

Notes to the Financial Statements

for the year ended 30 June 2004

1. Significant accounting policies

The following accounting policies have been adopted in the preparation of the financial statements.

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) Output appropriations

Output Appropriations are recognised as revenues in the period in which the PTA gains control of the appropriated funds. The PTA gains control of appropriated funds at the time those funds are deposited into the 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 statement. 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 the 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 the PTA has provided the services, goods or other assets to the customer.

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.





Work under way on the city component of the New MetroRail project.

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 40 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

Methodology

Property, plant, equipment and vehicles are valued at fair value, being the amounts for which assets could be exchanged between willing parties in an arm's-length transaction. Valuation methods are applied to suit the specific circumstances of each class of assets.

Valuation

Land controlled by the PTA, including metropolitan and regional corridor land, not subject to commercial lease, was independently valued by the Valuer General's Office as at 1 July 2003.

Land and buildings which are commercially leased were independently valued based on the capitalised value of current leases as at 1 July 2003.

Rollingstock, permanent way, plant, equipment and vehicles were valued by the 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 that commenced in December 2000, was valued by independent expert, based on the present value of the unearned lease income at 1 July 2003.

h) Leases

The PTA's rights and obligations under finance leases, which are leases that effectively transfer to the PTA substantially all of the 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 the 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.

The PTA has entered into a number of operating lease arrangements where the lessor effectively retains all of the 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 WAGRC 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 using a nominal discount rate that recognises the real discount rate and underlying inflation.

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 uncollectable are written off. A provision for doubtful debts is raised where some doubts as to collection exists.

m) Intangible assets and expenditure carried forward

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 three to five years.

Website costs

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

n) Payables

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

o) Interest-bearing liabilities

Loans are recorded at an amount equal to the net proceeds received. Borrowing costs expense is recognised on an accrual basis.

p) 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, an accumulation fund complying 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 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.



Tanswa's Elisabeth Halden.

q) **Accrued salaries**

Accrued salaries 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 did not coincide with the end of the financial year. The PTA considers the carrying amount approximates net fair value.

r) **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.

s) **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 monetary items that are outstanding at reporting date are translated at exchange rates current at reporting date. Except as stated in the following paragraph, resulting 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.

t) **Comparative figures**

The PTA was established on 1 July 2003 and consequently comparative figures are not available.

u) **Rounding of amounts**

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



Tianswa's Josephine Celenza, Mirka Di Salvio, Paul Nayler and Steve McCullaugh.

2004

\$000

2. Employee expenses

Wages and salaries	47,475
Payroll tax	3,396
Superannuation	4,579
Workers compensation	2,826
Changes to provision for annual and long service leave (i)	3,812
TOTAL	62,088

(i) These employee expenses include superannuation, payroll tax and workers compensation premiums as 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 at Note 24.

3. Supplies and services

Consultants and contractors	45,723
Materials	6,204
Vehicle costs, computer supplies, commissions and other	21,693
TOTAL	73,620

4. Depreciation and amortisation expense

Buildings	1,635
Freight network infrastructure	5,431
Rollingstock	6,095
Railway infrastructure	21,255
Plant, equipment and motor vehicles	1,484
Bus infrastructure	4,139
Vessels	176
Buses	19,998
Leased railcars	3,594
TOTAL	63,807

5. Borrowing costs expense

Western Australian Treasury Corporation loans	65,818
Commonwealth loans	313
Financial lease finance charges	127
Interest expense on prepaid freight network infrastructure operating lease	3,362
Other interest	77
TOTAL	69,697

6. Grants and subsidies expense

Bus operators	132,676
Ferry services	503
Regional bus services	6,651
Student fare concessions	3,765
School bus services	65,128
TOTAL	208,723

7. Capital user charge

Capital user charge	23,976
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A capital user charge rate of 8% has been set by the Government for 2003/04 and represents the opportunity cost of capital invested in the net assets of the PTA used in the provision of outputs. 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.

2004

\$000

8. Other expenses from ordinary activities

Grant to Main Roads Western Australia for the construction of Mandurah Bus Station	799
Grant to City of Mandurah for construction of Mandurah Bus Station	296
Notional charge for land valuation provided by Department of Land Information	1,013
TOTAL	2,108

9. User charges and fees

Transperth system revenue	72,115
Country passenger operations revenue	7,608
TOTAL	79,723

10. Land rationalisation lease revenue

Rental income from land rationalisation	83
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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 \$852,500 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

Rental income from freight network infrastructure	18,540
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12. Grants and subsidies

Department for Planning and Infrastructure (DPI) – Perth CAT costs	6,731
Department of Education grant	359
Moorine Rock primary school	3
DPI - Safer Transport grant	12,694
TOTAL	19,787

13. Net gain/(loss) on disposal of non-current assets

Gain on disposal of non-current assets:

Buses	95
Land	920
Other	385

NET GAIN/(LOSS)	1,400
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Comprised:

Gross proceeds on sale of buses, land and others	2,805
Less: written-down value	(1,405)

NET PROFIT/(LOSS) ON DISPOSAL OF NON-CURRENT ASSETS	1,400
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14. Other revenues from ordinary activities

Rents and leases	7,024
External works	1,352
Contribution of assets – City of Wanneroo	3,000
Advertising income	3,249
Liquidated damages	2,272
Miscellaneous	3,398
TOTAL	20,295

15. Revenues from State Government

Appropriation revenue received during the year:

Output appropriations (i)	399,714
Resources received free of charge (ii):	
Department of Land Information	1,013
TOTAL	400,727

(i) Output appropriations are accrual amounts reflecting the full cost of outputs 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) Commencing with the 2003/04 audit, the Office of the Auditor General will be charging a fee for auditing the accounts, financial statements and performance indicators. The fee for the 2003/04 audit is \$132,000 (GST inclusive) and will be due and payable in the 2004/05 financial year.

16. Restricted cash assets

The following cash assets are restricted because they are held by the PTA on behalf of third parties, subject to certain conditions.

Contractors' deposits	719
Railway Servants' Benefit Fund	283
TOTAL	1,002

Contractors' deposits are held by the 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 the 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

Inventories at cost	7,857
Less: provision for obsolescence	(418)
TOTAL	7,439

18. Receivables

Debtors	6,105
Less: provision for doubtful debts	(379)
Goods and Services Tax receivable	5,954
Other receivables – external works	31
TOTAL	11,711

19. Amounts receivable for outputs

Non-current	75,575
TOTAL	75,575

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

20. Other assets

Other current assets:

Prepayments	952
Cash advance to Main Roads WA on New MetroRail project	3,900
Deferred cost on foreign exchange hedging contract	1,765
Foreign exchange hedging contract receivable	50,287
TOTAL	56,904

21. Property, plant, equipment and vehicles

2004	Fair value \$000	Accumulated depreciation \$000	Carrying amount at 30 June 2004 \$000
Owned assets:			
Freehold land	174,913	0	174,913
Buildings	37,784	1,635	36,149
Freight network infrastructure	250,298	5,431	244,867
Rollingstock	136,878	6,095	130,783
Railway infrastructure	520,763	21,255	499,508
Plant, equipment and motor vehicles	4,509	1,484	3,025
Bus infrastructure	73,739	4,139	69,600
Vessels	576	176	400
Buses	178,220	19,998	158,222
Leased assets:			
Railcars	65,828	3,594	62,234
Construction in progress			
	476,717	0	476,717
TOTAL	1,920,225	63,807	1,856,418

Fair value has been determined on the basis of engineering expert valuation, or 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.

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

Reconciliations

2004	Carrying amount at the start of the year \$000	Non- reciprocal transfers from govt agencies*	Additions at cost \$000	Disposals \$000	Depreciation \$000	Carrying amount at the end of the year \$000
Freehold land	0	196,814	0	(21,901)	0	174,913
Buildings	0	31,001	6,783	0	(1,635)	36,149
Freight network infrastructure	0	250,298	0	0	(5,431)	244,867
Rollingstock	0	110,513	26,365	0	(6,095)	130,783
Railway infrastructure	0	501,542	19,221	0	(21,255)	499,508
Plant, equipment and motor vehicles	0	2,893	1,616	0	(1,484)	3,025
Bus infrastructure	0	68,137	5,602	0	(4,139)	69,600
Vessels	0	576	0	0	(176)	400
Buses	0	168,470	10,682	(932)	(19,998)	158,222
Leased railcars	0	65,828	0	0	(3,594)	62,234
Construction in progress	0	278,548	198,169	0	0	476,717
TOTAL	0	1,674,620	268,438	(22,833)	(63,807)	1,856,418

* Following the establishment of the PTA on 1 July 2003, all assets transferred from WAGRC and Transperth assets from DPI are recorded at fair value, as required by Treasurer's Instruction 955.

22. Payables

	2004 \$000
Trade payables	5,694
Accrued expenses – operational	37,489
Accrued expenses – salaries	3,321
Accrued expenses – interest	18,356
Other payables	1,456
TOTAL	66,316

2004
\$000

23. Interest-bearing liabilities

(a) Current

Western Australian Treasury Corporation loans	33,735
Finance lease liability (i)	8,868
Commonwealth loans	382
TOTAL	42,985

(b) Non-current

Western Australian Treasury Corporation loans	1,072,318
Finance lease liability (i)	10,648
Commonwealth loans	4,638
TOTAL	1,087,604

Finance lease liability

Minimum lease payments	19,624
Deduct - future finance charges	(108)
TOTAL	19,516

(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	62,234
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24. Provisions

Provisions for employee benefits

(a) Current

Annual leave	6,101
Long service leave	4,614
TOTAL	10,715

(b) Non-current

Long service leave	2,307
TOTAL	13,022

Other provisions

Current

Public liability provision	792
Workers compensation	1,591
TOTAL	2,383

TOTAL PROVISIONS

Current	13,098
Non-current	2,307
TOTAL	15,405

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

Movements in provisions

Movements in each class of provisions during the financial year, other than employee benefits, are set out below.

	2004 \$000	2004 \$000
	Public liability provision	Workers compensation
Carrying amount at the start of the year	700	725
Additional provisions recognised	235	2,905
Payments/other sacrifices of economic benefit	(143)	(2,039)
Carrying amount at the end of the year	792	1,591

2004

\$000

25. Other liabilities

Contractors' deposits	719
Payments held in suspense	187
Railway Servants' Benefit Fund	283
Foreign exchange hedging contract payable	52,052
TOTAL	53,241

26. Deferred income – operating leases

(a) Current

Freight network infrastructure prepaid operating lease	14,319
Co-operative Bulk Handling 99-year lease	83
TOTAL	14,402

(b) Non-current

Freight network infrastructure prepaid operating lease	220,801
Co-operative Bulk Handling 99-year lease	7,983
TOTAL	228,784

TOTAL

243,186

27. Contributed equity

Contributions by owner from WAGRC (i)	391,467
Contributions by owner from DPI (i)	5,185
Capital contributions (ii)	108,533
Distribution to owner	(21,427)
CLOSING BALANCE	483,758

(i) Transfer of net assets from WAGRC and DPI following the establishment of the 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 financial year ending 30 June 2004 have been designated as contributions by owners and are credited directly to equity in the Statement of Financial Position.

28. Accumulated surplus/(deficiency)

Change in net assets	26,369
CLOSING BALANCE	26,369

29. 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:

Cash assets	9,815
Restricted cash assets (refer to note 16)	1,002
TOTAL	10,817

b) Financing facilities

The PTA has a short-term liquidity facility of \$200 million with the Western Australian Treasury Corporation.

Amounts drawn from this facility as at 30 June 2004	0
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The Western Australian Treasury Corporation has provided a facility of \$US 99 million to the PTA to meet contingent obligations under a lease agreement that may eventuate during the life of the lease. As at 30 June 2004 none of this facility has been drawn.

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

Net (cost of)/surplus from services	(374,358)
Non-cash items:	
Depreciation	63,807
Asset contribution	(4,309)
Resources received free of charge	1,013
Main Roads WA contribution	427
Other non-cash adjustments	130
(Increase)/decrease in assets:	
Current receivables	(3,420)
Current inventories	(2,076)
Other current assets	(56,674)
Increase/(decrease) in liabilities:	
Current payables	8,716
Current provisions	3,928
Other current liabilities	52,506
Deferred income operating lease	(851)
Non-current provisions	841
Non-current deferred operating lease revenue	(13,635)
Change in GST receivables/payments	(2,540)
NET CASH USED IN OPERATING ACTIVITIES	(326,495)

30. Commitments for expenditure

a) Capital expenditure commitments contractually committed as at 30 June 2004

Within one year	437,300
Later than one year and not later than five years	687,556
Later than five years	65,340
TOTAL	1,190,196

The capital commitments include amounts for:

Railway infrastructure	794,793
Bus infrastructure	2,858
Railcars – Transperth Train Operations	125,434
Railcars – Transwa	4,206
Plant, equipment and motor vehicles	18,158
Buses	244,747
TOTAL	1,190,196

b) Finance leases amounts due

Within one year	8,942
Later than one year and not later than five years	10,682
Later than five years	0
Minimum lease payments	19,624
Deduct - future finance charges	(108)
TOTAL	19,516

c) Non-cancellable operating leases amounts due

Within one year	400
Later than one year and not later than five years	330
TOTAL	730

d) Maintenance contract commitments

Within one year	11,037
Later than one year and not later than five years	43,183
Later than five years	127,103
TOTAL	181,323

31. Contingent liabilities and contingent assets

(a) There is a potential claim related to a disputed contract. The contract was transferred as part of the sale of the Westrail freight business on 17 December 2000, but the dispute dates back to the period when WAGRC was the contractor. The PTA has not yet received a direct claim under the contract. At this stage, the extent of the PTA's potential liability cannot be reliably quantified.

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

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

(d) The 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 the PTA to extend the passenger railway line north of Clarkson.

32. Remuneration of members of the Accountable Authority and senior officers

a) 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:

	2004
\$190,001-\$200,000	1

	2004
	\$000
The total remuneration of the member of the Accountable Authority is:	194

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

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

b) Remuneration of senior officers of the Accountable Authority

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:

	2004
\$10,001-\$20,000	1
\$20,001-\$30,000	1
\$60,001-\$70,000	1
\$100,001-\$110,000	2
\$120,001-\$130,000	5
\$180,001-\$190,000	1
	11

	2004
	\$000
The total remuneration of the senior officers is:	1,119

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

No senior officer is a member of the Pension Scheme.

33. Financial instruments

a) Interest rate risk exposure

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

2004	Note	Weighted average effective interest rate %	Floating interest rate(i)	1 year or less	Fixed interest rate over 1 to 5 years	Fixed interest rate maturing in: more than 5 years	Non-interest bearing	Total
			\$000	\$000	\$000	\$000	\$000	\$000
Financial assets								
Cash assets	29	4.96%	9,815					9,815
Restricted cash assets	16	4.96%	1,002					1,002
Receivables	18						11,711	11,711
TOTAL			10,817				11,711	22,528
Financial liabilities								
Payables	22						66,316	66,316
Other liabilities	25						1,189	1,189
Interest-bearing liabilities								
W.A.T.C. loans (ii)	23	5.98%		408,102	306,036	391,915		1,106,053
Commonwealth loans	23	5.92%				5,020		5,020
Lease liabilities	23	6.53%	19,516					19,516
TOTAL			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

The 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 warranties, amounts due from major debtors are not normally secured by collateral. However the credit-worthiness of debtors is regularly monitored. Securities held to ensure the performance of contractor guarantees or warranties 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. The PTA does not enter into hedge transactions for speculative purposes.

The 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. The 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 years.

ii) Smartcard ticketing

The smartcard ticketing program requires payment for equipment purchases to be made in Great Britain pounds. The 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	2004 \$000 Buy Euro Sell Aus \$	2004 \$000 Buy Great Britain Pound Sell Aus \$	2004 \$000 Total
Maturity:			
0-6 months	9,630	8,630	18,260
6-12 months	6,111	846	6,957
12-24 months	12,570		12,570
24-36 months	12,500		12,500
Total	40,811	9,476	50,287

Average exchange rates	2004 Rate	2004 Rate
Maturity:		
0-6 months	0.5430	0.4109
6-12 months	0.5445	0.3713
12-24 months	0.5445	
24-36 months	0.5445	

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 2004.

The following gains or losses have been deferred at 30 June 2004 and included in the Statement of Financial Position:

	2004 \$000
Deferred losses	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.

34. Supplementary financial information

(a) Losses written off:	
Thefts of cash, equipment and stores	12
(b) Stocks - discrepancies	0
- obsolescence, damage, surplus	0
(c) Revenue written off	10
(d) Gifts of public property	0
TOTAL	22

35. Revenue and cost of services explanatory statement

The PTA was established on 1 July 2003 and consequently a comparison with previous year results is not possible.

Comparison of the actual results for 2003/04 compared to the estimated income and expenses

	Estimate \$000	Actual \$000	Variance \$000
Revenue from ordinary activities	128,728	141,154	12,426
Total cost of services	524,368	515,512	8,856
Net cost of (surplus from) services	395,640	374,358	21,282

Revenue

Revenue was \$12.4 million (9.6%) above the estimate. The variations include the following major items that were not budgeted for:

- i) A contribution of \$3 million from the City of Wanneroo for the construction of a road bridge at Quinns Road;
- ii) A claim for liquidated damages of \$2.3 million in accordance with contract conditions;
- iii) External works of \$1.4 million including principal shared paths and electrical isolations;
- iv) Advertising revenue of \$1.7 million from changed contractual arrangements and timing of receipt of funds;
- v) Resources received free of charge of \$1 million from the Department of Land Information; and,
- vi) Sale of land at Joondalup of \$900,000.

Total cost of services

Cost of services for the year was \$8.8 million (1.7%) under the estimate. There were several significant positive and negative variations compared to budget that contributed to this minor overall variation. These variations include:

- i) A lower capital-user charge of \$16 million, arising out of a decision not to transfer the residual debt, following the sale of the Westrail freight business, from the PTA to the Department of Treasury and Finance because of legislative restrictions;
- ii) Increased depreciation of \$4.3 million due to the recording of assets at fair value;
- iii) Increased infrastructure maintenance costs of \$1.9 million, including Goongoonup Bridge and Stirling Station; and,
- iv) The cost of \$1 million for land valuation services provided free of charge by the Department of Land Information.

36. Output information

2004	Metropolitan and regional passenger services	Country passenger rail and road coach services	Regional school bus services	Rail corridor and residual freight issues	Total
	\$000	\$000	\$000	\$000	\$000
COST OF SERVICES					
Expenses from ordinary activities					
Employee expenses	44,908	9,185	2,012	5,983	62,088
Supplies and services	51,747	14,746	1,688	5,439	73,620
Depreciation and amortisation expense	51,277	4,389	109	8,032	63,807
Borrowing costs expense	38,970	4,149	0	26,578	69,697
Grants and subsidies expense	140,934	0	67,789	0	208,723
Capital user charge	19,413	1,629	0	2,934	23,976
Energy and fuel	6,868	1,441	0	471	8,780
Land rationalisation expense	0	0	0	2,713	2,713
Other expenses from ordinary activities	1,095	0	0	1,013	2,108
Total cost of services	355,212	35,539	71,598	53,163	515,512
REVENUES FROM ORDINARY ACTIVITIES					
Revenues from operating activities					
User charges and fees	72,115	7,608	0	0	79,723
Land rationalisation lease revenue	0	0	0	83	83
Operating lease revenue	0	0	0	18,540	18,540
Grants and subsidies	6,731	0	362	12,694	19,787
Revenues from non-operating activities					
Interest revenue	0	0	0	1,326	1,326
Profit on disposal of non-current assets	0	95	0	1,305	1,400
Other revenues from ordinary activities	6,764	17	27	13,487	20,295
Total revenues from ordinary activities	85,610	7,720	389	47,435	141,154
NET COST OF SERVICES	269,602	27,819	71,209	5,728	374,358
REVENUES FROM STATE GOVERNMENT					
Output appropriation	262,081	27,601	69,954	40,078	399,714
Resources received free of charge	0	0	0	1,013	1,013
Total revenues from State Government	262,081	27,601	69,954	41,091	400,727
CHANGE IN NET ASSETS	(7,521)	(218)	(1,255)	35,363	26,369

37. The impact of adopting International Accounting Standards

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 to disclose information about the impacts of any changes in accounting policies in the transition period leading up to the adoption date.

The PTA is managing the transition to Australian Equivalents to International Financial Reporting Standards (IFRS's) with the establishment of a project team consisting of a working group analysing the current Australian Accounting Standards, Financial Administration and Audit Act, and Treasurer's Instructions and comparing them to the proposed Australian Equivalents to IFRS's and the associated new Treasurer's Instructions and Financial Administration and Audit Act. Any differences in accounting policies that are expected to arise are then documented and the project team is responsible for implementing new accounting policies and procedures to comply with the Australian Equivalents to IFRS's.

A steering committee has also been established to monitor the progress towards adoption of the Australian Equivalents to IFRS's and to provide key policy decision making.

Currently there appears to be no key differences in the PTA's accounting policies that are expected to arise from adopting Australian Equivalents to IFRS's.



New railcar undergoing track testing on the Northern Suburbs Railway.

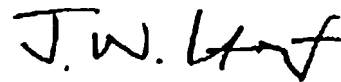
Certification of Financial Statements for the year ended 30 June 2004

The accompanying financial statements of the Public Transport Authority of Western Australia have been prepared in compliance with the provisions of the Financial Administration and Audit Act 1985 from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2004 and the financial position as at 30 June 2004.

At the date of signing we are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.



R Waldock
Accountable Authority
31 August 2004



JW Leaf
Principal Accounting Officer
31 August 2004



Bernard Currin tests a railcar saloon door.



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

PUBLIC TRANSPORT AUTHORITY OF WESTERN AUSTRALIA FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

Audit Opinion

In my opinion,

- (i) the controls exercised by the Public Transport Authority of Western Australia provide reasonable assurance that the receipt, expenditure and investment of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of the Authority at June 30, 2004 and its financial performance and cash flows for the year ended on that date.

Scope

The Chief Executive Officer's Role

The Chief Executive Officer is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing the financial statements, and complying with the Financial Administration and Audit Act 1985 (the Act) and other relevant written law.

Summary of my Role

As required by the Act, I have independently audited the accounts and financial statements to express an opinion on the controls and financial statements. This was done by looking at a sample of the evidence.

The financial statements consist of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and the Notes to the Financial Statements.

An audit does not guarantee that every amount and disclosure in the financial statements is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements.

D D R PEARSON
AUDITOR GENERAL
September 24, 2004