

FINANCIAL REPORT



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Finance Report  
for the year ended 30 June 2006

**Directors' Report**

The TransAdelaide Board has pleasure in presenting its report on the consolidated accounts of the Economic Entity for the financial year ended 30 June 2006.

**Principal Activities**

TransAdelaide is a body corporate subject to the provisions of the *Public Corporations Act 1993*. The *TransAdelaide (Corporate Structure) Act 1998* provides that TransAdelaide's principal activity is to operate passenger transport services, an activity that continued to be the primary focus throughout the year.

TransAdelaide has two significant business operations, the provision of passenger tram and train services and the management of the tram and train infrastructure in the metropolitan area. The focus in 2005-06 has been on satisfying customer demand by providing improved quality services and continual upgrading of train infrastructure to enhance passenger safety and comfort in order to attract new customers to public transport.

TransAdelaide's five-year agreement for the provision of metropolitan rail services with the Public Transport Division (PTD) was renewed by the Government, in accordance with the Contract dated 21 December 2000 for the provision of rail services, until April 2010.

TransAdelaide is a joint shareholder in Transitplus Pty Ltd, a private company that provides passenger transport services in the Adelaide Hills region under contract with the PTD.

**Review of Operating Result**

For the financial year ended 30 June 2006, TransAdelaide has recorded a profit of \$14.855m. This operating result shows an increase on forecast due to the bringing to account of capital grant income as a result of the tram infrastructure asset sale to the Department of Transport, Energy & Infrastructure (DTEI). Without this, there would have been an operating loss of \$9.5m. This includes the write off of \$10.531m in tax benefits and deferred income tax due to TransAdelaide's adoption of the Accounting Profits Model – a direct result of the Treasurer's amendments to T122 *Tax equivalents applicable to Government businesses*.

TransAdelaide's forecast operating result was also adversely affected by a variety of unfunded cost pressures, to the value of \$4.482m, and a greater than expected increase in diesel fuel costs.



A summary of the operating result of TransAdelaide is set out below.

**Parent Entity's performance against budget for the 2005-06 financial year**

	<b>Actual Results \$'000</b>	<b>Budget \$'000</b>	<b>Variation \$'000</b>
<i>Income</i>	131,927	104,862	27,065
<i>Expenditure</i>	<u>118,044</u>	<u>100,622</u>	<u>(17,422)</u>
<b><i>Operating profit (loss) before income tax</i></b>	<u>14,855</u>	<u>4,240</u>	<u>10,615</u>

**Capital Expenditure**

TransAdelaide's capital expenditure was \$22.768m, which incorporates \$10.065m related to the tram infrastructure upgrade project.

**Dividends**

No ordinary dividend was paid to the Department of Treasury & Finance (DTF) in respect of the financial year's operating result however, special dividends totalling \$34.757m were paid. These consist of \$2.296m in respect of TransAdelaide's depreciation funding and \$32.461m in respect of the sale proceeds of the tram infrastructure assets to DTEI.

**Significant Changes in the Economic Entity**

TransAdelaide's performance was impacted by the revaluation of TransAdelaide's assets and the contributed capital provided for the Tram Infrastructure Upgrade project.

**Ministerial Control and Direction**

TransAdelaide did not receive any specific Ministerial Direction during the 2005-06.

**Payment of Accounts**

<b>Particulars</b>	<b>Number of Accounts Paid</b>	<b>Percentage of Accounts Paid (by number)</b>	<b>Value in \$A of Accounts Paid \$'000</b>	<b>Percentage of Accounts Paid (by value)</b>
<i>Paid by the due date</i>	13 684	7.20	140 550	98.38
<i>Paid within 30 days or less from due date</i>	245	1.76	614	0.68
<i>Paid more than 30 days from due date</i>	140	1.04	1346	0.94

**Events Subsequent to Balance Date**

There were no events subsequent to balance date which require disclosure or recognition in the financial statements.



## Likely Future Developments and Expected Results

In our opinion, all appropriate information concerning the likely developments in, and expected results of, the operations of TransAdelaide are contained in this report. Further specific information regarding the likely developments in the operations of TransAdelaide and the expected results of those operations in financial years subsequent to the financial year has not been included in this report, as it is believed this would prejudice the interests of the Corporation.

## Director's Benefits

Neither during nor since the financial year has any Director received or been entitled to receive a benefit, other than their disclosed remuneration as shown in note 11.

## Director's Interests in Contracts

As at the date of this report, no Director of the Economic Entity had interests in contracts or proposed contracts with any part of the Economic Entity.

## Indemnities and Insurance

TransAdelaide pays an insurance premium in respect of insuring the directors, the general manager, all of its executive officers and employees of any related body corporate against a liability incurred as a director, secretary or executive officer to the extent permitted by the *Passenger Transport Act 1994*.

## Contractual Arrangements

### *New Contracts*

During 2005-06 TransAdelaide did not enter into any new contracts exceeding \$4.0m for the provision of services traditionally undertaken by the Public Sector.

### *Continuation of Existing Contracts.*

During 2005-06 TransAdelaide continued with the following contractual arrangements exceeding \$4.0m that were entered in previous years

#### *Provision of railcar maintenance and related services.*

The scope of the contract is:

- To carry out planned preventative and corrective maintenance of railcars
- To carry out unplanned corrective maintenance of railcars
- The cleaning of railcars and
- Railcar condition monitoring.

The Contract's objectives are to:

- Provide a Public Transport Service which achieves the highest standard of reliability, safety and comfort for our customers in a manner which is economical and cost-effective



- Provide the services in a manner which is designed to enhance the overall quality and performance of TransAdelaide's rail operations
- Provide the services fully in compliance with the Rail Safety Act and required standards.

The Contract was awarded to Bombardier Transportation Australia Pty Ltd on a ten-year term, commencing 11 June 2005.

At 30 June 2006 there has been no transfer of assets to Bombardier Transportation Australia Pty Ltd and there are no contingent and other liabilities that have not been reflected in the accounts.

*Adelaide Light Rail Project : Glenelg – Adelaide Infrastructure Upgrade.*

The scope of infrastructure works for the Glenelg tramway upgrade consists of:

- Full concrete re-sleepering of the 9.2km in-corridor ballasted section i.e. from Stop 3 (South Terrace) to Stop 19 (Brighton Road) up and down tracks
- Partial (approximately 50%) steel re-railing of the sections of rail identified as being incompatible with operation of the new LRV's
- Re-grinding of the rails to attain the required wheel-rail interface
- Refurbishment of tram cross-over switches
- Augmentation of the overhead electrical power supply and distribution system by the installation of side feeder booster cables
- Modifications (raising, lateral extension and incorporation of ramps) to existing tram-stop platform structures to ensure compatibility with Disability Discrimination Act requirements covering access to both trams and the adjacent local street and footpath network
- Incorporation of suitable (low growing) landscape treatments into tram-stops
- Modifications to the existing Glengowrie tram maintenance depot by installing overhead work platforms with electrical protection interlocking and a variety of lifting gear
- Minor modifications to the undercarriage of the existing H-class trams to enable them to operate on modified infrastructure during a transition period, over which time the new trams are progressively introduced into service.

Key objectives for the infrastructure upgrade include:

- Improved ride performance for passenger comfort and minimise wear and tear on the new trams
- A reliable power supply and distribution system of adequate capacity
- To ensure safe and accessible access to, and from, platforms to the new trams
- Safe and practical working environments at Glengowrie workshop depot for the servicing and maintenance of the new trams as well as the five H-class trams that are being retained.



TransAdelaide, in conjunction with the Department of Transport Energy & Infrastructure, and on behalf of the Minister for Transport, evaluated the submissions. The contract was subsequently awarded to Coleman Rail Pty Ltd on 12 April 2005 Practical Completion Date was 28 April 2006.

At 30 June 2006 there has been no transfer of assets to Coleman Rail Pty Ltd and there are no contingent and other liabilities.

*Upgrading of TransAdelaide's existing Centralised Train Control (CTC) and Passenger Information (PI) systems*

The scope of the Contract is to upgrade the existing CTC and PI systems, which have been in service since 1988.

The Contract's objectives are to:

- Provide train passengers with a Public Transport Service that achieves the highest standards of reliability and safety
- Eliminate the risk of the current network concerning technical obsolescence and diminishing the level of available equipment support
- Improve the efficiency, productivity and adaptability of the CTC and PI systems to better meet the current and future operational and business needs of TransAdelaide.

The Contract was awarded to Alstom Australia Ltd and commenced on 14 March 2003, with a practical completion date of 17 August 2006.

At 30 June 2006, there has been no transfer of assets to Alstom Australia Ltd and there are no contingent and other liabilities.



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**Income Statement****Year Ended 30 June 2006**

	Note	2006 \$'000	2005 \$'000
<b>Income</b>			
Revenues from the provision of services	6	97,544	91,971
Revenues from SA Government	8	28,228	3,456
Financial income	7	984	826
Other revenues	10	6,062	6,363
Net (loss) gain from the disposal of assets	9	(891)	1,286
<b>Total Income</b>		<b>131,927</b>	<b>103,902</b>
<b>Expenses</b>			
Employee benefits costs	11	39,079	38,447
Supplies and services	12	40,569	38,301
Depreciation and amortisation expense	13	21,123	21,446
Financial expenses	14	5,956	6,145
Other expenses	15	786	(15)
Change in taxation policy	17	10,531	-
Revaluation decrements	5	-	18,404
<b>Total Expenses</b>		<b>118,044</b>	<b>122,728</b>
Share of profit of associates		972	797
<b>Profit before income tax equivalents</b>		<b>14,855</b>	<b>(18,029)</b>
Income tax equivalent expense	17	-	-
<b>Net profit (loss) after income tax equivalents attributable to the SA Government as owner</b>		<b>14,855</b>	<b>(18,029)</b>

The above statement should be read in conjunction with the accompanying notes

**Balance Sheet**  
**As at 30 June 2006**

	Note	2006 \$'000	2005 \$'000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	33	22,106	14,498
Receivables	18	2,550	11,093
Inventories	19	4,309	4,684
<b>Total Current Assets</b>		<b>28,965</b>	<b>30,275</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	20	640,461	665,324
Investment property	21	10,578	10,578
Intangible assets	22	114	389
Investment accounted for using the equity method	24	200	200
Future income tax benefit	17	-	21,986
<b>Total Non-Current Assets</b>		<b>651,353</b>	<b>698,477</b>
<b>Total Assets</b>		<b>680,318</b>	<b>728,752</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables	25	12,403	18,301
Short-term employee benefits	27	7,646	7,338
Short-term provisions	28	2,837	4,336
Other short-term liabilities	29	419	41
<b>Total Current Liabilities</b>		<b>23,305</b>	<b>30,016</b>
<b>Non-Current Liabilities</b>			
Long-term borrowings	26	75,205	81,371
Long-term employee benefits	27	10,531	9,767
Long-term provisions	28	10,551	10,650
Provision for deferred income tax	17	-	11,455
Other long-term liabilities	29	6,656	11,460
<b>Total Non-Current Liabilities</b>		<b>102,943</b>	<b>124,703</b>
<b>Total Liabilities</b>		<b>126,248</b>	<b>154,719</b>
<b>Net Assets</b>		<b>554,070</b>	<b>574,033</b>
<b>Equity</b>			
Reserves	30	474,509	482,636
Retained earnings		79,561	91,397
<b>Total Equity</b>		<b>554,070</b>	<b>574,033</b>

The Total Equity is attributable to the SA Government as owner

Commitments for expenditure 31

Contingent assets and liabilities 32

The above statement should be read in conjunction with the accompanying notes

**Statement of Changes in Equity**  
**Year Ended 30 June 2006**

	Note	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2004		369,727	111,305	481,032
Changes in accounting policy	5	(498)	(489)	(987)
<b>Restated balance at 30 June 2004</b>		<b>369,229</b>	<b>110,816</b>	<b>480,045</b>
				-
Gain (loss) on revaluations during 2004-05	30	96,407	-	96,407
Transferred to retained profits amounts realised on disposal of assets	30	(906)	906	-
Profit (loss) after income tax equivalent for 2004-05			(18,029)	(18,029)
<b>Total recognised income and expense for 2004-05</b>		<b>95,501</b>	<b>(17,123)</b>	<b>78,378</b>
Dividends to SA Government		-	(2,296)	(2,296)
Balance at 30 June 2005		464,730	91,397	556,127
Changes in accounting policy	5	17,906	-	17,906
<b>Restated balance at 30 June 2005</b>		<b>482,636</b>	<b>91,397</b>	<b>574,033</b>
				-
Gain (loss) on revaluations during 2005-06	30	(61)	-	(61)
Transferred to retained profits amounts realised on disposal of assets	30	(8,066)	8,066	-
Profit (loss) after income tax equivalent for 2005-06			14,855	14,855
<b>Total recognised income and expense for 2005-06</b>		<b>(8,127)</b>	<b>22,921</b>	<b>14,794</b>
Dividends to SA Government	8b	-	(34,757)	(34,757)
<b>Balance at 30 June 2006</b>		<b>474,509</b>	<b>79,561</b>	<b>554,070</b>

All changes in equity are attributable to the SA Government as owner

The above statement should be read in conjunction with the accompanying notes

**Cash Flow Statement**  
**Year Ended 30 June 2006**

	Note	2006 \$'000	2005 \$'000
<b>Cash flows from Operating Activities</b>			
<b>Cash Inflows</b>			
Receipts from the sale of goods and services		98,617	94,697
Interest received		970	818
Receipts from SA Government		27,487	8,114
Dividends received		971	751
GST input tax credits claimed		15,772	10,515
Other receipts		8,742	1,413
<b>Cash generated from operations</b>		<b>152,559</b>	<b>116,308</b>
<b>Cash Outflows</b>			
Employee benefit payments		(40,534)	(36,434)
Supplies and services		(42,957)	(38,178)
Interest paid		(5,992)	(6,213)
GST payments on purchases		(6,756)	(6,324)
GST remitted to ATO		(5,283)	(4,048)
<b>Cash used in operations</b>		<b>(101,522)</b>	<b>(91,197)</b>
<b>Net cash provided by operating activities</b>	<b>33</b>	<b>51,037</b>	<b>25,111</b>
<b>Cash flows from Investing Activities</b>			
<b>Cash Inflows</b>			
Proceeds from sale of property, plant and equipment		34,388	171
Proceeds from the sales of intangibles		-	1,264
<b>Cash generated from investing activities</b>		<b>34,388</b>	<b>1,435</b>
<b>Cash Outflows</b>			
Purchase of property, plant and equipment		(36,894)	(15,776)
<b>Cash used in investing activities</b>		<b>(36,894)</b>	<b>(15,776)</b>
<b>Net cash provided by (used in) investing activities</b>		<b>(2,506)</b>	<b>(14,341)</b>
<b>Cash flows from Financing Activities</b>			
<b>Cash Outflows</b>			
Dividends paid		(34,757)	(2,296)
Repayment of borrowings		(6,166)	(5,381)
<b>Net cash used in financing activities</b>		<b>(40,923)</b>	<b>(7,677)</b>
<b>Net increase in cash and cash equivalents</b>		<b>7,608</b>	<b>3,093</b>
Cash and cash equivalents at the beginning of the financial year		14,498	11,405
<b>Cash and cash equivalents at the end of the financial year</b>	<b>33</b>	<b>22,106</b>	<b>14,498</b>

The above statement should be read in conjunction with the accompanying notes

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**Notes to the Financial Statements**  
**Year Ended 30 June 2006**

**Note 1 Objectives of TransAdelaide**

TransAdelaide was established as a Public Authority under the *TransAdelaide (Corporate Structure) Act 1998* in January 1999. TransAdelaide also has a 50% interest in Transitplus Pty Ltd, a joint venture entity established for the provision of bus services through the Adelaide Hills.

TransAdelaide is a body corporate subject to the provisions of the *Public Corporations Act 1993*. The *TransAdelaide (Corporate Structure) Act 1998* provides that TransAdelaide's principal activity is to operate passenger transport services, an activity that continued to be the primary focus throughout the year.

**Note 2 Summary of Significant Accounting Policies**

**a) Basis of Accounting**

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable Australian Accounting Standards and Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987* (PFAA).

For the purpose of Australian Equivalents to International Financial Reporting Standards, TransAdelaide is a for-profit entity.

These financial statements are the first statements to be prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

AASB 1 *First time adoption of AIFRS* has been applied in preparing these statements. Previous financial statements were prepared in accordance with Australian Generally Accepted Accounting Principles.

Reconciliations explaining the transition to AIFRS as at 1 July 2004 and 30 June 2005 are at Note 5.

TransAdelaide's Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Cash Flow Statement has been prepared on a cash basis.

The financial report has been prepared based on a twelve month operating cycle and presented in Australian currency.

**Notes to the Financial Statements (continued)**  
**Year Ended 30 June 2006**

**b) Comparative Information**

The presentation and classification of items in the financial report are consistent with prior periods except where a specific Accounting Policy Statement or Australian Accounting Standard has required a change.

Comparative figures have been restated on an AIFRS basis except for financial instrument information as permitted by AASB 1. The comparatives have been restated to assist users' understanding of the current reporting period and do not replace the original financial report for the preceding period.

Note 5 provides a detailed analysis of comparative amounts that have been reclassified as a result of the adoption of AIFRS.

**c) Rounding**

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

**d) Taxation**

In accordance with Treasurer's Instruction 22 *Tax Equivalent Payments*, TransAdelaide is required to pay to the State Government an income tax equivalent. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate be applied to the net accounting profit.

TransAdelaide is liable for payroll tax, fringe benefits tax, goods and services tax, emergency services levy, land tax equivalents and local government rate equivalents.

Income, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred by TransAdelaide as a purchaser is not recoverable from the Australian Taxation Office. Receivables and payables are stated with the amount of GST included.

**e) Income and Expenses**

Income and expenses are recognised in TransAdelaide's Income Statement when and only when it is probable that the flow of economic benefits to or from the entity will occur and can be reliably measured.

Income and expenses have been classified according to their nature in accordance with Accounting Policy Framework II *General Purpose Financial Reporting Framework* paragraph APS 3.5 and have not been offset unless required or permitted by a specific accounting standard.

In accordance with Accounting Policy Framework II *General Purpose Financial Reporting Framework* APS 4.1 and 4.2 the financial report's notes disclose income, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

**Notes to the Financial Statements (continued)****Year Ended 30 June 2006***Revenues*

Revenues are measured at fair value of consideration received or receivable. Revenue is recognised for major activities as follows:

Revenues are derived from the provision of rail services to the public under contract with the Public Transport Division of the Department of Transport, Energy and Infrastructure. This revenue is recognised upon delivery of the service.

Rental income arising on investment properties is accounted for on a straight line basis over the lease term.

Grants, subsidies and funding received from the SA Government are recognised as revenues when TransAdelaide obtains control over the assets. Control over these revenues is normally obtained upon receipt and they are accounted for in accordance with Treasurer's Instruction 3 *Appropriation*.

Where money has been appropriated in the form of a loan, TransAdelaide has recorded the amount in the balance sheet.

Income from the disposal of non-current assets is recognised when control of the asset has passed to the buyer and is determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation increments are transferred to retained earnings in accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 3.11.

Resources received/provided free of charge are recorded as revenue and expenditure in the Income Statement at their fair value in accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 2.12. Resources provided free of charge are recorded at their fair value in the expense line items to which they relate.

*Contributions*

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and TransAdelaide will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the Income Statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are recognised as deferred income and are credited to the Income Statement on a straight line basis over the expected lives of the related assets.

All contributions from non-government entities are recognised as income when TransAdelaide obtains control of the contribution or the right to receive the contribution and the income recognition criteria are met.



**Notes to the Financial Statements (continued)**  
**Year Ended 30 June 2006**

*Expenses*

TransAdelaide undertakes major cyclical maintenance on its infrastructure assets. All costs involved with the major cyclical maintenance are recorded as an expense unless they add to the service potential of the existing infrastructure asset.

Borrowing costs are recognised as an expense.

**f) Current and Non-Current Classification**

Assets and liabilities are characterised as either current or non-current in nature. TransAdelaide has a clearly identifiable operating cycle of twelve months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within twelve months and more than twelve months, TransAdelaide has separately disclosed the amounts expected to be recovered or settled after more than twelve months.

**g) Cash and Cash Equivalents**

Cash and cash equivalents recorded in the cash flow statement includes cash on hand and deposits held at call.

Cash is measured at nominal value.

**h) Receivables**

Receivables include amounts receivable from trade, prepayments and other accruals.

Trade receivables arise in the normal course of selling goods and services to the public and agencies. Trade receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Other debtors arise outside the normal course of selling goods and services to other entities and to the public.

TransAdelaide determines the provision for doubtful debts based on a review of balances within trade receivables that are unlikely to be collected. These are generally receivables that are 90 days or more overdue.

**i) Inventories**

Inventories are measured at the lower of cost or their net realisable value. Cost is allocated in accordance with the weighted average method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

The amount of any inventory write-down to net realisable value/replacement cost or

**Notes to the Financial Statements (continued)****Year Ended 30 June 2006**

inventory losses is recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are recognised as an expense reduction.

**j) Non-Current Asset Acquisition and Recognition**

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet. If however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

In accordance with Accounting Policy Framework 3 *Asset Accounting Framework* APS 2.15 and APS 7.2, all non-current tangible assets with a value of \$4,000 are capitalised. Assets held for sale are separately disclosed and measured at the lower of carrying amount and fair value less cost to sell.

**k) Revaluation of Non-Current Assets**

TransAdelaide's non-current assets are included at fair value. Valuations are provided by either an independent valuer, by the Valuer General or a Director's valuation. In accordance with the Department of Treasury and Finance, Accounting Policy Framework, asset classes containing individual assets over a threshold of \$1 million, based on fair value at the time of acquisition, are regularly revalued. Where an asset class does not contain assets above the threshold, all assets in that class are deemed to be revalued to their fair values immediately following recognition at acquisition cost, as required by Accounting Policy Framework 3 "Asset Accounting Framework".

The cost of property, plant and equipment constructed by TransAdelaide includes the cost of materials and direct labour and an appropriate proportion of fixed and variable overheads. All major non-current assets are usually revalued every three years on an existing use, fair value basis in the financial statements at the revalued amounts.

The most recent valuation was conducted under instruction from TransAdelaide by Certified Practising Valuer Mr John L Morgan B. App. Sc. (Val.) Fellow, Australia Property Institute during the 2004-05 year and included the major asset classes: Trams, Trains, Land, Buildings and Permanent Way.

In accordance with Accounting Policy Framework 3, *Asset Accounting Framework* assets will continue to be valued at fair value and the value in the asset revaluation reserve will be retained to ensure that, to the extent possible, any valuation decrements are recorded against previous valuation increments rather than in the income statement.

TransAdelaide has taken revaluation adjustments to the asset revaluation reserve on an individual basis.

**l) Impairment**

All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount

**Notes to the Financial Statements (continued)****Year Ended 30 June 2006**

is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

Impairment is generally limited to where an asset's depreciation is materially understated or where the replacement cost is falling.

**m) Depreciation and Amortisation of Non-Current Assets**

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to physical assets such as property, plant and equipment.

The useful lives of all major assets held by TransAdelaide are reassessed on an annual basis.

The value of leasehold improvements is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

Land and assets held for sale are not depreciated.

Depreciation/amortisation for non-current assets is determined as follows:

<b>Class of Assets</b>	<b>Depreciation Method</b>	<b>Useful Life (Years)</b>
Rollingstock		
Railcars	Straight Line	20 – 42
Tramcars	Straight Line	10 - 87
Buildings	Straight Line	10 – 100
Permanent Way	Straight Line	20 - 242
Machinery, Plant & Equipment	Straight Line	3 - 100
Intangibles	Straight Line	3

**n) Intangible Assets**

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost.

The acquisition of/or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an intangible asset outlined in AASB 138 *Intangible Assets* and when the amount of expenditure is greater than or equal to \$4,000, in accordance with Accounting Policy Framework III *Asset Accounting Framework* paragraph APS 2.15.

All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 are expensed.

**Notes to the Financial Statements (continued)****Year Ended 30 June 2006**

Subsequent expenditure on intangible assets has not been capitalised. This is because TransAdelaide has been unable to attribute this expenditure to the intangible asset rather than to TransAdelaide as a whole.

**o) Investment Property**

Investment property principally comprises freehold land and is not occupied by TransAdelaide. Investment property is carried at fair value, as mandated by Accounting Policy Framework III *Asset Accounting Framework*. Changes in fair value are recorded in the Income Statement as part of Other Income or Other Expense.

**p) Payables**

Payables include creditors, accrued expenses and employment on-costs.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of TransAdelaide.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received in accordance with Treasurer's Instruction 11 *Payment of Creditor's Accounts*.

Employment on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave, annual and other leave.

TransAdelaide makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board (SASB).

**Notes to the Financial Statements (continued)**  
**Year Ended 30 June 2006**

**q) Employee Benefits**

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement of sick leave.

Liability for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date. The annual leave liability is expected to be payable within twelve months and is measured at the undiscounted amount expected to be paid.

In the unusual event where salary and wages and annual leave are payable later than twelve months, the liability will be measured at nominal amount.

The liability for long service leave is recognised after an employee has completed seven years of service in accordance with Accounting Policy Framework IV *Financial Asset and Liability Framework*. An actuarial assessment of Long Service Leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short-hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with TransAdelaide's experience of employee retention and leave taken.

**r) Leases**

TransAdelaide has entered into operating leases.

*Operating Leases*

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased assets. Operating lease payments are recognised as an expense on the basis that is representative of the pattern of benefits derived from the leased assets.

**s) Insurance**

TransAdelaide has arranged, through the SA Government Captive Insurance Corporation (SAICORP), to insure all major risks of TransAdelaide. The excess payable under this arrangement varies depending on each class of insurance held.

**Notes to the Financial Statements (continued)****Year Ended 30 June 2006****t) Joint Venture**

In TransAdelaide's financial statements the investment in joint venture entity is carried at the lower of cost or recoverable amount. TransAdelaide's share of the joint venture entity's net profit or loss is recognised in the Income Statement from the date joint control commenced.

The economic entity's investment in joint venture entity is based upon the equity method of accounting for investment in associates as per Australian Accounting Standard AASB 128, "Investments in Associates".

**Note 3 Financial Risk Management**

TransAdelaide is exposed to a variety of financial risks, market risk, credit risk and liquidity risk. Financial risk management is carried out by Business Services and risk management policies and practices are in accordance with Australian Risk Management Standards. Internal accounting policies and procedures are in place which cover the main areas of financial risk including cash management, accounts payable and receivable, reconciliations and accruals, delegations of authority, fixed assets and capital expenditure.

TransAdelaide has non-interest bearing assets (cash on hand and on call and receivables) and liabilities (payables) and interest bearing assets (held to maturity investments) and liabilities (borrowings from the SA Government). Further details on interest rate risk are included in Notes 26 and 33.

TransAdelaide's exposure to foreign exchange risk and cash flow interest risk is minimal. TransAdelaide is exposed to price risk for changes in interest rates that relate to long-term debt obligations and investments classified either as available-for-sale or fair value.

TransAdelaide has no significant concentration of credit risk. Any existing risk has been acknowledged through provision for doubtful debts.

In relation to liquidity/funding risk, the continued existence of TransAdelaide in its present form, and with its present segments/services, is dependent on Government policy and on continuing capital appropriations by Parliament to maintain TransAdelaide's asset base.

**Note 4 Segment Information**

TransAdelaide operations fully relate to the provision of public transportation services in the Adelaide metropolitan area.

**Notes to the Financial Statements (continued)**  
**Year Ended 30 June 2006**

**Note 5 - Changes in Accounting Policies**

**(i) Explanation of transition to AIFRS and other changes in accounting policy**

In accordance with the First-time Adoption of AIFRS, the Corporation first applied AIFRS from 1 July 2004 to convert the previous GAAP reported results to AIFRS. AIFRS was also applied to the 30 June 2005 reported result to convert the previously reported GAAP figures to AIFRS. These AIFRS figures for 2005 form the figures reported in the Income Statement, Balance Sheet and Notes for the 2005 year and are directly comparable to the AIFRS figures for 2006. There has also been a change in accounting policy for long service leave calculation - see note 27. Reconciliations and notes explaining the transition to AIFRS and other changes in accounting policies are shown below:

	Note	At 30/6/05			At 1/7/04		
		Previous GAAP \$'000	Adjust- ments \$'000	AIFRS \$'000	Previous GAAP \$'000	Adjust- ments \$'000	AIFRS \$'000
Current assets	a	30,058	217	30,275	19,723		19,723
Non-current assets	b	696,119	2,358	698,477	601,053	423	601,476
Current liabilities	c, d	32,485	(2,469)	30,016	25,832	(3,677)	22,155
Non-current liabilities	a,c,d,g	111,398	13,305	124,703	113,912	5,087	118,999
Net Assets		582,294	(8,261)	574,033	481,032	(987)	480,045
Equity		582,294	(8,261)	574,033	481,032	(987)	480,045
Retained earnings	e, f, g	117,564	(26,167)	91,397	111,305	(489)	110,816
Assets revaluation reserve	e, f	464,730	17,906	482,636	369,727	(498)	369,229
Total equity		582,294	(8,261)	574,033	481,032	(987)	480,045
Profit (loss) after income tax equivalents		7,650	(25,679)	(18,029)	1,793	(987)	806
Total Cash Flows		3,093	-	3,093	(381)	-	(381)

**Notes to the Financial Statements (continued)****Year Ended 30 June 2006****Note 5 - Changes in Accounting Policies (continued)**

The adoption of AIFRS has resulted in a number of material adjustments to the Balance Sheet and Income Statement.

a) **Recognition of capital grant income in accordance with AASB 120 "Accounting for Government Grants and Disclosure of Government Assistance"**. TransAdelaide reclassified \$1.4 million of capital grants previously recorded as revenue in 2003-04 and a further \$10.05 million recorded as revenue in 2004-05 to other liabilities. The liability will be amortised over the future life of the funded assets. In 2004-05 this also resulted in recognition of additional capital work in progress of \$0.2 million which, under the previous application of GAAP, would not have been recognised until the completion of the asset.

b) **Changes made to prior balances have given rise to changes in the FITB and PDIT recognised in 2003-04 and 2004-05**. Changes to the net results of TransAdelaide have resulted in an increase to FITB of \$0.4 million in 2003-04 and a further \$1.935 million in 2004-05 and a reduction to the PDIT for 2005 of \$1.3 million. On 23 August 2005, the Treasurer approved amendments to TI22 "Tax and Tax Equivalents Applicable to Government Businesses"; these amendments included the requirement for TransAdelaide to use the Accounting Profits Model to calculate the income tax equivalent expense from 1 July 2005. As a result of the adoption of this model, tax-effect accounting of all income statement items resulted in an adjustment to the tax related balance sheet items' carrying values, increasing the write-off of these values.

c) **Borrowings re-classification**. In accordance with AASB 101 liabilities that are not expected to be settled in the entity's normal operating cycle, or where there is a right to defer settlement for at least 12 months after the reporting date, should be classified as non-current. TransAdelaide has therefore re-classified 100% of borrowings to non-current liabilities.

d) **Employee benefit provision re-classification to current assets**. AASB 101 requires that a liability shall be classified as current where the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. As TransAdelaide does not have an unconditional right to defer settlement of employee benefits such as annual leave and the retirement and death gratuity and associated on-costs, \$2.9 million has been reclassified from non-current to current liabilities.

e) **Investment property**. Under AASB 140 Investment Property, revaluations performed related to investment property are required to be brought to account as part of reported profit instead of being adjusted to the asset revaluation reserve as was performed under GAAP. This has resulted in a decrease to the Asset Revaluation Reserve of \$13.3 million in 2004 to reverse prior increments and an increase to the Asset Revaluation Reserve of \$2.7 million in 2005 to reverse a revaluation decrement from that year.



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**Notes to the Financial Statements (continued)**  
**Year Ended 30 June 2006****Note 5 - Changes in Accounting Policies (continued)**

f) **Asset revaluation reserve.** In accordance with AASB 116, where an asset's carrying amount has been increased as a result of revaluation, the increase has been credited to the Asset Revaluation Reserve. Where such increase reverses a previous revaluation decrease of the same asset, the increase has been recognised as income. Where an asset's carrying amount has been decreased as a result of revaluation, the decrease has been recognised as a reduction of income. To the extent of any credit balance existing in the Asset Revaluation Reserve for such asset, the revaluation decrease has been applied against that balance.

g) **Long service leave voluntary accounting policy change.** TransAdelaide has this year adopted the short-hand method of calculating long service leave liability as permitted in AASB 119 Employee Benefits. Based on TransAdelaide's experience of employee retention and leave taking, this method is considered reliable and does not result in a material difference when compared with the long-hand method of calculation.

**Impact on the Income Statement**

The AIFRS and voluntary accounting policy changes have had the following impacts on the income statement:

- i) Re-statement of long service leave using the short-hand method increased employee benefit expenditure in 2005 by \$679,000
- ii) Income tax expense decreased by \$3.2 million in 2004-05
- iii) Grant revenue recognised in 2004-05 decreased by \$9.8 million as a result of the requirement to recognise capital grant funding as deferred income under AASB 120 Accounting for Government Grants and Disclosure of Government Assistance
- iv) An increase to revaluation decrement expense of \$18.4 million was recognised in the 2005 income statement as a result of AASB 116 Property, Plant and Equipment which requires revaluation decrements to be recognised in the income statement for individual assets where there are not sufficient prior increments posted against the reserve to absorb the decrement.

**(ii) Impact on Financial Year Ended 30 June 2007**

A number of Australian Accounting Standards have been issued or amended and are applicable to this Corporation but are not yet effective. The Corporation has assessed the impact of the new and amended standards and there will be no impact on the accounting policies of the Corporation.

**Notes to the Financial Statements (continued)**  
**Year Ended 30 June 2006**

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Note 6 - Revenues from the provision of services</b>		
Services received by entities within SA Government	93,378	87,850
Services received by entities external to the SA Government	4,166	4,121
<b>Total revenues from the provision of services</b>	<b>97,544</b>	<b>91,971</b>
<b>Note 7 - Financial income</b>		
Interest received/receivable from entities within SA Government	984	826
<b>Total financial income</b>	<b>984</b>	<b>826</b>
<b>Note 8 - Revenues from/payments to SA Government</b>		
<b>a) Revenues from SA Government</b>		
Appropriations from Consolidated Account pursuant to the Appropriation Act	2,356	3,343
Funding grants from the Department of Transport, Energy and Infrastructure (DTEI) *		
Capital grants	24,558	100
Recurrent grants	723	2
Amortisation of capitalised funding grants	305	11
Other	286	-
<b>Total revenues from SA Government</b>	<b>28,228</b>	<b>3,456</b>
<b>b) Payments to SA Government</b>		
Income Tax equivalent payment	-	-
Dividends paid	34,757	2,296
<b>Total payments to SA Government</b>	<b>34,757</b>	<b>2,296</b>

\* These amounts predominantly relate to the upgrade of the Glenelg tram line and its subsequent disposal as discussed below. Under AIFRS, the value shown as capital grants above would have been carried forward to amortise against future depreciation had the funded assets not have been disposed of during the financial year.

Dividends paid and payable have been specifically determined and approved in consultation with the Treasurer and TransAdelaide's Minister. A special dividend paid during 2005-06 of \$2.296m relates to an ongoing arrangement. This special dividend was paid to the South Australian Government's Consolidated Account on 29 June 2006.

On 26 June 2006 the Acting Treasurer approved:

- A special dividend of \$32.461m in 2005-06 representing the net proceeds received from the sale of tram related infrastructure assets to the Department of Transport, Energy and Infrastructure (DTEI). This special dividend was paid to the South Australian Government's Consolidated Account on 29 June 2006.
- That no ordinary dividend be paid by TransAdelaide for 2005-06.

**Notes to the Financial Statements (continued)**  
**Year Ended 30 June 2006**

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Note 9 - Net loss/gain from the disposal of assets</b>		
<b>Rollingstock</b>		
Proceeds from disposal	78	-
Less net book value of assets disposed	(96)	(52)
<b>Net (loss)/gain from disposal of rollingstock</b>	<b>(18)</b>	<b>(52)</b>
<b>Permanent way</b>		
Proceeds from disposal	31,485	-
Less net book value of assets disposed	(32,200)	(48)
<b>Net (loss)/gain from disposal of permanent way</b>	<b>(715)</b>	<b>(48)</b>
<b>Land and buildings</b>		
Proceeds from disposal	2,619	170
Less net book value of assets disposed	(2,619)	22
<b>Net (loss)/gain from disposal of land and buildings</b>	<b>-</b>	<b>192</b>
<b>Other property, plant and equipment</b>		
Proceeds from disposal	143	1
Less net book value of assets disposed	(152)	(68)
<b>Net (loss)/gain from disposal of property, plant and equipment</b>	<b>(9)</b>	<b>(67)</b>
<b>Intangibles</b>		
Proceeds from disposal *	-	1,264
Less net book value of assets disposed	(149)	(3)
<b>Net (loss)/gain from disposal of intangibles</b>	<b>(149)</b>	<b>1,261</b>
<b>Total Assets</b>		
Total proceeds from disposal *	34,325	1,435
Less total value of assets disposed	(35,216)	(149)
<b>Total net (loss)/gain from disposal of assets</b>	<b>(891)</b>	<b>1,286</b>

\* In 2005 this amount includes the gain from sale of the intellectual property of Austrics

On 26 June 2006 the Acting Treasurer approved the sale of tram related infrastructure assets by TransAdelaide to DTEI for consideration of \$32.461m. These asset sales include Permanent Way, Land & Buildings and Other Plant & Equipment asset classes.

**Notes to the Financial Statements (continued)**  
**Year Ended 30 June 2006**

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Note 10 - Other revenues / income</b>		
<b>Other revenues from entities external to the SA Government</b>		
Property Rental	3,197	4,030
Other Revenue	2,069	1,490
	<b>5,266</b>	<b>5,520</b>
<b>Other revenues from entities within SA Government</b>		
Property Rental	796	843
<b>Total other revenues</b>	<b>6,062</b>	<b>6,363</b>

Future minimum payments receivable from non-cancellable operating leases of non-investment properties are: (i) within one year \$2,733,000, (ii) between 2 and 5 years \$9,538,000, and (iii) later than 5 years \$49,514,000. Leases include advertising and display sites, mobile telephone transmitters and real estate with tenancies ranging from monthly to 95 years, whilst providing for regular reviews.

**Note 11 - Employee benefits cost**

Salaries and wages	28,021	28,805
TVSPs (refer below)	183	-
Long Service Leave	1,688	1,339
Annual Leave	2,991	2,645
Block Book Off	581	577
Retiring and Death Gratuity	14	5
Employment on-costs - superannuation	3,411	3,046
Employment on-costs - other	2,051	1,890
Board fees	139	140
<b>Total employee benefits costs</b>	<b>39,079</b>	<b>38,447</b>

**Target Voluntary Separation Packages (TVSPs)**

Amounts paid to these employees:

TVSPs	183	-
Annual Leave and Long Service Leave paid during the reporting period	89	-
	<b>272</b>	<b>-</b>
Recovery from the Department of Treasury and Finance	(183)	-
Number of employees who were paid TVSPs during the reporting period	1	-

**Notes to the Financial Statements (continued)**  
**Year Ended 30 June 2006**

**Note 11 - Employee benefits cost (continued)**

**Remuneration of Employees**

Total Remuneration for employees > \$100,000

<b>2006</b>	<b>2005</b>
<b>\$'000</b>	<b>\$'000</b>

3,188	1,628
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The number of employees whose remuneration falls within the following remuneration bands were:

<b>Remuneration Band \$</b>	<b>No. of Employees</b>	<b>No. of Employees</b>
100,000 - 109,999	7	2
110,000 - 119,999	7	2
120,000 - 129,999	3	4
130,000 - 139,999	3	-
150,000 - 159,999	-	1
160,000 - 169,999	-	1
170,000 - 179,999	1	1
180,000 - 189,999	-	1
190,000 - 199,999	1	-
240,000 - 249,999	1	-
280,000 - 289,999	1	-
	<u>24</u>	<u>12</u>

The table includes:

- all employees who received remuneration of \$100,000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits.
- payments of long service leave entitlements to some positions in 2005
- a TVSP payment in 2006.

**Related party disclosures**

**(a) Directors' Transactions**

Details of Directors' remuneration payments are set out below.

**(b) Transactions with other related parties**

TransAdelaide has a 50% interest in a joint venture entity Transitplus Pty Ltd. TransAdelaide receives an annual management fee of \$125,600 and an ordinary dividend from the joint venture entity. Two board members of TransAdelaide are also board members of the joint venture (Virginia Hickey and Kevin Benger); board fees relating to these positions are paid to the board members by TransAdelaide.

**Notes to the Financial Statements (continued)**  
**Year Ended 30 June 2006**

**Note 11 - Employee benefits cost (continued)**

**Remuneration of directors**

The number of directors whose remuneration falls within the following

Remuneration Band \$	No. of Directors	No. of Directors
\$20,000 - \$29,999	3	3
\$30,000 - \$39,999	1	1
\$40,000 - \$49,999	1	1
	5	5

The names of the directors who have held office during the financial year are: Kevin Benger, Virginia Hickey, Roger Jowett, Elizabeth Kosmala and Frances Magill.

**c) Key management personnel**

Short-term employee benefits

2006 \$'000	2005 \$'000
1,250	1,021

**Note 12 - Supplies and services**

Supplies and services - Non SA Government entities

Supplies and services - SA Government entities

35,256	32,855
5,313	5,446

**Total supplies and services**

40,569	38,301
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**Consultants**

The number and dollar amount of Consultancies paid / payable (included in supplies and services expense) that fell within the following bands:

	2006		2005	
	No.	\$'000	No.	\$'000
Below \$10,000	5	24	2	5
Between \$10,000 and \$50,000	4	103	3	41
<b>Total paid / payable to the consultants engaged</b>		127		46

**Note 13 - Depreciation and amortisation expense**

**Depreciation**

Rollingstock

Railcars

Tramcars

Permanent way

Buildings

Other property, plant and equipment

2006 \$'000	2005 \$'000
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7,723	7,727
2,078	2,564
7,216	7,363
2,672	2,649
1,251	1,007
20,940	21,310

**Notes to the Financial Statements (continued)**  
**Year Ended 30 June 2006**

**Note 13 - Depreciation and amortisation expense (continued)**

<b>Amortisation</b>		
Intangible assets	183	136
	<b>183</b>	<b>136</b>
<b>Total depreciation and amortisation</b>	<b>21,123</b>	<b>21,446</b>

**Change in depreciation due to a revaluation**

TransAdelaide has maintained the fair value of its assets resulting from the independent valuation conducted in 2004/05.

**Revision in Accounting Estimates**

Depreciation of tramcars differed between 2005 and 2006 due to a reassessment of the remaining useful life of the five remaining "H" type tramcars from 4 years to 11 years from 1/7/2005. This has resulted in a decrease in depreciation expense for this asset class of \$0.5m per annum.

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Note 14 - Financial expenses</b>		
Interest on borrowings	5,381	5,528
Treasury guarantee fee	575	617
Financial expenses - SA Government	5,956	6,145
<b>Total financial expenses</b>	<b>5,956</b>	<b>6,145</b>
<b>Note 15 - Other expenses</b>		
<b>Other expenses paid / payable to entities external to the SA Government</b>		
Net Bad and Doubtful Debts	(15)	(15)
<b>Total other expenses - Non SA Government entities</b>	<b>(15)</b>	<b>(15)</b>
<b>Other expenses paid / payable to entities within the SA Government</b>		
Net Bad and Doubtful Debts	801	-
<b>Total other expenses - SA Government entities</b>	<b>801</b>	<b>-</b>
<b>Total other expenses</b>	<b>786</b>	<b>(15)</b>
<b>Note 16 - Auditor's remuneration</b>		
Audit fees paid / payable to the Auditor-General's Department	155	150
	<b>155</b>	<b>150</b>

**Other Services**

No other services were provided by the Auditor-General's Department.

**Notes to the Financial Statements (continued)**  
**Year Ended 30 June 2006**

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Note 17 - Income tax equivalent expense</b>		
Profit (loss) before income tax expense	14,855	(18,029)
Prima facie tax (if profit) thereon at 30%	(4,457)	-
Tax exempt revenue items *	4,457	
<b>Income tax equivalent expense</b>	<b>-</b>	<b>-</b>
<b>Change in taxation policy **</b>		
Adjustment to deferred tax balance sheet items as a result of Policy change	(10,531)	-
<b>Total change in taxation policy</b>	<b>(10,531)</b>	<b>-</b>
<b>Total change in taxation policy expense comprises:</b>		
Movements in:		
Future income tax benefit	(21,986)	-
Provision for deferred income tax	11,455	-
	<b>(10,531)</b>	<b>-</b>
<b>Income tax related balance sheet items</b>		
Future income tax benefit	-	21,986
Provision for deferred income tax	-	(11,455)
<b>Net income tax related balance sheet items</b>	<b>-</b>	<b>10,531</b>

**\* Tax exempt revenue items**

The disposal of tram infrastructure assets during the year resulted in related capital grant funding received in 2004-05 and 2005-06 being brought to account during the year.

On 26 June 2006 the Acting Treasurer approved that any net accounting profit made by TransAdelaide as a result of the sale of tram related infrastructure assets will be excluded from the calculation of TransAdelaide's income tax equivalents payments in 2005-06 and 2006-07, by approving a variation to the application of Treasurer's Instruction 22 Tax Equivalent Payments."

**\*\* Policy change**

On 23 August 2005, the Treasurer approved amendments to TI22 "Tax and Tax Equivalents Applicable to Government Businesses". These amendments included the requirement for TransAdelaide to use the Accounting Profits Model to calculate the income tax equivalent expense from 1 July 2005.

As a result, the tax related assets identified in the Balance Sheet as at 30 June 2005 were not able to be realised and were written off in the 2005-06 financial year as part of the income tax equivalent expense calculation.



**Notes to the Financial Statements (continued)**  
**Year Ended 30 June 2006**

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Note 18 - Receivables</b>		
<b>Current</b>		
Gross accrued income	3,470	10,982
Less: Provision for doubtful debts	(988)	(202)
Prepayments	68	84
GST receivable	-	229
<b>Total receivables</b>	<b>2,550</b>	<b>11,093</b>
<b>Receivables from SA Government entities</b>		
Accrued income	1,517	8,419
Less: Provision for doubtful debts	(806)	(5)
Prepayments	11	9
<b>Total receivables from SA Government entities</b>	<b>722</b>	<b>8,423</b>
<b>Receivables from Non SA Government entities</b>		
Accrued income	1,953	2,563
Less: Provision for doubtful debts	(182)	(197)
Other	57	304
<b>Total receivables from Non SA Government entities</b>	<b>1,828</b>	<b>2,670</b>
<b>Total receivables</b>	<b>2,550</b>	<b>11,093</b>
<b>Note 19 - Inventories</b>		
Stores inventories	4,309	4,778
Less: Provision for obsolescence	-	(94)
<b>Net Stores Inventories</b>	<b>4,309</b>	<b>4,684</b>
<b>Note 20 - Property, plant and equipment</b>		
<b>Rollingstock</b>		
<b>Railcars</b>		
Spare parts and associated equipment at Fair Value	5,229	5,300
Less: Accumulated depreciation	2,033	1,878
Railcar equipment at Fair Value	3,196	3,422
At independent valuation 1 July 2004	402,500	402,500
Less: Accumulated depreciation	207,029	199,487
Railcars at Valuation	195,471	203,013
<b>Total Railcars</b>	<b>198,667</b>	<b>206,435</b>

**Notes to the Financial Statements (continued)**  
**Year Ended 30 June 2006**

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Note 20 - Property, plant and equipment (continued)</b>		
<b>Tramcars</b>		
Spare parts at Fair Value	79	79
Less: Accumulated depreciation	29	26
Tramcar spares at fair value	50	53
At independent valuation 1 July 2004	48,768	72,425
Less: Accumulated depreciation	45,314	67,089
Tramcars at valuation	3,454	5,336
<b>Total Tramcars</b>	<b>3,504</b>	<b>5,389</b>
<b>Total Rollingstock</b>	<b>202,171</b>	<b>211,824</b>
<b>Land and Buildings</b>		
<b>Freehold Land:</b>		
At Fair Value	1,370	1,378
At independent valuation 1 July 2004	131,450	132,349
<b>Total land</b>	<b>132,820</b>	<b>133,727</b>
<b>Buildings:</b>		
At Fair Value	2,670	1,101
At Independent Valuation 1 July 2004	183,642	186,909
Less: Accumulated depreciation	99,080	98,245
<b>Total buildings</b>	<b>87,232</b>	<b>89,765</b>
<b>Total land and buildings</b>	<b>220,052</b>	<b>223,492</b>
<b>Permanent Way</b>		
At Fair Value	18,858	2,118
At Independent Valuation 1 July 2004	383,939	407,936
Less: Accumulated depreciation	202,633	213,532
<b>Total permanent way</b>	<b>200,164</b>	<b>196,522</b>
<b>Other Property, Plant and Equipment</b>		
At Fair Value	19,831	19,184
Less: Accumulated depreciation	(12,937)	(13,057)
<b>Total other property, plant &amp; equipment</b>	<b>6,894</b>	<b>6,127</b>
<b>Assets Under Construction</b>		
Rollingstock:		
- Railcars	327	964
- Tramcars	-	239
Permanent way and equipment	8,764	24,740
Land and buildings	2,089	1,416
<b>Total assets under construction</b>	<b>11,180</b>	<b>27,359</b>
<b>Total property, plant &amp; equipment</b>	<b>640,461</b>	<b>665,324</b>

**Notes to the Financial Statements (continued)**  
**Year Ended 30 June 2006**

	2006 \$'000	2005 \$'000
<b>Note 20 - Property, plant and equipment (continued)</b>		
<i>Carrying amounts of property, plant and equipment that would have been recognised if these assets were stated at Cost</i>		
Rollingstock	94,827	100,139
Land and buildings	67,817	70,789
Permanent way	94,054	80,724
Other property, plant & equipment	7,204	6,516
Assets under construction	-	-
<b>Total property, plant &amp; equipment at Cost</b>	<b>263,902</b>	<b>258,168</b>

This information is based on historical cost and depreciation sourced from a historical asset register containing original estimated useful lives and costs since asset creation, some dating back as far as 1856.

	2006 \$'000	2005 \$'000
<b>Note 21 - Investment property</b>		
Opening balance at fair value	10,578	10,578
Acquisitions	-	-
<b>Closing Balance at fair value</b>	<b>10,578</b>	<b>10,578</b>

**Valuation basis**

Investment properties are measured at fair value, being the amounts for which the properties could be exchanged between willing parties in an arms length transaction, based on current prices in an active market for similar property. The most recent valuation was conducted under instruction from TransAdelaide by Certified Practising Valuer Mr John L Morgan B. App. Sc. (Val.) Fellow, Australia Property Institute during the 2004-05 year.

	2006 \$'000	2005 \$'000
<b>Note 22 - Intangible assets</b>		
<b>Computer Software</b>		
Other computer software	1,135	1,686
Less: Accumulated amortisation	(1,021)	(1,297)
<b>Total Intangible assets</b>	<b>114</b>	<b>389</b>

Computer software has been separately identified in the notes to the accounts in accordance with AASB 138. In previous years this class of assets was included in Property, Plant and Equipment.

## Notes to the Financial Statements (continued)

Year Ended 30 June 2006

## Note 23 - Reconciliation of asset carrying amounts

	Rolling- stock \$'000	Land & Buildings \$'000	Permanent Way \$'000	Other PP&E \$'000	Assets Under Construction \$'000	Total Property, Plant & Equipment \$'000	Intangible Assets \$'000	Investment Property Assets \$'000	Total Non- current Assets \$'000
Carrying amount at beginning of year	211,824	234,070	196,522	6,516	27,359	676,291	-	-	676,291
Transfers	-	(10,578)	-	(389)	-	(10,967)	389	10,578	-
Change in accounting policy	-	-	-	-	-	-	-	-	-
<b>Restated carrying amount at beginning of year</b>	<b>211,824</b>	<b>223,492</b>	<b>196,522</b>	<b>6,127</b>	<b>27,359</b>	<b>665,324</b>	<b>389</b>	<b>10,578</b>	<b>676,291</b>
Additions	-	13	800	204	30,246	31,263	-	-	31,263
Disposals	(96)	(2,621)	(7,064)	(152)	(25,136)	(35,069)	(149)	-	(35,218)
Transfers	244	1,840	17,183	1,966	(21,290)	(57)	57	-	-
Acquisitions through equity acquired	-	-	-	-	-	-	-	-	-
Revaluation increment (decrement)	-	-	(61)	-	-	(61)	-	-	(61)
Recoverable amount write-downs	-	-	-	-	-	-	-	-	-
Reversals of recoverable amount write-downs	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-
Depreciation	(9,801)	(2,672)	(7,216)	(1,251)	-	(20,940)	(183)	-	(21,123)
<b>Carrying amount at end of year</b>	<b>202,171</b>	<b>220,052</b>	<b>200,164</b>	<b>6,894</b>	<b>11,179</b>	<b>640,460</b>	<b>114</b>	<b>10,578</b>	<b>651,152</b>

New assets resulting from completed Assets Under Construction have been treated as transfers.

**Notes to the Financial Statements (continued)**  
**Year Ended 30 June 2006**

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Note 24 - Investments accounted for using the equity method</b>		
<b>Ownership Interest</b>		
<b>Joint Venture</b>		
Transitplus Pty Ltd	50%	50%
<b>Investment in Related Entities</b>		
Transitplus Pty Ltd	200	200
	<b>200</b>	<b>200</b>
<b>Principal Activities</b>		
Transitplus Pty Ltd - Provision of bus services		
<b>Investment in Transitplus Pty Ltd</b>		
Carrying amount at 1 July	200	200
Share of net profit	972	797
Less distributions received or receivable	(972)	(797)
<b>Carrying amount at 30 June</b>	<b>200</b>	<b>200</b>
For reasons of commercial sensitivity TransAdelaide is unable to provide any further financial information on Transitplus Pty Ltd		
<b>Note 25 - Payables</b>		
<b>Current:</b>		
Creditors	1,949	13,721
Accrued expenses	4,886	2,642
Accrued employment on-costs	635	573
GST payable	3,502	-
	<b>10,972</b>	<b>16,936</b>
<i>Expected to be paid more than 12 months after reporting date</i>		
Employment on-costs	1,431	1,365
<b>Total payables</b>	<b>12,403</b>	<b>18,301</b>
<b>Payables to SA Government entities</b>		
Creditors	529	823
Accrued expenses	906	1,519
Employment on-costs	2,066	1,938
<b>Total payables to SA Government entities</b>	<b>3,501</b>	<b>4,280</b>
<b>Payables to Non SA Government entities</b>		
Creditors	1,420	12,898
Accrued expenses	3,980	1,123
GST payable	3,502	-
<b>Total payables to Non SA Government entities</b>	<b>8,902</b>	<b>14,021</b>
<b>Total payables</b>	<b>12,403</b>	<b>18,301</b>

**Notes to the Financial Statements (continued)**  
**Year Ended 30 June 2006**

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Note 26 - Borrowings</b>		
<b>Non-current:</b>		
Borrowings from SA Government	75,205	81,371
Total non-current borrowings	75,205	81,371
<b>Total borrowings</b>	<b>75,205</b>	<b>81,371</b>
Borrowings are recognised at cost in accordance with APF IV Financial Asset and Liability Framework paragraph APS 2.1 and have no maturity date. The interest rate is determined by the Treasurer. Excluding the SA Government guarantee fee, the average annual rate was 7.00% in 2006 (6.70% in 2005).		
<b>Note 27 - Employee benefits</b>		
<b>Current:</b>		
Annual leave	3,093	2,885
Long service leave	976	763
Block book off	728	700
Retiring and death gratuity	198	115
Total current employee benefits provisions	4,995	4,463
Accrued wages and salaries	1,132	1,329
	6,127	5,792
<i>Expected to be paid more than 12 months after reporting date</i>		
Annual leave	1,519	1,476
Retiring and death gratuity	-	70
<b>Total short-term employee benefits</b>	<b>7,646</b>	<b>7,338</b>
<b>Non-current:</b>		
Long service leave	10,531	9,767
<b>Total long-term employee benefits</b>	<b>10,531</b>	<b>9,767</b>
<b>Total employee benefits</b>	<b>18,177</b>	<b>17,105</b>
Employee benefits as above	18,177	17,105
Plus: related on-costs included in current payables	2,066	1,938
<b>Aggregate employee benefits plus related on-costs</b>	<b>20,243</b>	<b>19,043</b>

In the 2006 financial year, TransAdelaide adopted the use of the short-cut method of calculating long service leave by applying the benchmark contained in the Accounting Policy Framework IV Financial Asset and Liability Framework. The 2005 balance has been adjusted by \$679,000 to provide relevant comparative information. This method is based on actuarial calculations provided by the Department of Treasury & Finance. Based on TransAdelaide's experience of employee retention and leave taking, this method is considered reliable and does not result in a material difference when compared with the long-hand method of calculation.

**Notes to the Financial Statements (continued)**  
**Year Ended 30 June 2006**

	2006 \$'000	2005 \$'000
<b>Note 28 - Provisions</b>		
<b>Current:</b>		
Workers compensation claims	1,470	1,510
Third party accident damage	996	1,263
Railcar maintenance debt	371	1,563
<b>Total short-term provisions</b>	<b>2,837</b>	<b>4,336</b>
<b>Non-current:</b>		
Workers compensation claims	7,866	9,287
Third party accident damage	2,685	1,363
<b>Total long-term provisions</b>	<b>10,551</b>	<b>10,650</b>
<b>Total:</b>		
Workers compensation claims	9,336	10,797
Third party accident damage	3,681	2,626
Railcar maintenance debt	371	1,563
<b>Total provisions</b>	<b>13,388</b>	<b>14,986</b>

**Note 28(a) - Reconciliation of Provisions movements**

	Workers Comp. Claims \$'000	Third Party Accident Damage \$'000	Railcar Maint. Debt \$'000	Total \$'000
Carrying amount at 1 July 2005	10,797	2,626	1,563	14,986
Recognised expense in 2005-06	416	1,176	-	1,592
less Provisions used during the year	(1,877)	(344)	(1,192)	(3,413)
plus Recoupments	-	223	-	223
Movement	(1,461)	1,055	(1,192)	(1,598)
<b>Carrying amount at 30 June 2006</b>	<b>9,336</b>	<b>3,681</b>	<b>371</b>	<b>13,388</b>

**Workers Compensation**

This liability reflects unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of outstanding claims by Brett & Watson Pty Ltd at at 30 June 2006. Due to the uncertainty surrounding the extent of any particular claim, future outflows cannot be estimated.

**Third Party Accident Damage**

This liability reflects TransAdelaide's partial self insurance for this operational risk. The third party accident damage provision is based on an actuarial assessment of outstanding claims performed by Brett & Watson Pty Ltd as at 30 June 2006. The extent of any outflows cannot be estimated due to the level of uncertainty as to the ultimate cost of individual claims. TransAdelaide has reinsurance for claims exceeding \$2.1 million for claims prior to 1 July 1997 and exceeding \$1 million for claims since 1 July 1997.

**Notes to the Financial Statements (continued)**  
**Year Ended 30 June 2006**

**Note 28(a) - Reconciliation of Provisions movements (continued)**

**Railcar Maintenance Debt**

This liability relates to work being performed by Bombardier Transportation Ltd on the 2000 and 3000 class bogies for which, under the Railcar maintenance and service contract, TransAdelaide has agreed to pay a portion. This work is due to be finalised this year.

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Note 29 - Other liabilities</b>		
<b>Current:</b>		
Revenue received for future services from entities within SA Government	357	3
from entities external to the SA Government	62	38
<b>Total other short-term liabilities</b>	<b>419</b>	<b>41</b>
<b>Non-Current:</b>		
Capital grants from entities within SA Government		
Grants received	6,973	11,472
Less: Accumulated amortisation	(317)	(12)
<b>Total other long-term liabilities</b>	<b>6,656</b>	<b>11,460</b>
<b>Total other liabilities</b>	<b>7,075</b>	<b>11,501</b>
<b>Note 29(a) - Reconciliation of capital grants movements</b>		
Carrying amount at beginning of year	11,460	-
Change in accounting policy	-	1,411
<b>Restated carrying amount at beginning of year</b>	<b>11,460</b>	<b>1,411</b>
Additional capital grants received	20,060	10,061
Amortisation	(24,864)	(12)
<b>Carrying amount at end of year</b>	<b>6,656</b>	<b>11,460</b>

Government Grants received for Capital Expenditure are amortised over the life of the resulting asset in accordance with AASB 120. TransAdelaide has received such grants for security and safety upgrades. Grants totalling \$24.5m were received to upgrade the tramway infrastructure. (Refer Note 8).



**Notes to the Financial Statements (continued)**  
**Year Ended 30 June 2006**

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Note 30 - Reserves</b>		
Asset revaluation reserve	474,509	464,730
Changes in accounting policy	-	17,906
<b>Restated balance</b>	<b>474,509</b>	<b>482,636</b>
<b>Movements during the year</b>		
<b>Asset Revaluation Reserve:</b>		
Opening balance	464,730	369,727
Changes in accounting policy	17,906	(498)
<b>Restated opening balance</b>	<b>482,636</b>	<b>369,229</b>
Revaluation increment on non-current assets:		
Land and buildings	-	76,157
Infrastructure	(61)	10,330
Rollingstock	-	27,826
Transferred to retained profits amounts realised on disposal of:		
Land and buildings	(320)	(88)
Infrastructure	(6,714)	(818)
Rollingstock	(1,032)	-
<b>Reserves as at end of year</b>	<b>474,509</b>	<b>482,636</b>

**Nature and purpose of reserves**

**Asset Revaluation**

The asset revaluation reserve includes the net revaluation increments (decrements) arising from the revaluation of non-current assets in accordance with AASB 116. Asset decrements are expensed where no previous revaluation reserve increment exists for that asset.

Upon disposal of revalued assets, any related revaluation increment standing to the credit of the asset revaluation reserve is transferred to retained profits.

**Notes to the Financial Statements (continued)**  
**Year Ended 30 June 2006**

	2006 \$'000	2005 \$'000
<b>Note 31 - Commitments</b>		
<b>Capital Commitments</b>		
Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:		
Within one year	1,953	10,820
Later than one year but not longer than five years	-	-
Later than five years	-	-
<b>Total capital commitments</b>	<b>1,953</b>	<b>10,820</b>
<b>Net capital expenditure incurred</b>	<b>31,263</b>	<b>22,768</b>

TransAdelaide's capital commitments are for the upgrading of railway stations, pedestrian crossings, railway lines and for the implementation of security improvements throughout the suburban railway network.

**Operating lease commitments**

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

Not later than one year	606	1,185
Later than one year but not later than five years	477	1,069
Later than five years	-	-
<b>Total operating lease commitments</b>	<b>1,083</b>	<b>2,254</b>
<b>Operating lease expenses paid</b>	<b>2,257</b>	<b>2,198</b>

TransAdelaide leases property under operating leases expiring from one month to four years. The leases generally provide TransAdelaide with a right of renewal at which time all terms are negotiated. Contingent rental payments are based upon either movements in the Consumer Price Index or operating criteria.

**Note 32 - Contingent assets and contingent liabilities**

TransAdelaide has two outstanding claims for which there is a high degree of certainty that it will recover approximately \$500,000.

TransAdelaide currently has a legal claim against its former AUSTRICS division by AMT Genoa for breach of contract which is covered by an insurance policy with SAICORP. The excess payable on this policy is \$25,000 given that the claim related to policy conditions when Austrics was a separate legal entity and such conditions prevail.

TransAdelaide has a contingent liability in relation to the warranty of AUSTRICS products sold and provision of annual support of the same. The life of various elements of the indemnities vary between two and seven years from settlement date. As at balance date, this could not be reliably measured.

TransAdelaide has fifty 3000/3100 class railcars subject to a cross border lease which expires in April 2023. Encumbrances exist within this agreement which give rise to financial consequences in the event of loss or destruction of these leased railcar assets. The South Australian Financing Authority monitor the majority of foregoing obligations. To balance date, no event has occurred which would give rise to the encumbrances/consequences.

**Notes to the Financial Statements (continued)**  
**Year Ended 30 June 2006**

	2006 \$'000	2005 \$'000
<b>Note 33 - Reconciliation of cash and cash equivalents</b>		
<b>(a) Reconciliation of Cash</b>		
<b>Cash as at 30 June</b>	22,106	14,498
<b>(b) Reconciliation of Net Cash provided by Operating Activities to Net Profit (Loss) from Ordinary Activities after related income tax expense</b>		
Net profit (loss)	14,855	(18,029)
Add (less) non-cash items		
Depreciation	20,939	21,446
Amortisation	184	-
(Gain) loss on disposal of assets	891	(1,286)
Amortisation of grant funding	(305)	(11)
Write-back of 30 June 2005 unamortised capital grants on disposal of underlying assets	(9,844)	-
Write-off of 30 June 2005 income tax related balances	10,531	-
Revaluation decrements	-	18,404
<b>Net Cash provided by operating activities before change in assets and liabilities</b>	37,251	20,524
Movements in:		
Receivables	8,843	(6,484)
Stores inventories	369	(1,388)
Payables	(254)	608
Interest payable	(37)	(68)
Employee benefits	1,358	121
Provisions	(1,599)	1,954
Other liabilities	5,106	9,844
<b>Net Cash Provided by Operating Activities after related income tax equivalent expense</b>	51,037	25,111

As at balance date, the interest rate on cash held at call was 6.95%.

**Note 34 - After balance date events**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of TransAdelaide, to affect significantly the operations of TransAdelaide, the results of those operations, or the state of affairs of TransAdelaide in future financial years.

**Minister for Transport**

**Certification of the Financial Report**

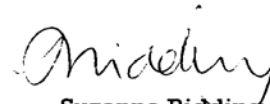
We certify that:

- The attached General Purpose Financial Report for TransAdelaide presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Australian Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of TransAdelaide as at 30 June 2006, the results of its operation and its cash flows for the year then ended;
- The attached financial statements are in accordance with the accounts and records of TransAdelaide and give an accurate indication of the financial transactions of TransAdelaide for the year then ended; and
- Internal controls over the financial reporting have been effective throughout the reporting period and there are reasonable grounds to believe the Authority will be able to pay its debts as and when they become due and payable.

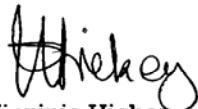
Signed in accordance with a resolution of the Directors dated *20 September 2006*



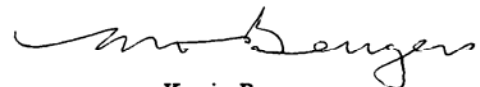
Bill Watson  
General Manager



Suzanne Ridding  
Executive Manager Corporate Services



Virginia Hickey  
Director



Kevin Benger  
Director

**INDEPENDENT AUDIT REPORT**

**Government of South Australia**  
Auditor-General's Department

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**TO THE CHAIRPERSON  
TRANSADELAIDE**

**SCOPE**

As required by section 31 of the *Public Finance and Audit Act 1987* and sub-section 32(4) of the *Public Corporations Act 1993*, I have audited the financial report of TransAdelaide for the financial year ended 30 June 2006. The financial report comprises:

- An Income Statement;
- A Balance Sheet;
- A Statement of Changes in Equity;
- A Cash Flow Statement;
- Notes to the Financial Statements;
- A Certification of the Financial Report.

The Directors of TransAdelaide are responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to the Chairperson.

The audit has been conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing and Assurance Standards to provide reasonable assurance whether the financial report is free of material misstatement.

Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with my understanding of TransAdelaide's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

**AUDIT OPINION**

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of TransAdelaide as at 30 June 2006, the results of its operations and its cash flows for the year then ended.

**K I MacPherson**  
**Auditor-General**  
26 September 2006

