility of asset costs, risk and performance
4. Increased number of resilient assets

SAFE AND RELIABLE



CASE STUDY

Network Resilience Forum

TAHE has conducted an analysis of global leading practice to understand the best approach and mechanisms to deliver a resilient and adaptable network. Innovation, particularly from the UK, is providing guidance on the knowledge, experience and capability required to conduct a climate scenario analysis across TAHE's asset base.

As TAHE continues to build its research capability for asset resilience, it has developed and launched the 'Resilience Network Forum' with a small foundation group of NSW's network rail operators and rail infrastructure managers to provide a space for ongoing collaboration and dialogue.

The forum was led in partnership with the Office of Transport Safety Investigations (OTSI) and joined by representatives from TfNSW, Sydney Trains and ARTC.

The forum's role will focus on bringing together collaborative groups that can affect actionable change to improve network resilience. This is fundamental in our drive for a more interoperable network where each partner needs to play their role to benefit the people of NSW in both metro and regional areas.

The group will also examine the effects of climate change and the future weather impacts, whilst considering future investment strategies focused on improvements to our rail network.

✓ STRATEGY

Placemaking

TAHE possesses the property development capability and asset base to contribute substantially to governments policies, plans and legislation. We have identified a significant potential of place making opportunities across strategically important locations in our extensive asset base in NSW, including:

- » A number of TAHE's larger precinct developments, including Redfern-North Eveleigh Paint Shop and Clothing Store
- » Delivery of housing through the Affordable Housing Pilot Project (AHPP), and through the Redfern-North Eveleigh Precinct development
- » In partnership with TfNSW, Sydney Trains and NSW Trains, TAHE is restoring and making compliance improvements to heritage assets in its portfolio through the Community Heritage Program
- » Progressing on several smaller placemaking and social initiatives such as Tom Uren Place Redevelopment, Armidale Domestic Family Violence Shelter, and Woolloomooloo Sustainability Hub

Our aspirations:

1. Community revitalisation
2. More homes delivered
3. High performing retail customer base
4. Strong community engagement

CASE STUDY

The Eddy

A bright spot in the retail portfolio has been the short-term activation initiative at Eddy Avenue, Central Station. The Central Precinct, in particular Eddy Avenue colonnade and plaza, had deteriorated during the pandemic with most of the shops becoming vacant. This resulted in a very poor presentation of the station, perceived safety issues and an increased number of people sleeping rough gravitating to the vacant shops.

The TAHE funded initiative developed a strategy to rebrand the precinct and attract a range of new food and beverage, homewares, and cultural tenants to the precinct. The 14 new shops have greatly improved the attractiveness of the precinct and made it a more vibrant environment for our customers.

CASE STUDY

Tarana Station Revitalisation

Built in 1872, Tarana station has been a key transport link for over 150 years for this regional village.

Tarana station continues to serve daily NSW TrainLink services however the station building has remained under-utilised since the 1990s.

A major two-year program of works led by TAHE, in partnership with Sydney Trains, included extensive specialised restorations to revitalise the dated interiors and uplift the station precinct.

Today, the first phase of work is now providing passenger waiting and toilet facilities, restored in the style of the station's significant past.

Planning is now underway to address community interest in reuse of the remaining station spaces.



✓ STRATEGY

Freight & Connectivity

TAHE is focused on enabling an efficient and connected end-to-end supply chain through urban freight and last mile delivery.

TAHE has the opportunity to develop or re-deploy its industrial land and property assets to better participate in the industrial and logistics market and growing last mile delivery activities. Both areas of focus will better unlock value in underutilised land owned by TAHE and support the shift from road-to-rail, reduce carbon emissions, support local manufacturing, and ease traffic congestion in both urban and rural communities.

During the year TAHE identified 33 land and property assets, that have the potential to provide support to rail freight, intermodal terminals, industrial warehouse, and logistics or e-commerce last mile initiatives.

✓ Our aspirations:

1. Industrial Properties Delivered
2. Increased Freight on Rail
3. Last Mile Sites Delivered
4. Improved Pricing and Contract Yield

CASE STUDY

✓ 'Last-mile'

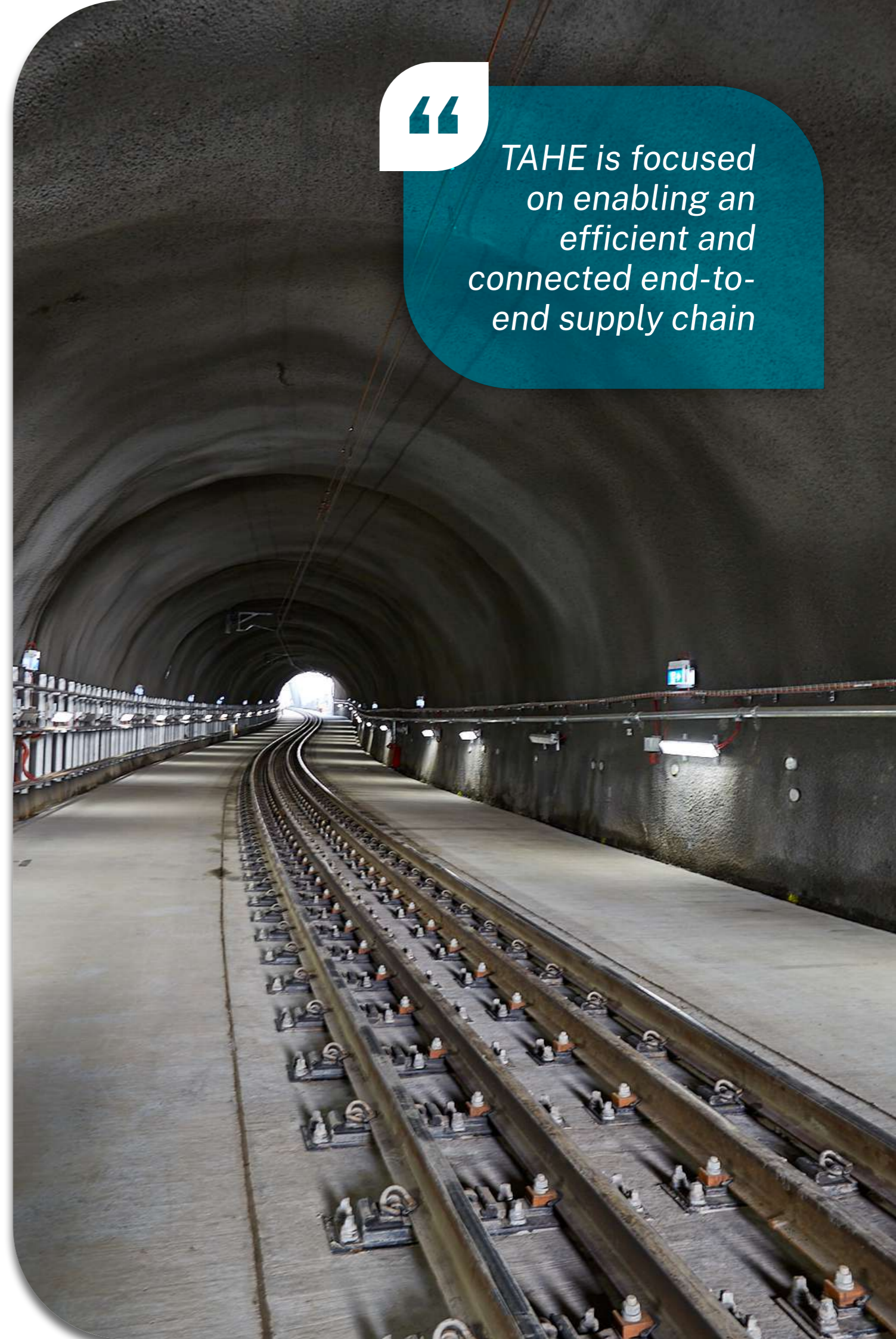
TAHE recognises there will be a substantial increase in last mile delivery with a growth in the freight sector generally and e-commerce. This is coupled with an urgency to find appropriate sites as curb side space is reducing in cities, and a drive to reduce emissions.

A market sounding exercise was completed with 25 industry leaders across the freight sector to understand current last mile logistics practices, challenges, and innovations.

The market sounding exercise has led to TAHE progressing with transport microhubs trials for last mile deliveries in metro Sydney.

“

TAHE is focused on enabling an efficient and connected end-to-end supply chain



✓ STRATEGY

Sustainability

TAHE is committed to making NSW a better place to live, work and play by acting sustainably and ensuring all our decisions and actions are taken with an eye on NSW's future generations and their needs.

TAHE's actions will seek to incorporate the NSW Government's ambition to reach net zero and the Transport cluster's climate change and net zero targets.

As an asset owner and an investor, we are striving to ensure the building blocks of our sustainability strategy and our investments incorporate asset adaptation, asset resilience and support the development of a clear path towards net zero emission operations.

✓ Our aspirations:

TAHE has developed a detailed list of targets across Environmental, Social and Governance (ESG), which is shown in the ESG section of the Annual Report.

CASE STUDY

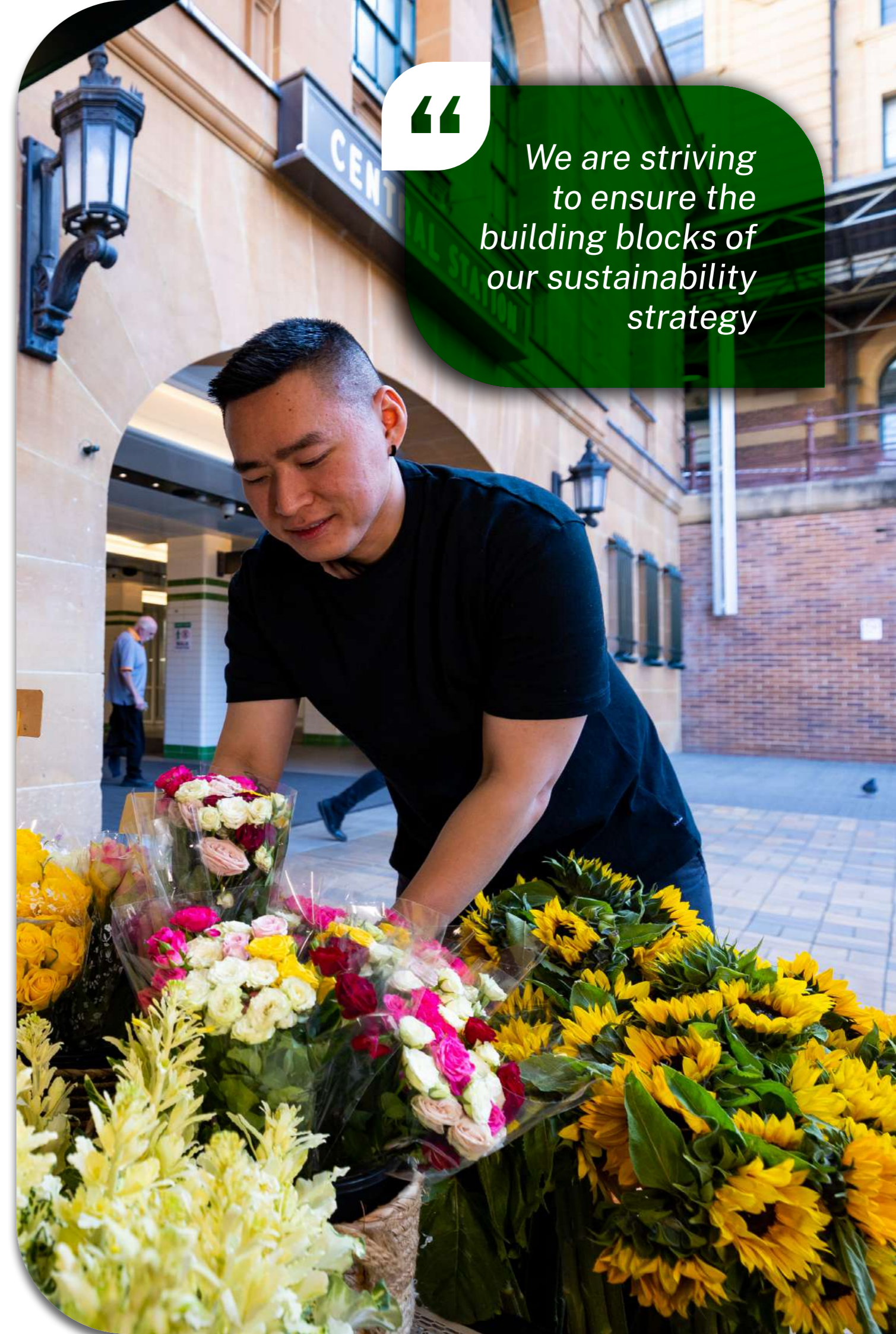
✓ Modern Slavery Statement

TAHE's Anti-Slavery Policy, Risk Assessment and Modern Slavery Statement provide the overarching framework for TAHE's commitment to respect human rights and take reasonable action to prevent, mitigate and where appropriate, remedy modern slavery risks in its operations, supply chains and investments.

TAHE's Modern Slavery Working group is active, with representation from people and culture, procurement, legal, finance, strategy and audit. Our working group identifies risks, develops risk mitigation measures and acts as champions within their respective teams to assist in partnering with its suppliers to address modern slavery risks.

“

We are striving to ensure the building blocks of our sustainability strategy



Section 3

Operations and Performance



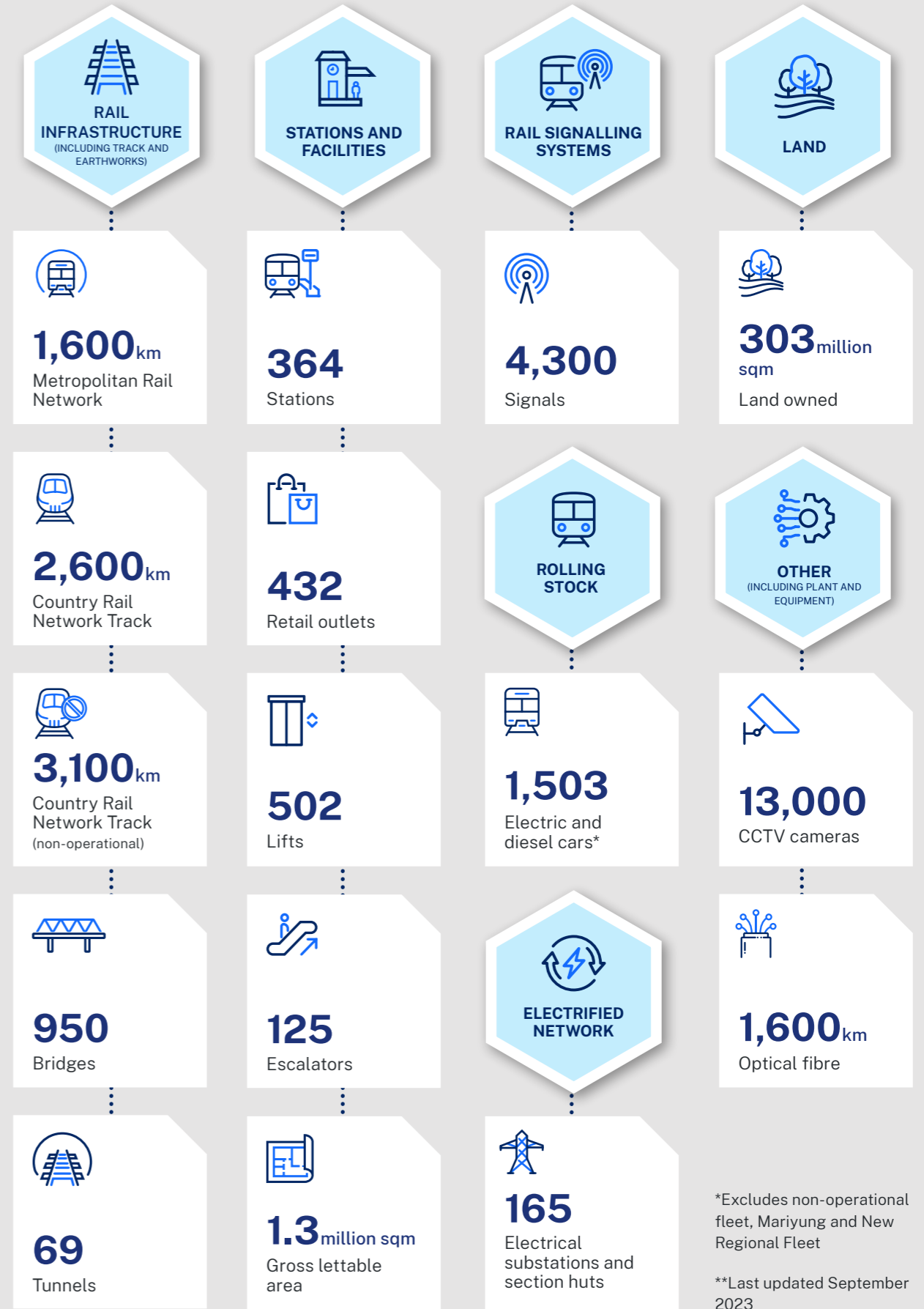
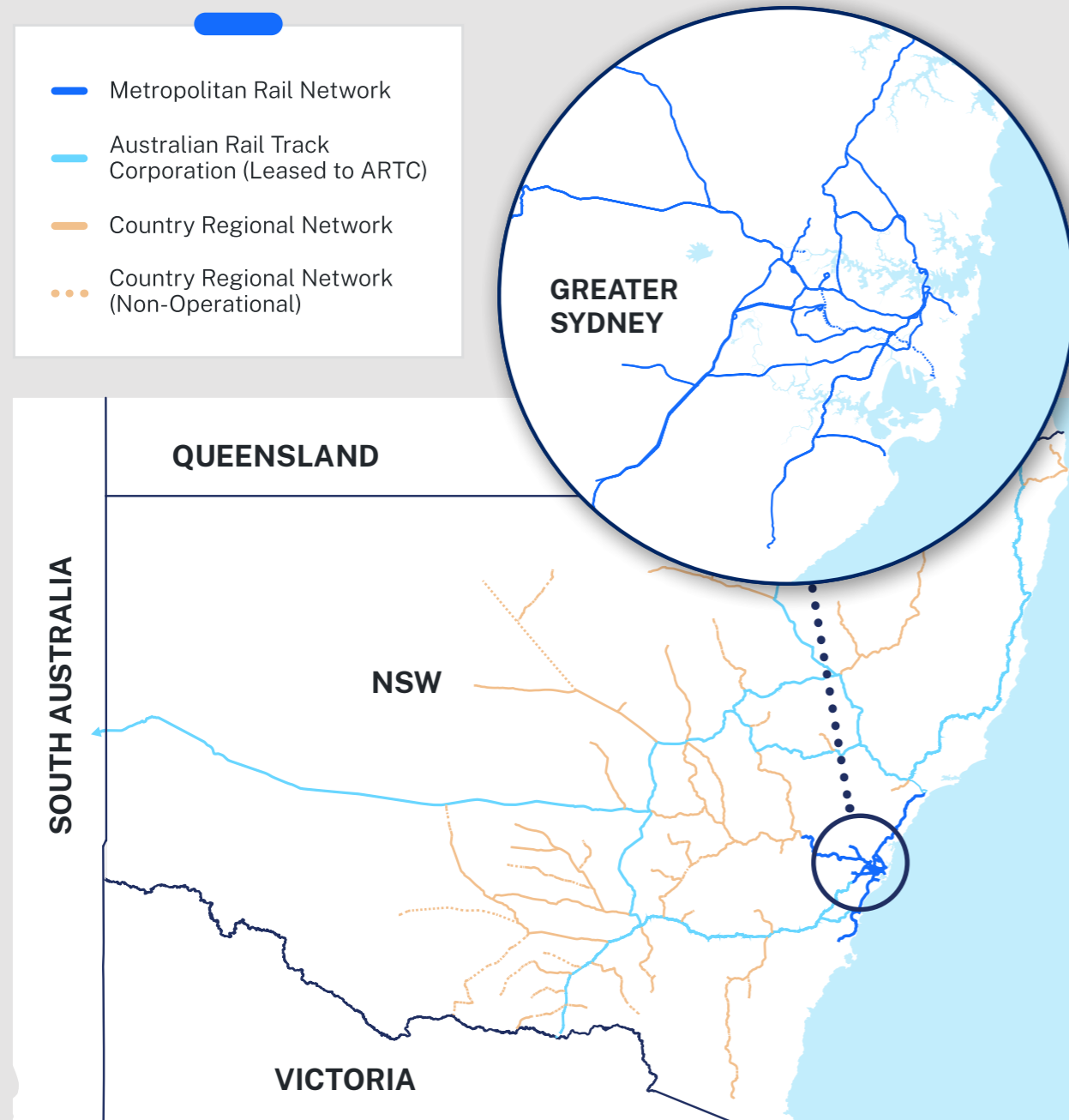
Section Contents

- 3.1 Our Assets
- 3.2 Performance



✓ OPERATIONS AND PERFORMANCE

Our Assets





Key Statistics

Across Sydney

3

sites have been identified for the delivery of affordable housing: Blacktown, Newtown and Hurstville West

More than

400

homes will be delivered in the program's first tranche

Generally rents are up to

30%

below market costs

KEY PROJECTS

Affordable Housing

TAHE is well-equipped to assist the NSW Government in achieving their housing objectives, as our landholdings are situated close to public transport corridors.

Our research has facilitated TAHE's proposed model for affordable housing and has guided TAHE to procure the appropriate partners.

Our affordable housing initiative involves working with the industry to offer our surplus sites, on long term leases, to project partners that are committed to delivering at least 50% of the developed homes on the site, for affordable housing.

This approach allows us to retain ownership of our sites, which are strategically located in close proximity to our rail lines, whilst allowing our project partners to focus their financial resources.

“ Helping more people to call NSW **home** ”



Note: Artist impressions are indicative only.



Key Statistics

Between

c. **500-600**

new dwellings, incorporating an on-site provision of affordable housing

Adaptive re-use of the

historic

existing Clothing Store Building

Provision of new

community

parkland and public domain works to enhance connectivity throughout the Sub-Precinct

✓ KEY PROJECTS

Redfern-North Eveleigh

TAHE is developing the Redfern-North Eveleigh Precinct to create a destination supporting new jobs, housing and public spaces.

The renewal plan is focused on respecting and celebrating the significance of our First Nation's people to the Site, the preservation and enhancement of industrial heritage buildings while continuing to grow the creative and innovative heart of the broader Tech Central Innovation District.

TAHE has continued to progress the redevelopment of this precinct with several significant milestones achieved including the following:

✓ Clothing Store

An expressions of interest campaign has been completed, seeking suitable proponents to partner with TAHE on the long-term ownership of the proposed large-scale Build to Rent project within the Clothing Store Sub-Precinct. The project is expected to comprise:

- » c.500-600 new dwellings, incorporating an on-site provision of affordable housing
- » Adaptive re-use of the existing historic Clothing Store Building; and
- » Provision of new community parkland and public domain works to enhance connectivity throughout the Sub-Precinct

Four shortlisted proponents were identified as a result of the EOI campaign, with a final detailed stage to identify a preferred proponent currently in progress.

CASE STUDY

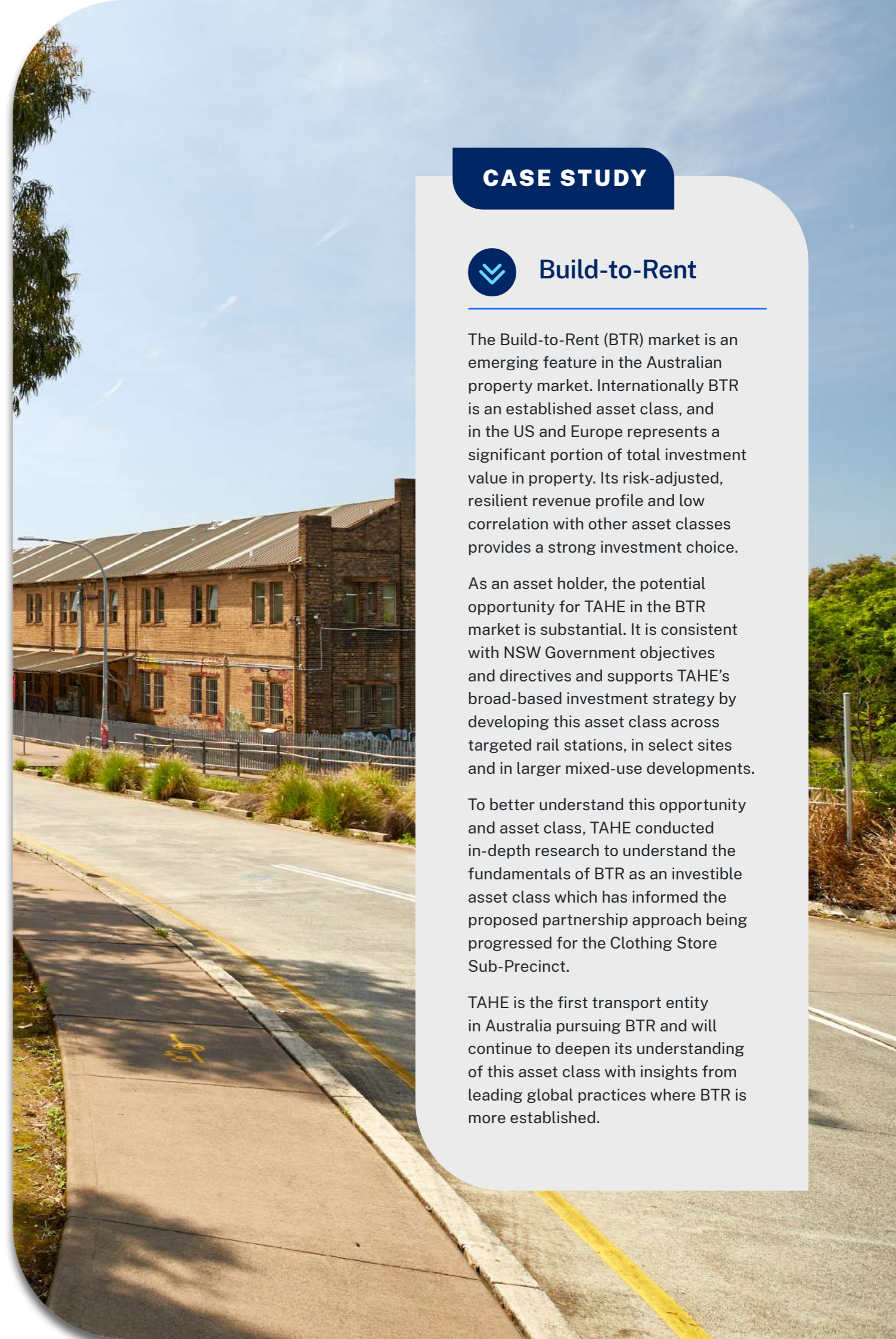
✓ Build-to-Rent

The Build-to-Rent (BTR) market is an emerging feature in the Australian property market. Internationally BTR is an established asset class, and in the US and Europe represents a significant portion of total investment value in property. Its risk-adjusted, resilient revenue profile and low correlation with other asset classes provides a strong investment choice.

As an asset holder, the potential opportunity for TAHE in the BTR market is substantial. It is consistent with NSW Government objectives and directives and supports TAHE's broad-based investment strategy by developing this asset class across targeted rail stations, in select sites and in larger mixed-use developments.

To better understand this opportunity and asset class, TAHE conducted in-depth research to understand the fundamentals of BTR as an investible asset class which has informed the proposed partnership approach being progressed for the Clothing Store Sub-Precinct.

TAHE is the first transport entity in Australia pursuing BTR and will continue to deepen its understanding of this asset class with insights from leading global practices where BTR is more established.



Key Statistics

Gross floor area of

142,000sqm

comprising of 110,000sqm for commercial/tech uses, 3,700sqm for community uses and 28,300sqm for residential uses

Adaptive re-use of

c.6,000sqm

historic Paint Shop Building

Up to

320

new homes including on-site provision of affordable and diverse housing

The Paint Shop

Rezoning of the Paint Shop Sub-Precinct was finalised in FY23 allowing for:

- » 142,000sqm gross floor area comprising 110,000sqm for commercial/tech uses, 3,700sqm for community uses and 28,300sqm for residential uses
- » Adaptive re-use of c.6,000sqm historic Paint Shop Building
- » Up to 320 new homes including on-site provision of affordable and diverse housing

TAHE is now formulating a detailed investment strategy for the site to inform the preferred approach to its redevelopment and future market engagement.

Chief Mechanical Engineer's Building (CME)

The Chief Mechanical Engineer's Building represents Sydney's railway past and future, as TAHE progresses its strategic vision to transform the site into a new business precinct.

Built in 1887, the state-heritage listed building was the headquarters of the Eveleigh Railway Yards, which employed over 10,000 people to build, maintain and operate locomotives.

Consisting of c.1,200sqm of unused space, TAHE is progressing plans to refurbish the historic building to accommodate future commercial uses and provide early activation of the precinct in advance of the wider Redfern-North Eveleigh Precinct redevelopment.

“

The Chief Mechanical Engineer's Building represents Sydney's railway past and future



✓ KEY PROJECTS

Community Heritage Program (CHP)

A shared funding partnership with TfNSW, Sydney Trains and NSW Trains activating heritage assets for:

- » Social Responsibility – Community Places providing social value;
- » Regional Development – Customer experiences enabling cultural tourism; and
- » Safety and Reliability – Asset renewals improving passenger facilities.

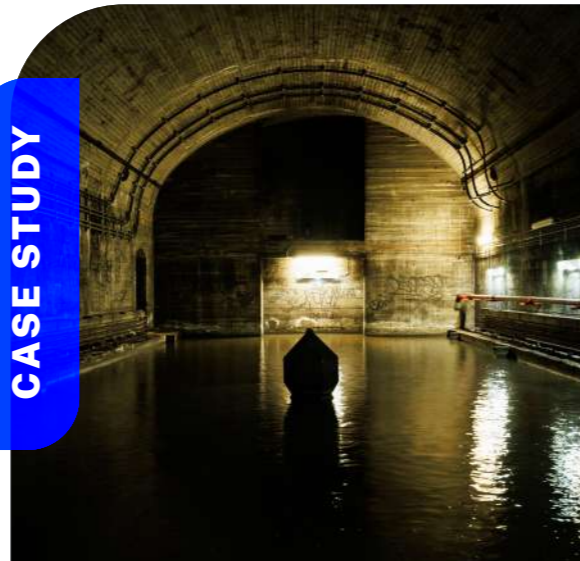
Community Heritage Assets

TAHE owns a large portfolio of non-operational and under-utilised heritage listed assets dating back to 1856 – many require restoration and compliance improvements.

The Community Heritage Program aims to improve asset condition and provide opportunities for asset repurposing enabling community benefit.

Specialised trades, professions and local services are deployed to support regional economies and ensure meticulous restoration standards.

CASE STUDY



St James Tunnels

TAHE has developed an innovative customer experience opportunity to bring to life safe public access and heritage interpretation in the disused St James tunnels.

Constructed in the 1920's as part of John Bradfield's transport vision for Sydney, the tunnels also provide a rare, lasting and tangible link to the days of WWII in Sydney.

TAHE has partnered with Sydney Trains in an investment to design and deliver safety equipment and systems complementing a creative, multimedia guided tour experience.

This innovative, immersive storytelling experience will bring Sydney's transport development and wartime history to life for a new audience.

Community Interest

The Community Heritage Program works with State Agencies, Councils, regional bodies and local communities in a co-design process aligning optimum asset and community outcomes.

Assets are generally located on NSW TrainLink regional stations – although a range of larger, significant, urban assets are now also being assessed for potential uplift and reuse.

Much-loved, historic buildings are being paired with sympathetic new custodians and innovative new uses – providing a more sustainable future for a key element of TAHE's heritage portfolio.

A 'whole of precinct' approach for station upgrades ensures a once in a generation restoration brings new life to previously quiet stations, benefiting both the community and rail customers with new facilities, community gardens and useable new spaces.

Heritage storytelling is a key component of each project – revealing the significance and little-known stories which give local connection and historic context to the place.

Community open days showcase the works underway and at completion, re-connecting communities with their much-loved assets – providing an opportunity for local businesses and groups to participate in the celebrations.

Four further community places are planned to open in 2023/24 with a pipeline of eight other sites across NSW under-development.

CASE STUDY

Blayney Station

The Community Heritage Program has delivered lasting solutions for the Blayney area in Central West NSW - improving and reinstating long lost station passenger facilities, creating new spaces for local communities to use while unlocking new opportunities using much-loved rail assets for art, heritage and cultural purposes.

The restoration and adaptive reuse of the 140-year-old Blayney Station, has unlocked:

- » Fit for purpose facilities meeting community needs, ensuring adaptive reuse with a sustainable outcome;
- » Modern customer experience and station accessibility enhancements; and
- » Imaginative 'storytelling and interpretation' installations bringing the station's and railway past to life.

The Blayney facility hosts significant seasonal exhibitions, maker's markets, artist and education workshops. The new venue enables Blayney to link into the wider Central West regional tourism and cultural events calendar – and encourages rail tourism, aligned with other restored rail assets in the region.



Key Statistics

An iconic

100ha

beachside location

Potential for up to

2,000

homes to be delivered

Operating for over

75

years and supplying
ballast to the State

KEY PROJECTS

Bombo Quarry

For more than 75 years Bombo Quarry has been operating and supplying ballast to the State.

With the Quarry's resources expected to be exhausted in the near future, the Quarry's major landowners, TAHE and Boral, are working together to explore options for the future of this iconic 100 ha beachside location.

The Bombo Quarry has the potential to deliver up to 2,000 homes, including affordable housing, along with new commercial and retail opportunities. Designed to be integrated with the wider Kiama region, the Bombo Quarry will deliver a mix of housing types, create public and community places.

This is a once in a generation opportunity to create a sustainable and vibrant community where people can live, work and play once quarry operations come to an end.

KEY PROJECTS

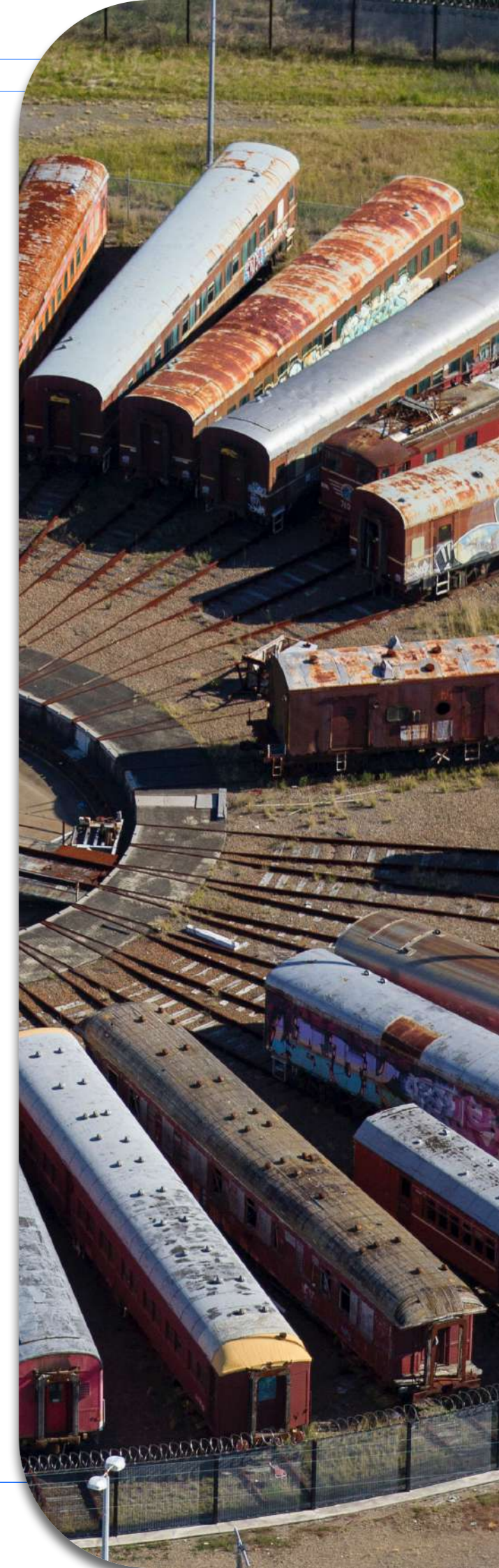
Broadmeadow Locomotive Precinct

The Broadmeadow Locomotive Depot is one of a number of large government owned sites within the Broadmeadow Regionally Significant Growth Area, a 280ha site identified under the Rezoning Pathways Program by the Department of Planning and Environment.

The Locomotive Precinct is a master planning opportunity, to unlock over 13 hectares of land. It has the potential to accommodate around 1,000 new homes, including affordable housing, with a mixed-use commercial precinct anchored around a repurposed heritage building anchor, the Locomotive Roundhouse.

The Locomotive Precinct is intended to play an integral role in supporting people living and working in Greater Newcastle and the Hunter. Much of the Broadmeadow Locomotive Depot is heritage listed, and the activation of this site will not only recognise but celebrate the site's rich rail and indigenous heritage.

Its proximity to two train stations makes the site uniquely positioned to service a new community, designed around the significant heritage items which will be opened to the public, providing for new community functions and employment opportunities.



✓ KEY PROJECTS

Social Programs

In FY23, there have been a number of social initiatives that have progressed.

These initiatives include policies, projects and programs that are in partnership with various entities such as local councils, peak bodies, non-for-profits as well as TAHE's agents such as TfNSW and Sydney Trains.

Continuing on the social journey for the next financial year, upcoming initiatives in the pipeline include a sustainability hub, art programmes and a variety of other partnerships with not-for-profit organisations and local councils. It is envisioned that TAHE can be aligned with other major industry organisations in terms of demonstrating excellence as part of our ESG commitments.

CASE STUDY

Armistale Domestic Family Violence Shelter

This initiative, in partnership with TfNSW, is to refurbish the former Armistale Cadets Building, located next to the Armistale Station, to provide emergency housing for domestic violence victims. It is intended for Homes North Community Housing to operate, including services for Women's Shelter Armistale.

Two rounds of RFQ have been completed with a third underway. Located in regional NSW, TAHE is focused on procuring a suitable contractor to carry out the refurbishment works.

SOCIALLY RESPONSIBLE



CASE STUDY

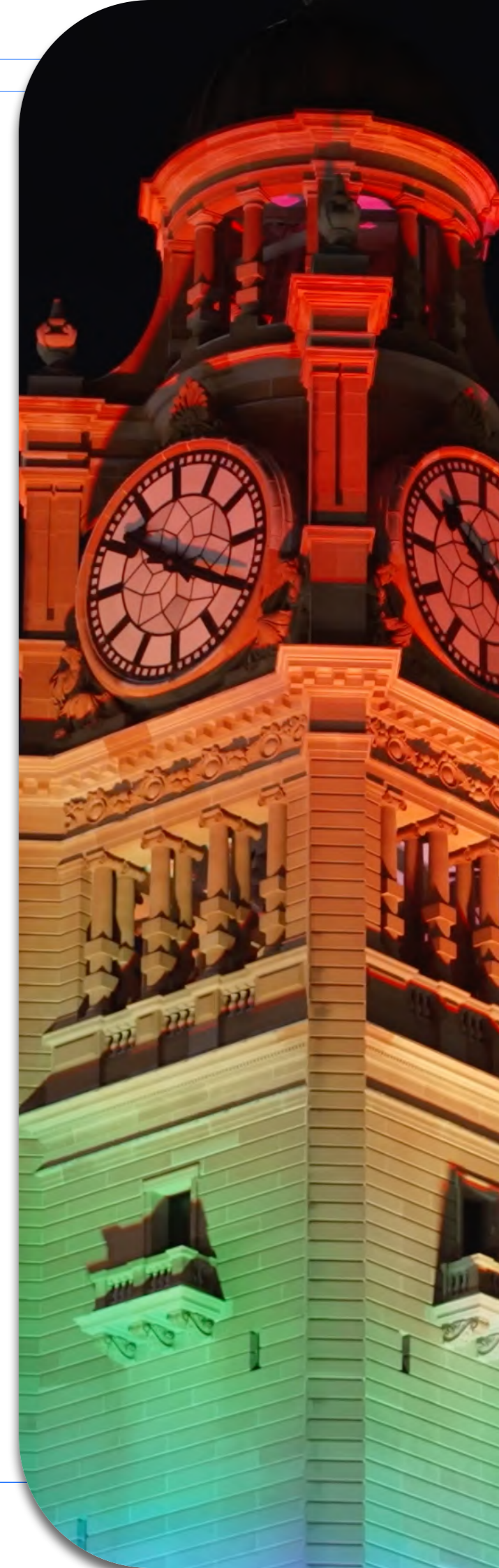


Tom Uren Place Redevelopment

This place-making initiative is in partnership with City of Sydney. Located in the heart of Woolloomooloo, the site is located underneath the Eastern Railway viaduct and has become a regular site for people experiencing homelessness to congregate.

Mobile voluntary services have also frequently carried out their activities due to its open space and the site being sheltered underneath the viaduct. This has created safety and environment issues for the local community.

The redevelopment of Tom Uren Place is intended to activate the communal square and provide improved amenities for the local community and those experiencing homelessness to co-exist. Community consultation is expected to commence in Q4 2023.



CASE STUDY

Vivid Sydney

Vivid Sydney 2023 helped shine a new light on TAHE's assets.

In conjunction with Destination NSW, TAHE licensed the unused Wynyard Tunnels to carry out Dark Spectrum for Vivid Sydney.

Dark Spectrum was a world-first immersive journey through nine different 'rooms' of lighting and visual technology set to a dynamic musical soundtrack. The installation was all themed to a different colour of the spectrum and human experience. The event took place within the confines of the tunnels with the entrance via the Wynyard Station shopping centre and exiting on Cumberland Street.

Central Station and the Goods Line were also reimagined in a stunning installation of light, colour and sound.

The project was a partnership with Destination NSW and TfNSW, helping showcase the way our assets can be unlocked and deliver new customer experiences.

Credit: Destination NSW, Sony Music Australia, Culture Creative and Mandylights.

CASE STUDY



Credit: Kieran Butler - '1000 Kisses'

Rainbow Tunnels

In partnership with TfNSW, local council and the local artist community, three pedestrian tunnels in the Inner West have been activated with local artists installations in conjunction with World Pride 2023. These include Ashfield, Newtown and Petersham. The installations have proven successful and have been positively received by the local community.

Installations were planned to be demobilised after the World Pride duration but were extended due to the tremendous support from the local residents. It is planned for more tunnels to be activated in the coming financial year.



✓ KEY PROJECTS

Freight

New South Wales has expansive road, rail, sea and air assets that provide a strategic freight network to supply industry and communities across the state.

Freight demand is forecast to grow by 99% over the next 40 years, with urban development encroaching on well-located industrial areas. There is a critical need to identify, protect and intensify land uses around remaining industrial sites, in particular those located near to major industry and to freight transport nodes.

To find space for freight growth and further expand and diversify its revenue streams, TAHE has identified significant opportunity in developing or re-deploying its industrial land and property assets to better participate in the industrial and logistics market and growing last mile delivery activities. Both areas of focus will support the shift from road to rail, reduce carbon emissions and ease traffic congestion in both urban and rural communities.

In FY23 TAHE identified strategic locations across metropolitan and regional NSW along the rail corridors and network to support the growth in freight volumes. Over 30 sites were identified with in-depth analysis being conducted to determine suitable options to progress.

✓ KEY PROJECTS


Commercial Property Portfolio

TAHE's commercial property portfolio includes retail, office, industrial, residential, carparks, community, and other ancillary uses.


The retail portfolio in particular has been adversely impacted by the economic impact of the COVID-19 pandemic. Many of the retail tenants suffered from reduced turnover due to the lock-down periods and ongoing reduction in train passenger numbers. This has resulted in financial stress for the tenants and an increased level of tenant debt for TAHE.

The Property Management team have focused on managing tenants during this difficult period with a view to keeping them operational to ensure a retail offer for our customers and continued activation around the stations. Management of the tenants has included increased face to face contact to understand the challenges faced by their business and management of debt accrued during this period.


TAHE's Freight and Connectivity strategic objectives are further summarised below:

- 


Improve the safety and sustainability of the transport network by enabling freight mode shift to rail, also reducing road congestion, and emissions.

- 

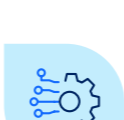
Improve freight connectivity, capacity and resilience across NSW to boost productivity and support the economy.

- 


Improve separation of rail freight and passenger services to accommodate for passenger services and improve reliability of freight journeys.

- 

Protect freight corridors and adjacent property to support future freight demand and growth opportunities.

- 

Enable an efficient and connected end-to-end supply chain through urban freight and last mile delivery, supporting road to active transportation and e-mobility.

- 

Implement and establish a commercial focus across the transport cluster to enable pricing and contract yield.

✓ OPERATIONS AND PERFORMANCE

Performance

Strategic Performance Indicators

Our strategic performance measures represent our commitment to achieving our strategic theme outcomes.

Strategic Asset Management		
Strategic Indicator	Progress	Comments
Strengthen capability to become an established asset owner		<ul style="list-style-type: none"> » Multiple resources onboarded in the last financial year
Ensure assets are effectively managed to deliver safe and reliable outcomes for users		<ul style="list-style-type: none"> » Shareholder Statement of Expectations annual assurance and reporting review delivered » FY23 Asset Safety and Environment Internal Audit Plan delivered
		<p>What's next?</p> <ul style="list-style-type: none"> » Enhanced portfolio reporting
Further enhance understanding of assets, condition, and performance for capital investment		<ul style="list-style-type: none"> » TACP stage 1, covering TAHE Assets, in user acceptance testing phase
Invest in innovation and technologies to grow the value of TAHE's assets and broaden our customer base		<ul style="list-style-type: none"> » Reviewing potential long-term innovative projects
		<ul style="list-style-type: none"> » Detailed new actions and KPIs with a focus on network condition monitoring and rail systems obsolescence

Placemaking		
Strategic Indicator	Progress	Comments
Grow placemaking business by seeking out commercial partners who share TAHE's values		<ul style="list-style-type: none"> » ROI completed and EOI being assessed for Affordable Housing Pilot Project, shortlist finalised
		<ul style="list-style-type: none"> » EOI completed for Clothing Store Precinct and shortlist identified for RFP stage.
		<ul style="list-style-type: none"> » Planning proposal approved for Paintshop precinct (gazettal expected Q4 2023).
Initiate major public transport-oriented precinct developments in collaboration with other NSW Government landowners		<ul style="list-style-type: none"> » Shortlisted potential partners for AHPP and Clothing Store
		<ul style="list-style-type: none"> » Broadmeadow rezoning led with DPE for catalyst rezoning in larger Broadmeadow Precinct
		<ul style="list-style-type: none"> » Commenced technical studies for Bombo Precinct Planning
		<ul style="list-style-type: none"> » Navigating changes to TAHE's future operating model to determine scope of major projects
Maximise the commercial and broad community benefits of TAHE's property portfolio		<ul style="list-style-type: none"> » Refined development potential of existing opportunities, and crafting a new selection methodology having regard to our revised investment appetite

Freight and Connectivity		
Strategic Indicator	Progress	Comments
Drive investment and accelerate decision making to improve the efficiency, safety, and reliability of freight rail with a customer centric approach		<ul style="list-style-type: none"> » Transport RACI established and endorsed
		<ul style="list-style-type: none"> » Regular contribution and engagement with IPART and regulatory public forums to provide rail infrastructure owner input and considerations
		<ul style="list-style-type: none"> » TAHE response submitted to IPART's NSW Rail Access Undertaking review draft report
Active transport and accelerated connectivity to stations		<ul style="list-style-type: none"> » Several last-mile micro hub trial sites identified to meet urban e-commerce freight demand » Commencement of market sounding last-mile commercial trials and projects

Freight and Connectivity

Strategic Indicator	Progress	Comments
Realise the full value of non-regulated assets for industrial use		<ul style="list-style-type: none"> » Initial asset / land scan completed » Reviewed up to 20 pre-selected sites and prepared 10 priority locations for development options
Drive capital program investment to improve the efficiency of the network and better mobility for passengers		<ul style="list-style-type: none"> » Three projects exist under Digital Systems, including ETCS2, TMS, and ATP. Tranches one, two, and three are underway, with 10 tranches in total

Sustainability

Strategic Indicator	Progress	Comments
Enhance and build sustainability capability and expertise		<ul style="list-style-type: none"> » Completed peer review and detailed assessment of reporting metrics
Pursue socially responsible and sustainable governance practices across all areas of the business		<ul style="list-style-type: none"> » Development of Social Values Framework underway and is being implemented into the decision-making model for commercial property projects » Flood relief temporary housing constructed and in use with 16 units completed and 33 residents
Value and strengthen the resilience of assets		<ul style="list-style-type: none"> » Actions to be commenced in FY24
Align all future investments with social responsibility and sustainability objectives		<ul style="list-style-type: none"> » Multiple heritage assets have been revitalised as part of the program, including Gunning, Tarana and Blayney stations. Assets in Bundanoon, Berry Bungendore, and Scone are planned for revitalisation in 2024 » St James tunnels pilot site planned, funded and initial delivery works underway
Support long-term innovation and investment sustainability		<ul style="list-style-type: none"> » Actions to be commenced in FY24

Performance against the Statement of Corporate Intent

TAHE is required by legislation to submit a Statement of Corporate Intent (SCI) to the shareholders each year. The SCI outlines TAHE's strategic objectives and sets out TAHE's key financial and non-financial performance objectives and capital investment as agreed between TAHE and its shareholders. The SCI also reflects TAHE's yearly budget. Key revenue streams including access and licence fees with the public rail operators are underpinned via ten-year agreements.

Key Performance Indicators (\$m)	FY23 SCI Target	FY23 Actual Result	Comments
Financial Indicators			
EBITDA	1,056.5	- 524.7	EBITDA was lower than the SCI target due to a valuation decrement of \$1,528.3m in the year.
NPAT	111.0	- 1,356.2	In addition to the valuation decrement, there was a decrease in revaluation reserves of \$1,255.7m, contributing to a Total Comprehensive Loss for the year of \$2,611.9m.
Capital Expenditure	2,778.1	2,091.1	Capital expenditure was heavily impacted by Protected Industrial Action. Despite this, spend on Major Periodic Maintenance was strong at \$345.5m, up materially on FY22.
Returns to Government			
Dividend	77.7	77.7	TAHE declared a dividend in line with the SCI target.
Total Other Result Government	47.6	-	TAHE did not make a profit in FY23 so no income tax was payable.
Total Returns to Government	125.3	77.7	

Compliance Performance Indicators

Our compliance performance measures represent our commitment to achieving each of our five legislative objectives.

Key Performance Indicators		FY23	FY24	FY25
Compliance Indicators				
Safety	Zero material safety incidents ¹	0	0	0
Compliance	Zero material legislative breach of RSNL and WHS Act	0	0	0
Assurance	Delivery of TAHE annual asset assurance program	100%	100%	100%
DDA towards compliance²	Successful completion on time of the TAP 4 program business case and forward compliance programs	Final business case completed	Delivery commenced	Delivery milestones completed
Heritage and environment	Zero material harm incidents ³	0	0	0

Notes:

1. Zero material safety incidents related to asset condition or failure that result in permanent disability or fatality
2. DDA compliance - Transport Access Program provides accessibility improvements to stations that meet the requirements of the *Disability Discrimination Act*
3. Zero Material Harm pollution incidents, under *Part 5.7 of the protection of the Environment Operations Act 1997*



“TAHE identified strategic sites that will support road to rail freight initiatives.”

Section 4

Management and Accountability

Section Contents

- 4.1 Building a high performance culture
- 4.2 Board of Directors
- 4.3 Executive Team
- 4.4 Our Governance Structure



✓ MANAGEMENT AND ACCOUNTABILITY

Building a high performance culture

At TAHE we want our people to feel they are contributing to meaningful work, in an innovative, collaborative and agile culture - where they have the opportunity to shape strategic commercial outcomes that positively impact the lives of the people of NSW.

Our Values

TAHE's values bring our purpose and vision to life and they form the foundation of TAHE being a great place to work.

All new team members are introduced to TAHE's values of Care, Accountability, Courage, Integrity and Collaboration through our Induction and Onboarding Program and attendance at our Values and Behaviour training program held annually for all employees.

Our Values have also been incorporated into our Annual Performance and Development process and remain front of mind throughout the year. Team members are encouraged to identify role models of our values through an engaging nomination process every year.

Learning and Development

A range of organisation wide learning and capability programs have been developed targeting organisational compliance and culture. These include the development of our Mandatory Training Governance and Framework, new starter Onboarding and Induction Program, eLearning design and Values and Behaviour program design. We also delivered training covering our Code of Conduct and Ethics, Respectful Workplace Behaviour, Aboriginal Cultural Awareness Immersion days and the Thrive with Change program which was aimed at building our change mindset and personal resilience through periods of change and uncertainty.

Role specific training has also remained a key focus area, ensuring our people have the skills and knowledge required to achieve

their performance goals. A number of individual learning programs were completed by our people covering; Collaborative Leadership, Executive Leadership Essentials, Understanding Rail, Board Paper and Brief Writing, Workplace Health and Safety and Property Development.

Diversity and Inclusion

We want all employees to be comfortable bringing themselves to work.

In furthering our commitments under the *Fair Work Act*, *Government Sector Employment Act NSW* and related discrimination legislation, TAHE's ambition is to become a leader in diversity and inclusion with a workforce representative of the diversity within NSW.

Capacity to Respond

First aid and emergency response are inherently important processes for TAHE and provide our staff with the capability to respond to incidents and emergencies, while supporting our people with additional life skills that can be used outside of work.

In October 2022 TAHE socialised a strategy to provide both first aid, and mental health first aid training. This strategy created a substantial increase in the available emergency response resources with the organisation. TAHE has built in place an annual review of the first aid and mental health officers to ensure the relevant skills and compliance and will continue to offer the training to interested employees.

Engaging our people

In response to our 2022 Engagement Survey, we implemented an Engagement Action Plan. The plan was built with feedback and input from the engagement survey, Executive Leadership Team and targeted workshops with team members.

Our Engagement Action Plan focused on four key areas: team connection, systems, learning and development and work life balance with the aim of uplifting the engagement experience of our team members.

We have improved our team connection score in subsequent 'pulse' surveys through the implementation of monthly People and Culture (P&C) initiatives, guest speakers, team lunches and volunteering.

Several engagement opportunities have been delivered throughout the year to promote a deeper understanding of the strategic projects and themes underpinning the business. These have included a focus on safety including Rail R U OK Day, annual R U OK Day, plus initiatives to support our social outcomes including Harmony Day and International Women's Day.

We implemented a comprehensive Learning and Capability Program. This approach has been supported with the development and implementation of a Learning and Development Hub, to centralise and promote learning and development opportunities for TAHE's people.

MANAGEMENT AND ACCOUNTABILITY

Board of Directors

The Board operates in accordance with the Board and Board Committee Charters, TAHE’s Constitution, the *Transport Administration Act 1988 (NSW) (TAA)*, the *State Owned Corporations Act 1989 (NSW) (SOC Act)* and governance best practice.

In accordance with the TAA and the TAHE Constitution, the Board currently consists of a non-Executive Chair, five (5) non-Executive Directors, the TAHE Chief Executive Officer in her capacity as an Executive Director and the Transport Secretary (statutory appointment).

The Board is remunerated in accordance with the *NSW Public Service Commission’s Classification and Remuneration Framework for NSW Government Boards and Committees*.

Bruce Morgan, Anne McDonald and Trevor Bourne were appointed for an initial term of two years. Following approval from the Voting Shareholders, all three

non-Executive Directors were reappointed for the following terms:

- » Mr Bruce Morgan as a non-Executive Director and Chair of TAHE for a term of three (3) years, commencing on 1 July 2022 and expiring on 30 June 2025.
- » Ms Anne McDonald as a non-Executive Director of TAHE for a term of three (3) years, commencing on 1 July 2022 and expiring on 30 June 2025.
- » Mr Trevor Bourne as a non-Executive Director of TAHE for a term of one (1) year, commencing on 1 July 2022 which finished on 30 June 2023.

On 25 January 2023, Erin Flaherty, Guy Pahor and Deborah Spring were appointed as non-Executive Directors for a term of three (3) years, finishing on 24 January 2026.

Director independence

All non-Executive Directors on the Board are independent. In keeping with governance best practice, each Director provides a Declaration of Interests to the Company Secretary. The Company Secretary maintains a Register of these Interests which is reviewed quarterly. Directors have a statutory obligation to declare any conflicts of interest (perceived or actual) at the start of each Board and Committee meeting. Any disclosures are recorded in the minutes of the appropriate meeting.

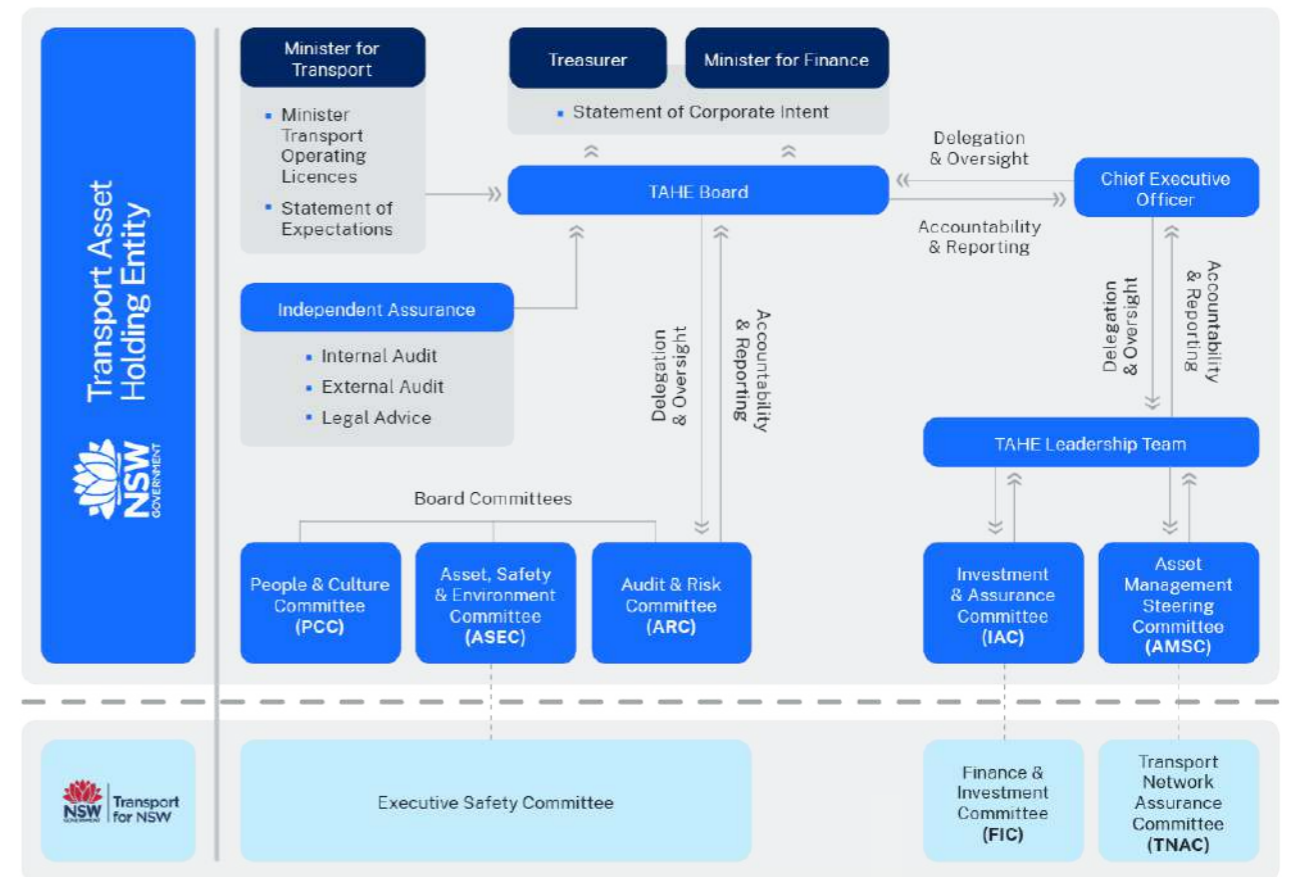


Diagram 1: TAHE Governance Structure

Indemnity and insurance

In accordance with the SOC Act and the TAHE Constitution, all Directors have been granted indemnity with the approval of the Voting Shareholders. This is in accordance with the *NSW Treasury TPP18- 04 Directors and Officers Indemnity Policy for State Owned Corporations*. In addition to the indemnity approved by the Voting Shareholders, TAHE holds Directors and Officers Liability Insurance. This insurance indemnifies directors and officers for liability incurred by them in their capacity as directors and officers.

Board of Directors’ skills

The TAHE Board comprises of Directors who collectively bring a broad range of skills, expertise and experience to the organisation.

Committees

Under clause 5.12 of the TAHE Constitution, the Directors may delegate any of their powers (other than those which by law

must be dealt with by the Directors as a Board) to a committee or committees. Each committee acts in accordance with a Charter approved by the Board, setting out matters relevant to the composition, responsibilities, authority and reporting of the committee.

The TAHE Board has three committees:

- » Audit & Risk Committee;
- » Asset, Safety & Environment Committee; and
- » People & Culture Committee.

Audit & Risk Committee

The Audit & Risk Committee meet at least four (4) times per year and at any other time at the request of the Board or as the committee determines.

Objectives

The objectives of the committee are to:

- » help the Board fulfil its responsibility to exercise due care and skill in relation to:
 - i. financial reporting;
 - ii. the application of accounting policies;
 - iii. financial management;
 - iv. internal controls;
 - v. business policies and practices;
 - vi. the protection of the Corporation's assets;

- vii. legal and regulatory compliance; and
 - viii. risk control and management systems.
- » maintain and improve the quality, credibility and objectivity of the financial accountability process (including financial reporting on a consolidated basis);
 - » monitor all risk management activities;
 - » promote a culture of compliance;
 - » ensure effective internal and external audit functions and communication between the Board and the external and internal auditors;
 - » ensure compliance strategies and compliance functions are effective;
 - » monitor fraud and corruption and oversee management's efforts to contain and eliminate fraudulent and corrupt behaviour.

The original membership of the committee was: Anne McDonald (Chair), Bruce Morgan, Trevor Bourne and Bénédicte Colin.

On 7 March 2023, the membership was amended as follows:

Members

Anne McDonald (Chair), Erin Flaherty, Guy Pahor and Bénédicte Colin.

Asset, Safety & Environment Committee

The Asset, Safety & Environment Committee meet at least four (4) times per year and at any other time at the request of the Board or as the committee determines.

Objectives

The objectives of the committee are to:

- » maintain TAHE's Asset, Safety and Environment (ASE) Assurance Framework;
- » assist the Board in the effective discharge of its governance and oversight responsibilities for ASE across its assets, undertakings and third party operations;
- » assist the Board in obtaining assurance that appropriate frameworks and systems are in place to effectively manage ASE risks and comply with all legislative requirements;
- » review the performance of transport agencies and delivery partners in these areas and their compliance to those frameworks and systems; and
- » support the Board in fulfilling its responsibility to exercise due diligence in relation to ASE matters.

The original membership of the committee was: Trevor Bourne (Chair), Bruce Morgan, Anne McDonald and Bénédicte Colin.

On 7 March 2023, the membership was amended as follows:

Members

Trevor Bourne (Chair), Deborah Spring (Deputy Chair), Erin Flaherty, Guy Pahor and Bénédicte Colin.

People & Culture Committee

The People & Culture Committee (formerly the Remuneration and Nominations Committee) meet twice per year and at any

other time at the request of the Board or as the committee determines.

Objectives

The objectives of the committee are to assist the Board to discharge its responsibilities to the Voting Shareholders and other stakeholders to ensure that TAHE:

- » has coherent people and remuneration policies and practices which:
 - i. are aligned with TAHE's purpose, values, strategic objectives and risk appetite; and
 - ii. enable TAHE to attract, motivate and retain Directors, executives and employees who will meet TAHE's needs and create value for the Shareholders.
- » fairly and responsibly remunerates the CEO and senior executives directly reporting to the CEO (Senior Executives) having regard to the performance of TAHE, the performance of the CEO and the Senior Executives, and the general remuneration environment; and
- » delivers on its overall people strategy, policies and practices in regard to succession planning, talent management, culture, diversity, performance management and employee relations.

The original membership of the committee was: Bruce Morgan (Chair), Anne McDonald and Trevor Bourne.

On 7 March 2023, the membership was amended as follows:

Members

Bruce Morgan (Chair), Anne McDonald and Deborah Spring

Board meetings and attendance

Attendee	Board			Audit & Risk Committee (ARC)		Asset, Safety & Environment Committee (ASEC)	People & Culture Committee (PCC)
	Meetings	Scheduled	Special Meeting	**** Scheduled	**** Special Meeting	**** Scheduled	**** Scheduled
	Number Held	12	3	4	5	5	2
Bruce Morgan		12/12	2/3	2/2	4/4	4/4	2/2
Anne McDonald		12/12	3/3	4/4	5/5	4/4	2/2
Trevor Bourne+		12/12	2/3	1/2	4/4	5/5	2/2
Rob Sharp*		7/9		1/3	Attendee and not a member	Attendee and not a member	Attendee and not a member
Howard Collins**		2/3		0/0	Attendee and not a member	Attendee and not a member	Attendee and not a member
Bénédicte Colin CEO and ED		11/12	3/3	4/4	5/5	5/5	2/2
Gavin Campbell++		N/A	N/A	N/A	N/A	4/5	N/A
Erin Flaherty***		5/6	0/0	2/2	1/2	3/3	N/A
Guy Pahor***		6/6	0/0	2/2	2/2	2/3	N/A
Deborah Spring***		6/6	0/0	0/0	1/1	3/3	N/A

+ Term ended 30 June 2023

++The ASEC will include at least one non-Board, independent member with relevant expertise in asset management and safety leadership.

*Ceased to be Transport Secretary on 13 April 2023

** Appointed as Acting Transport Secretary on May 2023

***Appointed as TAHE Director on 25 January 2023

**** Reflects change in the committee membership

“

TAHE's plays an important role in establishing the third line assurance activities across the NSW rail network.



Our Board

AS OF 30 JUNE 2023



Bruce Morgan (Chair)

BComm, FAICD

Adjunct Professor University of NSW

Chair of:

- People & Culture Committee

Bruce has extensive experience as a non-Executive Director, including in water, energy and transport fuels and through his executive career in the professional services industry. Bruce was Chair of Sydney Water until September 2021 and is currently a director of the European Australia Business Council, a director of the University of NSW Foundation, Patron of Redkite and former director of Origin Energy and Caltex Australia. He was Chair of the PwC Australia Board for seven (7) years until 2012, a member of the PwC International Board and Managing Partner of PwC's Sydney and Brisbane offices.

B.M



Anne McDonald

BEc, FCA, GAICD

Chair of:

- Audit & Risk Committee

Member of:

- People & Culture Committee

Anne has over 35 years' business experience in finance, accounting, governance and risk management. Anne was Chair of Water NSW for 5 years to October 2021. Anne is also a non-Executive Director of St Vincent's Health, ASX-listed Link Holdings and Smartgroup.

A.M



Deborah Spring

BSc (MechEng), MSc (MechEng), MBA (Harvard Business School), FAICD

Deputy Chair of:

- Asset, Safety & Environment Committee

Member of:

- People & Culture Committee

Deborah has over 15 years' experience as a non-Executive Director of government businesses, unlisted companies and not-for-profit organisations including businesses across the infrastructure, transport, and logistics sectors. Her experience includes serving as CEO and then Chair of Australia's Rail Industry Safety and Standards Board (RISSB), as a director of V/Line, and as Chair of the Infrastructure Sustainability Council.

D.S



Guy Pahor

BArch (Hons)

Member of:

- Audit & Risk Committee
- Asset, Safety & Environment Committee

Guy is an experienced property executive with a career spanning more than 30 years both in Australia and abroad with expertise across a diversity of asset classes – including development, investment and project management, design and construction. Guy's previous executive career includes roles as CEO of Frasers Property Australia, CEO of MAB Corporation and a number of senior executive roles over a 14-year period with Lendlease. Guy is currently a non-Executive Director of Dennis Family Corporation and principal of Elora Property, a boutique property advisory, management and investment company.

G.P



Erin A. M. Flaherty

LLM, B.Juris, BA (Politics), GradDipApp (CorporateGov), MAICD, CEW

Member of:

- Audit & Risk Committee
- Asset, Safety & Environment Committee

Erin's career spans over 30 years across private and government sectors, delving into corporate governance, finance, infrastructure, and law. Currently, she chairs the National Intermodal Corporation and serves on the board of the Inland Rail Company, appointed by key ministers. Her board memberships include Venues NSW, The Infrastructure Fund, Mott MacDonald, the Australian Chamber Orchestra, and the NSW Police & Citizens Youth Clubs. Notably, she held pivotal roles in major projects like the Waratah train initiative and Sydney Metro Rail, contributing as an Advisory & Founding Board member.

E.F



Trevor Bourne

BSc (Mech Eng), MBA, FAICD

Chair of:

- Asset, Safety & Environment Committee

Trevor is a highly experienced non-Executive Director and Chair, having served on public and private company boards in Australia and Asia for over 20 years. Trevor retired as Chair of Senex Energy in April 2022 and is currently a non-Executive Director of Sydney Water Corporation.

T.B



Bénédicte Colin (CEO)

GAICD, MBA(Law&Fin) – ESSEC, PostGradDeg Bus & Law(Tax) – University of Strasbourg - Admitted to the Paris Bar as an attorney.

Member of:

- Audit & Risk Committee
- Asset, Safety & Environment Committee

Bénédicte has over 25 years' experience in leadership and investment roles in Europe and Australia in the infrastructure sector (operations and asset management). Bénédicte heads up the executive team and manages the day to day operations of TAHE, its people and resources. As CEO, Bénédicte is accountable for implementing TAHE's Statement of Corporate Intent and the delivery of TAHE's business plan as approved by the Board and is responsible for ensuring that TAHE's structure and processes are aligned to the strategic objectives and cultural needs of the organisation.

B.C

MANAGEMENT AND ACCOUNTABILITY

Executive Team

The TAHE Executive Leadership team underwent changes throughout the financial year.

Peter Crimp concluded as Chief Financial Officer with TAHE December 2022.

Lyndal Punch was appointed as Chief Financial Officer in December 2022.

Alison McDonagh concluded as Executive General Manager Commercial and Property May 2023.

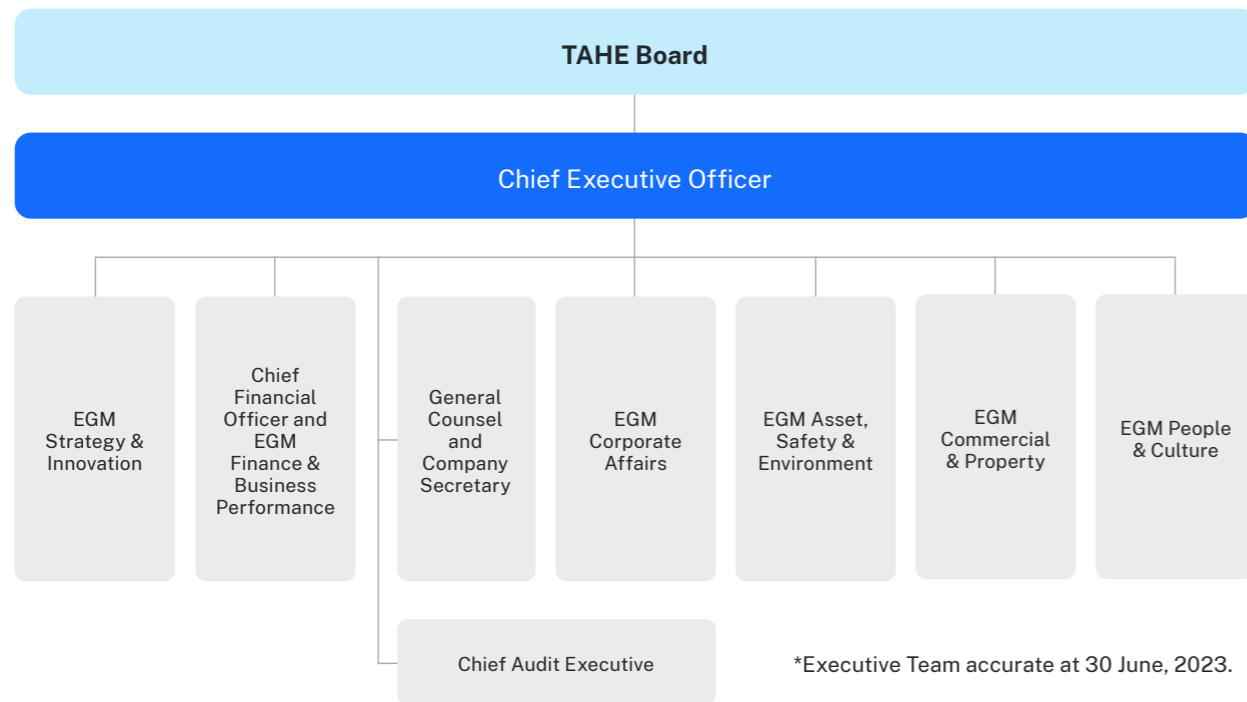
Chris McCluskey commenced as Executive General Manager Commercial and Property May 2023.

Rob Sharp concluded as the Transport Secretary non-Executive Director on April 2023.

Howard Collins, as the Acting Transport Secretary, served as a non-Executive Director, from April to July 2023.

Leanne Grant concluded as Executive General Manager Corporate Services in October 2022.

Russell King commenced as Acting Executive General Manager Corporate Affairs in May 2023.



Executive Remuneration and Diversity

*BAND PSSE Equivalent	2021-22		2022-23		Average Remuneration**	
	Female	Male	Female	Male	2021-22	2022-23
Band 4	1	0	1	0	\$589,375	\$612,950
Band 3	1	4	2	4	\$392,525	\$401,690
Band 2	2	2	1	3	\$321,937	\$315,000
Band 1	1	7	1	8	\$245,469	\$248,467
Total	5	13	5	15		

During the FY23 year executive remuneration was 42% of total permanent employee costs representing a decline from FY22 (69%) as TAHE builds the teams under the Executive to fulfil our workforce plan.

* TAHE is not required to apply Public Sector Senior Executive (PSSE) remuneration package ranges. For 2022-23, we reported in line with remuneration equivalent to the PSSE bands.

**Average is based on the average of all incumbents, as full-time equivalents (FTE)

Human Resources

Human Resources	2021-22	2022-23
Full-time Equivalent	25	32

Our Executives

AS OF 30 JUNE 2023



Lyndal Punch

CPA, GradDeg BCom (Acctg), GradDeg BSc (InvMaths)

Chief Financial Officer and Executive General Manager Finance & Performance

Lyndal has over 20 years' experience in the financial industry, working across both private and government sectors including previous roles as the Chief Financial Officer (CFO) and Executive Director of Finance and Investment at Resilience NSW, Chief Financial Officer at Destination NSW and Chief Financial Officer and Chief of Staff to the NSW Treasury Secretary.

Lyndal was appointed CFO in December 2022 and is responsible for leading and providing strategic leadership of the financial, procurement, business performance and IT functions within TAHE.

L.P



George Roins

LLB (Hons), BBus (Acc), GradDip (AppCorporateGov)

General Counsel and Company Secretary

George has over 20 years' experience in corporate and commercial law, administrative law, group restructures and services and supply arrangements in relation to government agencies and public and private corporations. George is accountable for the provision of Legal services (including regulatory and compliance), Company Secretariat, Internal Audit and Risk Management functions across the organisation to ensure business operations are conducted efficiently and effectively.

G.R



John Garrad

BEng (Hons), MRAes, CEng

Executive General Manager Asset, Safety & Environment

John Garrad has over 25+ years of experience in senior leadership and safety engineering roles, operating in both the rail industry in Australia, and in the aviation sectors in the United Kingdom. John has spent his career of 13 years in Australia in the freight rail sector, employed in numerous complex and strategically significant roles.

Appointed in November 2022, John is responsible for leading and directing the strategic accountability for the Assets, Safety & Environment function at TAHE, executing appropriate assurance and risk driven reviews to ensure legislative compliance and licence obligations.

J.G



Nancy Ilacqua

BBus (HR & I.R)

Executive General Manager
People & Culture

Nancy has over 20 years' experience across a broad range of HR, Change Management, Transformations, Organisational Design, Industrial Relations, Talent Management and Learning & Development industries.

Nancy joined TAHE in 2021 and leads TAHE's People and Culture function, responsible for the overarching direction and implementation of the People Strategy, workforce capability and performance, talent management, culture and internal communications.

N.I



Chris McCluskey

BComm, BA

Executive General Manager
Commercial & Property

Chris is a property professional with over 30 years' experience in Australian markets including in institutional funds management, property investment, development and advisory fields. Chris was previously Group Executive Development Services at ISPT, Australia's largest wholesale real estate fund manager where he oversaw a \$10.0Bn multi region diversified pipeline of projects.

Having worked across all sectors of the property spectrum in creating investment grade assets, Chris joined TAHE in May 2023 and is responsible for delivering property development & investment solutions at the intersection between major transport infrastructure and real estate.

C.M



Reynard Smith

BBus, GradDip (AppFin)

Executive General Manager
Strategy & Innovation

Reynard brings over 20 years' experience in driving commercial outcomes in unregulated listed and private energy infrastructure companies. Having held senior commercial roles at Epic Energy, AusNet Services, GasNet Australia Group and Duke Energy International, Reynard commenced his career in Corporate Finance and Restructuring with Ernst & Young. Appointed in May 2022, Reynard is responsible for the corporate strategy, innovation & business planning functions at TAHE. Reynard is a Graduate Member of the Australian Institute of Company Directors and has completed the General Management Program at Harvard Business School, USA.

R.S



Russell King

BSc, MBA, PGCE

Acting Executive General Manager
Corporate Affairs

Russell has over 20 years' experience in public policy, communications, government relations and stakeholder management in both the UK and Australia, focusing on Strategic Planning, Infrastructure and Transportation.

Russell brings extensive experience in the NSW Government, having worked for a Minister for Transport and Premier and has been involved in getting many new capital projects approved, including multiple new rail lines, multiple fleet procurements and various rail upgrades.

R.K

✓ MANAGEMENT AND ACCOUNTABILITY

Our Governance Structure

TAHE is a statutory SOC established on 1 July 2020 under Part 2 of the TAA.

Under the TAA, TAHE's functions include:

- » to hold, manage, operate and maintain transport assets vested in or owned by it, or to be vested in or owned by it;
- » to establish, finance, acquire, construct and develop transport assets to be vested in or owned by it;
- » to promote and facilitate access to the part of the NSW rail network vested in or owned by TAHE in accordance with any current NSW rail access undertaking or otherwise lease or make available transport assets vested in or owned by TAHE to other persons or bodies; and
- » to acquire and develop land for the purpose of enabling TAHE to carry out its functions.

In conjunction with the SOC Act and the TAA, TAHE functions in accordance with its Operating Licence and Statement of Expectations, both issued by its Portfolio Minister.

Our Operating Licence details TAHE's remit and confirms that we can perform the functions of acquiring, holding, financing, developing and divesting assets to achieve our legislated objectives.

TAHE's Statement of Expectations sets out the safety, asset and environmental outcomes that TAHE is expected to prioritise when performing its functions.

Application for extension of time

TAHE was granted an extension to the timeframe outlined in the *NSW Treasury Policy & Guideline Paper 23-13 Agency Direction for the 2022-23 Mandatory Annual Returns to Treasury (TPG 23-13)*.

The extension was granted in light of the Government's decision in August 2023, concerning the future operating model of TAHE.

Accordingly, pursuant to clause 4 of Treasurer's Direction TD23-11 *Annual Reporting Requirements*, an extension was granted to the deadline for TAHE to prepare its FY23 Annual Report until 31 December 2023. An extension was required to allow TAHE the opportunity to finalise its financial statements for inclusion in the Annual Report.

Consultants

Vendor	Total	Description
INFOSYS	50,000	Formation of a Project & Property Development Procurement Framework
MERCER CONSULTING (AUST)	52,600	TAHE Remuneration Policy and work value assessments
SA1 PROPERTY HOLDINGS PTY LTD	55,000	Investigation to identify best and highest value use for under-utilised and surplus land for the purpose of industrial and freight initiatives.
DELOITTE TOUCHE TOHMATSU	70,000	Assurance review of TAHE's access and license fee discounted cash flow model
ETHOS URBAN PTY LTD	71,018	Homelessness Strategy Framework
DELOITTE TOUCHE TOHMATSU	99,000	Complex accounting advisory services
PAXON GROUP	100,456	Financial modelling specific for the affordable housing development projects
SEC NEWGATE PTY LTD	148,949	Professional services to assist with external stakeholder engagement and communications
DELOITTE TOUCHE TOHMATSU	179,970	Current state analysis and reporting to assist in fulfilling NSW Treasury mandated obligations relating to ESG reporting and compliance
INDEPENDENT PRICING AND REGULATION	200,000	Rail Access Regime Review responding to NSW Government direction
CONSULTANTS <\$50K	224,244	9 x consultants engaged for works under \$50k
PRICEWATERHOUSECOOPERS	324,000	Asset valuation services to determine the value of cash generating units on the income basis
L.E.K. CONSULTING AUSTRALIA PTY LTD	351,262	International benchmarking of similar infrastructure entities and opportunities pursued to inform and validate TAHE's Corporate Strategy
HOUSTON KEMP PTY LTD	449,959	Economic advice and modelling to support TAHE's compliance with the NSW rail access undertaking, negotiations with government rail operators and responding to IPART's review of the Undertaking
	2,376,459	

Promotion

TAHE had no overseas visits by officers and employees to promote investments in NSW.

Requirements arising from employment arrangements

TAHE is not required to report on requirements arising from employee arrangements.

Legal change

Annual Reports (Statutory Bodies) Act 1984 (NSW) – repealed by the *GSF Repeal and Amendment Act*, effective 1 July 2023.

Annual Reports (Statutory Bodies) Regulation 2015 (NSW) – repealed by the *GSF Repeal and Amendment Act*, effective 1 July 2023.

Anti-Discrimination and Human Rights Legislation Amendment (Respect at Work) Act 2022 (Cth) - amended the *Australian Human Rights Commission Act 1986* (Cth), *Fair Work Act 2009* (Cth), *Age Discrimination Act 2004* (Cth), *Disability Discrimination Act 1992* (Cth), *Racial Discrimination Act 1975* (Cth) and the *Sex Discrimination Act 1984* (Cth). The provisions commenced on 13 December 2022.

Conveyancing (Sale of Land) Regulation 2022 (NSW) – remade with amendments, the *Conveyancing (Sale of Land) Regulation 2017* (NSW), and commenced on 1 September 2022.

Transport Administration Amendment (Rail Trails) Act 2022 (NSW) – amended the

Transport Administration Act 1988 (NSW), and commenced on 19 August 2022.

Conveyancing (General) Amendment (Transport Asset Holding Entity of New South Wales and Landcom) Regulation 2022 (NSW) – amended the *Conveyancing (General) Regulation 2018* (NSW) and commenced on 9 September 2022.

Fair Work Amendment (Paid Family and Domestic Violence Leave) Act 2022 (Cth) – amended the *Fair Work Act 2009* (Cth), and commenced on 1 February 2023.

Fair Work Amendment (Paid Family and Domestic Violence Leave) Regulations 2023 (Cth) – amended the *Fair Work Regulations 2009* (Cth), and commenced on 1 February 2023.

Fair Work Legislation Amendment (Secure Jobs, Better Pay) Act 2022 (Cth) – amended *Fair Work Act 2009* (Cth), with provisions commencing variously on 7 December 2022, 6 March 2023, and 6 June 2023.

Fair Work Legislation Amendment Regulations 2022 (Cth) – amended the *Fair Work Regulations 2009* (Cth), and commenced on 1 February 2023.

Government Sector Audit and Other Legislation Amendment Act 2022 (NSW) – amended the *Government Sector Audit Act 1983* (NSW), and commenced on 28 November 2022.

Government Sector Finance Act 2018 (NSW) – all remaining provisions commenced on 2 March 2023.

Government Sector Finance Amendment (Annual Reporting Requirements) Regulation 2023 (NSW) – certain provisions commenced on 1 July 2023, with remaining provisions set to commence on 1 July 2023.

Government Sector Finance Legislation (Repeal and Amendment) Act 2018 (NSW) – amended the *State Owned Corporations Act 1989* (NSW) with respect to reporting information.

Risk management and insurance activities

TAHE continues to adopt an integrated approach to the process and practice of risk management. We have further matured the Enterprise Risk Management Framework that aims to provide clarity on our appetite and limits for business risk; raise risk awareness throughout the organisation; and provide the framework, policies and guidelines required to successfully manage the risks inherent in our business.

To ensure our risk management process works effectively and creates value we:

- » Promote a culture of risk management throughout the organisation for the Board, CEO, Executive Leadership Team and all staff
- » Continuously enhance the integration of risk management within our business strategy, processes and decision-making, informed by our risk appetite
- » Assign risk management responsibilities within the organisation
- » Review our Enterprise Risk Management Framework to continually improve our decision-making and business processes and ensuring they provide clear, consistent methodology, reporting and auditing tools.

Reviews and updates of key risk areas of the business are performed throughout the year. These include:

- » Public profile and inter-agency relationships
- » Information Security (Cyber)
- » Adequacy of Asset Information
- » Environmental Contamination

Paid Parental Leave Amendment (Improvements for Families and Gender Equality) Act 2023 (Cth) – commenced on 26 March 2023 to amend the *Paid Parental Leave Act 2010* (Cth).

Privacy and Personal Information Protection Amendment Act 2022 (NSW) – received assent on 28 November 2022, to commence on 28 November 2023.

Protection of the Environment Operations (General) Regulation 2022 (NSW) – remade with amendments, the *Protection of the Environment Operations (General) Regulation 2021* (NSW), and commenced on 1 September 2022.

Public Interest Disclosures Act 2022 (NSW) – repealed and replaced the *Public Interest Disclosures Act 1994* (NSW). The new Act will commence on 1 October 2023.

Public Spaces (Unattended Property) Act 2021 (NSW) – repealed and replaced the *Impounding Act 1993* (NSW), with effect from 1 November 2022.

Radiocommunications Regulations 2023 (Cth) – repealed and replaced the *Radiocommunications Regulations 1993* (Cth), and commenced on 18 March 2023.

Treasurer's Direction TD22-27 – Amendment to TD21-04 (Gifts of government property) under the *Government Sector Finance Act 2018* (NSW), with effect from 5 September 2022.

Treasury Laws Amendment (More Competition, Better Prices) Act 2022 (Cth) – amended the *Competition and Consumer Act 2010* (Cth) and the *Australian Securities and Investments Commission Act 2001* (Cth), taking effect on 10 November 2022 with the remaining provisions to take effect on 10 November 2023.

Work Health and Safety Amendment Regulation 2022 (NSW) – amended the amended the *Work Health and Safety Regulation 2017* (NSW), with parts of the Regulation commencing variously on 1 October 2022 and on 1 December 2022.

- » Industrial Action in Transport Sector
- » Macroeconomic factors
- » Contract Management
- » Human Resource Management
- » Staff Wellbeing
- » Project Delivery
- » Project Costs
- » Heritage and Cultural Assets
- » Change in Property Market
- » Funding / Changes to Access Pricing
- » Natural Disasters
- » Climate Change
- » Asset Safety
- » Alignment and clarity on TAHE Operating Model
- » Procurement fraud and/or corruption
- » Developing Effective Partnerships
- » Independence
- » Stranded or Underutilised Assets
- » Contingent or unknown liabilities
- » Regulatory and Legislative Environment
- » Disrupting Events

Our Enterprise Risk Management Framework enables appropriate processes to govern, review and audit our risks. These include:

- » Regular risk reviews by the Audit and Risk Committee of the Board
- » Risk workshops held with the CEO and the Executive Team to monitor and update risks

- » A risk-based internal audit program that assesses our treatment of risks
- » Comprehensive risk reporting at all levels of the business on a regular basis.

The Board's Audit and Risk Committee consists of non-Executive Directors and is attended by management representatives as well as independent advisers and observers. The Committee regularly considers risk matters arising from Enterprise Risk Register review, internal and external audits.

Insurance Activities

TAHE has a comprehensive tailored insurance program managed by Sydney Trains as part of its risk management strategy. The insurance program is reviewed annually in consultation with its appointed insurance brokers and iCare to protect against insurable risks. TAHE transfers insurable risks through insurance obtained via the commercial insurance market or iCare with established and financially stable insurers.

The NSW Treasury requires all NSW Government agencies, to undertake Principal Arranged Insurance (PAI) iCare NSW (iCare) for all government capital works projects estimated to cost \$10m or more. TAHE as a State Owned Corporation is exempt from this circular if they can demonstrate value for money. Contractor Arranged Insurance (CAI) is required for any contract not covered by Principal Arranged Insurance. CAI is taken out by contractors to protect themselves against potential risks and liabilities that could arise as a result of services provided under the contract. All contractors engaged by TAHE must provide a certificate of insurance currency.



Internal Audit and Risk Management Policy Attestation

The TAHE Board has established an Internal Audit function and continue to utilise this function for TAHE as a key component of TAHE's governance framework.

An Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

TAHE's Internal Audit provides an independent and objective review and advisory service to:

- » Provide assurance to the Board, the Audit and Risk Committee and the CEO that TAHE's financial and operational controls, designed to manage the organisation's risks for achieving the entity's objectives, are operating in an efficient, effective and ethical manner
- » Assist Management in improving TAHE's business performance.

Since TPP20-08 (Internal Audit and Risk Management Policy) is not applicable to SOCs, TAHE has not been publishing an attestation statement in its Annual Report (as per templated at Annexure C of the TPP) in the past years.



Privacy and Personal Information Protection Act 1998

The *Privacy and Personal Information Protection Act 1998* (PPIPA) does not apply to TAHE.



Government Information (Public Access) Act 2009

Review of the proactive release program

The *Government Information (Public Access) Act 2009* (GIPA Act) provides an open and transparent process for giving the public access to information from NSW public sector agencies, and to encourage the proactive public release of government information.

TAHE supports TfNSW by releasing information about current and planned transport projects and initiatives on our website. This ranges from media releases to detailed information about contracts and projects.

Transport also actively considers how to be more proactive and ensure greater access to information. The Proactive Disclosure Committee has representatives from agencies within Transport. The Committee meets quarterly to consider information for proactive release and to update the proactive disclosure program.

Further information about TAHE's GIPA processes and the types of information held by the agency is available through the TAHE Agency Information Guide.

Number of access applications received

TAHE received 1 access application (including withdrawn applications but not invalid applications) during 2022-23.

Number of refused applications for Schedule 1 information

TAHE refused access to information in no access applications in 2022-23 because the requested information was information referred to in Schedule 1 of the GIPA Act.

Cyber Security Policy (CSP) attestation

Cyber security is an evolving landscape that requires an ongoing program of work. TAHE is dependent on TfNSW systems, therefore places strong reliance on TfNSW cyber governance and controls.

TfNSW governs and manages cyber investment through the Transport Cyber Defence Rolling Program on behalf of TAHE. TfNSW has identified its critical assets, the security-related risks, and has an ongoing program of work to manage security-related risks.

TfNSW manages its cyber security risks using an enterprise framework and continues to improve the management of its cyber risks. An executive governance forum is in place which is supported by a network of steering committees,

portfolio boards and subject matter experts to manage the cyber-security maturity and cyber initiatives.

TfNSW has a cyber incident response plan that undergoes regular updates and is tested annually. TfNSW has Information Security Management Systems (ISMS) in place covering all identified critical assets and is committed to maturing cyber security controls.

TfNSW reports regularly to the TAHE Board on cyber management and is subject to internal and external audits.

Public Interest Disclosures

No disclosures for the FY23.

Table A: Number of applications by type of applicant and outcome, 2022-23

Type of information requested	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm /deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0
Not-for-profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (by legal representative)	0	0	0	0	0	0	0	0
Members of the public (other)	1	0	0	0	0	0	0	0

Note: More than one decision can be made in respect to a particular access application. If so, a recording must be made in relation to each decision.

Table B: Number of applications by type of applicant and outcome, 2022-23

Type of information requested	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm /deny whether information is held	Application withdrawn
Personal information applications	0	0	0	0	0	0	0	0
Access application (other than personal information applications)	1	0	0	0	0	0	0	0
Access application that are partly personal information application and partly other	0	0	0	0	0	0	0	0

Note: More than one decision can be made in a particular access application. If this occurs, each decision must be recorded.

A 'personal information application' is an access application for personal information (as defined in clause 4 Schedule 4 to the Act) about the applicant (the applicant being an individual).

Table C: Invalid applications 2022-23

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

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

Consideration category/type	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	0
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environment heritage	0
Privilege generally – Sch 1(5A)	0
Information provided to the High Risk Offenders Assessment Committee	0

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

Table E: Other public interest consideration against disclosure: matters listed in table to section 14 of the Act, 2022-23

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

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

Table F: Timeliness 2022-23

Timeliness of decision	Number of applications
Decided within the statutory timeframes (20 days plus any extensions)	1
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
Total	1

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

Table G: Number of applications reviewed under Part 5 of the Act (by type or review and outcome), 2022-23

Type of review	Decisions varied	Decisions upheld	Total
Internal review	0	0	0
Review by Information Commissioner	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0
Review by NCAT	0	0	0
Total	0	0	0

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

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

Type of applicant	Number of applications for review
Applications by access applicants	0
Applications by persons to whom information on the subject of access application relates (see section 54 of the Act)	0

Table I: Applications transferred to other agencies under Division 2 of Part 4 of the Act (by type of transfer)

Type of transfer	Number of applications transferred
Agency-initiated transfer	0
Applicant-initiated transfer	0

Section 5

Sustainability



Section Contents

- 5.1 Environmental, Social and Governance



✓ SUSTAINABILITY

Environment, Social and Governance

TAHE has a significant asset base, which spans the breadth of NSW, and can help enable the State's ability to achieve net zero.

As a GSF agency, we are mandated to report against the Task Force on Climate-Related Financial Disclosures (TCFD) from FY24-25.

We are focused on delivering against this. In addition, we're aligning with the following recently announced Transport for NSW targets.

Targets:

- 2025**
100% renewable energy for all operational electricity for the rail, light rail and metro train network
- 2026**
50% of Transport's light passenger vehicle fleet transitioning to all-electric
- 2030**
100% of Transport's light passenger vehicle fleet transitioning to all-electric
- 2030**
65% reduction in Transport operational emissions (compared to 2018-19)
- 2035**
Net zero in operational and fleet emissions
- 2040**
Fossil fuel-free Transport construction and maintenance
- 2045**
Net zero in Transport's annual embodied emissions
- 2050**
Net zero in all transport sector emissions
- 2060**
Net negative transport sector emissions

Sustainability Metrics

TAHE has commenced developing organisational metrics, which will complement the ongoing sustainability initiatives. Indicative metrics are identified below:

Sustainability performance indicators	Metric
Environmental	
	Scope 1, 2 and 3 GHG emissions (tCO2e)
	GHG emissions reduced as a direct result of reduction initiatives (tCO2e)
	% renewable and non-renewable materials used during project development and / or on-site
	% of assets with climate adaptation plans in place
	Size and location of all habitat areas protected or restored (ha)
Social	
	# of affordable houses created as a result of projects
	# of projects supporting local communities or specific local community issues
	# jobs supported / created as a result of projects
	% of First Nations people in the workforce
	% of workforce by age group and gender
Governance	
	ESG reflected in the organisation's risk management framework and processes
	ESG is embedded into asset management / investment planning criteria
	Governance body with oversight of sustainability and climate-related risks and opportunities in place
	% of procurement budget spent directly and indirectly on Indigenous suppliers / partners
	% of procurement budget spent directly and indirectly on local suppliers / partners

These metrics will act as a guide whilst we develop the sustainability strategy.

As we develop our final sustainability metrics, we will implement a reporting structure and process. This will ensure that the information and data is built into the appropriate plans and strategies. For example, as an asset owner who proactively invests in projects and programs which future-proof our network, we are continuously striving to increase the data driven outputs from our assets to determine their impact on climate change.

Materiality Assessment

TAHE has commenced its inaugural ESG materiality assessment. This is a critical component of an organisation's overall sustainability strategy as it will help TAHE identify and prioritise the ESG issues that are most important to its business and stakeholders by analysing internal and external stakeholder perspectives. This process can support organisations to address stakeholder expectations, guide strategic ESG priorities, understand potential ESG risks and opportunities and align with reporting requirements.

Social

At TAHE, one of our legislated objectives is to have regard to the interest of the community in which we operate. TAHE continues to progress on delivering better social outcomes by utilising its asset base for the people of NSW.

TAHE works collaboratively with TfNSW, Sydney Trains and NSW TrainLink to deliver Community Heritage Projects across NSW through a Community Heritage Partnered Investment Model. Sustainable environmental, economic, cultural and asset outcomes are enabled through strong community partnering and engagement.

In addition, there are currently a number of social initiatives in progress, as explained in Section 3 - Operations and Performance. We are also investigating possibilities of multiple community gardens, installation of native beehives, indigenous art programmes, transitional accommodation and other initiatives that contribute to the well-being of the local communities.

Governance

TAHE continues to strengthen its governance. The Board performance is evaluated as part of the annual Forward Planner. A Board composition review was undertaken, which led to the appointment of new Directors by the Voting Shareholders with the requisite skills. As part of the appointment process, the relevant probity checks were completed.

TAHE has introduced three new Directors onto the Board, increasing our Board Directors to seven. Four of these Directors are women, exceeding the Government targets relating to female representation on boards. In addition, TAHE's Executive team of eight consists of three women in senior executive leadership positions.

The Directors have demonstrated their ongoing support and commitment to TAHE through increasing their role by conducting regular monthly site visits to gain direct exposure to TAHE's asset base and high visibility projects.

As TAHE continues to mature, the organisation regularly reviews and refines its governance processes. This includes annual reviews of the Charters of the Board and Board Committees to ensure they remain fit for purpose, consistent with TAHE's objectives and responsibilities and ensure corporate governance best practice.

TAHE also continues to test the current ways of working with other Transport entities and incorporate leading practice into the governance processes.

In the Investment Assurance Committee, TAHE has provided an assurance lens to test that the projects funded by TAHE provide appropriate commercial returns, are value for money and benefit the people of NSW, before being presented to the TAHE Board for approval.

Environmental

TAHE is committed to a target of zero Category A environmental incidents. There have been no incidents in this category in the FY23 period or since inception. TAHE continues to strengthen its collaborative relationship with rail operators to preserve and protect the natural environment. As part of our ongoing placemaking strategic theme, TAHE is focused on pursuing environmentally sustainable outcomes with all future developments through meeting the prescribed environmental criteria such as 'Green Star', or the 'IS Rating Scheme'.

For example, in the Affordable Housing Pilot Project Tranche 1 Expression of Interest, TAHE has mandated for respondents to comply with the following:

- » NSW Government's Net Zero Plan;
- » Green Building Council of Australia's 5-star rating with preference to achieve 6-stars;
- » Reduction of embodied carbon through innovative design and construction methodologies;
- » Infrastructure Sustainability Council's IS rating of 'leading' for key infrastructure elements; and,
- » High standard of asset resilience to climate change risk.

Similarly, on the Expression of Interest for Redfern-North Eveleigh Clothing Store Sub-Precinct, the above requirements were also mandated.

Work Health and Safety

TAHE has not recorded any injuries, and or serious incidents in the past twelve months. We continue to improve the safety systems available to our staff, and importantly, enhance the governance and assurance programs used to test and validate the operational aspects of our asset portfolio.

- » TAHE has recorded no personal injuries in FY23
- » TAHE has nil prosecutions known and/or pending

Workforce Diversity

During the reporting period, TAHE adopted diversity targets for our workforce including 50% representation of women, 6% employees with disability and 3% of employees identifying as Aboriginal or Torres Islander.

Development and implementation of our Diversity and Inclusion Strategy and policies is a staged process with our preliminary focus areas on increasing awareness.

While the majority of our workforce identify as Australian, 40% of our team were born overseas, identifying with 23 nationalities. The team also identified with 12 different religious affiliations (including no religion).

Table 1a. Agency and Division

Headcount during the year	FY23
Headcount at census	33
Female	12 (36%)
Male	21 (64%)
Not Aboriginal or Torres Strait Islander	23
Prefer not to say (Aboriginal or Torres Strait Islander)	10
No disability	23
Prefer not to say (disability)	10
Person from a Racial, Ethnic, or Ethno-religious minority group	3
Person not from a Racial, Ethnic, or Ethno-religious minority group	21
Prefer not to say/no response (ethnicity)	9

The next phase of our Diversity and Inclusion Strategy will refine our relevant policies and practices to support reaching our diversity targets.

Climate related financial disclosures

In alignment with the requirement to publish climate-related financial disclosures for FY24-25, TAHE is focused on ensuring its readiness to disclose in-line with the Task Force on Climate-Related Financial Disclosures (TCFD), Task Force on Nature-Related Financial Disclosures (TNFD), and International Sustainability Standards Board (ISSB).

TAHE will continue to review the various reporting standards and latest market trends to ensure the organisation is meeting and exceeding the legislative requirements.

Modern Slavery Statement

TAHE has not received any recommendations by the Anti Slavery Commissioner during FY23.

TAHE's FY22 Modern Slavery Statement is publicly available on our website as well as within the Attorney-General's Department's Modern Slavery statement register.



“
We continue to improve the safety systems available to our staff

Section 6

Financial Performance



Events arising after the reporting period

In August 2023, the Government approved a number of recommendations relating to the future state of TAHE. The fundamental outcome is applying the NSW Government's decision of changing TAHE from a SOC to a non-commercial PNFC.

This has significant impacts on future access and licence fees for use of the network by the public rail operators, funding and prioritisation of commercial projects, funding of transport infrastructure, returns to government, the valuation basis of assets, cash holdings, debt levels and credit rating. A Transition Working Group has been established with TfNSW and NSW Treasury to work through the impacts to TAHE and the interrelated impacts to TfNSW.

Section Contents

| 6.1 Overview

✓ FINANCIAL PERFORMANCE

Overview

TAHE has made significant progress in continuing to build its financial strength and independence throughout FY23 as a SOC.

The post COVID-19 recovery has assisted TAHE's financial performance as major industries including retail, logistics and the travel sector returned to pre COVID-19 operating conditions.

Increased revenue is reported for the FY23 at \$1,290m compared to \$968m the previous year, led largely by increases in access and licence fees due to increased investment in the rail network.

The business has benefited from higher market interest rates on cash deposits, through an increase in interest income. TAHE's interest costs were softened due to achieving a credit rating above the BBB government SOC requirement.

\$77.7m has been declared as a dividend to the NSW Government.

TAHE's capital program spend was \$2,091.1m. TAHE continues to work closely with its delivery partners to ensure the continued investment in capital programs to deliver a safe and efficient rail network across NSW.

The following financial performance statements and information has been audited by the Independent Auditor General's Office New South Wales.

Financial Performance

As a for-profit entity, TAHE is required to follow an income-based approach (in accordance with accounting standards) when valuing its fixed assets. FY23 is the third year since inception that TAHE has adopted this valuation method, noting that FY22 resulted in asset values remaining relatively stable with a net increment of \$64.2m (between Profit and Loss and Other Comprehensive Income).

Under the income-based approach the assets were valued at the discounted cash flows of the income generated by the business. Following the decision of Government changes to the future TAHE operating model, the Licence and Access Management Deed and Track Access Agreements were not re-negotiated with rail operators. The discounted cash flows of the contractual access and licence fees as well as other TAHE operating income, derived a total fixed asset value at 30 June 2023 of \$16.9b (FY22: \$18.4b) (excluding work in progress of \$5.5b (FY22: \$5.4b)). For FY23, TAHE received \$1,289.8m (FY22 \$968.2m)

in operating income, while total expenses of \$2,646.0m (FY22 \$1,381.1m) were incurred in operations including depreciation, income-based valuation impacts, asset de-recognitions and financing costs.

The Profit and Loss impact of the income-based approach was an expense of \$1,528.3m (FY22 \$441.0m). Depreciation, amortisation and de-recognitions of assets of \$770.0m (FY22 \$697.9m) also contributed to increased expenses. The resulting loss for the year was \$1,356.2m (FY22 \$412.9m). TAHE received government contributions of \$113.9m (FY22 \$136.3m) to fund capital of \$32.9m and operations of \$80.9m primarily to fund the Country Regional Rail Network operations for the year. The net result from operations for the year was a loss of \$1,356.2m (FY22 loss: \$412.9m).

Financial Performance Summary Table

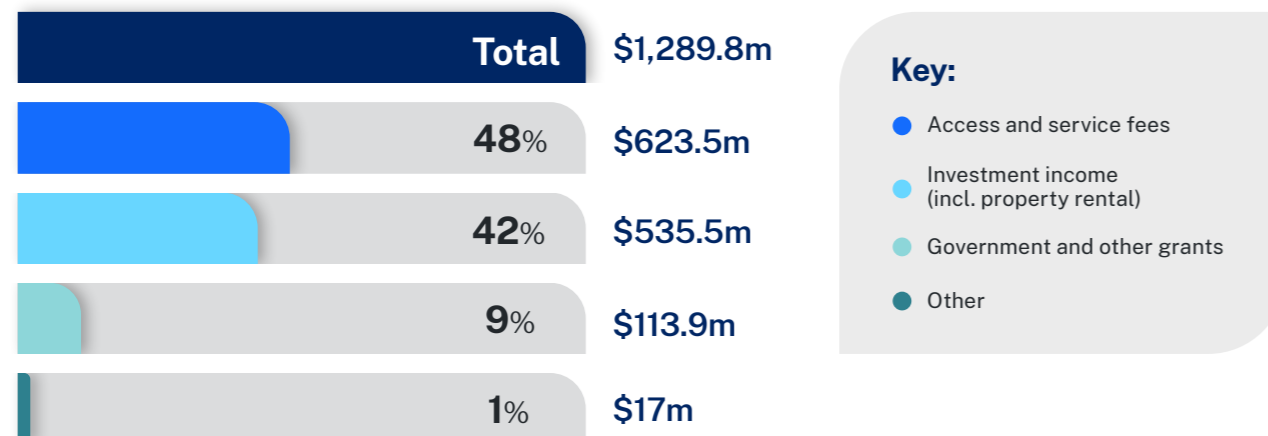
	FY23 \$m	FY22 \$m
Income		
Revenue from contracts with customers	623.5	375.4
Investment revenue	535.5	415.0
Government and other grants	113.9	136.3
Other	17.0	41.5
Total Income	1,289.8	968.2
Expenses		
Operating Expenses	214.8	153.8
Valuation decrement of property, plant and equipment and tangible assets	1,528.3	441.0
Other expenses	71.6	-
Total Expenses	1,814.6	594.8
Aboriginal and environment heritage	0	0
Privilege generally - Sch 1(5A)	0	0
Information provided to the High Risk Offenders Assessment Committee	0	0
EBITDA	(524.7)	373.4
Depreciation, amortisation and de-recognition	770.0	697.9
Finance Costs	61.4	88.4
Profit/(Loss) before income tax for the year	(1,356.2)	(412.9)
Income Tax Expense	-	-
Profit/(Loss) for the year	(1,356.2)	(412.9)

Performance Against Budget

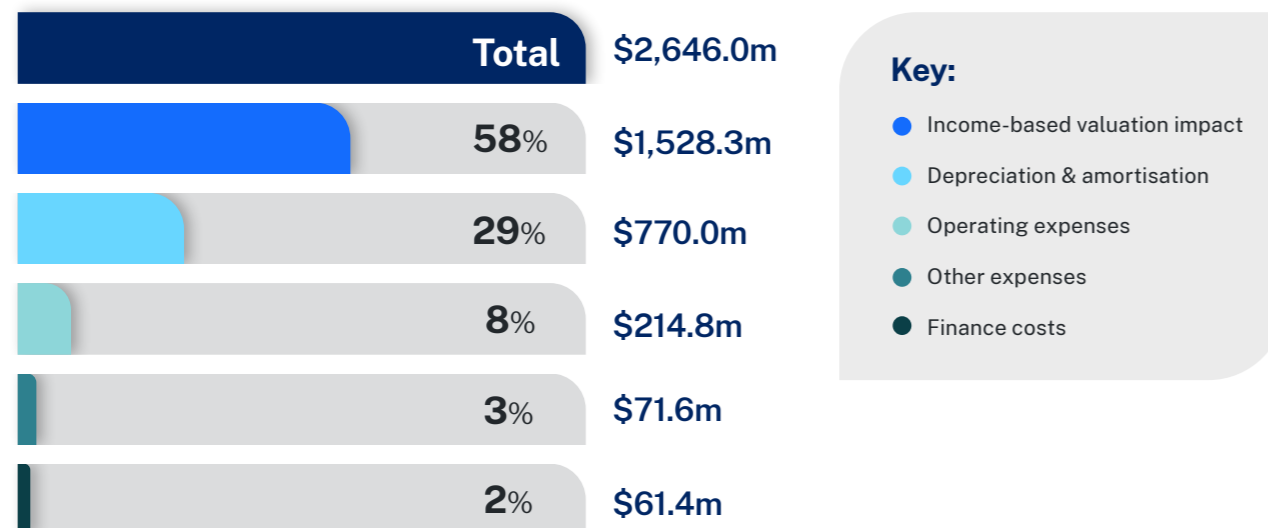
TAHE's EBITDA of (\$524.7m) was against a budget of \$1,056.5m for the year. The variance was primarily driven by the non-cash income-based asset revaluation decrement. Net Loss After Tax was \$1,356.2m. This was against a budgeted profit of \$111.0m.

Key revenue streams including access and licence fees with the public rail operators are underpinned via ten-year negotiated agreements.

FY 22-23 Total Income



FY 22-23 Total Operating and Non-Operating Expenses



Key:

- Access and service fees
- Investment income (incl. property rental)
- Government and other grants
- Other

Key:

- Income-based valuation impact
- Depreciation & amortisation
- Operating expenses
- Other expenses
- Finance costs

Capital Investment

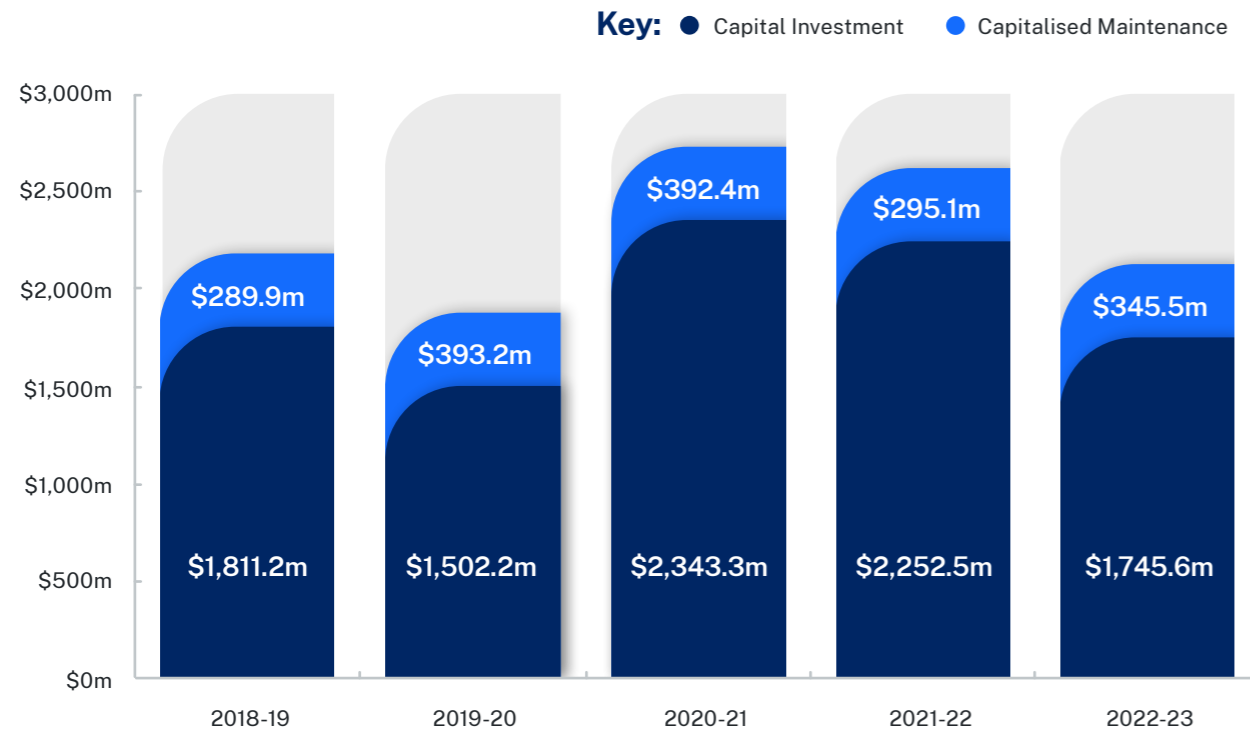
Capital expenditure in the year was \$1,745.6m (FY22: \$2,252.5m) as set out in the table below. A further \$345.5m (FY22: 295.1m) was invested in capitalised major periodic maintenance. Total capital investment for FY23 was \$2,091.1m (FY22: \$2,547.6m). The NSW Government injected \$1,593.4m of equity in the year to fund capital investment.

Financial Performance Summary Table

2022-23 Capital Investment by program	\$ million
Central Walk	42.6
Commuter Car Parking Program	72.3
Fast Rail	18.5
Fixing Country Rail	2.9
Mariyung Fleet (New Intercity Fleet)	361.2
Minor Works	149.5
More Trains, More Services	510.5
Regional Rail Fleet Program	185.6
Station Upgrades and Integration Works	169.1
Transport Access Program	233.4
Capital Expenditure	1,745.6
Capital Maintenance	345.5
Total TAHE Capital Investment	2,091.1

Capital Expenditure

	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m	2022-23 \$m
Capital Investment	1,811.2	1,502.2	2,343.3	2,252.5	1,745.6
Capitalised Maintenance	289.9	393.2	392.4	295.1	345.5
Total Capital Expenditure	2,101.1	1,895.4	2,735.7	2,547.6	2,091.1



Implementation of Price Determination

On 27 April 2023, IPART published its final decision on TAHE’s compliance with the NSW Rail Access Undertaking. IPART found TAHE compliant. In addition, IPART recommended TAHE submit to IPART for approval its unders and overs account policy (Policy) for the TAHE Hunter Valley Coal Network by 31 May 2023.

On 25 May 2023, following a period of consultation with rail operators, TAHE lodged its proposed Policy with IPART.

Costs and benefits

Nil applicable costs and benefits of Machinery of Government changes.

Liability Management Performance

In the year ended 30 June 2023, TAHE’s cost of funds was 2.43% against the benchmark of 3.51%. TAHE’s debt comprised a portfolio that has a greater than 90% weighting of long-term debt in accordance with policy, which resulted in a lower cost of funds than the neutral benchmark.

Land disposal

No land disposal with value greater than \$5m.

Exemptions

TAHE has not sought exemptions from reporting information.

Investment performance

Treasury policy mandates TAHE to maintain all cash with Westpac Banking Corporation under the Treasury Banking System. Interest income is in line with the return of the mandated account at a rate of 2.94% for the year.

Other Information

External costs associated with the printing of this report are estimated to be \$1,200 including GST.

www.tahensw.com.au



Payment of Accounts

Outstanding invoices by age at the end of each quarter

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
Suppliers					
Sep-22	422.83	0.00	0.00	0.00	0.00
Dec-22	440.62	0.00	0.00	0.00	0.00
Mar-23	248.74	0.00	0.00	0.00	0.00
Jun-23	253.05	0.00	0.00	0.00	0.00

There were no outstanding invoices to small business suppliers at the end of the financial year.



Accounts paid on time within each quarter

Measure	Sep-22	Dec-22	Mar-23	Jun-23
Suppliers				
Number of accounts due for payment	494	533	498	657
Number of accounts paid on time	493	533	497	657
Actual % accounts paid on time	99.8%	100%	99.8%	100%
\$ amount of accounts due for payment	\$392.39m	\$591.38m	\$891.29m	\$750.73m
\$ amount of accounts paid on time	\$392.38m	\$591.38m	\$891.3m	\$750.73m
Actual % accounts paid on time (based on \$)	100%	100%	100%	100%
Small Business Suppliers				
Number of accounts due for payment	34	39	21	62
Number of accounts paid on time	34	39	21	62
Actual % accounts paid on time	100%	100%	100%	100%
\$ amount of accounts due for payment	\$0.59m	\$0.54m	\$0.23m	\$0.69m
\$ amount of accounts paid on time	\$0.59m	\$0.54m	\$0.23m	\$0.69m
Actual % accounts paid on time (based on \$)	100%	100%	100%	100%

TAHE was charged no interest by suppliers to in the current financial year.



INDEPENDENT AUDITOR'S REPORT

Transport Asset Holding Entity of New South Wales

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Transport Asset Holding Entity of New South Wales (TAHE), which comprise the Directors' Declaration, the Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Summary of significant accounting policies, and other explanatory information.

In my opinion, the financial statements:

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

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

Basis for Opinion

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

I am independent of TAHE in accordance with the requirements of the:

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

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

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

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

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

Emphasis of Matter - Future of TAHE

Without modifying my opinion, I draw attention to Note 22 'Events occurring after reporting date' of the financial statements. The note describes that in August 2023, the Government made several key decisions regarding the future of TAHE. The decisions have a significant impact on TAHE's financial position and future operating model including converting TAHE from a for-profit State Owned Corporation (SOC) to a non-commercial Public Non-Financial Corporation (PNFC) by 1 July 2024.

These decisions may impact the future commercial agreements with the public rail operators and the future valuation of TAHE’s assets.

Key Audit Matters

Australian Auditing Standard ASA 701 'Communicating Key Audit Matters in the Independent Auditor's Report' applies to the audit of the general purpose financial statements of listed entities or when an auditor is required by legislation to communicate key audit matters in the auditor's report. There is no legislative requirement to communicate key audit matters in my independent audit report on TAHE’s financial statements. I have voluntarily included a narrative on Key Audit Matters to enhance the readability of my audit opinion.

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2023. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters. I have determined the matters described below to be the key audit matters to be communicated in my report.

Key Audit Matter	How my audit addressed the matter
<p>Fair value of property, plant and equipment</p> <p>At 30 June 2023, TAHE’s statement of financial position reported \$22.4 billion in property, plant and equipment measured at fair value. The closing balance of property, plant and equipment includes a net revaluation decrement of \$2.8 billion recorded during the year ended 30 June 2023.</p> <p>I considered this to be a key audit matter because:</p> <ul style="list-style-type: none"> • property, plant and equipment is financially significant to the statement of financial position • the discounted cash flow (DCF) model used to value the property, plant and equipment is complex and involves significant judgements and assumptions • changes in estimates and assumptions, such as: <ul style="list-style-type: none"> – the discount rate (including asset beta, gearing and cost of debt) – access fee and licence revenue projections – terminal values can significantly affect the fair value. <p>Further information on the valuation techniques, inputs and sensitivity for property, plant and equipment are disclosed in Notes 2.9(ii) and 19.</p>	<p>Key audit procedures included:</p> <ul style="list-style-type: none"> • obtained an understanding of TAHE’s approach to estimating the fair value of property, plant and equipment, including the impact of the Government’s decision on the valuation of TAHE’s property, plant and equipment • evaluated the competence, capability and objectivity of management’s expert • engaged a valuation expert ('auditor’s expert') to: <ul style="list-style-type: none"> – assess the appropriateness of the model – confirm the reasonableness of key assumptions by comparing against accepted industry benchmarks – review the sensitivity of the conclusions to changes in the assumptions – evaluating inputs into key estimates and assumptions – assess the reasonableness of the reported asset values – review the model’s mathematical accuracy – evaluated the DCF model to ensure the inputs are supported • assessed whether the DCF model incorporated all key assumptions and inputs relevant to, and of sufficient reliability to support the valuation of the assets of a rail entity and meet the requirements of Australian Accounting Standards • assessed the adequacy of the financial statement disclosures against the requirements of the Australian Accounting Standards.
<p>Control of rail transport assets vested in TAHE</p> <p>At 30 June 2023, TAHE’s statement of financial position reported \$22.4 billion in property, plant and equipment and \$704 million in depreciation expenses.</p>	<p>Key audit procedures included:</p> <ul style="list-style-type: none"> • reviewing management’s accounting assessment, to assess the reasonableness of the

Key Audit Matter

To recognise an asset, an entity must demonstrate that it controls the future economic benefits embodied in the asset. Indicators of accounting 'control' include the ability to direct the use of the asset and/or prevent other entities directing its use, and obtain substantially all of the economic benefits from the asset.

TAHE has agreements with other parties:

- that provide exclusive or non-exclusive rights to use assets vested in TAHE
- to manage the use of its assets as an agent.

TAHE is also subject to an Operating Licence issued by the Portfolio Minister for the period 1 July 2021 to 30 June 2024, which impose limits on its legislative functions detailed in the *Transport Administration Act 1988*.

I considered this to be a key audit matter because of the significant judgements required to determine 'control' over assets, including:

- how this interacts with TAHE's legislative functions and Operating Licence
- the determination of principal and agent under the relevant agreements.

Further information on the functions of TAHE and control over assets are disclosed in Notes 1(a) and 2.9.

How my audit addressed the matter

accounting treatment against the requirements of applicable Australian Accounting Standards

- examining relevant legislation and regulations and contractual agreements, including the Operating Licence to assess indicators of control against relevant Australian Accounting Standards
- reviewing the presentation of the financial statements against the requirements of applicable Australian Accounting Standards.

The Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation, Treasurer's Directions and the *State Owned Corporations Act 1989*. The Directors' responsibilities also include such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing TAHE's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar6.pdf . The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

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



Reiky Jiang
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

29 November 2023
SYDNEY

**Transport Asset Holding Entity
of New South Wales**

Financial Statements

For the year ended 30 June 2023



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(Start of audited financial statements)

Directors' Declaration

In relation to the financial statements for the year ended 30 June 2023

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018*, we declare that the accompanying financial statements and the notes thereto:

- (a) present fairly the financial position of Transport Asset Holding Entity of New South Wales (TAHE) as at 30 June 2023 and of its financial performance and cash flows for the year ended 30 June 2023.
- (b) have been prepared in accordance with the provisions of the *Government Sector Finance Act 2018*, the *Government Sector Finance Regulation 2018*, Australian Accounting Standards, which includes Australian Accounting Interpretations and the Treasurer's Directions.

We are not aware, as at the date of this statement, of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

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

Signed in accordance with a resolution of the Board of Directors.



Bruce Morgan
Chair
Transport Asset Holding Entity of
New South Wales



Bénédicté Colin
Director and Chief Executive Officer
Transport Asset Holding Entity of
New South Wales

24 November 2023

Statement of Comprehensive Income for the year ended 30 June 2023

	Note	2022-23 \$'000	2021-22 \$'000
<i>Income</i>			
Revenue from contracts with customers	3.1	623,513	375,363
Investment revenue	3.2	535,466	415,019
Government and other grants	3.3	113,856	136,279
Other	3.4	17,014	41,535
Total income		1,289,849	968,196
<i>Expenses</i>			
Operating expenses	4.1	214,761	153,792
Valuation decrement of property, plant and equipment and intangible assets	7.2, 8.2	1,528,272	440,988
Other expenses	2.9(v)	71,554	-
Total expenses		1,814,587	594,780
Earnings before interest, tax, depreciation & amortisation		(524,738)	373,416
Depreciation, amortisation and de-recognition	7.2, 8.2, 13.1	770,039	697,949
Finance costs	4.3	61,399	88,394
Profit / (loss) before income tax for the year		(1,356,176)	(412,927)
Income tax expense	2.15(i)	-	-
Profit / (loss) for the year		(1,356,176)	(412,927)
Other comprehensive income			
<i>Items that will not be reclassified to profit/ loss</i>			
Revaluation of property, plant and equipment and intangible assets	19.3	(1,255,678)	505,206
Total other comprehensive income for the year		(1,255,678)	505,206
Total comprehensive income for the year		(2,611,854)	92,279

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

Statement of Financial Position as at 30 June 2023

	Note	30.6.2023 \$'000	30.6.2022 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	1,519,361	736,366
Trade and other receivables	6.1	58,868	126,692
Non-current assets classified as held for sale		761	138
Total current assets		1,578,990	863,196
Non-current assets			
Trade and other receivables	6.1	54,150	54,635
Property, plant and equipment	7.1	22,355,989	23,784,719
Right-of-use assets	13.1	1,279	1,948
Intangible assets	8	112,420	137,640
Total non-current assets		22,523,838	23,978,942
Total assets		24,102,828	24,842,138
Current liabilities			
Trade & other payables	9	302,088	442,676
Borrowings	10	358,751	343,651
Provisions	14	14,130	39,866
Dividend payable	15	77,700	71,200
Contract liabilities	11	8,033	46,592
Other liabilities	12	71,590	30,473
Total current liabilities		832,292	974,458
Non-current liabilities			
Borrowings	10	2,971,696	2,854,061
Provisions	14	38,649	31,768
Contract liabilities	11	2,765	-
Other liabilities	12	401,104	29,361
Total non-current liabilities		3,414,214	2,915,190
Total liabilities		4,246,506	3,889,648
Net assets		19,856,322	20,952,490
Equity			
Contributed equity	16.1	28,360,223	26,766,837
Reserves		6,958,256	8,250,411
Retained earnings		(15,462,157)	(14,064,758)
Total equity		19,856,322	20,952,490

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 2023

	Note	Contributed equity \$'000	Retained earnings \$'000	Asset revaluation \$'000	Total \$'000
Balance at 1 July 2022		26,766,837	(14,064,758)	8,250,411	20,952,490
Profit/ (loss) for the year		-	(1,356,176)	-	(1,356,176)
Other comprehensive income					
Increase/ (decrease) in asset revaluation reserve		-	-	(1,255,678)	(1,255,678)
Total other comprehensive income for the year		-	-	(1,255,678)	(1,255,678)
Total comprehensive income for the year		-	(1,356,176)	(1,255,678)	(2,611,854)
Reserves transferred to/ (from) retained earnings		-	36,477	(36,477)	-
Transaction with Owners in their capacity as owners					
Dividend payable		-	(77,700)	-	(77,700)
Increase/ (decrease) in net assets from equity transfers (contribution by owners)	16.1	1,593,386	-	-	1,593,386
Balance at 30 June 2023		28,360,223	(15,462,157)	6,958,256	19,856,322
Balance at 1 July 2021		24,405,370	(13,607,885)	7,772,459	18,569,944
Profit/ (loss) for the year		-	(412,927)	-	(412,927)
Other comprehensive income					
Increase/ (decrease) in asset revaluation reserve		-	-	505,206	505,206
Total other comprehensive income for the year		-	-	505,206	505,206
Total comprehensive income for the year		-	(412,927)	505,206	92,279
Reserves transferred to/ (from) retained earnings		-	27,254	(27,254)	-
Transaction with Owners in their capacity as owners					
Dividend payable		-	(71,200)	-	(71,200)
Increase/ (decrease) in net assets from equity transfers (contribution by owners)	16.1	2,361,467	-	-	2,361,467
Balance at 30 June 2022		26,766,837	(14,064,758)	8,250,411	20,952,490

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 2023

	Note	2022-23 \$'000	2021-22 \$'000
Cash flows from operating activities			
<i>Cash received</i>			
Receipts from customers and others		1,434,654	1,173,901
Government grants		515,526	132,573
Interest received		35,507	1,200
Total cash received		1,985,687	1,307,674
<i>Cash used</i>			
Payments to suppliers, employees and others		(565,348)	(490,947)
Interest paid		(83,430)	(92,897)
Total cash used		(648,778)	(583,844)
Net cash flows from/ (used in) operating activities	5.2	1,336,909	723,830
Cash flow from investing activities			
Property, plant and equipment and other asset sales and disposals		14,524	38,017
Total cash received		14,524	38,017
<i>Cash used</i>			
Property, plant and equipment and intangible assets acquisitions		(2,063,298)	(2,382,445)
Total cash used		(2,063,298)	(2,382,445)
Net cash flows from/ (used in) investing activities		(2,048,774)	(2,344,428)
Cash flows from financing activities			
<i>Cash received</i>			
Contributed equity		1,595,803	2,303,293
Total cash received		1,595,803	2,303,293
<i>Cash used</i>			
Repayment of borrowings		(29,149)	(12,714)
Dividend payment		(71,200)	-
Payment of lease liabilities		(594)	(72)
Total cash used		(100,943)	(12,786)
Net cash flows from/ (used in) financing activities		1,494,860	2,290,507
Net (decrease)/ increase in cash and cash equivalents		782,995	669,909
Cash and cash equivalents at beginning of year		736,366	66,457
Cash and cash equivalents at end of year	5.1	1,519,361	736,366

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

Notes to the financial statements for the year ended 30 June 2023

Note 1 Reporting entity and financial statements

(a) Reporting entity

Transport Asset Holding Entity of New South Wales (TAHE) is a NSW Statutory State Owned Corporation constituted under the *Transport Administration Act 1988* and the *State Owned Corporations Act 1989*. Former Rail Corporation New South Wales converted to TAHE on 1 July 2020. TAHE is a for-profit entity for accounting purposes.

TAHE is the owner of the metropolitan and Country Regional Network (CRN), stations, majority of property and certain rolling stock and provides Sydney Trains and NSW Trains with access and licence rights to the assets.

TAHE's functions are set out in section 11 of the *Transport Administration Act 1988* and are exercisable under the authority of, and in accordance with, an operating licence issued by the Minister for Transport. TAHE's activities include:

- manage assets through commercial agreements
- establish, finance, acquire, construct and develop transport assets
- promote and facilitate access to the part of the NSW rail network in accordance with any current NSW rail access undertaking
- lease or make available assets owned by TAHE to other persons or bodies
- acquire and develop land for the purpose of enabling TAHE to carry out its other functions.

(b) Comparative information

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

Where required, comparative information has been reclassified to align with the current year.

(c) Authorisation of the financial statements

The financial statements were authorised for issue by the Directors on the date on which the accompanying Directors' Declaration was signed.

Notes to the financial statements for the year ended 30 June 2023

Note 2 Summary of significant accounting policies

2.1 Basis of preparation

The financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards, which includes Australian Accounting Interpretations, the *Government Sector Finance Act 2018*, the Government Sector Finance Regulation 2018, the *State Owned Corporations Act 1989* and the Treasurer's Directions.

Generally, the historical cost basis of accounting has been adopted and these financial statements do not take into account changing money values or current valuations. However, property, plant and equipment, intangible assets and non-current assets held for sale are measured at fair value. Refer Note 2.8, Note 2.9(ii) and Note 2.10 (ii). Certain liabilities are calculated on a present value basis such as certain provisions.

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

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

2.1.1 Going concern

The financial statements have been prepared on a going concern basis which assumes that TAHE is expected to be able to pay its debts as and when they fall due and continue in operation without any intention or necessity to liquidate or otherwise wind up their operations. It is the NSW Government's intention to provide TAHE grant funding consistent with the projections in the Budget 2023-24. TAHE has a letter of shareholder's support from the Shareholding Ministers for the 12 month period post signing of the Financial Statements.

2.1.2 Change in accounting policy

There is no change to accounting policies in 2022-23.

2.2 Significant accounting judgements, estimates and assumptions

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

In particular refer Note 2.9 (ii), Note 14 and Note 19.

2.3 Income

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

(i) Revenue from contracts with customers

Access fees

Access fees include the fees for services provided to third parties and for granting operators access to the rail network including Sydney Trains and NSW Trains. Revenue is recognised over the terms of the contracts as TAHE provides the services. The payments are typically within one month of the service being performed.

The revenue is measured at the transaction price agreed under contract. The transaction price is allocated to distinct performance obligations based on the agreed prices. No element of financing is deemed present as payments are due when service is provided.

Notes to the financial statements for the year ended 30 June 2023

Note 2 Summary of significant accounting policies (continued)

2.3 Income (continued)

(i) Revenue from contracts with customers (continued)

Rendering of services

Revenue from rendering of services is recognised when TAHE satisfies its performance obligation by transferring the promised services to the customer over time. The payments are typically due within one month of the service being performed or as agreed with the customer.

The revenue is measured at the transaction price agreed under contract. The transaction price is allocated to distinct performance obligations based on the agreed prices. No element of financing is deemed present as payments are due when service is provided.

Sale of assets and goods

Revenue from sale of assets or other goods is recognised when TAHE satisfies its obligation by transferring the promised goods or assets. TAHE satisfies its performance obligations when control of the asset or good is transferred to the customer. The payments are typically due within one month of the goods or assets being transferred or as agreed with the customer.

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

(ii) Government and other grants

TAHE receives grants from the NSW Government towards the cost of providing certain agreed services which are 'operating' in nature and capital expenditure.

Operating grants

Operating grants are recognised as income on a systematic basis over the periods in which TAHE recognises the related costs for which the grants are intended to compensate.

Capital grants

Capital grants related to the construction of assets are initially recognised as deferred revenue on receipt. Upon completion of the asset, the deferred revenue is recognised in the profit or loss on a systematic basis over the useful life of the asset in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*.

(iii) Investment revenue

Interest revenue

Interest revenue is recognised as interest accrues and is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses). Interest revenue includes all earnings from deposits with Westpac Banking Corporation.

Property rental income

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

Licence fee income from Sydney Trains and NSW Trains

TAHE provides Sydney Trains and NSW Trains with licence rights to the assets. The licence agreement is considered an operating lease arrangement in substance. The licence fee income is recognised over the term of the agreement in accordance with the fee schedule.

Notes to the financial statements for the year ended 30 June 2023

Note 2 Summary of significant accounting policies (continued)

2.4 Depreciation and amortisation

(i) Depreciation

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

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

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

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

	Years
Stations and buildings	15-200
Station services and facilities	15-25
Track, including sleepers and ballast	15-100
Turnouts	15-50
Bridges and tunnels	100
Electrical overhead wiring and structures	15-100
Substations	10-50
Signalling equipment	20-50
Rolling stock	26-43
Plant and machinery	3-30
Heavy plant and machinery	15-40
Earthworks	51-254

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.

TAHE has reviewed the useful lives of the assets during the current year which resulted in a net decrease to depreciation expense of \$4.6 million (2022: \$34.3 million decrease).

(ii) Amortisation

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

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

The expected useful life of an item of software is 5-10 years.

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

The amortisation charge for each year is recognised in the statement of comprehensive income as depreciation and amortisation expense unless it is included in the carrying amount of another asset.

Notes to the financial statements for the year ended 30 June 2023

Note 2 Summary of significant accounting policies (continued)

2.5 Finance costs

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

Refer Note 4.3.

2.6 Cash and cash equivalents

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

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Refer Note 5.

2.7 Trade and other receivables

Trade receivables are measured initially at fair value and subsequently at invoiced cost less an allowance for impairment/ expected credit losses, which is not materially different from amortised cost due to their short-term nature. A trade receivable is usually due for settlement within 30 days of invoicing. Collectability of trade receivables is reviewed on an ongoing basis. Trade receivables that do not contain a significant financing component are measured at the transaction price.

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

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

TAHE holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method subsequent to initial recognition. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Refer Note 6.

2.8 Non-current assets held for sale

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

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

Notes to the financial statements for the year ended 30 June 2023

Note 2 Summary of significant accounting policies (continued)

2.9 Property, plant and equipment

(i) Recognition

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

A component is accounted for separately if it:

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

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

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

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

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

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

For arrangements within the scope of AASB 1059, TAHE recognises a service concession asset when it controls the asset. Where the asset is provided by the operator, or is an upgrade to or a major component replacement of an existing asset of TAHE, the asset is recognised at current replacement cost based on AASB 13 *Fair Value Measurement* principles. Where the asset is an existing asset of TAHE, the asset is reclassified as a service concession asset and remeasured at current replacement cost at the date of reclassification. Any difference between the previous carrying amount and current replacement cost is recognised as if it is a revaluation of the asset.

(ii) Measurement

An item of property, plant and equipment purchased or constructed is initially measured at its cost, which is its fair value on acquisition and subsequently carried at fair value less accumulated depreciation and impairment.

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. The cost 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.

Notes to the financial statements for the year ended 30 June 2023

Note 2 Summary of significant accounting policies (continued)

2.9 Property, plant and equipment (continued)

(ii) Measurement (continued)

TAHE's property, plant and equipment is valued in accordance with TPP 21-09 *Valuation of Physical Non-Current Assets at Fair Value and AASB 13 Fair Value Measurement*. Fair value is defined as '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.'

There are three approaches to estimating fair value:

- the market approach, where fair value is determined using prices and other relevant information generated by market transactions involving identical or comparable assets or groups of assets;
- the income approach, where fair value is determined by converting future cash flows to a single current (discounted) amount; and
- the cost approach, where fair value is determined by calculating the current replacement cost of an asset, which represents the amount that would be required currently to replace the service capacity of an asset.

An item of property, plant and equipment acquired at no cost, or for a nominal cost, is initially measured at its fair value.

Land held for alternative use

TAHE deems certain non-operational land for alternative use such as future redevelopment. Such land is valued using the market approach having regard to its highest and best use. The existing natural, legal, financial or socio-political restrictions on asset use generally prevent immediate redevelopment. The existing use and zoning has been taken into account when assessing highest and best use. Land held for alternative use is revalued every three years. The last revaluation was performed in November 2020. Management performed an interim fair value assessment as at June 2023 which resulted an increment of \$65.4 million (2022: nil).

Service concession arrangement

Service concession assets are measured at current replacement cost and accounted for in accordance with the depreciation and impairment requirements of AASB 116 *Property, Plant and Equipment* and AASB 136 *Impairment of Assets*. The last comprehensive revaluation on the service concession assets was performed in October 2019. Formal revaluation will be performed every five years with interim fair value assessment performed on an annual basis. Management performed an interim fair value assessment as at June 2023 which resulted an increment of \$11.8 million (2022: \$9.6 million).

Property, plant and equipment

TAHE estimates the fair value of the majority of property, plant and equipment using the income approach at a cash generating unit (CGU) level. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

TAHE has a total of three cash generating units comprising of:

- metropolitan regulated assets
- metropolitan and regional unregulated assets; and
- Country Regional Network (CRN).

The CGUs represent the lowest level at which the assets work together to provide services to customers and to generate cash flows. From a market participant's perspective, the existing use of TAHE's CGUs represents their highest and best use. The 'regulated assets' comprise of tracks, tunnels, bridges, corridor land, network control and signalling assets. The 'unregulated assets' comprise of rolling stock, unregulated land and station assets.

Notes to the financial statements for the year ended 30 June 2023

Note 2 Summary of significant accounting policies (continued)

2.9 Property, plant and equipment (continued)

(ii) Measurement (continued)

Management have adopted an expected cash flow approach when assessing future cash flows in accordance with accounting standards. Under this approach, the fair value is estimated using the future net cash flows (discounted to their present value) from the CGUs. Determining fair value under this approach is dependent on management assumptions and judgements used to estimate the future net cash flows.

TAHE undertook a valuation of all asset classes at 30 June 2023 using the income valuation approach and market value for land held for alternative use. This resulted in a decrement of \$2,797.4 million (2022: an increment of \$54.6 million).

The income valuation is based on a discounted cash flow model incorporating the following management assumptions and judgements:

- Information that was known, or could reasonably be expected to have been known, as at 30 June 2023.
- Expected cash flows are based on the terms of existing contracts and management's knowledge of the business. There has also been an assessment of the likely macro-economic impacts, adjusted to account for an expected arm's length market participant's view of cash flow risks.
- Access and licence fees are calculated based on a 4.62 per cent (2022: 4.62 per cent) return on asset to achieve the 2.5 per cent (2022: 2.5 per cent) return on equity expected by the Shareholding Ministers.
- Income growth rates derived from the underlying contractual data.
- The weighted average cost of capital (WACC) post tax real discount rate of 3.90 per cent (2022: 3.30 per cent) and 4.65 per cent (2022: 4.10 per cent) is applied for regulated and unregulated contractual cash flows respectively. The WACCs used in the contractual period include an 'Asset Specific Risk Premium' (ASRP) due to concerns at 30 June that TAHE may not be able to pass on pricing increases to operators in the near term, the reduction in the remaining contracted period (due to the passing of time), the risk of changes to TAHE's funding structure within the contracted period and whether TAHE will be able to generate commercial returns into the future.
- An additional ASRP has been included in the Terminal Value for the adopted high end of the valuation range. This derives post tax real discount rates of 4.80 per cent (2022: 3.50 per cent) and 5.55 per cent (2022: 4.30 per cent) for regulated and unregulated contractual cash flows respectively. This is to account for the:
 - risk that TAHE may not be able to generate a return on its asset base into perpetuity
 - re-contracting risk
 - the potential for future access and licence fees to be negotiated at a different rate
- The term of modelling is the eight remaining contractual years plus additional cash flows out to 2050-51, after which a Terminal Value is applied due to the long lives of the assets. The post contract period has been extended by a year given that the remaining contracted period has reduced by a year. This keeps the explicit period fixed at 28 years.
- A discounted cash flow analysis of the explicit forecast period and the application of a Gordon Growth Model Terminal Value.

Where an item of property, plant and equipment is revalued, any accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset accordingly.

Valuation increments are credited directly to revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of the same CGU previously recognised as an expense in the statement of comprehensive income, in which case the increment is recognised immediately as revenue in the statement of comprehensive income.

Notes to the financial statements for the year ended 30 June 2023

Note 2 Summary of significant accounting policies (continued)

2.9 Property, plant and equipment (continued)

(ii) Measurement (continued)

Valuation decrements are recognised immediately as expenses in the statement of comprehensive income, except that, to the extent that a credit balance exists in the revaluation reserve in respect of that CGU in which case the decrement is debited directly to the revaluation reserve.

Valuation increments and decrements are offset against one another on an individual asset basis.

Capital work in progress is carried at cost. Cost is a proxy for fair value as work in progress does not form part of the CGU until assets are available for use and charged to the operators as income.

(iii) Derecognition

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

On derecognition of an item of property, plant and equipment, any gain or loss or any related compensation receivable is recognised in the statement of comprehensive income. Any revaluation increase remaining in the asset revaluation reserve in respect of a derecognised asset is transferred to retained earnings.

Where an asset relates to a service concession arrangement, TAHE accounts for the asset in accordance with other Australian Accounting Standards and reclassifies the asset based on its nature or function when the arrangement has ended. Any reference to fair value reverts from the mandated current replacement cost under AASB 1059 to the appropriate approach under AASB 13 and the asset is only derecognised when TAHE loses control of the asset in accordance with AASB 116.

Refer Note 7.

(iv) Impairment of property, plant and equipment

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

An impairment loss is recognised in the statement of comprehensive income to the extent the impairment loss exceeds the amount in the revaluation surplus for the asset or CGU. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset or CGU does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss for a CGU shall be allocated to the assets of the unit, pro rata with the carrying amounts of those assets. These increases in carrying amounts shall be treated as reversals of impairment losses for individual assets and is recognised in other comprehensive income as a revaluation increase. However, to the extent that an impairment loss on the same asset or CGU was previously recognised in the statement of comprehensive income, a reversal of that impairment loss is also recognised in the statement of comprehensive income.

The recoverable amount on the CRN assets is nil as at 30 June 2023 (2022: nil) as the assets do not generate positive cashflows. All CRN assets including any associated work in progress are fully impaired as at 30 June 2023. The impairment for the year is \$30.0 million (2022: \$287.2 million).

There is no indicator of impairment for the CGU assets (excluding CRN) as at 30 June 2023. An income approach valuation has been undertaken for the CGU assets and asset values have been recorded at their appropriate fair value. Due to the uncertainty of TAHE's future operating model this has resulted in a decrement of \$1.5 billion to the statement of comprehensive income and \$1.3 billion to the asset revaluation reserve as a result of the impact of valuation sensitivities.

Notes to the financial statements for the year ended 30 June 2023

Note 2 Summary of significant accounting policies (continued)

2.9 Property, plant and equipment (continued)

(iv) Impairment of property, plant and equipment (continued)

There is no indicator of impairment for the work in progress (excluding CRN) as at 30 June 2023 as commercial agreements stipulate the asset return charged to the operators based on the asset costs.

(v) Service concession arrangements

Service concession arrangements are arrangements between an operator and a grantor where the operator provides public services related to a service concession asset on behalf of the grantor for a specified period of time and manages at least some of those services. TAHE has a service concession arrangement with the Airport Link Company (ALC) and has applied AASB 1059 *Service Concession Arrangements: Grantors* from 1 July 2020. Under the arrangement:

- ALC has a concession to build, operate and maintain four stations on the Airport Line until 2030.
- TAHE will take over operation of the stations in 2030. The arrangement commenced in May 2000.
- In October 2005, TAHE entered into a Restated Stations Agreement (RSA) as part of the overall restructuring of the ALC operations and related debt. The revised agreement included amended terms in respect of various matters including revenue sharing, fee arrangements and TAHE's various performance obligations which are now mainly fulfilled by Sydney Trains as the provider of train services and TfNSW for ticketing.
- In March 2011, the RSA was varied to remove the station access fee for passengers using Mascot and Green Square stations with TAHE instead paying ALC a shadow station access fee. The present value of the future estimated shadow station access fee has been recognised as the service concession financial liabilities. The financial liabilities have been reassessed as at June 2023 and an increase of \$71.6 million has been recognised due to the higher than expected shadow station access fee as a result of patronage growth (2022: a decrease of \$6.4 million).
- In August 2014, the RSA was varied further as a result of the impact of the introduction of Opal ticketing.
- In June 2018, a direction was issued by the Secretary of Transport to transfer the annual train service fees net of shadow station access fees and other costs to Sydney Trains to fund the provision of train services.
- On 1 July 2021 the Licence, Agency and Maintenance Deed continued the previous arrangement to transfer the annual train service fees net of shadow station access fees and other costs to Sydney Trains to fund the provision of train services for the future years.

2.10 Intangible assets

(i) Recognition

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

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.

Notes to the financial statements for the year ended 30 June 2023

Note 2 Summary of significant accounting policies (continued)

2.10 Intangible assets (continued)

(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.

Intangible assets are revalued using the income approach at a CGU level, together with the majority of the property, plant and equipment. Refer Note 2.9 (ii).

(iii) Derecognition

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

(iv) Impairment

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

Refer Note 8.

2.11 Trade and other payables

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

Trade and other payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using effective interest method. A payable is measured at original invoice amount, which is not materially different from amortised cost due to the short-term nature of trade payables.

Payables are derecognised when the obligation expires or is discharged, cancelled or substituted. Any gain or loss arising when a payable is settled or transferred is recognised in the statement of comprehensive income.

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

Refer Note 9.

Notes to the financial statements for the year ended 30 June 2023

Note 2 Summary of significant accounting policies (continued)

2.12 Borrowings

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

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

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

As part of NSW government policy TPG 22-20 *Government Guarantee Fee Policy for Government Businesses*, commencing 1 July 2021 TAHE pays NSW Treasury a government guarantee fee to ensure competitive neutrality for government businesses with respect to their cost of debt.

Refer Note 10.

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, quarry restoration and land and buildings remediation.

A provision is recognised when:

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

The amount recognised is the best estimate of the expenditure required to settle the likely present obligation as at reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision. Where the effect of the time value of money is material, a provision is measured using the present value of the expenditures expected to be required to settle the obligation and using a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time (i.e. the unwinding of the discount rate) is recognised as a finance cost.

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

(ii) Employee benefits

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

Liabilities for short-term employee benefits are measured at the present value of the amount expected to be paid when the liability is settled, provided it is expected to be settled wholly within twelve months of the end of the reporting period. Regardless of the expected timing of settlements, provisions made in respect of employee benefits are classified as a current liability unless there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability.

Notes to the financial statements for the year ended 30 June 2023

Note 2 Summary of significant accounting policies (continued)

2.13 Provisions (continued)

(ii) Employee benefits (continued)

Long service leave and annual 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.

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

Long service leave provision is actuarially assessed prior to 30 June 2023 and is measured at the present value of the estimated future payments. Annual leave provision is assessed by management and is measured at the undiscounted amount of the estimated future payments.

Refer Note 14.

2.14 Contributed equity and share capital

Contributed equity comprises of cash transfers from NSW Treasury to fund capital construction and assets and liabilities transferred to / from other NSW public sector entities. TAHE accounts for the transaction as a contribution by or distribution to the Government in accordance with TPP 21-08 *Accounting Policy: Contributions by Owners made to wholly-owned public sector entities*.

TAHE has two voting Shareholding Ministers with an equal number of shares under the *State Owned Corporations Act 1989*. The ordinary shares are classified as equity and valued at one dollar each.

Refer Note 16.

2.15 Taxes

(i) Income tax equivalents

TAHE was registered under the Tax Equivalent Regime commencing on 1 July 2020. TAHE is subject to tax equivalent payments to the New South Wales Government. Tax equivalent is calculated at 30 per cent of TAHE's accounting profit and as at 30 June 2023 is nil (2022: nil).

(ii) Goods and Services Tax

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

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

(iii) State taxes

TAHE pays taxes on all land that is not used for railway purposes including land that is leased or licensed to a third party (Schedule 7, Part 30, clause 227 of the *Transport Administration Act 1988* and associated Regulations).

Notes to the financial statements for the year ended 30 June 2023

Note 2 Summary of significant accounting policies (continued)

2.16 Leases

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

Recognition and measurement

(a) As lessee

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

(i) Right-of-use assets

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

The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

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

Right-of-use assets under leases at significantly below-market terms and conditions that are entered into principally to enable TAHE to further its objectives, are measured at cost.

(ii) Lease liabilities

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

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

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

Notes to the financial statements for the year ended 30 June 2023

Note 2 Summary of significant accounting policies (continued)

2.16 Leases (continued)

Recognition and measurement (continued)

(a) As lessee (continued)

(ii) Lease liabilities (continued)

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

(b) As lessor

(i) Operating lease

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Licence fees from Sydney Trains and NSW Trains

TAHE has ten-year commercial agreements with Sydney Trains and NSW Trains commencing 1 July 2021. These agreements were subsequently updated in June 2022. The agreements set out the terms by which TAHE's assets are accessed and licensed. The licence fee under the agreement is assessed to be an operating lease arrangement. The assets under licence arrangement are the unregulated assets leased to Sydney Trains and NSW Trains.

(ii) Finance lease

Leases that TAHE transfers substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. At the lease commencement date, TAHE recognises a receivable for assets held under a finance lease in its statement of financial position at an amount equal to the net investment in the lease. The net investment in leases is classified as financial assets amortised cost and equals the lease payments receivable by a lessor and the unguaranteed residual value, plus initial direct costs, discounted using the interest rate implicit in the lease initial direct costs.

Finance income arising from finance leases is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

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

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

(iv) Accounting treatment for prepaid rentals

Prepaid rentals where the initial lease term exceeds 50 years are treated as sales in accordance with NSW Treasury policy, TPP 21-06 *Accounting Policy: Lessor Classification of Long Term Land Leases*.

Notes to the financial statements for the year ended 30 June 2023

Note 2 Summary of significant accounting policies (continued)

2.17 Foreign currency translation

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

2.18 Financial instruments

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

(i) Recognition

A financial asset or financial liability is recognised when TAHE becomes a party to the contractual provisions of the instrument. To determine when TAHE becomes a party to the contractual provisions of the instrument, TAHE considers:

- whether TAHE has a legal right to receive cash (financial asset) or a legal obligation to pay cash (financial liability); or
- whether at least one of the parties has performed under the agreement.

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

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

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

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

Any applicable amortisation, impairment loss (or reversal), or fair value adjustment is recognised in the statement of comprehensive income.

On derecognition, any difference between the items carrying amount and the consideration received or paid is recognised in the statement of comprehensive income.

(ii) Measurement

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

After initial recognition, receivables and payables are carried in the statement of financial position at amortised cost, which is a reasonable approximation of their fair value. Borrowings are carried at amortised cost. Their fair value at year end is disclosed in Note 20.

(iii) Offsetting financial assets and liabilities

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

Notes to the financial statements for the year ended 30 June 2023

Note 2 Summary of significant accounting policies (continued)

2.19 Impairment of financial assets

TAHE recognises an allowance for expected credit losses (ECLs) for debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that TAHE expects to receive, discounted at the original effective interest rate.

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

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

2.20 Fair value hierarchy

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

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

Refer Note 19 and Note 20.

2.21 Contract assets and liabilities

Contract assets relate to TAHE's right to consideration in exchange for goods transferred to customers/ works completed, but not billed at the reporting date. TAHE does not have any contract assets as at 30 June 2023 (2022: nil).

Contract liabilities relate to consideration received in advance from customers. The balance of contract liabilities is impacted primarily by the timing of the provision of the performance obligations and the agreed payment terms under the arrangement.

2.22 Dividends

A dividend is only payable in a financial year if it is agreed by the TAHE Board and the relevant Ministers. A provision for the full amount of the dividend is recognised in the statement of financial position to the extent that TAHE has a present obligation for a future payment. The provision for dividend is calculated in accordance with requirements of TPG 21-10 *Capital Structure and Financial Distribution Policy for Government Businesses*. TAHE recognised a dividend payable of \$77.7 million as at June 2023 (2022: \$71.2 million).

2.23 Retained earnings

Retained earnings includes all current and prior period retained funds.

Notes to the financial statements for the year ended 30 June 2023

Note 2 Summary of significant accounting policies (continued)

2.24 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 TAHE effective for the annual reporting period beginning on 1 July 2022. The adoption of these new and revised Standards and Interpretations has not resulted in any significant changes to TAHE's accounting policies.

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

The following new Accounting Standards and Interpretations apply to TAHE and have not been adopted and are not effective as at 30 June 2023. The standards are effective for annual reporting periods commencing on or after 1 January 2023.

AASB/ Amendment	Title	Issue Date	Application date of Standard
AASB 2020-1	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	Mar 2020	1 Jan 2024
AASB 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	Mar 2021	1 Jan 2023
AASB 2021-6	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards	Dec 2021	1 Jan 2023
AASB 17	Insurance Contracts	Dec 2022	1 Jan 2023
AASB 2022-1	Amendments to the Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 Comparative Information	Mar 2022	1 Jan 2023
AASB 2022-5	Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback	Nov 2022	1 Jan 2024
AASB 2022-6	Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants	Dec 2022	1 Jan 2024
AASB 2022-7	Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards	Dec 2022	1 Jan 2023
AASB 2022-9	Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector	Dec 2022	1 Jul 2026
AASB 2023-1	Amendments to Australian Accounting Standards – Supplier Finance Arrangements	Jun 2023	1 Jan 2024

The possible impact of these standards and amendments in the period of initial application includes:

- AASB 17 *Insurance Contracts* (AASB 17) and AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector* (AASB 2022-9)
AASB 17 replaces AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The standard introduces specific scoping criteria to determine if an arrangement is an insurance contract which may result in arrangements previously accounted for under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* to be captured under AASB 17. AASB 2022-9 amends AASB 17 to prescribe specific public sector requirements. The standards apply to public sector entities for annual reporting periods beginning on or after 1 July 2026. The impact at this stage is yet to be determined by TAHE.

The impact of the other standards and amendments are not anticipated to be significant.

Notes to the financial statements for the year ended 30 June 2023

Note 3 Income

3.1 Revenue from contracts with customers

	2022-23 \$'000	2021-22 \$'000
Access fees - public operators	449,530	254,749
Access fees - private operators	73,974	70,606
Service fees	84,491	28,014
Other	15,518	21,994
Total Revenue from contracts with customers	623,513	375,363

3.2 Investment revenue

License fees from unregulated assets	462,222	386,427
Property rental income	33,660	24,853
Interest	36,237	1,782
Operating lease contingent rents	1,995	595
Finance income on the net investment in the lease	1,352	1,362
Total investment revenue	535,466	415,019

3.3 Government and other grants

Capital	32,911	41,603
Operating	80,945	94,676
Total government and other grants	113,856	136,279

3.4 Other

Gain on disposal of land and other assets	13,759	34,586
Gain on financial liabilities*	-	6,359
Other services	3,255	590
Total other income	17,014	41,535

* The gain in the prior year is a result of remeasuring the service concession financial liabilities related to the Airport Link contract.

Notes to the financial statements for the year ended 30 June 2023

Note 4 Expenses

4.1 Operating expenses

	2022-23 \$'000	2021-22 \$'000
Employee related expenses	8,055	3,834
Other payroll related costs	2,957	2,308
Contractors - maintenance related and other	86,773	92,543
Management and property services	36,141	29,992
Auditor's remuneration - audit of the financial statements*	510	718
Consultants	2,376	2,296
Impairment losses/ (reversal) on financial assets	(45)	2,489
Sydney Trains rebate	45,687	-
Other	32,307	19,612
Total operating expenses	214,761	153,792

*The remuneration in the current year includes \$0.5 million for the audit of the 2022-23 financial statements and \$0.1 million additional fees for the audit of the 2021-22 financial statements.

4.2 Maintenance expenses

Sydney Trains is responsible for the maintenance of rail assets excluding assets relating to the CRN. In addition to recurrent maintenance expenditure it incurred, it also charged TAHE \$265.0 million (2022: \$206.2 million) major periodic maintenance that was capitalised which is reflected in Note 7.

TAHE also incurred maintenance expenditure of \$115.3 million (2022: \$112.6 million) in relation to the CRN of which major periodic maintenance of \$35.4 million (2022: \$49.2 million) was capitalised during the year.

4.3 Finance costs

Borrowing and interest charges	89,174	110,655
Less: amount capitalised*	(27,041)	(21,777)
Discounting of provisions	(734)	(484)
Total finance costs	61,399	88,394

*TAHE capitalised borrowing costs of \$27.0 million in the current year (2022: \$21.8 million) relating to the Regional Rail contract.

Notes to the financial statements for the year ended 30 June 2023

Note 5 Cash and cash equivalents

5.1 Cash and cash equivalents

	30.6.2023 \$'000	30.6.2022 \$'000
Cash at bank	1,519,361	736,366
Total cash and cash equivalents	1,519,361	736,366

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

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

	30.6.2023 \$'000	30.6.2022 \$'000
Profit / (loss) for the year	(1,356,176)	(412,927)
Net (gain)/ loss on asset disposal	15,315	(6,957)
Depreciation and amortisation	725,078	670,145
Non cash capital grants	15,113	(693)
Non cash financing activities	64,101	(28,684)
Termination of finance lease	(107)	-
Revaluation decrement/(increment) of property, plant and equipment and intangible assets	1,528,272	440,988
Discounting of provisions	(734)	(484)
Net movements in assets and liabilities applicable to operating activities:		
(Increase)/ decrease in trade and other receivables	37,590	(24,539)
Increase/ (decrease) in trade and other payables and provisions	344,251	43,655
Increase/ (decrease) in contract liabilities	(35,794)	43,326
Net cash flows from/ (used in) operating activities	1,336,909	723,830

5.3 Credit standby arrangements and loan facilities

The credit standby arrangements and unused amounts available are:

	30.6.2023 Credit Facilities \$'000	30.6.2023 Unused \$'000	30.6.2022 Credit Facilities \$'000	30.6.2022 Unused \$'000
Transaction negotiation authority	251,000	251,000	251,000	251,000
Borrowing facility	2,503,000	30,328	2,506,000	25,877
Borrowing facility - liquidity	100,000	100,000	100,000	100,000
Total	2,854,000	381,328	2,857,000	376,877

Notes to the financial statements for the year ended 30 June 2023

Note 5 Cash and cash equivalents (continued)

5.4 Non-cash investing activities

In the current year, TAHE recognised a net equity decrease of \$2.4 million (2022: \$58.2 million increase) as a result of assets transferred to and from other entities. Refer Note 16.2.

5.5 Changes in liabilities arising from financing activities (from cash flows and non-cash flows)

	Tcorp borrowings	Service Concession Liabilities	Lease Liabilities	Other financial liabilities	Dividend payable	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2022	2,480,124	223,564	2,098	491,926	71,200	3,268,912
Cash flows	-	(29,149)	(594)	-	(71,200)	(100,943)
Additions	-	-	-	98,380	77,700	176,080
Premium/discount	(7,452)	-	-	-	-	(7,452)
Other movements	-	71,554	(4)	-	-	71,550
Balance at 30 June 2023	2,472,672	265,969	1,500	590,306	77,700	3,408,147
	Tcorp borrowings	Service Concession Liabilities	Lease Liabilities	Other financial liabilities	Dividend payable	Total borrowings
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2021	2,502,448	242,637	-	354,684	-	3,099,769
Cash flows	-	(12,714)	(72)	-	-	(12,786)
Additions	-	-	2,160	137,242	71,200	210,602
Premium/discount	(22,324)	-	-	-	-	(22,324)
Other movements	-	(6,359)	10	-	-	(6,349)
Balance at 30 June 2022	2,480,124	223,564	2,098	491,926	71,200	3,268,912

Notes to the financial statements for the year ended 30 June 2023

Note 6 Trade and other receivables

6.1 Trade and other receivables

	Note	30.6.2023 \$'000	30.6.2022 \$'000
Current trade and other receivables			
Trade receivables from contracts with customers		22,568	24,210
Goods and services tax		12,699	24,887
Other receivables		12,994	75,936
Finance lease - minimum payments	13.6	131	197
Less: allowance for expected credit losses*	6.2	(6,837)	(6,890)
Prepayments		17,313	8,352
Total current trade and other receivables		58,868	126,692
Non-current receivables			
Other receivables		29,258	29,612
Finance lease - minimum payments	13.6	24,892	25,023
Total non-current receivables		54,150	54,635
Total trade and other receivables		113,018	181,327

*The allowance for trade receivables from contracts with customers is \$0.3 million in the current year (2022: \$0.4 million).

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

Opening balance		(6,890)	(4,162)
Amounts written off		4,289	-
GST movement		(385)	(248)
Allowance recognised in statement of comprehensive income**		(3,851)	(2,480)
Closing balance		(6,837)	(6,890)

**The impairment losses/ gains for contracts with customers is a gain of \$0.04 million in the current year (2022: \$0.1 million loss).

Notes to the financial statements for the year ended 30 June 2023

Note 6 Trade and other receivables (continued)

6.2 Aging analysis

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

	Current \$'000	<30 Days \$'000	30-60 days \$'000	61-90 days \$'000	>91 days \$'000	Total \$'000
30 June 2023						
Expected average credit loss rate	10.29%	10.15%	59.79%	67.50%	99.67%	
Estimated total gross carrying amount of default	7,405	2,324	688	492	4,488	15,397
Expected credit loss	762	236	411	332	4,474	6,215
30 June 2022						
Expected average credit loss rate	10.24%	20.85%	56.60%	53.95%	98.43%	
Estimated total gross carrying amount of default	8,239	2,599	1,288	152	4,131	16,409
Expected credit loss	844	542	729	82	4,066	6,263

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

6.3 Nature and extent of risk arising from receivables

Information about TAHE's exposure to credit risk in relation to trade and other receivables is provided in Note 20. Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

Notes to the financial statements for the year ended 30 June 2023

Note 7 Property, plant and equipment

7.1 Total property, plant and equipment

	Land \$'000	Buildings \$'000	Rolling Stock \$'000	Plant and Machinery \$'000	Trackwork and Infrastructure \$'000	Capital works in progress \$'000	Total*
Property, plant & equipment held by TAHE and not subject to operating leases							
Year ended 30 June 2023							
Gross carrying amount	1,889,394	728,073	-	-	7,017,731	5,471,914	15,107,112
Accumulated depreciation	-	(201,028)	-	-	-	-	(201,028)
Net carrying amount	1,889,394	527,045	-	-	7,017,731	5,471,914	14,906,084
Year ended 30 June 2022							
Gross carrying amount	2,150,844	768,552	-	-	8,771,759	5,371,417	17,062,572
Accumulated depreciation	-	(178,490)	-	-	-	-	(178,490)
Net carrying amount	2,150,844	590,062	-	-	8,771,759	5,371,417	16,884,082
Property, plant & equipment under operating leases where TAHE is the lessor**							
Year ended 30 June 2023							
Gross carrying amount	1,031,832	4,593,273	1,315,588	87,640	421,572	-	7,449,905
Accumulated depreciation	-	-	-	-	-	-	-
Net carrying amount	1,031,832	4,593,273	1,315,588	87,640	421,572	-	7,449,905
Year ended 30 June 2022							
Gross carrying amount	1,092,367	3,753,020	1,456,874	101,741	496,635	-	6,900,637
Accumulated depreciation	-	-	-	-	-	-	-
Net carrying amount	1,092,367	3,753,020	1,456,874	101,741	496,635	-	6,900,637
Total property, plant & equipment							
Year ended 30 June 2023							
Gross carrying amount	2,921,226	5,321,346	1,315,588	87,640	7,439,303	5,471,914	22,557,017
Accumulated depreciation	-	(201,028)	-	-	-	-	(201,028)
Net carrying amount	2,921,226	5,120,318	1,315,588	87,640	7,439,303	5,471,914	22,355,989
Year ended 30 June 2022							
Gross carrying amount	3,243,211	4,521,572	1,456,874	101,741	9,268,394	5,371,417	23,963,209
Accumulated depreciation	-	(178,490)	-	-	-	-	(178,490)
Net carrying amount	3,243,211	4,343,082	1,456,874	101,741	9,268,394	5,371,417	23,784,719

*The net carrying amount of service concession assets included in property, plant and equipment at 30 June 2023 is \$172.0 million (2022: \$169.1 million) which relates to buildings. TAHE did not reclassify any existing assets to service concession assets during the current financial year (2022: nil).

**Refer to Note 13 (b) Licence agreement with Sydney Trains and NSW Trains.

Notes to the financial statements for the year ended 30 June 2023

Note 7 Property, plant and equipment (continued)

7.2 Reconciliation – total property, plant and equipment

A reconciliation of the carrying amount at the beginning and end of the period is set out below:

	Land \$'000	Buildings \$'000	Rolling Stock \$'000	Plant and Machinery \$'000	Trackwork and Infrastructure \$'000	Capital Work in Progress \$'000	Total \$'000
Year ended 30 June 2023							
Net carrying amount at the beginning of the year	3,243,211	4,343,082	1,456,874	101,741	9,268,394	5,371,417	23,784,719
Additions	107	-	-	468	-	2,076,135	2,076,710
Completed capital work	70,833	1,454,911	49,051	5,667	372,017	(1,952,479)	-
Assets held for sale	(623)	-	-	-	-	-	(623)
Disposals/ derecognition/ write-offs	(684)	(10,472)	(212)	(562)	(12,111)	(5,176)	(29,217)
Transfers to other entities	(3,952)	-	(38)	-	(14,826)	-	(18,816)
Transfers from other entities	594	3,565	-	-	7,626	-	11,785
Valuation - reserves	(282,710)	(163,839)	(2,281)	(1,239)	(805,609)	-	(1,255,678)
Valuation - P&L	(105,550)	(342,372)	(119,470)	(6,873)	(916,618)	(29,975)	(1,520,858)
Depreciation expense	-	(154,593)	(68,374)	(9,244)	(471,814)	-	(704,025)
Other movements	-	(9,964)	38	(2,318)	12,244	11,992	11,992
Net Carrying amount at the end of the year	2,921,226	5,120,318	1,315,588	87,640	7,439,303	5,471,914	22,355,989
Year ended 30 June 2022							
Net carrying amount at the beginning of the year	3,065,252	4,592,059	1,304,419	126,305	8,090,235	4,611,032	21,789,302
Additions	-	-	-	-	-	2,528,195	2,528,195
Completed capital work	-	596,297	531,771	11,435	588,820	(1,728,323)	-
Assets held for sale	1,253	-	-	-	-	-	1,253
Disposals/ derecognition/ write-offs	(639)	(8,554)	-	(43)	(11,969)	(6,907)	(28,112)
Transfers to other entities	(10)	-	-	-	-	-	(10)
Transfers from other entities	-	-	-	-	-	55,982	55,982
Valuation - reserves	255,697	(307,363)	(6,039)	(3,432)	566,343	-	505,206
Valuation - P&L	(85,211)	(368,172)	(283,833)	(20,197)	424,756	(88,562)	(421,219)
Depreciation expense	-	(151,635)	(89,444)	(12,327)	(392,472)	-	(645,878)
Other movements	6,869	(9,550)	-	-	2,681	-	-
Net carrying amount at the end of the year	3,243,211	4,343,082	1,456,874	101,741	9,268,394	5,371,417	23,784,719

Notes to the financial statements for the year ended 30 June 2023

Note 7 Property, plant and equipment (continued)

7.3 Reconciliation

A reconciliation of the carrying amount at the beginning and end of the period is set out below for property, plant and equipment held by TAHE and not subject to operating leases and under operating leases where TAHE is the lessor.

(a) Property, plant & equipment held by TAHE and not subject to operating leases

	Land \$'000	Buildings \$'000	Rolling Stock \$'000	Plant and Machinery \$'000	Trackwork and Infrastructure \$'000	Capital Work in Progress \$'000	Total \$'000
Year ended 30 June 2023							
Net carrying amount at the beginning of the year	2,150,844	590,062	-	-	8,771,759	5,371,417	16,884,082
Additions	107	-	-	-	-	2,076,135	2,076,242
Completed capital work	34,991	47,202	-	-	342,133	(1,952,479)	(1,528,153)
Asset held for sale	(623)	-	-	-	-	-	(623)
Disposals/ derecognition/ write-offs	(684)	1,413	-	-	(9,985)	(5,176)	(14,432)
Transfers to other entities	(3,805)	-	-	-	-	-	(3,805)
Transfers from other entities	594	-	-	-	7,626	-	8,220
Valuation - reserves	(263,508)	(34,097)	-	-	(778,336)	-	(1,075,941)
Valuation - P&L	(28,522)	(47,032)	-	-	(903,767)	(29,975)	(1,009,296)
Depreciation expense	-	(19,441)	-	-	(423,943)	-	(443,384)
Other movements	-	(11,062)	-	-	12,244	11,992	13,174
Net carrying amount at the end of the year	1,889,394	527,045	-	-	7,017,731	5,471,914	14,906,084
Year ended 30 June 2022							
Net carrying amount at the beginning of the year	2,924,474	4,423,230	1,304,419	126,305	8,090,235	4,611,032	21,479,695
Additions	-	-	-	-	-	2,528,195	2,528,195
Completed capital work	-	1,572	-	3,532	585,112	(1,728,323)	(1,138,107)
Asset held for sale	1,253	-	-	-	-	-	1,253
Disposals/derecognition/write-offs	(389)	4,954	-	-	(11,670)	(6,907)	(14,012)
Transfers to other entities	(10)	-	-	-	-	-	(10)
Transfers from other entities	-	-	-	-	-	55,982	55,982
Valuation - reserves	312,932	34,004	-	-	637,302	-	984,238
Valuation - P&L	74,901	37,193	-	(3,385)	452,611	(88,562)	472,758
Depreciation expense	-	(16,669)	-	(148)	(337,778)	-	(354,595)
Other movements	6,869	(8,321)	-	-	1,452	-	-
Reclassification to property, plant & equipment under operating leases	(1,169,186)	(3,885,901)	(1,304,419)	(126,304)	(645,505)	-	(7,131,315)
Net carrying amount at the end of the year	2,150,844	590,062	-	-	8,771,759	5,371,417	16,884,082

Notes to the financial statements for the year ended 30 June 2023

Note 7 Property, plant and equipment (continued)

7.3 Reconciliation

(b) Property, plant & equipment under operating leases where TAHE is the lessor

	Land \$'000	Buildings \$'000	Rolling Stock \$'000	Plant and Machinery \$'000	Trackwork and Infrastructure \$'000	Total \$'000
Year ended 30 June 2023						
Net carrying amount at the beginning of the year	1,092,367	3,753,020	1,456,874	101,741	496,635	6,900,637
Additions	-	-	-	468	-	468
Completed capital work	35,842	1,407,709	49,051	5,667	29,884	1,528,153
Disposals/ derecognition/ write-offs	-	(11,885)	(212)	(562)	(2,126)	(14,785)
Transfers to other entities	(147)	-	(38)	-	(14,826)	(15,011)
Transfers from other entities	-	3,565	-	-	-	3,565
Valuation - reserves	(19,202)	(129,742)	(2,281)	(1,239)	(27,273)	(179,737)
Valuation - P&L	(77,028)	(295,340)	(119,470)	(6,873)	(12,851)	(511,562)
Depreciation expense	-	(135,152)	(68,374)	(9,244)	(47,871)	(260,641)
Other movements	-	1,098	38	(2,318)	-	(1,182)
Net carrying amount at the end of the year	1,031,832	4,593,273	1,315,588	87,640	421,572	7,449,905
Year ended 30 June 2022						
Net carrying amount at the beginning of the year	140,778	168,829	-	-	-	309,607
Completed capital work	-	594,725	531,771	7,903	3,708	1,138,107
Asset held for sale	-	-	-	-	-	-
Disposals/derecognition/write-offs	(250)	(13,508)	-	(43)	(299)	(14,100)
Valuation - reserves	(57,235)	(341,367)	(6,039)	(3,432)	(70,959)	(479,032)
Valuation - P&L	(160,112)	(405,365)	(283,833)	(16,812)	(27,855)	(893,977)
Depreciation expense	-	(134,966)	(89,444)	(12,179)	(54,694)	(291,283)
Other movements	-	(1,229)	-	-	1,229	-
Reclassification from property, plant & equipment not subject to operating leases	1,169,186	3,885,901	1,304,419	126,304	645,505	7,131,315
Net carrying amount at the end of the year	1,092,367	3,753,020	1,456,874	101,741	496,635	6,900,637

Notes to the financial statements for the year ended 30 June 2023

Note 8 Intangible assets

8.1 Total intangible assets

	30.6.2023 \$'000	30.6.2022 \$'000
Gross carrying amount	80,114	99,362
Less accumulated amortisation and impairment	-	-
Net carrying amount of software/ licences	80,114	99,362
Work in progress	32,306	38,278
Total intangible assets	112,420	137,640

8.2 Movements during the year

	Intangible assets \$'000	Intangible assets work in progress \$'000	Total \$'000
Year ended 30 June 2023			
Net carrying amount at the beginning of the year	99,362	38,278	137,640
Additions	-	15,195	15,195
Completed capital work	8,554	(8,554)	-
Disposals/ derecognition/ write-offs	-	(621)	(621)
Amortisation expense	(20,388)	-	(20,388)
Impairment losses	(7,414)	-	(7,414)
Other movements	-	(11,992)	(11,992)
Net carrying amount at the end of the year	80,114	32,306	112,420
Year ended 30 June 2022			
Net carrying amount at the beginning of the year	139,661	20,551	160,212
Additions	-	19,384	19,384
Completed capital work	3,527	(3,527)	-
Disposals/ derecognition/ write-offs	-	(333)	(333)
Amortisation expense	(24,056)	-	(24,056)
Impairment losses	(19,770)	-	(19,770)
Transfers from other entities	-	2,203	2,203
Net carrying amount at the end of the year	99,362	38,278	137,640

Notes to the financial statements for the year ended 30 June 2023

Note 9 Trade and other payables

9.1 Trade and other payables

	30.6.2023 \$'000	30.6.2022 \$'000
Current trade and other payables		
Trade payables	81	213
Transport cluster payables	4,053	847
Capital expenditure accruals	252,911	359,104
Other payables and accruals	35,487	54,337
Deferred revenue	9,556	28,175
Total current trade and other payables	302,088	442,676

9.2 Fair value

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

Note 10 Borrowings

	Note	30.6.2023 \$'000	30.6.2022 \$'000
Current			
TCorp borrowings		327,846	322,195
Service concession financial liabilities*		30,103	20,782
Lease liabilities		802	674
Total - current		358,751	343,651
Non-current			
TCorp borrowings		2,144,826	2,157,929
Service concession financial liabilities*		235,866	202,782
Lease liabilities		698	1,424
Other financial liabilities**		590,306	491,926
Total - non-current		2,971,696	2,854,061
Total borrowings	5.5	3,330,447	3,197,712

*The service concession financial liabilities relate to TAHE's contractual obligations under the Airport Link contract.

** Other financial liabilities relate to TAHE's contractual obligations to Transport for NSW under a Public Private Partnership contract.

TAHE's TCorp borrowings are approved under the *Government Sector Finance Act 2018* and have an associated Government guarantee fee. The current borrowings are due to mature in the next 12 months and are expected to be refinanced on maturity. The liability is current as TAHE does not have an unconditional right to defer settlement for at least 12 months.

Notes to the financial statements for the year ended 30 June 2023

Note 11 Contract liabilities

	30.6.2023 \$'000	30.6.2022 \$'000
Contract liabilities-current	8,033	46,592
Contract liabilities-non current	2,765	-

The contract liability balance has decreased during the year due to revenue recognised related to income received in advance in the prior year.

The effect on the contract balances is outlined below:

	30.6.2023 \$'000	30.6.2022 \$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	41,791	1,037
Transaction price allocated to the remaining performance obligations from contracts with customers	10,798	46,592

The transaction price allocated to the remaining performance obligations of \$10.8 million is expected to be recognised as revenue in the next three years.

Note 12 Other liabilities

	30.6.2023 \$'000	30.6.2022 \$'000
Current		
Deferred government grants - capital	28,056	1,105
Deferred government grants - operating	43,534	29,368
Total - current	71,590	30,473
Non-current		
Deferred government grants - capital	401,104	29,361
Total - non-current	401,104	29,361
Total other liabilities	472,694	59,834

Notes to the financial statements for the year ended 30 June 2023

Note 13 Leases

(a) As Lessee

TAHE entered into a property lease agreement in the current year. The lease arrangement does not impose any covenants, but the leased asset may not be used as a security for borrowing purposes. TAHE does not provide residual value guarantees in relation to the lease.

Extension and termination options are included in the lease. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension option (or periods after termination option) is only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The impact of future cash flows not being included in the lease liability due to uncertainties with regards to lease extensions is \$2.7 million (2022: \$2.7 million). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options is nil (2022: nil).

There is no variable payment associated with the lease.

13.1 Right-of-use assets under leases

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

	30.6.2023 \$'000	30.6.2022 \$'000
Balance at 1 July	1,948	-
Additions	-	2,160
Depreciation expense	(665)	(212)
Other movements	(4)	-
Balance at 30 June	1,279	1,948

13.2 Lease liabilities

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

	30.6.2023 \$'000	30.6.2022 \$'000
Balance at 1 July	2,098	-
Additions	-	2,160
Interest expense	29	10
Payments	(623)	(72)
Other movements	(4)	-
Balance at 30 June	1,500	2,098

13.3 Lease expenses

The following amounts were recognised in the statement of comprehensive income in respect of the lease:

	2022-23 \$'000	2021-22 \$'000
Depreciation expense on right of use assets	665	212
Interest expense on lease liabilities	29	10
Total amount recognised in the statement of comprehensive income	694	222

TAHE had cash outflows of \$0.6 million relating to the lease in the current year (2022: \$0.1 million).

Notes to the financial statements for the year ended 30 June 2023

Note 13 Leases (continued)

(a) As Lessee (continued)

13.4 Leases at significantly below-market terms and conditions

TAHE is a lessee under a number peppercorn lease arrangements with various local councils. The leased premises are primarily for the use of commuter car parks. The lease contracts specify lease payments of \$1 per annum and the lease terms range from 10 years to 99 years. They are not material to TAHE's operations.

(b) As Lessor

Licence agreement with Sydney Trains and NSW Trains

TAHE has ten-year commercial agreements with Sydney Trains and NSW Trains commencing 1 July 2021. These agreements were subsequently varied in June 2022. The agreements set out the terms by which TAHE's assets are accessed and licensed. The licence fee agreement is assessed as an operating lease arrangement.

Property leases

TAHE's properties are leased to tenants under finance leases and operating leases with rentals payable monthly. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying properties. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate.

Although TAHE is exposed to changes in the residual value at the end of current leases, TAHE typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

13.5 Lessor for finance leases

Future minimum rentals receivable (undiscounted) under non-cancellable finance lease as at 30 June are, as follows:

	30.6.2023	30.6.2022
	\$'000	\$'000
Within one year	1,477	1,549
One to two years	1,477	1,477
Two to three years	1,477	1,477
Three to four years	1,477	1,477
Four to five years	1,475	1,477
Later than five years	67,708	69,183
Total (excluding GST)	75,091	76,640

13.6 Reconciliation of net investment in leases

	30.6.2023	30.6.2022
	\$'000	\$'000
Future discounted rentals receivable	75,091	76,640
Less: unearned finance income	(50,068)	(51,420)
Net investment in finance leases	25,023	25,220

There was no significant change to the carrying amount of net investment in finance leases from the prior year.

Notes to the financial statements for the year ended 30 June 2023

Note 14 Provisions

14.1 Provisions

	Note	30.6.2023 \$'000	30.6.2022 \$'000
Current provisions			
Employee leave provisions (see note (a) below)		627	736
Workers' compensation	14.3	3,681	3,500
Total employee benefits and related on-costs		4,308	4,236
Land and building remediation	14.5	9,822	15,017
State taxes	14.6	-	17,474
Other	14.7	-	3,139
Total other provisions		9,822	35,630
Total current provisions		14,130	39,866
Non-current provisions			
Employee leave provisions (see note (a) below)		126	77
Workers' compensation	14.3	15,896	19,755
Total employee benefits and related on-costs		16,022	19,832
Quarry restoration	14.4	2,217	2,092
Land and building remediation	14.5	13,766	5,631
Other	14.7	6,644	4,213
Total other provisions		22,627	11,936
Total non-current provisions		38,649	31,768
Total provisions			
Employee leave provisions (see note (a) below)		753	813
Workers' compensation	14.3	19,577	23,255
Total employee benefits and related on-costs		20,330	24,068
Quarry restoration	14.4	2,217	2,092
Land and building remediation	14.5	23,588	20,648
State taxes	14.6	-	17,474
Other	14.7	6,644	7,352
Total other provisions		32,449	47,566
Total provisions		52,779	71,634

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 TAHE does not have an unconditional right to defer settlement. Only conditional long service leave is shown as a non-current liability. The liability for long service leave was assessed by Mercer. The actuary assumed an interest rate of 5.58% (2022: 5.18%) and a salary growth rate ranging from 0% to 2.5% (2022: 3%) per annum.

Notes to the financial statements for the year ended 30 June 2023

Note 14 Provisions (continued)

14.2 Movements in provisions (other than employee benefit provisions)

	Carrying amount at start of year	Increase in provision	Discounting adjustment	Payments	Unused amount reversed	Carrying amount at end of year
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2023						
Quarry restoration	2,092	176	(51)	-	-	2,217
Land & buildings remediation	20,648	6,658	(479)	(3,239)	-	23,588
State taxes	17,474	8,938	-	(26,412)	-	-
Other	7,352	1,060	(204)	(780)	(784)	6,644
2022						
Quarry Restoration	3,128	143	(131)	-	(1,048)	2,092
Land & buildings remediation	10,368	13,519	(165)	(2,931)	(143)	20,648
State taxes	16,105	1,369	-	-	-	17,474
Other	11,037	939	(187)	(2,200)	(2,237)	7,352

14.3 Workers' compensation

The provision relates to claims incurred prior to 1 August 2014. The workers' compensation liability at year end was assessed by Marsh Pty Ltd assuming a discount rate ranging from 2.9 per cent to 3.6 per cent per annum over the next 15 years (2022: 0.3 per cent to 3.4 per cent per annum over the next 15 years) and a future claims inflation rate from 3.7 per cent to 4.8 per cent per annum over the next 15 years (2022: 2.7 per cent to 3.7 per cent per annum over the next 15 years).

The actuary has advised that no allowance was made for asbestos related claims (2022: nil). Liabilities for such claims prior to July 1996 were vested to the Crown. Post 1996 exposure to asbestos is low, highly uncertain and, therefore, cannot be quantified with any reliability.

Workers' compensation insurance is in place to cover any claim exceeding \$1.5m and the workers' compensation provision is maintained for smaller claims.

TAHE's current employees' workers' compensation insurance is covered through the NSW Treasury Managed Fund Scheme.

14.4 Quarry restoration

The quarry restoration provision recognises TAHE's legal obligation to restore the quarry site when operation ceases.

The liability at year end was based on a previous assessment by an independent expert who undertook site inspections to estimate the minimum cost of the necessary restoration work. The timing of the liability is inherently uncertain due to the time likely to elapse before the restoration is required.

Notes to the financial statements for the year ended 30 June 2023

Note 14 Provisions (continued)

14.5 Land and buildings remediation provision

This provision is comprised of \$2.6 million (2022: \$2.9 million) for remediation of asbestos/ other hazardous materials and \$21.0 million (2022: \$17.7 million) for remediation of contaminated land. The liability is uncertain as it is based on forecasted cash flows and the timing of the actual works. Also refer to Note 18.

14.6 State taxes

The state tax provision recognises TAHE's estimated obligation in relation to the payment of land tax to Revenue NSW.

14.7 Other

The provision recognises TAHE's obligation to train operators and freight customers as a result of an IPART determination.

Note 15 Dividend Payable

	30.6.2023 \$'000	30.6.2022 \$'000
Balance at 1 July	71,200	-
Additional amounts recognised	77,700	71,200
Amounts paid	(71,200)	-
Balance at 30 June	77,700	71,200

Note 16 Contributed equity and share capital

16.1 Contributed equity

	Note	30.6.2023 \$'000	30.6.2022 \$'000
Contributed equity at start of year		26,766,837	24,405,370
Net assets/ (liabilities) contributed by Government	16.2	1,593,386	2,361,467
Contributed equity at end of year		28,360,223	26,766,837

Notes to the financial statements for the year ended 30 June 2023

Note 16 Contributed equity and share capital (continued)

16.2 Contributed equity movements

The transfer of assets or (liabilities) from (or to) another NSW public sector entity are considered to be a contribution by the owner and are outlined below:

	2022-23 \$'000	2021-22 \$'000
NSW Treasury capital injection	1,595,803	2,303,293
Transfers between Transport entities	(2,417)	58,174
Total	1,593,386	2,361,467

	30.6.2023 \$'000	30.6.2022 \$'000
Assets transferred from/ (to) other entities		
Cash assets	1,595,803	2,303,293
Property, plant and equipment (net)	(2,417)	58,174
Total assets	1,593,386	2,361,467
Total liabilities	-	-
Total net assets/ (liabilities) transferred	1,593,386	2,361,467
Net assets/ (liabilities) contributed by Government	1,593,386	2,361,467

16.3 Share capital

TAHE has share capital of two dollars. The Treasurer and Minister for Finance are the voting shareholders, each holding one share valued at one dollar. The shares entitle the NSW Government to a dividend from TAHE.

Any changes to TAHE's share capital can only be undertaken in accordance with TAHE's constitution and with the agreement of its Shareholding Ministers.

Notes to the financial statements for the year ended 30 June 2023

Note 17 Commitments

TAHE's capital construction are performed on their behalf by other Transport agencies. The Transport Investment Plan provides the capital expenditure TAHE is committed to fund in the future years. The various agreements with TfNSW cluster agencies outline the project delivery and governance arrangements with TAHE for capital project delivery.

The capital expenditure over the ten year period are as follows:

	30.6.2023	30.6.2022
	\$'000	\$'000
Within one year	2,815,612	3,055,924
Later than one year and not later than five years	5,510,418	5,720,155
Later than five years	3,464,247	3,411,963
Total (including GST)	11,790,277	12,188,042

The balances include any associated Goods and Services Tax. Related input tax credits of \$1,072 million (2022: \$1,108 million) are expected to be recoverable from the Australian Taxation Office.

Note 18 Contingent liabilities and contingent assets

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

The contingent liabilities are present obligations arising from past events which are not recognised because it is not probable that resources will be required to settle the obligation or the amount of the obligation cannot be reliably measured.

Contractual and other claims against TAHE 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.

TAHE by virtue of its operations has a range of possible contamination in land and buildings. TAHE is engaged in an ongoing process of identifying necessary remediation of land and buildings the final amount of which is contingent on further investigation and cannot be accurately calculated at the date of preparation of these financial statements. Land and buildings remediation, where there is a legal or constructive obligation to undertake remediation and the cost of which can be reliably estimated has been provided for. Refer Note 14.5.

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

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

There are no material contingent assets and liabilities as at 30 June 2023 and 30 June 2022 that are able to be quantified.

Notes to the financial statements for the year ended 30 June 2023

Note 19 Fair value measurements of non-financial assets

19.1 Fair value measurements of non-financial assets

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

- Land
- Buildings
- Rolling stock
- Plant and machinery
- Trackwork and infrastructure
- Intangible assets

TAHE has also measured assets of \$0.8 million (2022: 0.1 million) at fair value on a non-recurring basis as a result of classifying the assets as held for sale.

Fair value measurements recognised in the statement of financial position are categorised into the following levels at 30 June.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
2023				
Land	-	-	2,921,226	2,921,226
Buildings	-	-	5,120,318	5,120,318
Rolling stock	-	-	1,315,588	1,315,588
Plant and machinery	-	-	87,640	87,640
Trackwork and infrastructure	-	-	7,439,303	7,439,303
Intangible assets	-	-	80,114	80,114
Total recurring fair value measurements	-	-	16,964,189	16,964,189
2022				
Land	-	-	3,243,211	3,243,211
Buildings	-	-	4,343,082	4,343,082
Rolling stock	-	-	1,456,874	1,456,874
Plant and machinery	-	-	101,741	101,741
Trackwork and infrastructure	-	-	9,268,394	9,268,394
Intangible assets	-	-	99,362	99,362
Total recurring fair value measurements	-	-	18,512,664	18,512,664

From 30 June 2021, TAHE valued most of its assets using the income approach given its status as a for-profit entity.

Income approach

A discounted cash flow (DCF) model is used to determine the total fair value of CGUs being metropolitan regulated assets, metropolitan and regional unregulated assets and the CRN. Fair value is calculated based on discounting the future cash flows for these CGUs. Due to the uncertainty of TAHE's future operating model this has resulted in a decrement of \$1.5 billion to the statement of comprehensive income and \$1.3 billion to the asset revaluation reserve as a result of the impact of valuation sensitivities (detailed below).

- **Discount rate** The WACC post tax real discount rate of 3.90 per cent (2022: 3.30 per cent) and 4.65 per cent (2022: 4.10 per cent) is applied for regulated and unregulated cash flows respectively. An additional 0.90 per cent for regulated assets (2022: 0.20 per cent) and 0.90 per cent for unregulated assets (2022: 0.20 per cent) are added to each of these WACCs for the purpose of determining the Terminal Value. This considers additional risks in the post contracted period. The relationship between the asset value and the discount rate is inverse. That is, a reduction in discount rate causes an increase in asset value.

Notes to the financial statements for the year ended 30 June 2023

Note 19 Fair value measurements of non-financial assets (continued)

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

Income approach (continued)

- **CPI rate for future years** CPI rates in the table below have been applied. The rates were sourced from RBA out to 2022-23 with a straight-line reduction to 2.50 per cent by 2027-28.

2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
4.20%	3.78%	3.35%	2.93%	2.50%	2.50%	2.50%	2.50%

- **Period of discounting** The discounting incorporates cash flows over the remaining eight years in the existing commercial arrangements, plus an additional forecast period out to 2051. An estimate of 'Terminal Value' using the Gordon's Growth Model is applied after 2051.
- **Asset Specific Risk Premium** In the current year, ASRP has been included in the pre-Terminal Value period. This is due to concerns at 30 June that TAHE may not be able to pass on pricing increases to operators in the near term, the reduction in the remaining contracted period (due to the passing of time), the risk of changes to TAHE's funding structure within the contracted period and whether TAHE will be able to generate commercial returns into the future. Beyond the current contracted period, there is incremental risk of uncertainty of cash flows so an additional ASRP has been included in the Terminal Value beyond 2051. The inclusion of the ASRP in the cost of equity has caused an increase to the WACCs applied to the Terminal Value of 0.90 per cent for regulated assets (2022: 0.20 per cent) and 0.90 per cent for unregulated assets (2022: 0.20 per cent). These factors have been applied in the Terminal Value from 2051.
- **Revenue cash inflows** Estimates of future revenue earnings were drawn from TAHE's forecasts, including those in the commercial agreements with the operators. The asset value would be higher if future revenues forecasts were higher than those included in the model. Cash from ALC and land sales are excluded from this analysis.
- **Operating expenditure cash outflows** Operating expenditures were drawn from the forecasts and, excluded non-cash items such as depreciation. The asset value would be higher if operating expenditure forecasts were lower than those included in the model. The costs of the Commercial and Property team activities are excluded from this analysis.

Land held for alternative use is valued under the market approach and the service concession assets are valued under the current replacement cost approach.

19.2 Valuation techniques used to derive level 3 fair values

Recurring fair value measurements

The valuation technique adopted from 30 June 2021 is the income approach in view of the for-profit nature of TAHE, with the exception of service concession assets which are valued at current replacement cost and land subject to alternative use which is valued under market approach.

All of the resulting fair value estimates are included in level 3 of the fair value hierarchy.

Notes to the financial statements for the year ended 30 June 2023

Note 19 Fair value measurements of non-financial assets (continued)

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

The following table is a reconciliation of level 3 items:

	Land \$'000	Buildings \$'000	Rolling Stock \$'000	Plant and Machinery \$'000	Trackwork and Infrastructure \$'000	Intangible Assets \$'000	Total \$'000
Fair value at 1 July 2022	3,243,211	4,343,082	1,456,874	101,741	9,268,394	99,362	18,512,664
Assets held for sale	(623)	-	-	-	-	-	(623)
Additions/ transfers in	71,534	1,458,476	49,089	6,135	391,887	8,554	1,985,675
Disposals/ transfers out	(4,636)	(20,436)	(250)	(2,880)	(26,937)	-	(55,139)
Gains/ (losses) recognised in the statement of comprehensive income	(105,550)	(496,965)	(187,844)	(16,117)	(1,388,432)	(27,802)	(2,222,710)
Depreciation, amortisation and impairment	-	(154,593)	(68,374)	(9,244)	(471,814)	(20,388)	(724,413)
Asset revaluation	(105,550)	(342,372)	(119,470)	(6,873)	(916,618)	(7,414)	(1,498,297)
Gains/ (losses) recognised in other comprehensive income*	(282,710)	(163,839)	(2,281)	(1,239)	(805,609)	-	(1,255,678)
Fair value at 30 June 2023	2,921,226	5,120,318	1,315,588	87,640	7,439,303	80,114	16,964,189
Fair value at 1 July 2021	3,065,252	4,592,059	1,304,419	126,305	8,090,235	139,661	17,317,931
Assets held for Sale	1,253	-	-	-	-	-	1,253
Additions/ transfers in	6,869	596,297	531,771	11,435	591,501	3,527	1,741,400
Disposals/ transfers out	(649)	(18,104)	-	(43)	(11,969)	-	(30,765)
Gains/ (losses) recognised in the statement of comprehensive income	(85,211)	(519,807)	(373,277)	(32,524)	32,284	(43,826)	(1,022,361)
Depreciation, amortisation and impairment	-	(151,635)	(89,444)	(12,327)	(392,472)	(24,056)	(669,934)
Asset revaluation	(85,211)	(368,172)	(283,833)	(20,197)	424,756	(19,770)	(352,427)
Gains/ (losses) recognised in other comprehensive income*	255,697	(307,363)	(6,039)	(3,432)	566,343	-	505,206
Fair value at 30 June 2022	3,243,211	4,343,082	1,456,874	101,741	9,268,394	99,362	18,512,664

* Gains/ losses recognised in other comprehensive income relates to the asset revaluation reserve.

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

Notes to the financial statements for the year ended 30 June 2023

Note 19 Fair value measurements of non-financial assets (continued)

19.3 Fair value measurements using significant unobservable inputs (level 3) (continued)

Valuation inputs and relation to fair value

Under the income approach, unobservable inputs are the assumptions used in the income valuation across all TAHE asset categories.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurement under the income approach and includes a sensitivity analysis:

Unobservable input	Rate applied	If higher	If lower
Discount rate +/- 30 basis points			
Real post-tax rate regulated	3.90%	4.20%	3.60%
Calculated fair value of the assets (\$'000)	8,941,410	8,434,447	9,514,227
Resulting change (\$'000)		(506,962)	572,818
Real post-tax rate Unregulated	4.65%	4.95%	4.35%
Calculated fair value of the assets (\$'000)	7,541,691	7,168,428	7,956,425
Resulting change (\$'000)		(373,263)	414,734
Revenue +/- 5%			
Revenue forecast	100%	105%	95%
Calculated fair value of the assets (\$'000)	16,483,101	17,052,203	15,913,992
Resulting change (\$'000)		569,102	(569,109)
Return on asset +/- 100 basis points			
Calculated fair value of the assets (\$'000)	16,483,101	17,374,753	15,591,448
Resulting change (\$'000)		891,653	(891,653)

Land held for alternative use is valued under the market approach and has unobservable discount rates applied to land values. The last revaluation was performed by Colliers International and Preston Rowe Paterson in November 2020. Management performed an interim fair value assessment as at June 2023.

Service concession assets are valued under the current replacement cost approach and have unobservable inputs such as indirect costs. The last revaluation was performed by Marsh in October 2019. Management performed an interim fair value assessment as at June 2023.

Notes to the financial statements for the year ended 30 June 2023

Note 20 Financial instruments

20.1 Financial instruments

TAHE holds the following financial instruments:

		30.6.2023	30.6.2022
Category		\$'000	\$'000
Financial assets			
Cash and cash equivalents	Amortised cost	1,519,361	736,366
Trade and other receivables*	Amortised cost	86,719	146,143
Total financial assets		1,606,080	882,509
Financial liabilities			
Trade and other payables**	Financial liabilities measured at amortised cost	268,543	380,740
Borrowings	Financial liabilities measured at amortised cost	3,330,447	3,197,712
Total financial liabilities		3,598,990	3,578,452

* 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.

20.2 Financial risks

The operational activities of TAHE 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. TAHE's Treasury Management Policy establishes a prudential framework covering policies, best practice internal controls and reporting systems for the management of financial risks within TAHE's operation. The policy covers specific areas such as interest rate risk, credit risk, and investment of excess funds. The Treasury Management Policy is reviewed annually.

The primary objective of the Treasury Management policy is to achieve management of all financial risks in strict compliance with internal policies and guidelines within the broad framework of the NSW Treasury Management Policy (TPP 21-14 *NSW Government Financial Risk Management Policy* and TPP 07-7 *Commercial Policy Framework: Treasury Management Policy*). Accounting for Financial Instruments is in accordance with the NSW Treasury accounting policy (TPP 21-10 *Accounting for Financial Instruments*).

TAHE identifies and evaluates financial risk. Treasury instruments approved for the management of financial risk are still in accordance with the *Government Sector Finance Act 2018*.

20.3 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 TAHE's interest rate.

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

Notes to the financial statements for the year ended 30 June 2023

Note 20 Financial instruments (continued)

20.3 Market risk (continued)

20.3.1 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. TAHE's main interest rate risk relates primarily to borrowings with TCorp.

Borrowings

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

TAHE will review its borrowing portfolio on a 10 year time horizon. The maturity of long term borrowings should be spread evenly throughout the curve. Each financial year the limits roll forward. The Weighted Average Life (duration) will be used to measure the borrowing portfolio. The borrowing portfolio is managed through a restructuring facility offered by TCorp. Borrowings issued at variable rates expose TAHE to cash flow risk.

	Interest Rate		Principle Amount	
	2023 %	2022 %	2023 \$'000	2022 \$'000
Financial assets				
Not later than 1 year				
Cash at bank	4.10	0.85	1,519,361	736,366
Total financial assets			1,519,361	736,366
Financial liabilities				
Not later than 1 year				
Borrowings	1.29	2.57	358,751	343,651
Between 1 and 5 years				
Borrowings	2.84	2.21	1,090,442	1,469,126
Later than 5 years				
Borrowings	2.64	2.41	1,881,254	1,384,935
Total financial liabilities			3,330,447	3,197,712
Net exposure			(1,811,086)	(2,461,346)

*Interest rate risk is not applicable to the Airport Link contract, lease liabilities or the Regional Rail contract.

Notes to the financial statements for the year ended 30 June 2023

Note 20 Financial instruments (continued)

20.3 Market risk (continued)

20.3.1 Interest rate risk (continued)

Interest rate sensitivity analysis

Exposure to interest rate risk arises primarily through TAHE's interest bearing liabilities. A change of +/- 1 per cent is used to measure TAHE's financial sensitivity to interest rate movements. TAHE's exposure to interest rate risk is set out below:

	Carrying amount \$'000	Profit/ loss \$'000		Equity \$'000	
		-1%	+1%	-1%	+1%
2023					
Cash at bank	1,519,361	(15,194)	15,194	(15,194)	15,194
Borrowings	2,472,672	24,727	(24,727)	24,727	(24,727)
2022					
Cash at bank	736,366	(7,364)	7,364	(7,364)	7,364
Borrowings	2,480,124	24,801	(24,801)	24,801	(24,801)

20.4 Credit risk

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

Credit risk can arise from financial assets of TAHE, including cash and cash equivalents, deposits with banks as well as credit exposure to customers, including outstanding receivables and committed transactions. TAHE holds bank guarantees for significant customers as well as property bonds for some leased premises. TAHE has not granted any financial guarantees. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment or allowance for expected credit losses).

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

Credit risk associated with TAHE's financial assets, other than receivables, is managed through the sound selection of counterparties and establishment of minimum credit rating standards. The *Government Sector Finance Act 2018* requires TAHE to transact all debt management and investment activities with TCorp, which has an AAA credit rating due to their financial arrangements and obligations being guaranteed by the NSW Government.

TAHE held \$1,519.4 million cash at bank with Westpac Banking Corporation at 30 June 2023 (2022: \$736.4 million).

Notes to the financial statements for the year ended 30 June 2023

Note 20 Financial instruments (continued)

20.4 Credit risk (continued)

Trade receivables and contract assets

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

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

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

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

Cash and cash equivalents

TAHE held funds on deposit with Westpac Banking Corporation at 30 June 2023. The deposits at balance date were earning an interest rate of 4.10 per cent (2022:0.85 per cent) while over the year the weighted average interest rate was 2.94 per cent (2022:0.17 per cent) on an average balance during the year of \$1,139.7 million (2022: \$687.2 million).

20.5 Liquidity risk

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

Credit standby arrangements are shown at Note 5.3.

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

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

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

Notes to the financial statements for the year ended 30 June 2023

Note 20 Financial instruments (continued)

20.5 Liquidity risk (continued)

	Carrying Amount \$'000	Contract Cash Flow \$'000	Less than 1 Year \$'000	Between 1 and 5 Years \$'000	Over 5 Years \$'000
30 June 2023					
Trade and other payables	268,543	268,543	268,543	-	-
Borrowings	3,330,447	4,665,160	428,011	1,453,387	2,783,762
Total financial liabilities	3,598,990	4,933,703	696,554	1,453,387	2,783,762
30 June 2022					
Trade and other payables	380,740	380,740	380,740	-	-
Borrowings	3,197,712	4,597,131	419,017	1,867,462	2,310,652
Total financial liabilities	3,578,452	4,977,871	799,757	1,867,462	2,310,652

20.6 Fair value compared to carrying amount

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

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

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

The fair values of most of the contractual financial assets and liabilities are the same as the carrying amounts with the exception of borrowings shown in the table below.

Financial liabilities recognised at fair value after initial recognition include borrowings in the current year. The fair value of borrowings is estimated by discounting the future contractual cash flows at the current market interest rates that are available to TAHE for similar financial instruments. As at 30 June 2023, the market rates were determined to be between 4.21 per cent to 4.76 per cent (2022: 1.24 per cent to 4.5 per cent). The financial liabilities are recognised on a recurring basis in the statement of financial position.

There were no transfers between levels 1 and 2, and levels 2 and 3 during the year. The fair value of financial assets and liabilities recognised in the statement of financial position is as follows:

	Fair value \$'000	Carrying value \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Fair value at 30 June 2023					
Financial liabilities					
Borrowings	2,725,793	3,062,978	-	2,725,793	-
Total financial liabilities	2,725,793	3,062,978	-	2,725,793	-
Fair value at 30 June 2022					
Financial liabilities					
Borrowings	2,702,545	2,972,050	-	2,702,545	-
Total financial liabilities	2,702,545	2,972,050	-	2,702,545	-

Notes to the financial statements for the year ended 30 June 2023

Note 21 Related parties

21.1 Key management personnel compensation

The key management personnel (KMP) for TAHE comprises of all members of the Board of Directors, the Chief Executive, TAHE's two Shareholding Ministers and the Portfolio Minister.

Compensation is shown below for TAHE KMPs that are directly compensated. The NSW Legislature pays compensation to Ministers, TfNSW for the Transport Secretary, and this is not reimbursable by TAHE.

	30.06.2023	30.06.2022
	\$'000	\$'000
Short-term employee benefits	3,652	2,765
Post-employment and other benefits	496	176
Total	4,148	2,941

21.2 Transactions & outstanding balances with key management personnel

- the Transport Secretary, a voting member of the TAHE Board of Directors provided services to TAHE at no charge.
- the Board members have no private interest or relationships that have the potential to influence, or could be perceived to influence their decisions.
- a Board member continues to receive post-employment benefits from a professional services firm. The firm were engaged during the year to provide professional services of \$0.4 million to TAHE in the current financial year. The services provided were at arms-length and in the ordinary course of business. The Board member does not participate in the award of any associated procurement contracts.

21.3 Transactions with government related entities during the year

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

The following transactions are significant either individually or in aggregate:

Nature of Transaction	Agency	Value \$'000	Note Reference
2022-23			
Access and licence rights to the rail network and assets*	Sydney Trains	602,208	3.1, 3.2
	NSW Trains	270,820	3.1, 3.2
Construction cost to TfNSW	TfNSW	1,501,346	7.2
Transfer (in) of land at fair value of \$3.0 million and transfer (out) of land at fair value of \$0.6 million	TfNSW	No charge	16.2
Transfer (in) of infrastructure assets at fair value of \$11.2 million	Metro	No charge	7.2
Capital grants*	TfNSW	393,268	3.3
	NSW Treasury	27,148	3.3
Operating grants*	TfNSW	95,110	3.3
Capital injection	NSW Treasury	1,595,803	16.2
Approved borrowings for capital projects	TCorp	2,472,672	10.1
Sydney Trains rebate	Sydney Trains	45,687	4.1
Letter of shareholder support to TAHE	NSW Treasury	No charge	2.1.1
Dividends	NSW Treasury	77,700	2.22

* The access fees, licence fees and grants are based on cash payments.

Notes to the financial statements for the year ended 30 June 2023

Note 21 Related parties (continued)

21.3 Transactions with government related entities during the year (continued)

Nature of Transaction	Agency	Value \$'000	Note Reference
2021-22			
Access and licence rights to the rail network and assets*	Sydney Trains	437,700	3.1, 3.2
	NSW Trains	242,200	3.1, 3.2
Construction cost to TfNSW	TfNSW	1,764,479	7.2
Transfer (in) of work in progress at fair value of \$47.4 million	TfNSW	No charge	16.2
Transfer (in) of work in progress at fair value of \$8.6 million	NSW Trains	No charge	16.2
Transfer (in) of work in progress at fair value of \$2.2 million	Sydney Trains	No charge	16.2
Capital grants*	TfNSW	16,477	3.3
Operating grants*	TfNSW	116,096	3.3
Capital injection	NSW Treasury	2,303,293	16.2
Approved borrowings for capital projects	TCorp	2,480,124	10.1
Letter of shareholder support to TAHE	NSW Treasury	No charge	2.1.1
Dividends	NSW Treasury	71,200	2.22

* The access fees, licence fees and grants are based on cash payments.

21.4 Transactions and outstanding balances with other related parties

During 2022-23, TAHE did not engage in any transactions/ have outstanding balances with other related parties (2022: nil).

Other related parties may include close family members of key management personnel, private entities controlled or jointly controlled by close family members and private entities controlled or jointly controlled by key management personnel.

Note 22 Events occurring after reporting date

In August 2023, Government made several key decisions regarding the future of TAHE. The decision is to transition TAHE from operating as a for-profit statutory State Owned Corporation (SOC) to operating as a non-commercial Public Non-Financial Corporation (PNFC) effective from 1 July 2024. The decision does not impact the for-profit SOC standing of TAHE in 2022-23.

This decision will result in changes to contributions from equity injections to grants and the basis on which access and licence fees are charged to the public rail operators. There is no longer an expectation to provide returns to Government in the form of income tax equivalents and dividends for the financial year ending 30 June 2024.

The decisions of Government had an unfavourable impact on the income-based valuation of TAHE's assets at 30 June 2023 due to the increased uncertainty of the future operating model and valuation sensitivities (Note 19.1). The transition to a non-commercial PNFC may impact the future valuation methodology used by TAHE when preparing the financial statements. The decision is currently being assessed and the financial impact cannot be quantified at this stage.

In addition, the Strategic Infrastructure Review made decisions to cancel certain capital projects delivered by Transport for NSW on behalf of TAHE with a fair value of \$72.7 million in work in progress within property, plant and equipment as at 30 June 2023. Other projects will be reviewed to determine if costs are required to be impaired.

(End of audited financial statements)



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This annual report was produced
wholly by TAHE.


This annual report can be accessed on
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