Notes to the Financial Statements
For the year ended 30 June 2005

1 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been adopted in the preparation of the financial statements. Unless otherwise stated these policies are consistent with those adopted in the previous year.

GENERAL STATEMENT

The financial statements constitute a general purpose financial report which has been prepared in accordance with Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group (UIG) Consensus Views as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording. The Financial Administration and Audit Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and UIG Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector, together with the need for greater disclosure and also to satisfy accountability requirements.

If any such modification has a material or significant financial effect upon the reported results, details of that modification and where practicable, the resulting financial effect, are disclosed in individual notes to these financial statements.

BASIS OF ACCOUNTING

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except for certain assets and liabilities which, as noted, are measured at fair value.

a) Service appropriation

Service appropriations are recognised as revenues in the period in which the Public Transport Authority of Western Australia (PTA) gains control of the appropriated funds. PTA gains control of appropriated funds at the time those funds are deposited into PTA's bank account or credited to the holding account held at the Department of Treasury and Finance.

b) Contributed equity

Under UIG 38 "Contributions by Owners Made to Wholly-Owned Public Sector Entities" transfers in the nature of equity contributions must be designated by the Government (owners) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions in the financial statements. Capital contributions (appropriations) and the non-discretionary transfer of net assets from other government agents have been designated as contributions by owners and have been credited directly to Contributed Equity in the Statement of Financial Position.

c) Grants and other contributions revenue

Grants, donations, gifts and other non-reciprocal contributions are recognised as revenue when PTA obtains control over the assets comprising the contributions. Control is normally obtained upon their receipt.

Contributions are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

d) Revenue recognition

Revenue from the provision of services, goods and disposal of other assets, is recognised when PTA has provided the services, goods or other assets to the customer, except for the following:

i) Cash fares collected by contractors delivering bus services to PTA are accounted for at the time the contract for services invoice is approved for payment.

ii) Fares for Multi Riders sales are accounted on a regular basis (at least weekly) when cash is received from sales agents. Unused Multi Rider travel entitlements are not recognized in the financial statements.

e) Acquisitions of assets

The cost method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Assets acquired at no cost or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Assets costing less than $5,000 are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

f) Depreciation of non-current assets

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner which reflects the consumption of their future economic benefits.

Depreciation is calculated on the straight line basis, using rates which are reviewed annually. Expected useful lives for each class of depreciable asset are:

Class of asset	Useful Life
Buildings	30 to 50 years
Rollingstock	30 years
Infrastructure	15 to 75 years
Plant and equipment	10 to 15 years
Buses	7 to 18 years
Motor vehicles	5 to 10 years
Vessels	10 years
Office equipment	3 to 5 years
Software	3 years

Assets under construction are not depreciated until commissioned.

g) Revaluation of non-current assets

Infrastructure, property, plant, equipment and vehicles are valued at fair value, being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction.

Fair value was determined for all assets as at 1 July 2003, based on valuation methods to suit specific asset types. Additions since 1 July 2003 have been added to the fair value based on actual cost.

Land controlled by PTA including metropolitan and regional corridor land, not subject to commercial lease was valued by the Valuer General's Office.

Land and buildings which are commercially leased were independently valued based on the capitalised value of current leases.

Rollingstock, permanent way, plant, equipment and vehicles were valued by PTA's engineering and management professionals based on the written down value of the current cost to replace the asset with a modern equivalent asset capable of delivering the same service potential. The written down value was determined by calculating the unexpired component of each asset's total useful life.

The Freight Network Infrastructure, subject to a 49 year prepaid lease was valued by an independent expert based on the net present value of the unearned lease income.

Significant changes in the fair value of public transport assets do not occur over a short time frame. Fair value will be reviewed every three years, the next review being for the year ending 30 June 2006, or annually if there are circumstances that indicate that there has been a material increase or decrease in fair value that should be brought to account.

There have been no circumstances to indicate material increases or decreases in the fair value in the current financial year.

h) Leases

PTA's rights and obligations under finance leases, which are leases that effectively transfer to PTA substantially the entire risks and benefits incident to ownership of the leased items, are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed as plant, equipment and vehicles under lease, and are depreciated to the Statement of Financial Performance over the period during which PTA is expected to benefit from use of the leased assets. Minimum lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease.

Finance lease liabilities are allocated between current and non-current components. The principal component of lease payments due on or before the end of the succeeding year is disclosed as a current liability, and the remainder of the lease liability is disclosed as a non-current liability.

PTA has entered into a number of operating lease arrangements where the lessor effectively retains the entire risks and benefits incident to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Statement of Financial Performance over the lease term as this is representative of the pattern of benefits to be derived from the leased assets.

i) Prepaid lease revenue

The sale of the Westrail Freight Business on 17 December 2000 included an operating lease of the freight network infrastructure for 49 years between The Western Australian Government Railways Commission (WAGR) – now Public Transport Authority (PTA) and Westnet Rail Pty Ltd. The lease rentals were fully prepaid on 17 December 2000, and credited to deferred operating lease revenue. The annual rental from this lease is recognised as revenue, together with an associated interest expense, in accordance with net present value principles.

j) Cash

For the purpose of the Statement of Cash Flows, cash includes cash assets and restricted cash assets net of outstanding bank overdrafts.

k) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are assigned by the method most appropriate to each particular class of inventory, with the majority being valued on a weighted average cost basis.

l) Receivables

Receivables are recognised at the amounts receivable as they are due for settlement generally no more than 30 days from the date of recognition.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubts as to collection exists.

m) Interest revenue

Interest revenues are recognised as they are accrued.

n) Intangible assets and expenditure carried forward

i) Computer software

Significant costs associated with the acquisition or development of computer software are capitalised and amortised on a straight line basis over the periods of the expected benefit, which varies from 3 to 5 years.

ii) Web site costs

Costs in relation to web sites controlled by PTA are charged as expenses in the period in which they are incurred.

o) Payables

Payables, including accruals not yet billed, are recognised when PTA becomes obliged to make future payments as a result of a purchase of assets or services. Payables are generally settled within 30 days.

p) Interest bearing liabilities

Loans are recorded at an amount equal to the net proceeds received.

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are material and apply to qualifying assets. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use. A substantial period of time is longer than twelve months. No borrowing costs have been capitalised during the period.

q) Employee benefits

Annual leave

This benefit is recognised at the reporting date in respect to employees' services up to that date and is measured at the nominal amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provisions for employee benefits, and is measured at the nominal amounts expected to be paid when the liability is settled. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provisions for employee benefits and is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Consideration is given, when assessing expected future payments, to expected future wage and salary levels including relevant on-costs, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Superannuation

Staff may contribute to the Pension Scheme, a defined benefits pension scheme now closed to new members, or to the Gold State Superannuation Scheme, a defined benefit lump sum scheme now also closed to new members. All staff who do not contribute to either of these schemes become non-contributory members of the West State Superannuation Scheme. PTA contributes to this accumulated fund in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. All of these schemes are administered by the Government Employees Superannuation Board (GESB).

The liability for superannuation charges incurred under the Pension Scheme, together with the pre-transfer service liability for employees who transferred to the Gold State Superannuation Scheme has been assumed by the Treasurer.

The PTA is funded for employer contributions in respect of the Gold State Superannuation Scheme and the West State Superannuation Scheme. These contributions were paid to the GESB during the year. The GESB subsequently paid the employer contributions in respect of the Gold State Superannuation Scheme to the Consolidated Fund.

The liabilities for superannuation charges under the Gold State Superannuation Scheme and West State Superannuation Scheme are extinguished by payment of employer contributions to the GESB.

Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities and expenses (see notes 2 and 24).

r) Restoration costs

Restoration provisions arise where PTA has a present legal, equitable, or constructive obligation to undertake restoration works in respect of any property controlled by the Authority.

A provision is recognised where a future sacrifice of economic benefits is probable and can be estimated reliably. The amount recognised is the present value of the estimated future cash outflows required to complete the work.

s) Accrued salaries

Accrued salaries (refer to note 22) represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. PTA considers the carrying amount approximates net fair value.

t) Resources received free of charge or for nominal value

Resources received free of charge or for nominal value which can be reliably measured are recognised as revenues and as assets or expenses as appropriate at fair value.

u) Foreign currency translation and hedges

Transactions denominated in a foreign currency are translated at the rates in existence at the dates of the transactions. Foreign currency receivables and payables at reporting date are translated at exchange rates current at reporting date. Exchange gains and losses are brought to account in determining the result for the year.

Forward foreign exchange contracts are entered into as hedges to avoid or minimise possible adverse financial effects of movements in exchange rates. Exchange gains and losses and costs arising from these contracts are deferred and included in the determination of the amounts at which the transactions are brought to account.

v) Comparative figures

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures presented in the current financial year.

w) Rounding of amounts

Amounts in the financial statements have been rounded to the nearest thousand dollars.

	2005 $000	2004 $000

2 EMPLOYEE EXPENSES

	2005 $000	2004 $000
Wages and salaries	49,475	42,899
Superannuation	5,132	4,579
Payroll tax	3,742	3,396
Workers' compensation	4,813	2,826
Long service leave	1,027	1,848
Annual leave	4,071	4,492
Other related expenses (i)	2,371	2,048
	70,631	**62,088**

(i) These employee expenses include superannuation, payroll tax, workers' compensation premiums and other employment on-costs associated with the recognition of annual and long service leave liability. The related on-costs liability is included in employee benefit liabilities (see note 24).

3 SUPPLIES AND SERVICES

	2005 $000	2004 $000
Consultants and contractors	55,213	45,723
Materials	10,271	6,204
Vehicle costs, computer supplies, commissions and other	27,357	23,520
	92,841	**75,447**

4 DEPRECIATION AND AMORTISATION EXPENSE

	2005 $000	2004 $000
Depreciation		
Buildings	1,670	1,635
Freight network infrastructure	5,431	5,431
Rollingstock	9,561	6,095
Railway infrastructure	25,059	21,255
Plant, equipment and motor vehicles	2,178	1,484
Bus infrastructure	4,113	4,139
Vessels	176	176
Buses	17,702	19,998
Total depreciation	**65,890**	**60,213**
Amortisation		
Leased railcars	3,594	3,594
Total amortisation	**3,594**	**3,594**
Total depreciation and amortisation	**69,484**	**63,807**

5 BORROWING COSTS EXPENSE

	2005 $000	2004 $000
Western Australian Treasury Corporation loans	80,421	65,818
Commonwealth loans	291	313
Financial lease finance charges	75	127
Interest expense on prepaid freight network infrastructure operating lease	4,628	3,362
Other interest	77	77
	85,492	**69,697**

	2005 $000	2004 $000

6 GRANTS AND SUBSIDIES

	2005 $000	2004 $000
Recurrent		
Bus operators	143,241	132,676
Ferry services	514	503
Regional bus services	10,762	6,651
Student fare concessions	2,837	3,765
School bus services	62,920	65,128
	220,274	**208,723**

7 CAPITAL USER CHARGE

	2005 $000	2004 $000
Capital user charge	**44,010**	**23,976**

A capital user charge rate of 8% (2003/04: 8%) has been set by the Government for 2004/05 and represents the opportunity cost of capital invested in the net assets of PTA used in the provision of services. The charge is calculated on the net assets adjusted to take account of exempt assets. Payment was made to the Department of Treasury and Finance on a quarterly basis.

8 OTHER EXPENSES FROM ORDINARY ACTIVITIES

	2005 $000	2004 $000
Grant to Main Roads Western Australia for the construction of Mandurah bus station	0	799
Grant to City of Mandurah for construction of Mandurah bus station	0	296
Notional charge for land valuation provided by Department of Land Information	1,618	1,013
	1,618	**2,108**

9 USER CHARGES AND FEES

	2005 $000	2004 $000
Transperth system revenue	76,760	72,115
Transwa operations revenue	8,415	7,608
	85,175	**79,723**

10 LAND RATIONALISATION LEASE REVENUE

	2005 $000	2004 $000
Rental income from land rationalisation	**83**	**83**

A 99 year operating lease for 118 grain receival sites was entered into with Co-operative Bulk Handling (CBH) in 2003. Rental Income for 99 years of $7.45 million was received in full at the commencement of the lease, and is accounted for as revenue over the 99 year lease period, with the prepaid portion shown as deferred income (see Note 26).

A further 99 year operating lease for 15 grain receival sites was entered into with CBH in 2004. Rental Income for 99 years of $775,000 was received in full at the commencement of the lease, and is accounted for as revenue over the 99 year lease period, with the prepaid portion shown as deferred income (see Note 26).

11 OPERATING LEASE REVENUE

	2005 $000	2004 $000
Rental income from freight network infrastructure	**18,947**	**18,540**

	2005 $000	2004 $000

12 GRANTS AND SUBSIDIES REVENUE

	2005 $000	2004 $000
Department for Planning and Infrastructure – Perth CAT costs	6,958	6,731
Department of Education grant	682	359
Moorine Rock primary school	0	3
Department for Planning and Infrastructure - Safer Transport grant	2,999	12,694
	10,639	**19,787**

13 NET GAIN/(LOSS) ON DISPOSAL OF NON-CURRENT ASSETS

	2005 $000	2004 $000
Gain on Disposal of Non-Current Assets		
Profit on sale of buses	0	95
Profit on sale of other assets	0	920
Profit on sale of land	22,789	385
Loss on Disposal of Non-Current Assets		
Loss on sale of buses	(12)	0
Net gain/(loss)	**22,777**	**1,400**

14 OTHER REVENUES FROM ORDINARY ACTIVITIES

	2005 $000	2004 $000
Rents and leases	6,778	7,024
External works	2,040	1,352
Contribution of assets	0	3,000
Advertising income	2,673	3,249
Liquidated damages	806	2,272
Miscellaneous	4,103	3,398
	16,400	**20,295**

15 REVENUES FROM STATE GOVERNMENT

	2005 $000	2004 $000
Appropriation revenue received during the year:		
Service appropriations (i)	475,370	399,714
Resources received free of charge (ii)		
Department of Land Information	1,618	1,013
	476,988	**400,727**

(i) Service appropriations are accrual amounts reflecting the full cost of services delivered. The appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.

(ii) Where assets or services have been received free of charge or for nominal consideration, PTA recognises revenues (except where the contribution of assets or services is in the nature of contributions by owners, in which case PTA shall make a direct adjustment to equity) equivalent to the fair value of the assets and/or the fair value of those services that can be reliably determined and which would have been purchased if not donated, and those fair values shall be recognised as assets or expenses, as applicable.

16 RESTRICTED CASH ASSETS

	2005 $000	2004 $000
Contractors' deposits	644	719
Railway Servants' Benefit Fund	288	283
	932	**1,002**

Contractors' deposits are held by PTA as security for contractor performance according to the terms and conditions of the contracts established with each contractor. Generally, the contracts require that these deposits must be maintained intact by PTA for repayment to the contractor on successful performance of contract conditions.

The Railway Servants' Benefit Fund is to be used only for the purpose of providing welfare to staff.

17 INVENTORIES

	2005 $000	2004 $000
Current		
Inventories not held for resale:		
Maintenance spares - at cost	7,599	7,857
Less provision for obsolescence	(131)	(418)
	7,468	**7,439**
Non-current	**0**	**0**
The aggregate carrying amount of inventories recognised and included in the financial statements is as follows:		
– Current	7,468	7,439
– Non-current	0	0
	7,468	**7,439**

18 RECEIVABLES

	2005 $000	2004 $000
Current		
Trade debtors	3,034	6,105
Provision for doubtful debts	(346)	(379)
GST receivable	9,158	5,954
Other debtors – external works	47	31
	11,893	**11,711**

19 AMOUNTS RECEIVABLE FOR SERVICES

	2005 $000	2004 $000
Non-current	144,557	75,575
	144,557	**75,575**

This asset represents the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.

	2005 $000	2004 $000

20 OTHER ASSETS

	2005 $000	2004 $000
Current assets:		
Prepayments	430	952
Cash advance to Main Roads on New MetroRail project	8,100	3,900
Deferred loss on foreign exchange hedging contract	3,854	1,765
Foreign exchange hedging contract receivable	25,080	50,287
	37,464	**56,904**

21 INFRASTRUCTURE, PROPERTY, PLANT, EQUIPMENT AND VEHICLES

	2005 At fair value $000	**2005** Accumulated depreciation $000	**2005** Carrying amount as at 30 June 2005 $000	**2004** At fair value $000	**2004** Accumulated depreciation $000	**2004** Carrying amount as at 30 June 2004 $000
Owned assets:						
Freehold land	173,121	0	173,121	174,913	0	174,913
Buildings	37,784	3,305	34,479	37,784	1,635	36,149
Freight network infrastructure	250,298	10,862	239,436	250,298	5,431	244,867
Rollingstock	285,717	15,656	270,061	136,878	6,095	130,783
Railway infrastructure	653,848	46,314	607,534	520,763	21,255	499,508
Plant, equipment and motor vehicles	8,342	3,649	4,693	4,509	1,484	3,025
Bus infrastructure	73,739	8,252	65,487	73,739	4,139	69,600
Vessels	576	352	224	576	176	400
Buses	199,716	37,593	162,123	178,220	19,998	158,222
Leased assets:						
Railcars (i)	65,828	7,188	58,640	65,828	3,594	62,234
Construction in progress (ii)	744,133	0	744,133	476,717	0	476,717
	2,493,102	**133,171**	**2,359,931**	**1,920,225**	**63,807**	**1,856,418**

Fair value has been determined on the basis of engineering expert valuation, or the Valuer General's Office, or latest prices in the market for equivalent assets as at 1 July 2003. Additions during the year have been included at cost.

(i) For leased assets the fair value has been deemed to be capitalised cost.

(ii) Construction in progress is valued at cost.

Reconciliations of the carrying amounts of infrastructure, property, plant, equipment and vehicles at the beginning and end of the current financial year are set out below.

2005	Carrying amount at the start of the year $000	Additions at cost $000	Disposals $000	Depreciation $000	Carrying amount at the end of the year $000
Owned Assets:					
Freehold land	174,913	304	(2,096)	0	173,121
Buildings	36,149	0	0	(1,670)	34,479
Freight network infrastructure	244,867	0	0	(5,431)	239,436
Rollingstock	130,783	148,839	0	(9,561)	270,061
Railway infrastructure	499,508	133,085	0	(25,059)	607,534
Plant, equipment and motor vehicles	3,025	3,846	0	(2,178)	4,693
Bus infrastructure	69,600	0	0	(4,113)	65,487
Vessels	400	0	0	(176)	224
Buses	158,222	22,624	(1,021)	(17,702)	162,123
Leased assets:					
Leased Railcars	62,234	0	0	(3,594)	58,640
Construction in progress	476,717	267,416	0	0	744,133
	1,856,418	**576,114**	**(3,117)**	**(69,484)**	**2,359,931**

22 PAYABLES

	2005 $000	2004 $000
Current		
Trade payables	14,501	5,694
Accrued expenses - operational	66,261	37,902
Accrued expenses - salaries	2,689	3,328
Accrued expenses - interest	22,547	18,356
Other payables	1,061	1,036
	107,059	**66,316**

23 INTEREST-BEARING LIABILITIES

	2005 $000	2004 $000
Current		
Western Australian Treasury Corporation loans	374,612	33,735
Finance lease liability (i)	7,730	8,868
Commonwealth loans	381	382
	382,723	**42,985**
Non-current		
Western Australian Treasury Corporation loans	1,196,517	1,072,318
Finance lease liability (i)	2,918	10,648
Commonwealth loans	4,257	4,638
	1,203,692	**1,087,604**

(i) Lease liabilities are effectively secured under the terms and conditions of the lease. The carrying amounts of non-current assets under the finance lease are:

Electric Railcars	**58,640**	**62,234**

24 PROVISIONS

	2005 $000	2004 $000
Current		
Annual leave	6,158	5,155
Long service leave	4,797	3,867
Other employee benefits (i)	1,918	1,693
	12,873	**10,715**
Non-current		
Long service leave	2,660	1,951
Deferred salary scheme	12	0
Other employee benefits (i)	452	356
	3,124	**2,307**
Total employee provisions	**15,997**	**13,022**
Other provisions		
Current		
Public liability provision	557	792
Workers' compensation	3,318	1,591
Total other provisions	**3,875**	**2,383**
Total provisions		
Current	16,748	13,098
Non-current	3,124	2,307
	19,872	**15,405**

(i) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including superannuation, payroll tax and workers' compensation premiums. The liability for such on-costs is included here. The associated expense is included under Other related expenses (under Employee expenses) at Note 2.

The PTA considers the carrying amount of employee benefits approximates the net fair value.

Employee benefit liabilities

The aggregate employee benefit liability recognised and included in the financial statements is as follows:

Current	12,873	10,715
Non-current	3,124	2,307
	15,997	**13,022**

	2005 $000	2004 $000
Movements in provisions		
Movements in each class of provisions during the financial year, other than employee benefits, are set out below.		
Public liability provisions		
Carrying amount at the start of the year	792	700
Additional provisions recognised	563	235
Payments/other sacrifices of economic benefit	(798)	(143)
Carrying amount at the end of the year	**557**	**792**

The public liability provision represents PTA's estimate of outstanding claims within the insurance excess of $1million.

	2005 $000	2004 $000
Workers' compensation provisions		
Carrying amount at the start of the year	1,591	725
Additional provisions recognised	4,813	2,905
Payments/other sacrifices of economic benefit	(3,086)	(2,039)
Carrying amount at the end of the year	**3,318**	**1,591**

PTA pays deposit contributions to RiskCover each year. This contribution is based on claims experience and adjusted by actuarial assessments determined by RiskCover of future claims development costs.

25 OTHER LIABILITIES

	2005 $000	2004 $000
Current		
Contractors' deposit	644	719
Payments held in suspense	78	187
Railway Servants' Benefit Fund	288	283
Foreign exchange hedging contract payable	28,934	52,052
	29,944	**53,241**

26 DEFERRED INCOME – OPERATING LEASES

	2005 $000	2004 $000
Current		
Freight network infrastructure prepaid operating lease	13,508	14,319
Co-operative Bulk Handling 99 year lease	83	83
	13,591	**14,402**
Non-current		
Freight network infrastructure prepaid operating lease	207,293	220,801
Co-operative Bulk Handling 99 year lease	7,900	7,983
	215,193	**228,784**
	228,784	**243,186**

27 EQUITY

	2005 $000	2004 $000
Contributed Equity		
Opening balance	483,758	0
Contributions by owner WAGR (i)	0	391,467
Contributions by owner DPI (i)	0	5,185
Capital contributions (ii)	71,515	108,533
Distribution to owner (iii)	(24,849)	(21,427)
Closing balance	**530,424**	**483,758**

(i) Transfer of net assets from WAGR and DPI following the establishment of PTA on 1 July 2003 has been designated as contributions by owners and are credited directly to equity in the Statement of Financial Position. The net assets were transferred at fair value.

(ii) Capital contributions received during the year have been designated as contributions by owners and are credited directly to equity in the Statement of Financial Position.

(iii) Gross proceeds from sale of land controlled by PTA were distributed to owner.

	2005 $000	2004 $000
Accumulated surplus/(deficit)		
Opening balance	26,369	0
Change in net assets	37,139	26,369
Closing balance	**63,508**	**26,369**

28 NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2005 $000	2004 $000
Cash assets	3,761	9,815
Restricted cash assets (refer to note 16)	932	1,002
	4,693	**10,817**

b) Financing facilities

PTA has a short-term liquidity facility of $200 million (2003/04: $200 million) with the Western Australian Treasury Corporation.

	2005 $000	2004 $000
Amounts drawn from this facility at June 30	0	0

The Western Australian Treasury Corporation has provided a facility of $US93 million (2003/04: $US99 million) to PTA to meet contingent obligations under a lease agreement that may eventuate during the life of the lease. As at 30 June 2005, none of this facility has been drawn (2003/04: Nil).

	2005 $000	2004 $000

c) Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities

	2005 $000	2004 $000
Net cost of services	(439,849)	(374,358)
Non cash items:		
Depreciation and amortisation	69,484	63,807
Asset contribution	0	(4,309)
Net (gain)/loss on sale of property, plant and equipment	(22,777)	0
Resources received free of charge	1,618	1,013
Main Roads WA contribution	0	427
Other non-cash adjustments	(61)	130
(Increase)/decrease in assets:		
Current receivables	3,022	(3,420)
Current inventories	(29)	(2,076)
Other current assets	19,440	(56,674)
Increase/(decrease) in liabilities:		
Current payables	1,398	8,716
Current provisions	3,650	3,928
Other current liabilities	(23,297)	52,506
Deferred income operating lease	(811)	(851)
Non-current provisions	817	841
Non-current deferred operating lease revenue	(13,591)	(13,635)
Change in GST in receivables/payments	(3,204)	(2,540)
Net cash provided by/(used in) operating activities	**(404,190)**	**(326,495)**

29 COMMITMENTS FOR EXPENDITURE

a) Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:

	2005 $000	2004 $000
Within 1 year	519,951	437,300
Later than 1 year and not later than 5 years	419,148	687,556
Later than 5 years	0	65,340
	939,099	**1,190,196**

	2005 $000	2004 $000
The capital commitments include amounts for:		
Railway infrastructure	661,902	794,793
Bus infrastructure	0	2,858
Railcars – Transperth Train Operations	45,615	125,434
Railcars – Transwa	0	4,206
Plant, equipment and motor vehicles	20,132	18,158
Buses	211,450	244,747
	939,099	**1,190,196**

	2005 $000	2004 $000
b) (i) Finance lease commitments		
Commitments in relation to finance leases are payable as follows:		
Within 1 year	7,761	8,942
Later than 1 year and not later than 5 years	2,922	10,682
Minimum finance lease payments	10,683	19,624
Less future finance charges	(35)	(108)
	10,648	**19,516**
Included in the financial statements as:		
Current (note 23)	7,730	8,868
Non-current (note 23)	2,918	10,648
	10,648	**19,516**

(ii) Non-cancellable operating leases amounts due:

	2005 $000	2004 $000
Commitments for minimum lease payments are payable as follows:		
Within 1 year	718	400
Later than 1 year and not later than 5 years	179	330
	897	**730**

c) Other expenditure commitments (maintenance contracts) contracted for at the reporting date but not recognised as liabilities, are payable as follows:

	2005 $000	2004 $000
Within 1 year	26,981	11,037
Later than 1 year and not later than 5 years	77,392	43,183
Later than 5 years	136,763	127,103
	241,136	**181,323**

The commitments are all inclusive of GST.

30 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In addition to the liabilities incorporated in the financial statements, PTA has the following contingent liabilities:

a) PTA has provided an income tax indemnity to Deutsche Bank concerning the early termination of a rollingstock lease that cannot be reliably quantified.

b) PTA has provided an income tax indemnity to LUL Nominees concerning the early termination of a rollingstock lease that cannot be reliably quantified.

c) PTA has entered into an agreement with the City of Wanneroo which will require the PTA to pay $3 million to the City of Wanneroo if the Government of Western Australia approves the allocation of funds to PTA to extend the passenger railway line north of Clarkson.

31 REMUNERATION OF MEMBERS OF THE ACCOUNTABLE AUTHORITY AND SENIOR OFFICERS

Remuneration of Member of the Accountable Authority

The number of members of the Accountable Authority, whose total of fees, salaries, superannuation and other benefits for the financial year, fall within the following bands are:

$	2005	2004
190,001 - 200,000	0	1
260,001 - 270,000	1	0

	2005 $000	2004 $000
The total remuneration of the members of the Accountable Authority is:	263	194

The superannuation included here represents the superannuation expense incurred by PTA in respect of the member of the Accountable Authority.

No member of the Accountable Authority is a member of the Pension Scheme.

Remuneration Senior Officers

The number of Senior Officers other than senior officers reported as members of the Accountable Authority, whose total of fees, salaries, superannuation and other benefits for the financial year, fall within the following bands are:

$	2005	2004
10,001 - 20,000	0	1
20,001 - 30,000	0	1
60,001 - 70,000	0	1
100,001 - 110,000	2	2
110,001 - 120,000	1	0
120,001 - 130,000	2	5
130,001 - 140,000	3	0
150,001 - 160,000	3	0
180,001 - 190,000	0	1
	11	**11**

	2005 $000	2004 $000
The total remuneration of the Senior Officers is:	1,450	1,119

The superannuation included here represents the superannuation expense incurred by PTA in respect of Senior Officers, other than the senior officers reported as a member of the Accountable Authority.

No Senior Officers are members of the Pension Scheme.

32 FINANCIAL INSTRUMENTS

a) Interest rate risk exposure

The following table details PTA's exposure to interest risk as at the reporting date:

2005	Weighted average effective interest rate %	Variable interest rate (i) $000	Fixed interest rate maturity 1 or less than 1 Year $000	1 to 5 Years $000	more than 5 Years $000	Non-interest bearing $000	Total $000
Financial assets							
Cash assets	5.29	3,761					3,761
Restricted cash assets	5.29	932					932
Receivables						11,893	11,893
		4,693				**11,893**	**16,586**
Financial liabilities							
Payables						107,059	107,059
Other liabilities						1,010	1,010
WATC loans (ii)	6.05	350,000	306,149	356,199	558,781		1,571,129
Commonwealth loans	5.93				4,638		4,638
Finance lease liabilities	6.47	10,648					10,648
		360,648	**306,149**	**356,199**	**563,419**	**108,069**	**1,694,484**

2004	Weighted average effective interest rate %	Variable interest rate (i) $000	Fixed interest rate maturity 1 or less than 1 Year $000	1 to 5 Years $000	more than 5 Years $000	Non-interest bearing $000	Total $000
Financial assets							
Cash assets	4.96	9,815					9,815
Restricted cash assets	4.96	1,002					1,002
Receivables						11,711	11,711
		10,817				**11,711**	**22,528**
Financial liabilities							
Payables						66,316	66,316
Other liabilities						1,189	1,189
WATC loans (ii)	5.98		408,102	306,036	391,915		1,106,053
Commonwealth loans	5.92				5,020		5,020
Finance lease liabilities	6.53	19,516					19,516
		19,516	**408,102**	**306,036**	**396,935**	**67,505**	**1,198,094**

(i) Variable interest rates represent the most recently determined rate applicable to the instrument at balance date.
(ii) Western Australian Treasury Corporation loans.

b) Credit risk exposure

PTA's credit risk on financial assets, which have been recognised in the Statement of Financial Position, is generally the carrying amount, net of any provision for doubtful debts.

Concentrations of credit risk on financial assets are primarily related to property rental agreements and other miscellaneous revenue.

Except for securities held to ensure the performance of contractor guarantees or warrantees, amounts due from major debtors are not normally secured by collateral. However the creditworthiness of debtors is regularly monitored. Securities held to ensure the performance of contractor guarantees or warrantees include Bank Guarantees, Personal (Directors) Guarantees or cash. The value of securities held is dependant on the nature, including the complexity and risk, of the contract.

c) Financial exchange risk exposure

The purpose of foreign currency hedging activities is to protect against the risk that the eventual Australian dollar outflows in respect of purchases in foreign currency may be adversely affected by changes in exchange rates. PTA does not enter into hedge transactions for speculative purposes.

PTA has an exposure to changes in foreign exchange rates resulting from the following:

i) Bus replacement program

The bus replacement program requires payment for bus chassis to be made in Euros. PTA uses forward exchange contracts in Euros to hedge this risk. The contracts are timed to mature when major bus chassis components are scheduled to be delivered and to cover anticipated purchases for the ensuing financial year.

ii) Smartcard ticketing

The Smartcard ticketing program requires payment for equipment purchases to be made in Great Britain Pounds. PTA uses forward exchange contracts in Great Britain Pounds to hedge this risk. The contracts are timed to mature when the equipment is scheduled to be delivered and to cover anticipated purchases for the ensuing financial year.

At reporting date, the details of outstanding forward contracts are:

Contracts	2005 $000 Buy Euro Sell Aus $	2005 $000 Buy GBP Sell Aus $	2005 $000 Total	2004 $000 Total
Maturity:				
0-6 months	8,539	1,511	10,050	18,260
6-12 months	5,794	0	5,794	6,957
12-24 months	13,090	0	13,090	12,570
24-36 months	0	0	0	12,500
Total	**27,423**	**1,511**	**28,934**	**50,287**

Average exchange rates	2005		2004	
	Euro Rate	GBP Rate	Euro Rate	GBP Rate
Maturity:				
0-6 months	0.5440	0.4030	0.5430	0.4109
6-12 months	0.5445		0.5445	0.3713
12-24 months	0.5445		0.5445	
24-36 months			0.5445	

	2005 $000	2004 $000

As these contracts are hedging anticipated purchases of bus chassis and Smartcard ticketing equipment, any unrealised gains or losses on the contracts together with the cost of the contracts have been deferred and will be recognised in the financial statements at the time the purchase occurs.

Amounts receivable and payable on forward contracts are included in the Statement of Financial Position as at 30 June 2005. The following gains or losses have been deferred at 30 June and included in the Statement of Financial Position:

	2005 $000	2004 $000
Deferred losses	**3,854**	**1,765**

d) Net fair values

The carrying amount of financial assets and financial liabilities recorded in the financial statements are not materially different from their net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

33 SUPPLEMENTARY FINANCIAL INFORMATION

	2005 $000	2004 $000
Losses through theft, defaults and other causes		
Losses of public moneys and other property through theft and default	2	12
Stocks		
Obsolescence, damage, surplus	287	0
Revenue written off	31	10
Gifts of public property		
Gifts of public property provided by PTA	12	0
	332	**22**

34 EXPLANATORY STATEMENT

a) Significant variations between estimates and actual results for the financial year

Details and reasons for significant variations between estimates and actual results are detailed below.
Significant variations are considered to be those greater than 10% or $1,000,000.

	2005 Actual $000	2005 Estimate $000	Variance $000
Revenue from ordinary activities	158,474	121,510	36,964
Cost of services	598,323	595,419	(2,904)
Net cost of/(surplus from) services	**439,849**	**473,909**	**34,060**

Revenue

Revenue was $37 million (30.6%) above the estimate. The variations include the following major items:

(i) Sale of Crown land $26 million (mainly Leighton Beach Marshalling Yards and Fremantle-Cockburn Sound);

(ii) MultiRider and cash fares $2.5 million as a result of increased patronage;

(iii) Resources received free of charge of $1.6 million from the Department of Land Information;

(iv) External works of $1.4 million mainly for principal shared paths and electrical isolations;

(v) Regional Town Bus Services $1.1 million being brought into account as revenue (previously netted off against expenditure);

(vi) Advertising revenue of $1.1 million from changed contractual arrangements; and

(vii) A claim for liquidated damages of $0.8 million in accordance with contract conditions.

Total cost of services

Cost of services for the year was $2.9 million (0.5%) above estimate.
There were several significant positive and negative variations that contributed to this minor overall variation.

These variations include:

(i) Lower interest on borrowings of $5.7 million due to delays in capital works expenditure;

(ii) Written down value of non-current assets disposed of $3.1 million;

(iii) Increased infrastructure costs of $2.0 million due to concrete re-sleepering on the Armadale and Fremantle lines; and

(iv) Land valuation services amounting to $1.6 million provided free of charge by the Department of Land Information.

b) Significant variations between actual revenues and expenditures for the financial year and revenues and expenditures for the immediately preceding financial year

Details and reasons for significant variations between actual results with the corresponding items of the preceding year are detailed below. Significant variations are considered to be those greater than 10% or $1,000,000.

	2005 $000	2004 $000	Variance $000
Employee expenses	70,631	62,088	8,543
Supplies and Services	92,841	75,447	17,394
Depreciation and amortisation expense	69,484	63,807	5,677
Borrowing costs expense	85,492	69,697	15,795
Grants and subsidies	220,274	208,723	11,551
Capital user charge	44,010	23,976	20,034
Energy and fuel	7,959	6,953	1,006
Land rationalisation expense	2,903	2,713	190
Carrying amount of non-current assets disposed of	3,111	1,405	1,706
Other expenses from ordinary activities	1,618	2,108	(490)
User charges and fees	85,175	79,723	5,452
Other revenue	73,299	62,836	10,463

Employee expenses

Increase in number of transit guards and train drivers for the Northern Suburbs line extension to Clarkson and the Thornlie line.

Supplies and Services

(i) Settlement of claim related to a disputed contract $4.55 million.

(ii) Maintenance contract for new railcars delivered under the New MetroRail project - $3.4 million.

(iii) Increased infrastructure costs of $2.0 million due to concrete re-sleepering on the Armadale and Fremantle lines.

(iv) Maintenance of bus stations and stops including signage - $1.4 million.

(v) Increased general overhaul charges $1.0 million.

Depreciation and amortisation expense

The commissioning of 17 three-car units electric railcars, new gas buses and Northern Suburbs extension to Clarkson including the Nowergup depot and rail infrastructure during the financial year.

Borrowing costs expense

Increase in borrowings to purchase buses, railcars and construction of the Northern Suburbs, Thornlie and Southern Suburbs railway line.

Grants and subsidies

Increased contract costs due to fuel and labour, Eastern Goldfields Transport Board cost pressures and Composite Rate model indexation costs and component review costs for the School Bus contracts.

Capital user charge

The capital user charge is based on the average net assets multiplied by 8%. The variance is due to the first full year for calculation of average net assets.

Energy and fuel

Increase in world oil prices and increase in demand for electricity for the Northern Suburbs extension of the railway line to Clarkson.

Carrying amount of non-current assets disposed of

Primarily due to the sale of land at Leighton Beach Marshalling Yards.

User charges and fees

Increase in patronage and additional revenue on the Northern Suburb line with the opening of new stations at Greenwood and Clarkson.

Other revenue

Proceeds from sale of assets $26 million offset by revenue decrease due to one-off items in 2003/04, such as the Safer Transport Grant of $10 million; a grant from the City of Wanneroo $3 million and liquidated damages in accordance with contract conditions $2 million.

35 SCHEDULE OF SERVICES DELIVERED

	Metropolitan and regional passenger services		Country passenger rail and road coach services		Regional school bus services		Rail corridor and residual freight issues		Total	
	2005 $000	2004 $000	2005 $000	2004 $000	2005 $000	2004 $000	2005 $000	2004 $000	2005 $000	2004 $000
COST OF SERVICES										
Expenses from ordinary activities										
Employee expenses	52,403	44,908	10,546	9,185	2,216	2,012	5,466	5,983	70,631	62,088
Supplies and Services	63,997	53,039	16,235	14,811	988	1,688	11,622	5,910	92,842	75,448
Depreciation and amortisation expense	58,636	51,277	4,845	4,389	16	109	5,987	8,032	69,484	63,807
Borrowing costs expense	54,644	38,970	4,287	4,149	0	0	26,561	26,578	85,492	69,697
Grants and subsidies	154,516	140,934	0	0	65,758	67,789	0	0	220,274	208,723
Capital user charge	36,809	19,413	3,366	1,629	10	0	3,825	2,934	44,010	23,976
Energy and fuel	6,128	5,576	1,830	1,376	0	0	0	0	7,958	6,952
Land rationalisation expense	0	0	0	0	0	0	2,903	2,713	2,903	2,713
Carrying amount of non-current assets disposed of	1,015	0	0	0	0	0	2,096	1,405	3,111	1,405
Other expenses from ordinary activities	0	1,095	0	0	0	0	1,618	1,013	1,618	2,108
Total cost of services	**428,148**	**355,212**	**41,109**	**35,539**	**68,988**	**71,598**	**60,078**	**54,568**	**598,323**	**516,917**
REVENUES FROM ORDINARY ACTIVITIES										
Revenues from operating activities										
User charges and fees	76,727	72,115	8,415	7,608	33	0	0	0	85,175	79,723
Land rationalisation lease income	0	0	0	0	0	0	83	83	83	83
Operating lease revenue	0	0	0	0	0	0	18,947	18,540	18,947	18,540
Grants and subsidies	6,959	6,731	0	0	681	362	2,999	12,694	10,639	19,787
Revenues from non-operating activities										
Interest revenue	0	0	0	0	0	0	1,342	1,326	1,342	1,326
Proceeds on disposal of non current assets	944	0	0	95	0	0	24,944	2,710	25,888	2,805
Other revenues from ordinary activities	6,801	6,764	6	17	2	27	9,591	13,487	16,400	20,295
Total revenues from ordinary activities	**91,431**	**85,610**	**8,421**	**7,720**	**716**	**389**	**57,906**	**48,840**	**158,474**	**142,559**
NET COST OF SERVICES	**336,717**	**269,602**	**32,688**	**27,819**	**68,272**	**71,209**	**2,172**	**5,728**	**439,849**	**374,358**
REVENUES FROM STATE GOVERNMENT										
Service Appropriation	331,029	262,081	31,764	27,601	69,289	69,954	43,288	40,078	475,370	399,714
Resources received free of charge	0	0	0	0	0	0	1,618	1,013	1,618	1,013
Total revenues from State Government	**331,029**	**262,081**	**31,764**	**27,601**	**69,289**	**69,954**	**44,906**	**41,091**	**476,988**	**400,727**
CHANGE IN NET ASSETS	**(5,688)**	**(7,521)**	**(924)**	**(218)**	**1,017**	**(1,255)**	**42,734**	**35,363**	**37,139**	**26,369**

	2005 $000	2004 $000

36 REMUNERATION OF AUDITOR

Remuneration to the Auditor General for the financial year is as follows:		
Auditing the accounts, financial statements and performance indicators	128	120

37 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

The Australian Accounting Standards Board (AASB) is adopting the Standards of the International Accounting Standards Board (IASB) for application to reporting periods beginning on or after 1 January 2005. AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards' requires financial reports with reporting periods ending on 30 June 2005 to disclose any known or reliably estimable information about the impacts on the financial report had it been prepared using the Australian equivalents to IFRS.

The impact of adopting AIFRS including the key differences in accounting policies

Reconciliation of total equity as presented under previous AGAAP to that under AIFRS:

	2005 $000	2004 $000
Total equity under previous AGAAP	593,934	510,127
Property, plant and equipment – Demolition costs previously expensed, now capitalised as part of cost of asset (i)	147	150
Total equity under AIFRS	**594,081**	**510,277**

Reconciliation of the surplus/(deficit) for the period as presented under previous AGAAP to that under AIFRS:

	30 June 2005 $000
Surplus/(deficit) for the period under previous AGAAP	37,139
Recognition of depreciation expense for demolition costs capitalised (i)	(3)
Surplus/(deficit) for the period under AIFRS	**37,136**

(i) The adjustment reflects depreciation expense on demolition costs capitalised in the initial cost of the building.