



State Transit Authority of NSW

Annual Report 2005-2006

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State Transit Authority of NSW

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|| LETTER TO THE MINISTER

The Hon John Watkins MP
Deputy Premier
Minister for Transport
Level 30
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

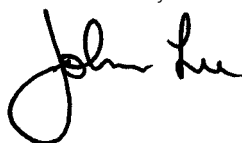
31 October 2006

Dear Mr Watkins

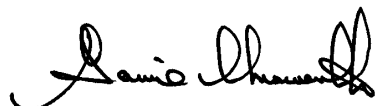
On behalf of the State Transit Authority of New South Wales, it is our pleasure to present to you the Annual Report for the year ended 30 June 2006. This report has been prepared in accordance with the Annual Reports (Statutory Bodies) Act 1984 and the Public Finance and Audit Act 1983. The financial statements have been audited by the NSW Audit Office and the Auditor-General's report is included.

We wish to thank you for your support and guidance during the past year and we look forward to continuing to grow the business and improve our services to offer an attractive and efficient public transport service to the people of NSW.

Yours sincerely



John Lee
Chief Executive



Barrie Unsworth
Chairman

|| CEO'S & CHAIRMAN'S FOREWORD

State Transit signed its Metropolitan Bus System Contracts for its four operating regions in Sydney at the beginning of the report year. The Outer Metropolitan Bus System Contract for Newcastle Buses was signed in June 2006.

2005/06 marked the return to growth in public transport following the increases in petrol prices and in interest rates. Since February 2006 there has been strong growth in the peak periods on State Transit's major corridors. State Transit has responded quickly to tap this increased demand introducing additional services on 22 routes across our four operating regions.

State Transit maintained its strong focus on safety and security. Workplace safety results showed the renewed attention to detail with Lost Time Injuries falling by 15% during the year. Safe driving practices received a boost with the introduction of the Driver Skills Maintenance Program which provides every driver with two days refresher training using State Transit's award winning Vanguard Vigil technology providing compelling feedback to the driver on their safe driving performance.

The largest investment in new buses since State Transit starting operating in 1989 was announced with the letting of contracts to Volvo and Daimler Chrysler for the acquisition of 505 new environmentally friendly buses. The new buses will be built on the very latest standards for low greenhouse gas emissions. 77 new buses under the fleet replacement strategy were delivered in 2005/06 including 50 of the new articulated buses.

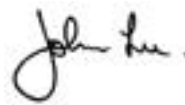
The new funding model applied under the Metropolitan Bus System Contracts commenced based on contract payment for fixed and variable costs and for patronage and performance incentive payments. The consolidated end of year financial result was a surplus of \$47 million on revenue of \$524 million.

State Transit through its Western Sydney Buses subsidiary continued its strong patronage growth on the Liverpool-Parramatta Transitway

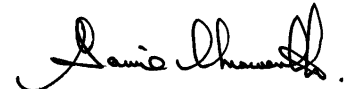
with patronage increasing by 19%. Five million passengers have now used the service.

The Board maintained its strategic focus on ensuring for the future growth of Sydney Buses with depot developments planned for Leichhardt, Brookvale, Ryde and Camellia to meet capacity demands.

Whether it be action taken to lower greenhouse gas emissions through purchasing new CNG and Euro 5 diesel buses or new bus driver training programs to reinforce safe driving standards, the Board of State Transit continues to strive to ensure that the people of Sydney and Newcastle receive the best possible bus services.



John Lee
CHIEF EXECUTIVE



Barrie Unsworth
CHAIRMAN



John Lee
CHIEF EXECUTIVE
State Transit Authority
of NSW



Barrie Unsworth
CHAIRMAN
State Transit Authority
of NSW

Boasting the largest bus fleet in Australia and also one of the most modern, State Transit manages one of the largest bus operations of any city in the world.

Operating three businesses: Sydney Buses, Newcastle Bus and Ferry Services and Western Sydney Buses (the Liverpool Parramatta Transitway), State Transit services around 200 million passengers every year.

BUS FLEET

- At 30 June 2006, State Transit's bus fleet totalled 1,927 buses,
- 1,000 buses are air-conditioned (52% of fleet),
- 837 buses are low floor design (43% of fleet),
- 739 buses are fully wheelchair accessible (38% of fleet),
- 404 buses are CNG powered (21% of the fleet),
- 190 buses have Euro 3 diesel engines (10% of the fleet), and
- 594 buses comply with the Euro 3 emission standard (31% of the fleet).

PATRONAGE

- State Transit carried 199.38 million passengers in 2005/06.
- Every working day State Transit operates more than 15,000 services carrying more than 600,000 passengers to their destinations.

TURNOVER

- \$524M in 2005/06.

EMPLOYEES

- Over 4,500 employees.

ROUTES

- Sydney Buses operates approximately 300 routes in the Sydney metropolitan area, extending to Parramatta in the west.
- Newcastle Buses operates 29 routes over a large part of the cities of Newcastle and Lake Macquarie. Newcastle Ferries operates a service across Newcastle Harbour to Stockton.
- Every year Sydney Buses travel around 83 million kilometres, Newcastle Buses travel around 8 million kilometres and Newcastle Ferries travel 24 thousand kilometres.
- More than 102,000 timetabled services are operated every week, 95,000 services by Sydney Buses and 7,000 services by Newcastle Buses and 1,000 services by Western Sydney Buses.

SAFETY

- The highest priority is placed on security and safety; all buses are fitted with CCTV, door safety systems and special school bus warning systems, and all buses are in radio contact with the State Transit control room in the Sydney Traffic Management Centre.

PASSENGER INFORMATION

- Individual timetables for every bus service are available from the State Transit information kiosks at central points in the City, selected ticket agencies, off the web at www.131500.com.au or by phoning the Transport Infoline on 131 500 or by accessing the 131500 mobile service. Handy route information is also available at bus stops and ferry wharves.
- Check out our website www.sta.nsw.gov.au which is linked to:
www.sydneybuses.nsw.gov.au
www.newcastle.sta.nsw.gov.au

TOURISM SERVICES

- State Transit operates the Explorer tourist buses, in the Sydney CBD and in the Eastern Beaches.

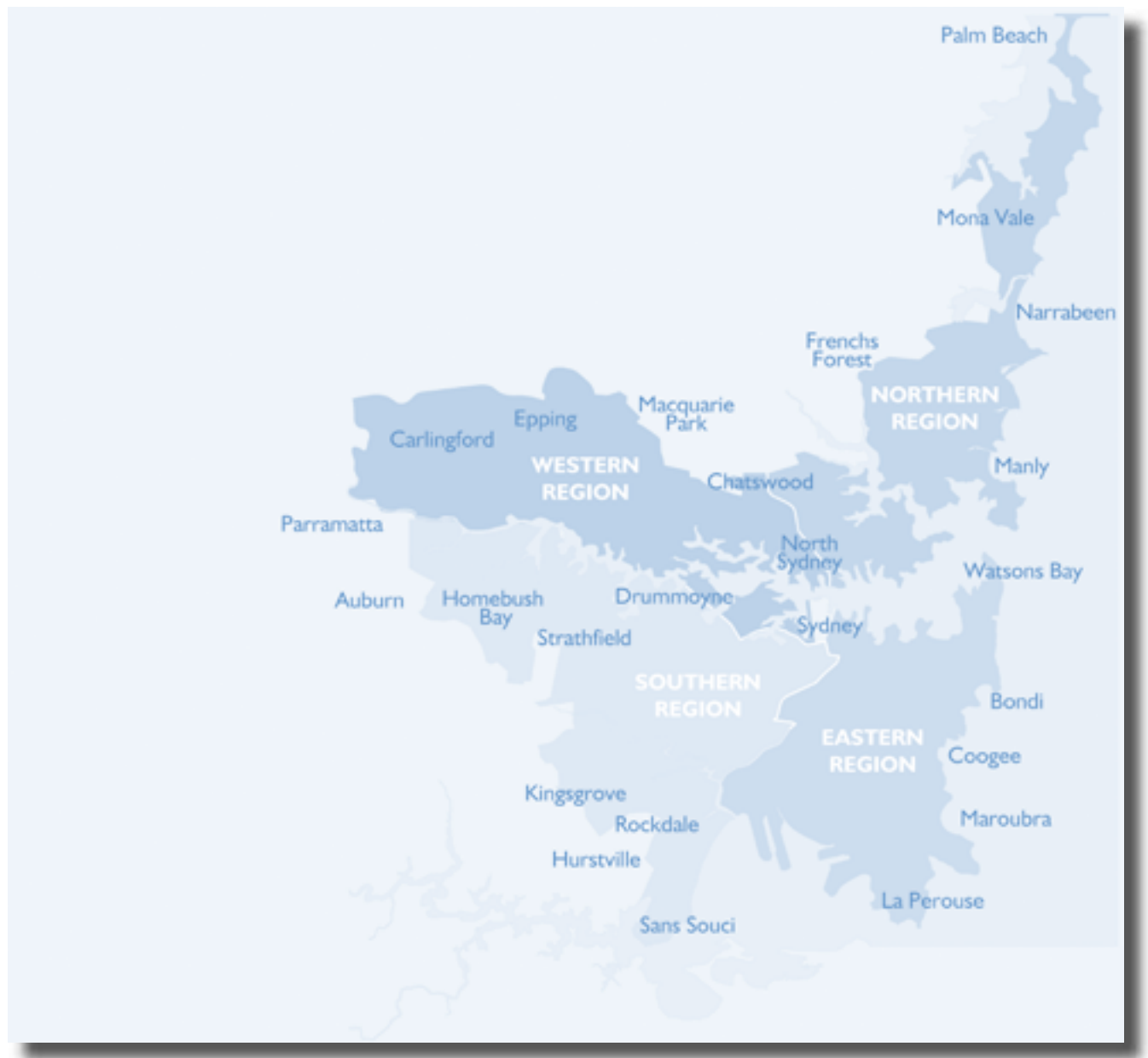
LEGISLATION

- State Transit is established under the Transport Administration Act 1988 and operates, as do all NSW bus operators, within the regulatory framework of the Passenger Transport Act 1990.

HOW WE DESIGN OUR SERVICES

- At State Transit we design our bus routes and timetables so that they are simple to understand, frequent, direct, reliable and accessible to the majority of the community. Our experience shows that these characteristics provide the community with better bus services that match their travel demands.
- Bus services are well patronised when they are designed to serve a number of purposes. Buses take people to work, school, university and TAFE, shopping, entertainment, hospitals and to visit friends. People use buses to connect with trains, ferries and other buses as part of the transport network.
- All routes are designed to provide local communities with connections to their regional centres and district centres. These principles were derived after conducting considerable research of travel demand, customer feedback and examining other successful bus services operated by State Transit.

SYDNEY SERVICE AREA

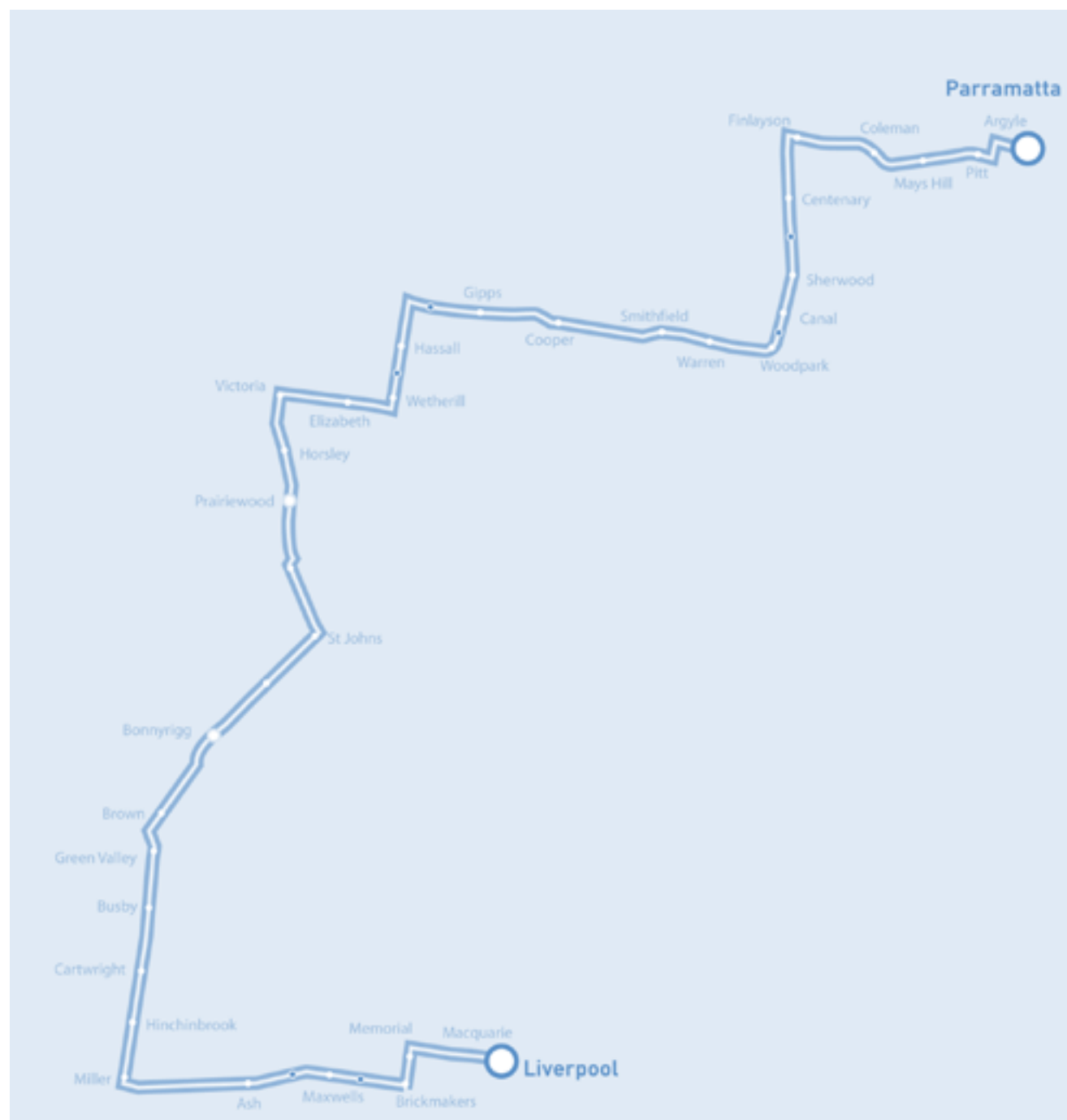


NEWCASTLE SERVICE AREA



|| NETWORK MAPS

LIVERPOOL - PARRAMATTA T-WAY ROUTE MAP



NEW BUSES TO STATE TRANSIT FLEET

The 2005/06 financial year saw the addition of 77 new buses to the State Transit fleet. These buses were made up of 27 B12BLE Volvo buses and 50 B12BLEA Volvo articulated buses.

The delivery of the 50 new articulated buses add to our current articulated fleet, with a total of 73 new articulated buses delivered to date.

In April 2006, State Transit signed a \$250 million contract with Custom Coaches to replace more than a quarter of its bus fleet over the next five years.

The 505 new buses will include a 250/255 split of Euro 5 Volvo diesel buses and CNG Mercedes buses. The investment is the biggest ever investment in new buses in NSW history and also the biggest single capital investment by any one bus company in Australian history.

DRIVER SKILLS MAINTENANCE PROGRAM

State Transit is leading the way in maintaining the skills of bus operators with the introduction of the Driver Skills Maintenance Program.

The two-day program targets all Bus Operators not currently undergoing a traineeship and is the second component of State Transit's Driver Training Program.

The program is designed to ensure that existing Bus Operators receive annual, structured professional development, with Bus Operators attending both workshop-based and on-road components using the Vigil Vanguard technology.

MANAGEMENT DEVELOPMENT PROGRAM

The Management Development Program sets out a comprehensive framework for ongoing development of Managers at all levels. The program provides support for Managers to reach their potential and contribute effectively to State Transit business success at each stage of their career.

In 2005/06, 50 State Transit managers participated in the Management Development Program, which has resulted in a series of business improvement projects that have shaped the continuous improvement strategy for the coming year.

STRONG PATRONAGE GROWTH IN WESTERN SYDNEY BUSES

Since the Liverpool-Parramatta T-Way began operations on 16 February 2003, there has been a steady growth in patronage.

Patronage increased by 19.4% in 2005/06 with 2.015 million passengers travelling on T-Way buses.

Since commencing operations, T-Way buses have carried around 5.3 million passengers with more than 43,000 passengers travelling on the T-Way each week.

To accommodate growing demand, a new timetable was introduced in March 2006 adding seven new bus services to the timetable, offering commuters greater convenience, flexibility and reliability when they travel.

RIISING PETROL PRICES AND INTEREST RATES LEAD TO OVERALL PATRONAGE GROWTH

Rising petrol prices and interest rates are luring people back to public transport with State Transit buses carrying an average 60,000 additional passengers a week.

A patronage snapshot from February to April showed 756,000 extra trips made on buses compared to the same three months last year. In total, almost 45 million people caught State Transit buses in February, March and April – three-quarters-of-a-million more passengers than the same period last year.

On some bus corridors, patronage growth increased as much as 16 per cent, while across the board local routes are recording weekly increases of around 3000 extra passengers.

ADDITIONAL BUSES TO ACCOMMODATE PEAK PATRONAGE GROWTH

State Transit responded to demand, introducing additional buses on 22 busy routes to cater for the expected increase in patronage due to petrol and mortgage rates.

The additional buses will support the growth during peak periods on strategic bus corridors including Epping Road, Military Road, the Pittwater corridor, Eastern Valley Way, Glebe Point Road, Anzac Parade and Victoria Road.

YEAR IN REVIEW

Review of Operations



CUSTOMER SERVICE



Reliable
Convenient
Friendly

KEY OBJECTIVE

- To serve our customers in a friendly manner

KEY BENEFIT

- Delivering a positive customer experience.

KEY PERFORMANCE INDICATORS

- Increased customer satisfaction
- Increased community advocates/supporters
- Increase patronage

PERFORMANCE

Customer service is the key component that allows State Transit to deliver what the community wants. In order to deliver services to meet these desires, State Transit employees need to have skills in the areas of interpersonal skills, cultural awareness, communication, conflict resolution, service awareness and negotiation.

State Transit, as a Registered Training Organisation is committed to ensuring that it appropriately identifies, trains and assesses all staff in line with State Transit's service standards for reliability, convenience, efficiency, customer service, comfort, and security and safety.

Passenger Information

Comprehensive pre-travel information and announcements in transit do a lot to ease the journey and to prevent irritation and conflict.

State Transit's passenger information service is delivered by the Integrated Transport Information Service (ITIS). Accessed mainly through the 131500 telephone number (and also through the internet and 131500 mobile service) passengers can inquire about the most important aspects of bus services such as routes, timetables, special events and many others. Importantly, passengers are also encouraged to register their complaints through this service via the "Your Say Line". State Transit relies on this information to take corrective action to improve those aspects of its service quality that attract complaints.

A web site is also provided by State Transit to guide the public in the best way to use the services it operates. The site provides a link to the "trip finder" facility operated by ITIS; comprehensive information about routes and timetables for both standard services and tourist services; information

on fares and ticketing; route maps; fleet details and more that may be of use to passengers.

In the 2005/06 financial year more than 3.5 million people visited State Transit or associated websites, with over 1.9 million timetables downloaded from Sydney Buses and Newcastle Buses websites.

Infoline

Of the total calls answered by the Infoline, 26.67% were related to Sydney Buses, Newcastle Buses & Ferries or Western Sydney Buses matters. Of these, 86.8% of calls related to next service, timetable or trip planning requests. The remainder of calls concerned fares, ticketing and general information.

Passenger Feedback

The top five issues for our customers were late buses, staff being rude/unhelpful, buses failing to stop, bad driving and early buses.

SERVICE DELIVERY

Service Reliability

In common with all major cities around the world, traffic conditions in Sydney are a major challenge to reliability of bus services. State Transit actively pursues a number of strategies to maintain and improve the reliability of services under all operating conditions.

In 2005/06, State Transit continued its good record for service reliability.

Sydney Buses recorded a 95% on-time service performance and excellent service reliability with 99.5% of timetabled services operating over the year.

Newcastle Buses continued its improvement in reliability with 98.5% of services running to time and 99.7% of timetabled services operating over the year.

Traffic congestion in Sydney CBD and on the major arterial roads in Sydney such as Victoria Road, Epping Road and Military Road can affect the on-time running performance of Sydney Buses' services.

Recently, traffic delays in the CBD have increased around the York Street / Margaret Street area

affecting Northern Beaches, Epping Road and Eastern Valley Way services. Bridge Street and Druitt Street are also sources of congestion, particularly during the morning peak.

State Transit continues to work to seek innovative solutions to these congestion issues. This is best illustrated by the solution found for the congestion at the southern exit of the Harbour Bridge coming into York Street, Wynyard.

Lang Park

The exit off the Harbour Bridge into the City has been a regular source of delay, with buses queuing to access the first stop after the Bridge. The bus zone at Lang Park has the capacity for four standard or three articulated buses at any one time. The number of buses arriving at this stop during the critical peak period exceeds bus stop capacity, forcing buses to queue back from the bus stop, delaying travel times.

State Transit has reduced the number of services stopping at this stop by sending more services to either Scots Church or Wynyard. This initiative has reduced travel times from 14 minutes to approximately six minutes, saving an average of eight minutes for commuters arriving between 8am and 9am.

Speeding Up Travel On Major Bus Corridors

The Victoria Road corridor continues to experience patronage growth (0.6% growth on the previous year) despite having high congestion levels on Victoria Road, George Street and Druitt Street. State Transit is working with the RTA and local Councils to introduce bus priority on Victoria Road. Proposals include a section of morning bus lane between Iron Cove Bridge and Darling Street, and an AM peak tidal bus lane arrangement between Westbourne Street and Lyons Road. A number of bus priority projects are currently being implemented or planned for the section of Victoria Road between Gladesville and Parramatta.

Despite experiencing continuing congestion, the T3 lanes on Military Road have some of the lowest incidences of illegal use of T3 lanes in general across Sydney. The high number of services along the Military Road corridor, patronage growth of 3.3%, and buses being the major public transport mode for people on the Northern Beaches, increase the impact of congestion on Military Road.

In the east, traffic congestion was recorded on William Street, Oxford Street, Cleveland Street, Anzac Parade, the Bus Roadway and Botany Street. New bus lanes were installed on Anzac Parade between Alison Road and Gardeners Road in June 2006 to improve reliability on this key corridor.

State Transit is also trying to improve its reliability by reducing the number of collisions with other road users and fixed objects. For the introduction of the 80 new articulated buses at Mona Vale, Brookvale, Ryde and Waverley Depots, each bus route was assessed along its trip and around the bus stops. A risk assessment process was used to prioritise the issues identified. State Transit has been working with local Councils to address the most critical issues.

Impact of the Lane Cove Tunnel

Patronage on the Epping Road corridor has increased by 2.5% during the year despite increasing traffic delays on Epping Road and the Gore Hill Freeway due to construction activity for the Lane Cove Tunnel. It is anticipated that the opening of the Lane Cove Tunnel should alleviate this congestion.

The Lane Cove Tunnel will deliver the following bus priority projects:

- Extension of a bus only lane on Epping Road;
- Longueville Road Bus Interchange;
- Longueville Road to Pacific Highway B-Light;
- Falcon Street / Warringah Freeway Bus Ramp;
- Military Road, Warringah Freeway to Big Bear Bus Lane; and
- Gore Hill Freeway Transit Lane.

Stage 2 of the Lane Cove Tunnel Project included bus lanes on Epping Road. The RTA is currently investigating other bus priority measures as part of the Lane Cove Tunnel including bus lanes on the Pacific Highway and Falcon Street.

Crackdown on Unlawful Use of Bus and Transitway lanes

Lane Enforcement Cameras began operating in September 2005. The cameras have been installed at key locations in Sydney with the threat of fines and the loss of demerit points deterring motorists from illegally using the priority lanes.

The primary role of the Lane Enforcement Cameras is to maximise the efficiency of public transport

lanes by enforcing compliance with the rules. With priority lanes reducing bus running times and improving bus service reliability, the success of the priority measures is largely dependant on minimising illegal use.

Patronage results

Total patronage in 2005/06 was 199.38 million trips, higher than the previous year, following strong growth in peak periods in the second half of the report year.

Sydney Buses' patronage was 186 million trips and Newcastle Buses and Ferry Services had 11.0 million trips.

Patronage on the new Liverpool-Parramatta T-Way continued to show strong growth since beginning services in February 2003. Patronage on the T-way reached 2.015 million trips, up by 19.4% compared to the previous year.

Future patronage issues

The new Metropolitan Bus System Contracts (MBSC), signed by State Transit on 1 July 2005 significantly changed State Transit's role in generating patronage growth on its services.

The MBSC provides an incentive for operators to 'grow' patronage. In 2005/06 State Transit achieved an incentive payment of \$2.1M for the amount by which actual farebox revenue exceeded benchmark expectations.

Bus Fleet

77 new buses were delivered in 2005/06.

- At 30 June 2006, State Transit's bus fleet totalled 1,927 buses,
- 1,000 are air-conditioned (52% of fleet),
- 837 are low floor design (43% of fleet),
- 739 buses are fully wheelchair accessible (38% of fleet) and
- 594 buses are Euro 3 compliant (CNG or Euro 3 diesel) (31% of the fleet).

State Transit's operating contracts with the Ministry of Transport issued under the Passenger Transport Act 1990 require an average fleet age of not more than 12 years. State Transit's average fleet age improved over the year reaching 12.61 at 30 June 2006.

The recent investment of \$250 million towards 505 new buses over the next five years will ensure that the average age of the fleet will continue to fall as the new buses arrive and the older buses are retired.

State Transit continues to lead the nation in terms of the quality and presentation of its bus fleet and the operation of dedicated wheelchair accessible bus services, now timetabled on more than 163 bus routes across Sydney. State Transit is five years ahead of the targets in the Commonwealth Disability Discrimination Act.

All new buses acquired by State Transit feature kneeling suspension for level entry and a flat no-step floor to make it easier for the elderly and less mobile; an extending wheelchair ramp and accommodation for two wheelchairs; additional priority seating for less mobile passengers; high visibility handrails, increased interior lighting and improved destination signs; and, air conditioning.

Timetabled wheelchair bus services now operate on all main corridors and cross regional routes. Many of these services provide links to accessible CityRail stations to increased opportunities for multi-modal travel. A full list of wheelchair accessible services can be found on www.sydneybuses.info.

New Bus Contract

State Transit signed a \$250 million contract with Custom Coaches in April 2006 to replace more than a quarter of its bus fleet over the next five years.

The investment is the biggest ever investment in new buses in NSW history and also the biggest single capital investment by any one bus company in Australian history.

The 505 new buses will include a 250/255 split of Euro 5 Volvo diesel buses and CNG Mercedes buses that will allow State Transit to make strategic decisions about the use of the right buses in the right parts of their contract areas. The 250 Euro 5 diesel buses and 255 CNG buses are expected to start entering into service early in 2007.

The Euro 5 diesel engine is the latest in environmental technology offering the greatest benefits both environmentally and operationally. Under current negotiations, NSW is likely to be one of the first jurisdictions in the world to begin

running the brand new advanced Euro 5 diesel engine.

The 505 new buses will be in addition to the 100 new standard buses and 80 articulated buses that are being delivered as part of 2004/05 contracts.

The 2005/06 financial year saw the addition of 77 new buses to the State Transit fleet. These buses were made up of 22 B12BLE Volvo buses (Volgren body), five B12BLE Volvo buses (Custom Coach body) and 50 B12BLEA Volvo articulated buses.

Roll out of new Articulated Buses

The first of the 80 new articulated buses rolled off the assembly line in October 2005.

The new articulated buses will be split between depots with Mona Vale, Brookvale, Ryde and Waverley each receiving 20 buses.

2005/06 saw 50 new articulated buses delivered, adding to our current articulated fleet.

The new articulated buses – built on the Volvo B12BLE platform by Custom Coaches have a range of additional features including:

- Euro3 emissions – compliant 12.1 litre turbocharged diesel engine
- Video screens and cameras to provide the driver with a view of the central door
- Rear mounted reversing camera
- Passenger door safety systems and roll away protection
- Capacity for 65 seated and a legal standing capacity of 24 passengers
- Electronic destination signs on the front, side and rear
- Front and rear ABS brakes

All new buses are wheelchair friendly and air-conditioned to ensure a safe and comfortable ride for all passengers.

The high capacity buses offer potential cost savings, when their capacity is fully utilized.

Bus Refurbishment

State Transit tenders require a 20-year minimum design life with a 15-year warranty. Manufacturers supply buses to State Transit on that basis. Manufacturers do not stipulate maximum kilometres for the vehicle.

State Transit then refurbishes the buses at 14-17 years of age which is well within the minimum design life and which gives the buses a further 10 years of life. State Transit therefore operates buses up to 25 years old. Any buses older than 20 years are regularly assessed by professional engineers to ensure they remain in sound condition for service.

As buses average about 40-60,000km per annum, these buses are designed as heavy-duty vehicles. Many of the important components are replaced during the life of the bus such as the engine, gearboxes, suspension components, brakes. For example, a diesel engine will last for around 600,000 - 700,000km and then be rebuilt. Although the bus may be 20-25 years old, many of the components will have been replaced in recent years.

Service Network

State Transit designs its bus routes and timetables so that they are simple to understand, frequent, direct, reliable and accessible to the majority of the community.

Service changes proposals are based on regional research and analysis of internal and external data including transport data, demographic data, ticket data, market research, local and regional land use planning strategies and service performance data.

Consultation with a range of stakeholders and the community is a key element of the State Transit's service development strategy. Considerable care is taken to ensure that the final structure reflects the needs and wishes of the greatest number of passengers and residents.

State Transit developed a program of adjustments to the timetables of selected bus routes throughout its operating area, for implementation in 2005/06. These adjustments are intended to ensure that bus service timetables reflect the needs of customers, match current levels of demand, ensure reliability of service, and correspond to operational agreements negotiated between Management and Unions.

Harris Park Services

State Transit commenced operation of all school and regular services formerly provided by Harris Park Transport on Friday 28 January 2005.

Operating from Ryde Depot, State Transit continued full operation of Harris Park services (620,623-630) until 24 September 2005 when the boundary between Contract Regions 4 and 7 was relocated.

From 24 September 2005, the relocation of the boundary between State Transit Region 4 and Hillsbus Region 7 allowed routes 620,625-628,630 and school specials operating in Region 4 to be transferred to Hillsbus. At the same time State Transit introduced a revised timetable for routes 623,624,628 and 629 and continued operating Region 7 school services.

Since State Transit commenced operation of the former Harris Park services (Routes 623,624,628 and 629), weekly patronage has increased with the February – June period recording an increase in patronage of over 15 per cent from the previous year.

Ticket Vending Machines

Ticket Vending Machines were installed on the outer wall of the Wynyard TransitShop in May 2006. The two machines, which operate 24/7 sell single ride tickets for passengers boarding at Carrington Street, Wynyard and are designed to foster prepay services to speed up boarding times.

Prepay ticketing cuts eight seconds off boarding times, increasing the reliability of our services for our customers. State Transit is currently looking into the installation of Ticket Vending Machines for Bondi Junction Interchange, to complement the upcoming cashless Bondi Bendy service.

Willoughby Depot Receives Willoughby Council Health and Community Award

For its outstanding efforts in improving customer service, Willoughby Depot was awarded the Willoughby Council Health and Community Award in November 2005. The awards acknowledge and congratulate businesses, organisations and community groups in the local government area who have contributed to improving access to their service or facility for all people, including people with a disability.

The depot received its nomination for encouraging its drivers to pull closer to the kerb when stopping allowing passengers to embark and disembark safely. This was achieved through an awareness program, launched by Willoughby and Ryde Depots.

The awareness program focused on the importance of safe accessibility of State Transit vehicles for passengers.

Pumpkin Bus Extends to Eastern Suburbs

A new Pumpkin Bus service was introduced in the Eastern suburbs following the success of a similar service in the northern region. The late night service, trialled in December 2005 and to operate again over the 2006 summer season, has been introduced to reduce the instances of antisocial behaviour including drink driving. State Transit is one of six sponsors of the initiative, which is operated by a special livery charter from Randwick Depot.

131500 Mobile Service

Commuters are now able to access the latest on bus services on mobile phones and other electronic organisers live from the Internet. The popular 131500 Transport Infoline service – featuring timetables, service information and special event transport – is now accessible on the go, at the touch of a button. The service is available to mobile phones with web downloads enabled, both GPRS and WAP services.

Bus Stop Displays

A new style of bus stop signage was introduced in June 2006.

Known as “Blades”, the new signs are a vast improvement over the previous “U-stem” style signs that have been used for over 20 years.

The new signs feature large colour display panels, allowing more information to be included at stops. These panels are easily changeable, ensuring that passengers have accurate information when service changes occur.

Additionally, the signs have improved vandal-resistant features, including an anti-graffiti coating.

The new signs have been installed at Randwick Junction, and are being continually monitored by the Passenger Information Unit. Should the signs be a success, they are anticipated to be installed at Manly Wharf and along the Bondi Road corridor by the end of 2006.

Special Events

State Transit, on behalf of the Ministry Of Transport does the scheduling for the regional route network for sporting events at Sydney Olympic Park. This includes the Royal Easter Show, Rugby Union, State Of Origin Rugby League, NRL Grand Final and Swans Fixtures.

State Transit also provides the contracted services via route 4 Maroubra to SOP and route 1a Warriewood to SOP.



New Blade sign at Randwick

A black and white photograph of two elderly women sitting on a bus. The woman on the left is wearing glasses and a patterned jacket, holding a plastic bag. The woman on the right is wearing a floral patterned jacket and is smiling. They are both looking towards the camera. The bus window behind them has a sign that says "EXIT" in reverse.

SAFETY & SECURITY

Safety is
our top
priority

KEY OBJECTIVES

- Providing a safe and healthy workplace for employees, contractors, clients and members of the public
- Building an organisational culture of environmental responsibility

KEY BENEFITS

- A safe and healthy workplace for all
- Improved air quality and less congestion
- Optimised energy efficiency

KEY PERFORMANCE INDICATORS

- Reduced staff incidents
- Reduced customer incidents
- Increased safety culture
- Environmentally sustainable bus services at affordable prices

PERFORMANCE

Safety Performance

The key safety indicators for workplace safety are the Lost Time Injury Frequency Rate (LTIFR) and the Medical Treatment Injury Frequency Rate (MTIFR).

The LTIFR and MTIFR results for the financial year 2005/06 were 25.3 and 13.5 respectively. This was reduction of 15.4% and 37.7% respectively from 2004/05. To complement the reduction in lost time injuries, there was also a 9% reduction in the number of days lost due to injury for the period.

SAFETY POLICY

KEY PRINCIPLES

- Enhancing the workplace through ownership of safety;
- Enhancing commitment to safety through greater emphasis on accountability, consultation, communication and participation;
- Enhancing knowledge and skills through effective training for all;
- Integrating safety into our management systems, workplace practices and procedures;
- Preventing incidents through a greater commitment to Risk Management; and
- Recognising positive safety performance through the achievement of measurable targets.

RESPONSIBILITY

- In order to maintain a safe and healthy workplace the State Transit Authority allocates appropriate accountability and responsibility to their personnel:
- All staff are aware of their responsibility for the implementation and maintenance of safety in the workplace;
- All staff monitor, promote and participate in hazard identification and risk management;
- All staff share a responsibility for safety by consulting and co-operating with each other;
- All staff are to take all reasonable care in conducting their work activities; and
- All staff abide by legislation and safety policies and procedures.

Drug & Alcohol Testing

State Transit continued regular random testing for alcohol and other drugs through 2005/06. For the period, more than 1,370 breath alcohol tests and nearly 500 drug tests were carried out. Of these, the majority were drug and alcohol free and compliant with the Regulation, however 12 employees returned a positive result for drugs. There were no positive results returned from the random alcohol testing in 2005/06.

State Transit also conducted reasonable cause and incident testing. There was one positive breath alcohol test as a result of a reasonable cause test.

Those employees who returned positive tests were immediately removed from safety duties pending the outcome of a formal investigation. In addition, State Transit also offered counselling and/or rehabilitation for the employees.

PROGRAMS

Safety Programs

State Transit began a program arranged around the key areas in the workplace to identify and manage improvement – Workshops, Depot Yards & On-Road Operations.

Safer Garages was the first of the areas to progress and become a model for the other two parts of the program. This has involved the development

of model garage at a small number of sites that can be used to identify issues and improve work practices. Involving intensive employee consultation, the model garage would then become a centre from which improvements can be disseminated to the remaining workshops.

Following a similar approach, Safer Yards was begun in April 2006 to continue to improve the safety and general operation of heavy vehicle movements and general work practices of yard related activities.

Fatigue Management

Continuing on from the completion of the initial fatigue study conducted by the Queensland University of Technology and the University of Western Sydney, a further study was commissioned for the evaluation of rosters as well as a more specific consideration of rosters for new employees.

World Cup Fatigue Campaign

To ensure that bus operators and staff were not affected by fatigue during the 2006 Soccer World Cup, State Transit launched a campaign against fatigue.

A poster reminding staff of their responsibilities was placed throughout State Transit work locations, encouraging people who intend to watch late night games to look at swapping shifts or seeking leave.

State Transit also arranged for games to be replayed by placing extra TV's in the depots.



Fitness For Work

State Transit has begun to review the inherent requirements, associated health attributes and relevant medical standards as part of a system for health risk management. This will involve task analyses; ergonomic assessments and medical opinion covering all forms of transport safety work in State Transit. This will also involve the assessment of the applicability of the national standard applied in the rail industry in relation the inherent requirements of a bus operator.

TRANSPORT SAFETY

Driver Distraction

The second stage of the Driver Distraction Study, conducted by the Monash University Accident Research Centre, was completed in February 2006. The initial stage of the project was an assessment of risk deriving from distractions. This included an assessment of the current exposure to potential and actual distractions and the potential for those to degrade driving performance and increase risk.

This second stage included the finalisation of the risk assessment, which was expanded to include the review of State Transit's mobile Customer Service vehicles.

Driver Safety Security Screens

Further trialling of bus security screens was continued through 2005/06, which contributed to further development of proposed variations of the screens. This has included the quarter screen and the development of designs for full security screens.

Tenderers for the new Bus supply contract were asked to include proposals for improved security in their bids.

CCTV

State Transit has begun an upgrade of on-bus CCTV systems. This has included the issuing of an Expression Of Interest, which was progressed to a full trial of digital camera systems.

Staff Awareness

As part of State Transit's Management Development Program, key safety objectives were reinforced with senior and line management. The sessions covered safety culture, safety management, human factors and culture change.

Security

\$25 million is being spent on increasing the safety and security of State Transit passengers, drivers and vehicles over the next four years. The bus security plan includes:

- \$7.5 million over three years to replace analogue CCTV with digital CCTV on the current fleet of almost 2000 buses
- \$2.7 million over two years to maintain analogue CCTV systems until they are replaced
- \$1.9 million over five years for additional CCTV for 80 new articulated buses
- \$10.6 million for added depot protection including increased CCTV surveillance, fencing, boom gates, lighting and access controls for staff and visitor ID
- \$2.25 million over four years to replace two-way radios on Sydney Buses (a \$283,000 upgrade of Newcastle bus radios was completed in 2005/06)

New Legislation Targets Attacks on Transport Workers

The Crimes (Sentencing Procedure) Act 1999 was amended at the end of May 2006 to include transport workers (along with police officers and nurses who are currently on this legislation) to help protect public transport staff from assault and attack.

The changes ensure that attacking a transport worker in the course of their duty is an 'aggravating factor' in sentencing when offenders go to court.

Coroners Inquest

On 30 June 2006, Deputy State Coroner Dorelle Pinch handed down her findings and recommendations following the inquest into the deaths of two elderly passengers on State Transit buses.

The Deputy Coroner has handed down five recommendations to the Minister of Transport to improve safety on board buses. These recommendations included the implementation of warning signs and bells to signal when the bus will be moving from the bus stop, improved bus operator training, safety hints to seniors on how to minimise movement within buses and the removal of the passenger seat situated in the blind spot behind the bus operator.

Of the five recommendations, State Transit is well advanced in implementing three and is strongly considering the remaining two recommendations (warning bells and removal of the passenger seat).

Safety For Seniors Campaign

The Safe Travel for Seniors Campaign has been in operation since September 2005, using snap frames, brochures and flyers to provide senior passengers with safety hints on how to enjoy safe travel on State Transit buses and remind bus operators to take extra care whilst driving.

This campaign is currently being updated with expanded distribution and will be rolled out early in the new financial year.

PEOPLE



People are
integral to
our success

KEY OBJECTIVES

- To inspire, develop and support each other

KEY BENEFIT

- Developing productive and motivated staff

KEY PERFORMANCE INDICATORS

- Improved staff retention
- Improved staff job satisfaction
- Improved staff learning
- Improved willingness to make tough decisions

PERFORMANCE

Nationally Recognised Training

State Transit, as a Registered Training Organisation (RTO) is committed to ensuring that it appropriately identifies, trains and assesses all staff in line with State Transit's service standards for reliability, convenience, efficiency, customer service, comfort, and security and safety.

State Transit is registered by the NSW Vocational Education and Training Accreditation Board to deliver training and assessment services and to issue the following national qualifications:

- Certificate III in Transport and Distribution (Road Transport) TDT30202
- Certificate IV in Business (Frontline Management) BSB41004

The Certificate III in Transport and Distribution is a critical element of State Transit's Driver Training Program. All new State Transit Bus Operators are required to undertake a two-year traineeship ensuring that our drivers demonstrate competencies to a national industry standard. State Transit also offers the qualification to longer-term employee Bus Operators through an Existing Worker Traineeship. In the last financial year 486 new trainees and 88 existing worker trainees were enrolled in the program.

New Skills Maintenance Program

State Transit is leading the way in maintaining the skills of bus operators. The two-day Driver Skills Maintenance Program targets all Bus Operators not currently undergoing a traineeship and is the second key component of State Transit's Driver Training Program. It has been designed to complement the other streams of driver training undertaken by bus operators employed by State Transit. It is a specialised program, designed to

ensure that existing bus operators receive annual, structured professional development. To date, 1200 Bus Operators have attended the workshop-based component and approximately 500 have attended the Depot component.

The program maintains bus operator currency, enhances and strengthens existing skills and is a forum for the provision of timely information, skills enhancement and dialogue on contemporary industry issues such as fatigue management and new perspectives in current driving practices. In 2005/06 the program addressed:

- Frequency and consequences of incidents and collisions
- Hazards and risks
- Customer comfort and safety
- Radio communication
- On road training and assessment of pre departure check, road rules and driving skills utilising the Vigil Vanguard telemetry system

Management Development Programs

The Management Development Program sets out a comprehensive framework for ongoing development of Managers at all levels, providing support for Managers to reach their potential and contribute effectively to State Transit business success at each stage of their career. The strategy offers a variety of development opportunities including formal training, on the job training, work-based projects, coaching, mentoring, leadership forums and qualifications.

In 2005/06, 50 State Transit managers participated in the Management Development Program. The program has resulted in a series of business improvement projects that have shaped the continuous improvement strategy for the coming year.

In addition, the new State Transit Frontline Management Program was developed to support staff in embedding frontline management competencies into their work. It covers eight units of competency that have been clustered within the four key areas of People Management; Safety and the Environment; Planning and Operations, and Quality and Continuous Improvement.

Pilot Programs have been conducted to ensure key front line supervisors have access to the program.

Graduate Program

State Transit has a long-term objective of fostering high quality candidates for management in State Transit. The program is project based with participants gaining wide experience in different environments in State Transit. In 2005/06 State Transit recruited six Transport Operations Management Graduates and one Communications Graduate. To ensure the viability and effectiveness of the Graduate Program and the Graduates is maintained, the following initiatives were introduced:

- Structured two-year program with specific rotations through our operational and corporate environments
- Series of six Graduate Development Workshops aimed at developing business and organisational skills of the graduates
- Mentoring Program
- Performance Management Program
- Redesigned Graduate website aimed at further promoting the State Transit Graduate Program

Computer Skills

Computer training for staff has continued to be in demand. In the last financial year approximately 370 staff have undertaken training to develop their skills in using word processing and spreadsheet software.

New Induction Training

A new induction program has been introduced for our new recruits. The program is highly interactive and includes a new documentary video that explains our rich history and our current business priorities of customer service, safety, competitiveness and developing and inspiring people. It includes both workplace and formal training components.

RTO moves towards a more electronic format

State Transit's Learning and Development unit is working to streamline the RTO records management system, utilising available technologies to minimise data input, create more user friendly assessment forms and maximise quality through self checking assessment forms and automated scheduling and course progress auditing.

Action Plan for Women Initiatives

With a key focus on attracting, developing and retaining women in non-traditional roles, State Transit participated in an international benchmarking exercise "Women in the Bus Industry Clearinghouse Study". The results of the study will inform the development of targeted programs for women in State Transit during the next financial year.

Consultation and the planning commenced for the development of Women's Forums to meet the diverse needs of the women in the workforce.

State Transit continued to support the NSW Government's Spokeswomen's Programme with 13 women bus operators taking up the role of Spokeswomen and providing information and support to women within the organisation.

Commitment to Equity and Diversity

During the reporting year the Chief Executive Officer's Equity and Diversity Steering Committee was established to set the strategic direction for the Equity and Diversity Program within State Transit.

Equity and Diversity policies were developed and distributed through the organisation. In particular, training on the new policies was rolled out as part of the organisation's Induction Training, Skills Maintenance Program, and Management Development programs.

Aboriginal and Torres Strait Islander Employment

During the reporting year State Transit did not achieve its goal of increasing its workforce representation of Aboriginal and Torres Strait Islanders to 2%. As a result, State Transit has reviewed its approach and has commenced consultation with Aboriginal employment agencies with a view to targeting our mainstream positions to Aboriginal applicants.

Restructuring

In 2005/06, restructuring occurred throughout the organisation, to realign the organisation to key business priorities, including the need to meet the requirements of the new Metropolitan Bus Service Contract (MBSC) for each region.

This included creation of Regional Offices, revised Depot/Regional administrative, safety and scheduling positions, new Maintenance structures, and review of Corporate Divisions (including improvements in the Fleet Acquisition structure).

The restructuring involved consultation with staff and unions, extensive communication, and staffing strategies to minimise displacement.

Staff Recognition Scheme

The implementation of the Recognition Program for State Transit employees commenced in 2005/06, to celebrate success and achievement and to support State Transit's business directions.

The program is based on 3 'tiers' of Recognition: (i) an annual State Transit-wide program, culminating in a formal annual awards function, (ii) regular Regional/Depot & Divisional programs conducted on a quarterly or monthly basis, and (iii) day-to-day praise and feedback in the workplace to employees from managers and supervisors.

The annual awards function occurred in November 2005, and recognised the outstanding contributions of 9 work teams and 15 individuals. Leichhardt Depot was awarded most improved depot of the year, and the Kingsgrove Maintenance section won the most improved maintenance workshop award.

2005 Recognition Award Recipients

The following work teams and individuals received Recognition Awards for their outstanding contributions to State Transit. Awards were presented to staff who contributed to State Transit's four pillars of success. These are Safety, Service Quality, People and Financial Performance.

Safety – North Sydney Depot

Safety – Warren Singleton and Phil Ivey

Safety – The Northern Region Safety Traffic Committee

Service Delivery – The Monthly Performance Review Team

Service Delivery – Greg David

Service Delivery – Anne Ho

Service Delivery – John Parisi

Innovation – Watson Street Cashless Bus Stop Team

Financial Management – Annual Accounting Team

Financial Management – Ettore Garbellini

Financial Management – Jay Singarem

Traineeship Excellence – Valerio Monserrate

Traineeship Excellence – Kevork Beyleryan

Traineeship Excellence – Jessica Willingham

Traineeship Excellence – Fiona Storey

Apprenticeship Excellence – Christopher McLawrence

Apprenticeship Excellence – Hercules Michas

Apprenticeship Excellence – Shannon Field

Apprenticeship Excellence – Andrew Dundas

Chief Executive Special Awards – The Bussies on Bikes Team

Chief Executive Special Awards – Ryde Depot Maintenance Team

Chief Executive Special Awards – Scott Greenow

Depot Award – Leichhardt Depot

Depot Award – Kingsgrove Depot

Scott Greenow wins NSW Trainee of The Year

Scott Greenow was awarded NSW Trainee of the Year beating an elite field of finalists at the 2005 NSW Training Awards. The awards recognise and reward excellence and outstanding achievement in vocational education and training.

Golden Wheel - Depot of The Month Award

The Golden Wheel award recognises the best performing State Transit Depot for the month. This award is measured in relation to Key Performance Indicators.

Depots to receive the award during 2005/06 include:

- **July:** Ryde
- **August:** Leichhardt
- **September:** Waverley
- **October:** North Sydney
- **January:** Waverley
- **February:** Port Botany
- **April:** Randwick
- **May:** Mona Vale
- **June:** Mona Vale
- **July:** Randwick

Golden Spanner – Maintenance Section of the Month

The Golden Spanner award recognises the best performing State Transit Workshop for the month. A range of indicators, including outstanding work orders, increased reliability and a reduction in changeovers are used to measure the award.

Maintenance sections to receive the award during 2005/06 include:

- **July:** Newcastle
- **August:** Mona Vale
- **September:** Brookvale
- **October:** Mona Vale
- **January:** Leichhardt
- **February:** Newcastle
- **April:** Port Botany
- **May:** Randwick
- **June:** Mona Vale

Depot Online

State Transit has introduced 'Depot Online' facilities to all State Transit bus depots to provide staff with access to web and e-mail facilities within the workplace. Staff will be able to access work-related information such as pay, leave, shift details and policy and procedures at their depot and from any off-site computer terminal that has access to the Internet.

The 'Depot Online' facilities at each depot enable all State Transit employees' access to the Internet and to email facilities. This is particularly important for bus operators, maintenance and cleaning staff that need good communication facilities to help their working lives as shift workers.

EBA's

During the reporting period State Transit had a number of enterprise bargaining agreements in place with a number of unions, covering employees in the following categories:

- Bus Operations
- Salaried and Senior Officers
- Salaried Officers in Operational Support
- Bus Maintenance staff
- Newcastle Ferry Master/Engineers

Wage outcomes for all classifications reflected NSW Government wages policy for the period, which implied nominal pay rises of up to 3% per year, through negotiated settlements, with an additional 1% available in return for productivity offsets.

All major agreements negotiated during the period included clauses providing for various flexible leave and work arrangements, designed to assist State Transit employees to balance work and family commitments. It is envisaged that such initiatives will assist State Transit to attract and retain valued staff, in addition to increasing the participation rate of women in State Transit's workforce.

COMPETITIVE BUSINESS



Competitive
business
is vital

KEY OBJECTIVES

- To build our competitiveness as a business
- To win the Metropolitan Bus Service Contract when it is offered for renewal

KEY BENEFIT

- Clearly demonstrating improved 'value for money'

KEY PERFORMANCE INDICATORS

- Increasing profitability
- Increasing investment to meet our future obligations
- Maximising asset utilisation

PERFORMANCE

Financial Review 2005/2006

2005/06 was the first year that State Transit operated under the new Metropolitan Bus System Contracts. Sydney Buses services four of the 15 metropolitan areas. Contract payments replace the former Pricing and Service CSOs and payments for free school travel. The seven-year period of the contract till June 2012 not only provides for greater funding certainty but also leads to better planning outcomes for fleet acquisition and enhancement.

State Transit's consolidated financial result for the year ended 30 June 2006 was a profit of \$47m on revenue of \$524m.

Total expenditure of \$476m was 3.3% lower than last year due to year-end adjustments to staff entitlements of \$32m. Underlying expenditure of \$508m was 4.5% higher than last year.

Underlying labour costs increased by 2.5% on last year before year-end adjustments to superannuation and prior year adjustments relating to changes in accounting standards. A pay increase of 4% occurred on 1 January 2006.

Fleet Running costs were 24.8% higher than last year due to higher fuel costs.

Fuel costs (before hedging and rebate) were \$45.3m, an increase of 20.8% (\$7.8m) over last year. The increase in gross fuel costs reflected an increase in world the price of crude oil. CNG was subject to a rebate of \$2.1m in 2005/06 (\$2.1m in 2004/05)

Maintenance expenditure compared to the previous year increased in Sydney Buses by 7.2%, in Newcastle Buses by 16.2%.

The level of debt decreased by \$11.3m to \$76.0m resulting from the implementation of the Metropolitan Bus System Contracts.

Capital Expenditure

Capital expenditure in 2005/06 was \$52.4m compared with \$55.5m in 2004/05. \$44.1m was spent on the bus replacement program for the purchase of 27 low floor, air-conditioned buses for Sydney and Newcastle and 50 low floor, air-conditioned, articulated buses for Sydney. \$8.3m was spent on the renewal or replacement of assets required for security, bus servicing, depot facilities and computing resources.

Corporate Staff and Costs

The underlying cost of Corporate Services in 2005/06 remained static compared with last year. Corporate staffing decreased by 7% following the completion of the corporate restructure process.

Cost Efficiencies

Savings were achieved in:

The procurement of goods and services

Savings of \$442k in 2005/06 related to savings in service provision arising from the contracts for the provision of spares for Scania, Man and Volvo buses.

Insurance

Compulsory Third Party Insurance for buses reduced from \$5,900 to \$5,400 per bus in 2005/06 and State Transit's bus fleet decreased by 16 in 2005/06. A claims discount of around \$1.5M is reflected in the savings for 2005/06.

For the renewal of general insurances State Transit was able to negotiate similar premiums to the previous year due to risk mitigation projects resulting in a \$200k saving in 2005/06.

Administrative overheads

Corporate has been reducing staff levels since mid-2004 through "natural attrition". Redundancies were offered in 2005/06 and were accepted by 9 staff.

ISO 9001:2000 Certification

State Transit successfully maintained its quality certification under ISO 9001:2000.

State Transit is revitalising its Business Management System to ensure that this major tool in the quality program continues to meet State Transit's objectives for supporting continuous improvement.

Risk Management and Insurance

State Transit's Risk Management Framework covers all areas of business activities and statutory compliance to protect Whole of Government exposures. This is achieved through the governance and risk structure emanating from the State Transit Board. Continuous improvement under the ISO 9001:2000 Quality Management System has enhanced compliance and therefore the control of risk exposures. An increased risk appetite has been balanced by a good appreciation of business risk and implementation of robust risk control measures.

In an environment of significant change with the New South Wales bus industry reform, cost effective strategies are implemented to:

- Develop an organisational culture that optimises its ability to achieve business objectives while ensuring appropriate management of risks rather than taking un-managed risks,
- Identify, assess and treat the risks associated with State Transit's activities with the objective to minimise losses and maximise the opportunities,
- Identify risk treatment options applicable to State Transit in all areas including Bus & Ferry Operations, Safety & Security, OH&S, Environment, Engineering Policy & Standards, Property, Information Technology, Treasury, Financial and Commercial Contracts, Fraud / Corruption, Financial Management, Business Continuity Management, and
- Provide objective information to decision-makers through all layers of the organisation.

An enhanced insurance program provided financial protection for the organisation during the year. The program spans: general property, personal injury, consequential loss, motor, professional

risks, general and marine liability. State Transit's enhanced risk profile has yielded lower premium escalation than experienced over recent years by the insured community.

Continuous refinement of Emergency Response Plans for Bus and Ferry Operations has resulted from the perception of increased terrorist threat exposure. Simulation exercises and training exercises have maintained staff preparedness. Operational plans were developed to regain business service continuity should an emergency scenario occur. Simulations tested, both the context and robustness of operational recovery plans compliant with ISO and ISM Standards.

Ticket Agents' Margins

In late March 2005 State Transit advised ticket sellers that the margin rates would be reduced from approximately 5% to 2.5%. This led to a court appeal by the Newsagents Association of NSW. This action was in abeyance for most of the year, awaiting a decision from the High Court on an unrelated case concerning jurisdiction.

A small number of agents opted to no longer sell State Transit products. However the number of newly signed agents has more than compensated for that.

Bus Depot Strategy

Three were a number of significant developments affecting the Depot Strategy during the year including the takeover of the Harris Park Transport operating area. Options for increasing depot capacity in Sydney continue to be developed. There are long lead times involved in the establishment of a new depot, expansion, or redevelopment of an existing depot. A range of initiatives to increase capacity is being pursued in the short term to ensure operational needs are met in the medium term (2-5 years) and long term (5-10 years).

A new larger depot is to be built at Leichhardt for 200 buses to replace the current 98 bus facility. Land adjacent to the current depot has been transferred from RailCorp to State Transit for the new depot.

Tempe Depot has been identified as surplus to State Transit's operational needs in that area and the funds from the sale will be used to fund other depot developments.

Brookvale Depot is to be redeveloped to replace buildings with asbestos contamination and to achieve a more efficient depot layout. Capacity for an additional 35 buses will be created.

Procurement of a new depot for 200 buses at Camellia is planned to proceed during 2006/07 to support the Harris Park Transport operating area and to meet planned growth in the Parramatta area.

As the patronage growth is spread across the operating areas, this pattern is likely to shift and growth patterns need to be confirmed. However under current contractual arrangements, it is unlikely that any of State Transit's bus depots will become obsolete. Alternative, additional sites will be required.

Electronic Service Delivery

The IT Strategic Plan has the following e-business related objectives:

- Revolutionise customer convenience through smart card (cashless) ticketing for buses and ferries,
- e-enabling State Transit employees. This will involve greater use of technologies to allow employees to access information via the intranet and Internet.

In its pursuit of improved business processes, State Transit continues to realise the many opportunities that are available from electronic business systems, including:

- The passenger information service is now delivered by the Integrated Transport Information Service (ITIS) - 131 500 Transport Infoline,
- State Transit's website guides the public in the best way to use the services it operates. The site provides comprehensive information about routes timetables and fares,

- Annual reports, corporate plans, information about contracts awarded to tenderers amongst other matters of interest to stakeholders are also available on the website,
- Over 95% of the values of all payments to suppliers are made by electronic means (iElectronic Funds Transfer). This equates to over 85% of the number of invoices received by State Transit,
- Online ticket ordering and online payment for registered ticket re-sellers makes it easier for them to order and pay for ticket stock and can improve availability of tickets from these outlets,
- A network of information kiosks provides staff at depots with access to a wide range of information, especially for those who work on shifts outside office hours. Any staff member can access their pay and leave details. The kiosk also provides information about service timetable changes, special events and other local depot news,
- 'Depot Online' facilities at each depot enable all State Transit employees' access to the Internet and to email facilities. This is particularly important for bus operators, maintenance and cleaning staff that need good communication facilities to help their working lives as shift workers,
- The new information kiosk and staff intranet homepage will provide bus operators, maintenance and cleaning staff through the Depot Online facility or through the Internet the ability to access information currently available on the Information Kiosk as well as policy and procedures.

Revenue Protection Unit

In recent years, the Revenue Protection Unit has undergone a number of significant changes. The unit currently consists of a Manager, five Senior Revenue Protection Officers and 20 Revenue Protection Officers.

In its Follow-up of the 2000 Performance Audit on Fare Evasion on Public Transport conducted in 2005/06, the Audit Office acknowledged the considerable improvements made in the management and operation of State Transit's revenue protection function since the initial audit in 2000.

The nature of "fare evasion" in State Transit is principally one of overriding, that is failing to pay the correct fare, rather than a failure to purchase a ticket.

The improved planning and management of revenue protection has resulted in higher levels of detection of passengers who are attempting to evade paying the correct fare.

State Transit in its 2004 organisational restructure, decentralised management of the revenue protection function to one its four key operations General Managers. Significant investment has been made by State Transit in better planning for the deployment of State Transit's revenue protection staff resources, in better training of its Revenue Protection Officers and in the setting of key performance indicators to ensure the effective performance of this function. This has resulted in large productivity improvements in State Transit's Revenue Protection Unit.

State Transit is continuing to work with the other transport agencies and the State Debt Recovery Office to:

- Improve procedures to validate offender name and address details to assist in ensuring fees are paid,
- Improve strategic planning to ensure the most productive targeting of resources.

The 2005/06 has seen the Revenue Protection Unit target a number of key areas, including:

- Conducting fare awareness days in all depots. These are designed to give all bus operators the chance to discuss any revenue protection issue including problems with fare evasion, tickets, clarification of zones, sections or use of tickets by passengers,

- Converting passengers from cash to pre-purchased ticketing,
- Assisting all major schools in the regions and conduct special operations targeting unacceptable behaviour on the school specials including the enforcement of the School Student Code of Conduct and correct use of school bus passes,
- Assisting bus operators in understanding the new integrated ticketing system as it is introduced to depots,
- Develop strategies to improve communication between Revenue Protection Officers and depot staff.

Individual regional teams have also targeted key issues that are prominent in their regional area.

Maintenance Reform

State Transit Maintenance Reform Program continues to be implemented progressively. The new maintenance structure has so far enhanced the reliability and safety of State Transit services through improved productivity, work processes and staffing structure.

The maintenance management structure was reorganised with a 25% reduction in the number of salaried positions by June 2006 and the introduction of hands-on supervisory roles.

The new management structure and the service regime have been realigned to meet the requirements of the new Metropolitan Bus Service Contracts.

The Roads and Traffic Authority Heavy Vehicle Inspection Scheme (RTA HVIS) was introduced in April 2006 as part of the reform agenda to enhance the roadworthiness and safety of the State Transit fleet.

The implementation of the new maintenance structure has yielded positive results for the financial year and continues to be realised into the future.

Some preliminary outcomes of the restructure have been achieved, including:

- Substantial reduction of Work Order Open Over 42 days by 90%,
- Significant reduction of peak hour buses not supplied by 51%,
- Reduction in the number of mechanical and traffic changeovers by 9%,
- Reduction in overtime expenses for maintenance office staff,
- Increase in the number of wages staff in the workshop,
- Standardisation and compliance to maintenance procedures and processes,
- Improvement in training, maintenance standards and technical support,
- Commencement of capital upgrade programs to a number of depot maintenance areas to complement new vehicle inspection process.

Compared to the last financial year:

- Expenditure on the refurbishment of State Transit buses was increased by 12%,
- The total kilometres travelled increased by 2%,
- The total number of maintenance staff decreased by 2%.

State Transit continues to maintain a consultative relationship with the Combined Engineering Unions (CEU), the Australian Services Union (ASU) through the monthly Maintenance Joint Restructuring Committee and the Productivity Committee where progress and issues are discussed and resolved.

Metropolitan Bus System Contract (MBSC)

The Passenger Transport Amendment (Bus Reform) Act 2004 was passed to facilitate reform in the planning, contracting and funding of Bus Services in New South Wales. Associated with the reform was the intention for Bus Companies and the Ministry of Transport to enter into contracts for the provision of passenger services for specific regions.

This has been applied with State Transit having entered into four (4) contracts for the Sydney region covering Regions 6,7,8 and 9. These contracts commenced on the 1 July 2005 and have been in place for a full year.

Under the contracts each Region stands alone with State Transit paying to the MOT on behalf of each region, fare revenue and a proportion of advertising and charter revenue.

MOT in turn made monthly payments to State Transit representing fixed costs, depreciation change payment, fuel cost payment, service payment, patronage benchmark, patronage change and new fleet periodic payments.

With the contracts in place State Transit has been able to make changes to route and school services within each Region to better fit passenger demand and available resources.

In addition, State Transit has received the benefit of a patronage change payment of \$2.1 million and is optimistic about a claim with the MOT for a congestion allowance as provided for within the contract.

First year application has been a testing time in meeting new reporting requirements and interpreting the contract.

State Transit looks forward to the yearly development of contract service plans at forums with users and other agencies as part of the progressive nature associated with the contracts, which operate for a period of seven years.

Outer Metropolitan Bus System Contract (OMBSC) Region 5 – Newcastle

On 30 June 2006 State Transit and the Ministry of Transport entered into what is the fifth bus service contract for State Transit for services in Newcastle, which includes the depots of Hamilton and Belmont and to apply from 1 July 2006 for a period of seven years.

The Newcastle contract requires the MOT to conduct an assessment of Newcastle performances between 21st and 27th month of operation.

This will include a demonstrated willingness by Newcastle to enter into Neighbouring Service Provider Agreements with adjacent bus companies, support the introduction of IT IS, Tcard projects and implementation of efficiencies such as reduced running times and reduced layover times to achieve operating costs similar to private bus companies.

New Service Planning Guidelines are also to apply to ensure an effective bus service system which is aligned to community needs and representing value for money.

Newcastle Buses is entering into a new era with the new contract, which is aimed at improving the effectiveness of passenger services within its region of operation.

WESTERN SYDNEY BUS SERVICES



Liverpool -
Parramatta
Transitway

KEY OBJECTIVES

- The provision of high frequency reliable services on the Liverpool-Parramatta Transitway.

KEY BENEFITS

- High speed services between Liverpool and Parramatta, the fastest growing CBD in Australia
- Comfortable Euro 3 diesel powered, airconditioned, fully accessible Volvo Buses
- Real time information to passengers.

KEY PERFORMANCE INDICATORS

- Compliance with all contract targets set by the Ministry of Transport's Transitway group.

PERFORMANCE

Since the Liverpool-Parramatta T-Way, began operations on 16 February 2003, there has been a steady growth in patronage. T-Way buses have carried around 5.3 million passengers since the services began.

Services are provided from 4.28am to 12.15am on weekdays, operating at an 8-10 minute frequency during peak periods. On weekends and public holidays services are provided from 5.18am to 12.15am, operating at a 20 minute frequency. Services operate for an extra hour on Friday and Saturday evenings.

Patronage on the service increased by 19.4% in 2005/06.

Patronage for 2005/06 for Western Sydney Buses of 2.015 million compares with 1.69 million for 2004/05.

The Liverpool-Parramatta T-Way's initial patronage was 10,000 per week. Currently, more than 43,000 passengers travel on the T-Way each week with a record 43,969 passengers in the first week of April this year.

To accommodate growing demand, a new timetable was introduced in March 2006 to cater for further growth, adding seven new bus services to the

timetable, offering commuters greater convenience, flexibility and reliability when they travel.

The new services in the morning peak between 7.00am and 9.00am provide services into Parramatta every 10 minutes from 6.30am each weekday.

New services in the afternoon provide buses from Parramatta every 10 minutes starting from 2.30pm through to 6.30pm.

These changes increase capacity by about 2,000 passengers a week.

The popularity of the Liverpool-Parramatta T-Way grows every day with more passengers joining these services each week.

To maintain safety and security, mobile security guards currently patrol the T-way network.

This is a ringing endorsement for the bus only T-Way with more and more families and commuters across Western Sydney jumping on board every day.

PATRONAGE TRENDS

Patronage by time period - 2005/06 vs 2004/05

| | Sun | Early AM | AM Peak | Midday | PM Peak | Evening | Sat | TOTAL |
|----------------|---------|----------|---------|---------|---------|---------|---------|-----------|
| 2004/05 | 93,297 | 64,025 | 420,133 | 421,817 | 444,893 | 94,047 | 148,788 | 1,687,000 |
| 2005/06 | 108,043 | 77,533 | 501,855 | 513,244 | 528,083 | 111,406 | 174,836 | 2,015,000 |
| % | 15.8% | 21.0% | 19.4% | 21.7% | 18.7% | 18.5% | 17.5% | 19.4% |



FINANCIAL STATEMENT

State Transit Authority of
New South Wales

STATE TRANSIT AUTHORITY OF NEW SOUTH WALES

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STATEMENT BY MEMBERS OF THE BOARD

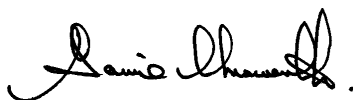
For the year ended 30 June 2006

Pursuant to section 41(C)(1B) of the Public Finance and Audit Act 1983 and in accordance with a resolution of the members of the Board of the State Transit Authority of New South Wales, we declare that in our opinion:

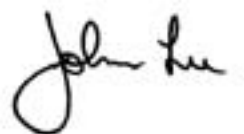
1. The accompanying financial statements exhibit a true and fair view of the financial position and transactions of the State Transit Authority of New South Wales as at 30 June 2006; and
2. The financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2005 and the Treasurer's Directions.

Further, we are not aware of any circumstances which would render the particulars included in the financial statements to be misleading or inaccurate.

This statement is made in accordance with a resolution of the Directors.



Barrie Unsworth
CHAIRMAN



John Lee
CHIEF EXECUTIVE OFFICER

SYDNEY - 19 October 2006



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

STATE TRANSIT AUTHORITY OF NEW SOUTH WALES

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the State Transit Authority of New South Wales (the Authority):

- presents fairly the Authority's and the consolidated entity's (defined below) financial position as at 30 June 2006 and their performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the *Public Finance and Audit Act 1983* (the Act), and the *Public Finance and Audit Regulation 2005*.

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

Scope

The Financial Report and Board's Responsibility

The financial report comprises the balance sheets, income statements, statements of changes in equity, cash flow statements and accompanying notes to the financial statements for the Authority and consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises the Authority and the entities it controlled during the year.

The members of the Board of the Authority are responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Board in preparing the financial report, and
- examined a sample of evidence that supports the amounts and disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that Board members had not fulfilled their reporting obligations.

INDEPENDENT AUDIT REPORT

For the year ended 30 June 2006

My opinion does *not* provide assurance:

- about the future viability of the Authority or its controlled entities,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



P Carr FCPA
Director, Financial Audit Services

SYDNEY
20 October 2006

INCOME STATEMENT

For the year ended 30 June 2006

| | | Parent 2006 \$000 | Economic entity 2006 \$000 | 2005 \$000 |
|---|--------|-------------------------|-------------------------------------|----------------|
| | Notes | | | |
| INCOME | | | | |
| Operational revenue | 2(a,b) | 499,815 | 499,815 | 456,266 |
| Other income | 2(c) | 23,971 | 23,971 | 31,342 |
| Total income | | 523,786 | 523,786 | 487,608 |
| EXPENSES | | | | |
| Fleet running expenses | 2(d) | 82,249 | 82,249 | 65,714 |
| Employee benefits | 2(e) | 183,314 | 264,456 | 298,216 |
| Personnel services | 2(f) | 88,553 | - | - |
| Finance costs | 2(g) | 5,871 | 5,871 | 6,019 |
| General operating expenses | 2(h) | 116,650 | 124,061 | 122,822 |
| Total expenses | | 476,637 | 476,637 | 492,771 |
| Gross profit/(loss) from continuing activities before income tax | | 47,149 | 47,149 | (5,163) |
| Income tax expense | 3 | - | - | - |
| Net profit/(loss) attributable to owners | | 47,149 | 47,149 | (5,163) |

The accompanying notes form an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2006

| | | Parent | Economic entity | |
|---|--------------|----------------|--------------------|-----------------|
| | Notes | 2006 \$000 | 2006 \$000 | 2005 \$000 |
| Total equity at the beginning of the financial year | 21(a) | 174,716 | 174,716 | 247,100 |
| Financial instruments held for sale arising from first-time adoption of AASB 139 | 26 | 3,069 | 3,069 | - |
| AEIFRS impacts less profit/(loss) for the financial year | 26 | - | - | 10,814 |
| Restated total equity at the beginning of the financial year | | 177,785 | 177,785 | 257,914 |
| Increase/(decrease) on revaluation of property, plant and equipment asset reserve | 26 | 11,853 | 11,853 | - |
| Recognition of deferred tax liability on the asset revaluation reserve for fixed assets | 26 | (3,166) | (3,166) | - |
| Transactions with owners as owners: | | | | |
| - Contribution of land | 26 | 8,235 | 8,235 | |
| - Decrease in net assets from equity transfer | 26 | - | - | (83,135) |
| - Equity injection | 26 | - | - | 5,100 |
| Total income and expenses recognised directly in equity | | 16,922 | 16,922 | (78,035) |
| Net profit/(loss) for the financial year | 26 | 47,149 | 47,149 | (5,163) |
| Impact of tax liability on current financial year operations | 26 | (14,470) | (14,470) | - |
| Total income and expenses recognised for the financial year | | 32,679 | 32,679 | (5,163) |
| Total equity at the end of the financial year | | 227,386 | 227,386 | 174,716 |

The accompanying notes form an integral part of the financial statements

BALANCE SHEET

As at 30 June 2006

| | Notes | Parent 2006 \$000 | Economic entity 2006 \$000 | 2005 \$000 |
|--------------------------------------|-------|-------------------------|-------------------------------------|----------------|
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | 4 | 20,403 | 20,403 | 4,502 |
| Trade and other receivables | 5 | 9,538 | 9,538 | 25,114 |
| Inventories | 6 | 8,588 | 8,588 | 7,990 |
| Non-current assets held for sale | 7 | 203 | 203 | 274 |
| Financial assets | 8 | - | - | 14 |
| Other | 9 | 790 | 790 | 853 |
| Total current assets | | 39,522 | 39,522 | 38,747 |
| NON-CURRENT ASSETS | | | | |
| Receivables | 5 | 30,877 | 30,877 | - |
| Property, plant and equipment | 10 | 420,007 | 420,007 | 423,161 |
| Intangibles | 12 | 1,521 | 1,521 | 216 |
| Deferred tax assets | 13 | 74,878 | 74,878 | 92,021 |
| Total non-current assets | | 527,283 | 527,283 | 515,398 |
| Total assets | | 566,805 | 566,805 | 554,145 |
| CURRENT LIABILITIES | | | | |
| Trade and other payables | 14 | 104,051 | 35,101 | 32,184 |
| Financial liabilities | 15 | 18,266 | 18,266 | 34,609 |
| Provisions | 16 | 1,891 | 70,841 | 73,137 |
| Other | 18 | 10,787 | 10,787 | 10,214 |
| Total current liabilities | | 134,995 | 134,995 | 150,144 |
| NON-CURRENT LIABILITIES | | | | |
| Trade and other payables | 14 | 83,025 | - | - |
| Financial liabilities | 15 | 57,746 | 57,746 | 52,711 |
| Provisions | 16 | 165 | 83,190 | 113,569 |
| Deferred tax liabilities | 17 | 63,488 | 63,488 | 62,998 |
| Other | 18 | - | - | 7 |
| Total non-current liabilities | | 204,424 | 204,424 | 229,285 |
| Total liabilities | | 339,419 | 339,419 | 379,429 |
| Net assets | | 227,386 | 227,386 | 174,716 |
| EQUITY | | | | |
| Reserves | 26 | 102,550 | 102,550 | 95,163 |
| Accumulated funds | 26 | 124,836 | 124,836 | 79,553 |
| Total equity | | 227,386 | 227,386 | 174,716 |

The accompanying notes form an integral part of the financial statements

CASH FLOW STATEMENT

For the year ended 30 June 2006

| | Notes | Parent 2006 Inflows (Outflows) \$000 | Economic entity 2006 Inflows (Outflows) \$000 | 2005 Inflows (Outflows) \$000 |
|--|-------------|--|--|--|
| Cash flows from operating activities | | | | |
| Receipts from customers | | 489,707 | 489,707 | 249,161 |
| Reimbursements from NSW Government | | 25,603 | 25,603 | 231,768 |
| Other income | | 38,843 | 38,843 | 32,373 |
| Interest received | | 1,059 | 1,059 | 44 |
| Government grants | | - | - | 5,000 |
| Payments to suppliers | | (277,407) | (193,314) | (179,998) |
| Payments to employees | | (206,037) | (290,130) | (286,018) |
| Interest and other finance costs | | (6,222) | (6,222) | (7,206) |
| Net cash flows from operating activities | 4(a) | 65,546 | 65,546 | 45,124 |
| Cash flows from investing activities | | | | |
| Purchases of property, plant and equipment | | (51,395) | (51,395) | (54,813) |
| Proceeds from sale of property, plant and equipment | | 12,381 | 12,381 | 1,419 |
| Net cash flows used in investing activities | | (39,014) | (39,014) | (53,394) |
| Cash flows from financing activities | | | | |
| Proceeds from/(repayments of) borrowings | | (10,989) | (10,989) | 12,564 |
| Proceeds from finance leases | | 358 | 358 | - |
| Net cash flows from financing activities | | (10,631) | (10,631) | 12,564 |
| Net increase/(decrease) in cash and cash equivalents | | 15,901 | 15,901 | 4,294 |
| Cash transferred out as a result of administrative restructuring | | - | - | (3,659) |
| Cash and cash equivalents at the beginning of the year | | 4,502 | 4,502 | 3,867 |
| Cash and cash equivalents at the end of the year | 4(b) | 20,403 | 20,403 | 4,502 |

The accompanying notes form an integral part of the financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

The State Transit Authority of New South Wales ("Authority") is established by section 20 of the Transport Administration Act 1988. It is domiciled in New South Wales. The Authority is owned by the State of New South Wales.

Western Sydney Buses ("WSB") was incorporated on 12 July 2002 under the Transport Administration Act 1988 as a public subsidiary corporation of the Authority. It provides bus transport services in the western Sydney region.

State Transit Authority Division ("STA Division") and Western Sydney Buses Division ("WSB Division"), being special purpose entities, are Divisions of the NSW Government Service which commenced operations on 17 March 2006 pursuant to Part 2 of Schedule 1 to the Public Sector Employment and Management Act 2002. They assumed responsibility for the employees and employee-related liabilities of the former employers, the Authority and WSB, respectively. Their operations are controlled by the Authority. The assumed liabilities were recognised on 17 March 2006 together with offsetting receivables representing the related funding due from the Authority and WSB.

The economic entity comprises the Authority, WSB, STA Division and WSB Division.

In complying with the NSW Treasury's accounting policy for distinguishing for-profit from not-for-profit entities, the Authority has self-assessed its objectives and activities and determined that it is a for-profit public entity from 1 July 2005.

The Authority's principal activities are the provision of bus services in metropolitan Sydney and bus and ferry services in Newcastle.

The financial report was authorised for issue by the Board on 19 October 2006. The report will not be amended and reissued as it has been audited.

(b) Statement of compliance

The financial statements of the Authority, including the notes, comply with Australian Accounting Standards, which include the Australian Equivalents to International Financial Reporting Standard ("AEIFRS").

These are the first financial statements prepared in accordance with AEIFRS. Comparatives for the year ended 30 June 2005 have been restated accordingly with the exception of the financial instruments standards, AASB 132 and AASB 139, which were deferred until 1 July 2005. The comparatives for the financial instruments are presented under the previous standards (AGAAP).

Reconciliations of AEIFRS compliant financials for 30 June 2005 to the balances reported in the 30 June 2005 audited financial report are detailed in note 21.

Except for amendments AASB 2005-4 and AASB 2005-6, the Australian Accounting Standards that have been amended or issued as at 30 June 2006 but are not yet effective have not been early adopted for the annual reporting period ending 30 June 2006. It is anticipated these amendments and standard will not have material impact on future accounting policies.

| AASB Amendment | Affected standard(s) | Applicable to annual reporting periods beginning on or after |
|----------------|--|--|
| 2004-3 | AASB 1; AASB 101; AASB 124 | 1 January 2006 |
| 2005-1 | AASB 139 | 1 January 2006 |
| 2005-5 | AASB 1; AASB 139 | 1 January 2006 |
| 2005-9 | AASB 132; AASB 139 | 1 January 2006 |
| 2005-10 | AASB 1; AASB 101; AASB 114; AASB 117; AASB 132; AASB 139 | 1 January 2007 |
| New standard | AASB 7 Financial Instruments: Disclosures | 1 January 2007 |

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of preparation

The financial statements have been prepared as a general purpose financial report in accordance with the requirements of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2000, Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and applicable Treasurer's Directions and Treasury Circulars. Where there are inconsistencies between the requirements, the legislative provision prevailed.

The financial statements have been prepared on an accrual accounting basis using historical costs except for certain non-current assets, which are recorded at fair value. For some classes of non-current assets, the fair value is the historical cost. Other classes use market value or depreciated replacement cost.

The financial statements have been prepared on a going concern basis which assumes that repayment of debts will be met as and when they fall due, without any intention or necessity to liquidate assets or otherwise winding up the operations.

(d) Basis of consolidation

The consolidated financial statements of the economic entity comprise the Authority and its controlled entities. Controlled entities include special purpose entities where the Authority has control over their financial and operating policies.

The financial statements include the information and results of each controlled entity from the date on which the Authority obtains control and until such time as the Authority ceases to control the entity.

In preparing the consolidated financial statements, the effects of all transactions between entities of the economic entity have been eliminated.

The financial statements of controlled entities have been prepared for the same reporting period as the parent entity, using consistent accounting policies.

For clarity of presentation, on some pages where the notes of the parent entity and the economic entity are the same, only the notes of the economic entity are reported.

(e) Revenue recognition

Revenue is recognised when the Authority has transferred to the buyer the significant risks and rewards of ownership of the assets or when services are provided. It must also be probable that the economic benefits will flow to the Authority and that any costs incurred, or amount of revenue gained, in respect of the transaction can be measured reliably. The following specific measurement criteria also apply:

(i) Operational revenue

Operational revenue is recognised as revenue when it can be reliably measured, based on passengers travelled or services provided. Refer note 2(i) for more details.

(ii) Government grants

Grants are recognised as revenues when the Authority obtains control over the assets. Usually control is obtained upon the receipt of cash. Unspent grants are accounted for as liabilities if there is an in-substance contractual obligation to refund the unspent amounts.

(iii) Investment income

Interest income is recognised on a time proportion basis using the effective interest method.

Operating lease income derived from commercial properties is recognised on a straight-line basis over the lease term.

(f) Cash and cash equivalents

Cash and cash equivalents are carried at principal amount and is subject to an insignificant risk of changes in value. Cash and cash equivalents include cash-on-hand, in the bank and investment in NSW Treasury Corporation's Hour-Glass Cash facility.

Investment in the Hour-Glass Cash facility is represented by a number of units of a managed investment pool, which are redeemable at short notice. The value of the investment can decrease as well as increase depending upon market conditions. The value that best represents the maximum credit risk exposure is the net fair value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost less a provision for impairment. Prepayments represent amounts paid in advance for services where the benefit will be realised in a subsequent period.

In relation to trade receivables, the Authority minimises concentrations of credit risk by undertaking transactions with a large number of customers. The majority of customers are concentrated in Australia in the newsagency business.

All prospective trade debtors are assessed for credit risks in granting appropriate credit limits. In general, the settlement term is set at no more than 21 days.

The collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off as bad debts.

Accounting policy applicable for the year ending 30 June 2005

Receivables are recognised and carried at cost, based on the original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the basis of weighted average.

(i) Non-current assets held for sale

These assets are recognised at the lower of carrying amounts and fair values less selling costs and are no longer being depreciated.

(j) Property, plant and equipment

The following policies apply to property, plant and equipment:

(i) Basis of valuation

The Authority has applied AASB 116 Property, Plant and Equipment in accordance with NSW Treasury Policy and Guidelines which require that non-current assets be measured at fair value.

Fair value is determined having regard to the existing use and highest and best use where applicable of the asset on the basis of current market selling prices for the same or similar assets. Where market selling price is not available, the asset's fair value is measured at depreciated replacement cost. Depreciated replacement cost is determined by reference to the most appropriate modern, depreciated equivalent replacement asset that provides similar economic benefits.

Each non-current physical asset is revalued at least every five years to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing non-current physical assets, the gross amount and the related accumulated depreciation are separately restated.

Where an asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the asset revaluation reserve. However, the increase is recognised in the income statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Where an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the income statement. However, the decrease is debited directly to the asset revaluation reserve to the extent of any credit balance existing in the asset revaluations reserve in respect of that asset.

Where an asset that has previously been revalued is disposed, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Property, plant and equipment (continued)

(ii) Depreciation/amortisation

Property, plant and equipment and intangibles, excluding freehold land and work-in-progress, are depreciated/amortised over their estimated useful lives as follows:

| Asset class | Useful life | Method |
|--------------------------------|----------------|--|
| Freehold buildings and wharves | 40 years | Straight line |
| Plant and equipment | 3 to 20 years | Straight line |
| Intangibles | 2 to 3 years | Straight line |
| Buses | 15 to 20 years | In line with the pattern of consumption of economic benefits |
| Ferries | 45 years | Straight line |

The assets' residual values, useful lives, amortisation and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

(iii) Capitalisation policy

Property, plant and equipment are recorded at the cost of acquisition. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition. Property, plant and equipment costing \$5,000 or more individually is capitalised.

(iv) Work-in-progress

Costs relating to property, plant and equipment, including buses, are shown in the financial statements as capital work-in-progress and are not depreciated.

(v) Leasehold improvements

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

(vi) Repairs & maintenance

The costs of routine maintenance and repairs are charged as expenses as incurred, except where they relate to the replacement of a component of an asset that increases the service potential of the asset, in which case the costs are capitalised and depreciated in accordance with note 1(j)(ii).

(k) Intangibles

Intangible assets, comprising computer software, are recognised at cost and are amortised as amortisation of intangible assets expense, on a straight-line basis over the period during which the benefits are expected to arise.

(l) Impairment

The carrying values of assets are reviewed annually for impairment where objective evidence, or changes in circumstances, indicate the carrying values may not be recoverable or the previously impaired assets may be reversible.

If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the impaired assets would be written down to their recoverable amounts. Where the recoverable amounts exceed the impaired assets, a reversal is made to the extent of the previous write downs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Payables

Liabilities for trade creditors are recognised initially at fair value and subsequently measured at amortised cost using effective interest rate.

Accounting policies applicable for the year ending 30 June 2005

Trade payables and other payables are carried at costs which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Authority.

(n) Financial liabilities

Borrowings are recognised initially at fair value and subsequently measured at amortised cost using effective interest rate. Current capital value is the face value of the debt adjusted for unamortised discounts or premiums. The discounts or premiums are treated as interest expense or income, respectively, and amortised over the term of the borrowing on a straight-line basis. Interest is charged as it accrues.

The fair value of long-term borrowings has been derived utilising accepted financial market methodologies and using quoted market rates at balance date.

Accounting policy applicable for the year ending 30 June 2005

All loans are valued at current capital value. Interest was recognised as it accrued.

(o) Provisions

Provisions are recognised when the Authority has a present legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or events and a reliable estimate of the amount of the obligation can be made.

(p) Employee benefits

(i) Salaries and wages, sick leave and on-costs

Liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

The outstanding amounts of payroll tax, workers' compensation and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where employee entitlements to which they relate have been recognised.

(ii) Annual leave and long service leave

Provision has been made for benefits accruing to employees in relation to annual leave and long service leave estimated to be payable to employees on the basis of statutory and contractual requirements.

Annual leave entitlements, that are recognised as current liabilities, are measured at their nominal amounts based on remuneration rates expected to be paid when the entitlements are settled. Long service leave obligations that are not expected to be settled within twelve months are assessed at present value by independent actuaries. The unconditional component of the long service leave entitlements, for those employees currently employed for nine or more years at the reporting date are classified as current liabilities.

(iii) Superannuation

The employees' retirement benefits liability in respect of three defined benefit superannuation schemes administered by Pillar Administration on behalf of SAS Trustee Corporation is fully provided. The liability for employees' retirement benefits is based on an actuarial assessment (refer note 16(c)). Changes to the defined benefit plans are recognised in the income statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Reserves

The asset revaluation reserve comprises revaluation increments/decrements recognised upon the revaluation of non-current physical assets. Upon disposal or retirement, any remaining revaluation increment of the asset at the time of disposal is transferred to accumulated funds.

(r) Insurance

Appropriate insurances are purchased to cover material liability, physical damage, business interruption, and other exposures arising out of normal business operations. The Authority is a licensed self-insurer for workers' compensation claims under the New South Wales Workers Compensation Act. Broker advice is maintained to ensure a proactive response to changes in the operating environment.

Provisions are made for future costs associated with liability claims occurring in the financial year. Provisions are also made for future insurance premium adjustments payable under the terms of the insurance contracts. These provisions are assessed at their present value by independent actuaries. Recoveries due under insurance arrangements are treated as receivables.

(s) Income tax

The Authority is subject to the National Tax Equivalent Regime under which it is required to pay taxation equivalent to the NSW Government.

Tax-effect accounting is applied using the balance sheet liability method. The income tax expense, or benefit, for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to amounts recognised as assets or liabilities and any unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences between the assets and liabilities for accounting purposes and the tax bases of those assets and liabilities.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Income taxes relating to items recognised directly in equity are recognised in equity, not in the income statement.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax laws that have been enacted, or substantively enacted, at the balance sheet date.

The parent and its wholly owned/controlled entities elected to enter into tax consolidation effective 1 July 2002, with the Authority as the head entity of the tax-consolidated group.

The tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the financial statements of the head entity, using the 'single taxpayer' approach.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Accounting for goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- The amount of GST incurred that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- Receivables and payables are stated with the amount of GST included.

The net amount of GST receivable or payable from or to the Australian Taxation Office is included in the balance sheet as an asset or liability.

(u) Finance costs

Borrowing costs are expensed in the period in which they are incurred and comprise:

- Interest on bank overdrafts, short-term and long-term borrowing; and
- Amortisation of discounts, or premiums, relating to borrowings.

(v) Segment reporting

Primary reporting: geographical segment: Sydney & Newcastle

The Authority's operational risks and returns are affected predominantly by the geographical areas in which it operates the bus and ferry services. The Authority operates mainly in the Sydney metropolitan areas; with a smaller service in the Newcastle area. It is considered the Authority has one geographical segment, comprising the Sydney metropolitan and Newcastle locations.

Secondary reporting: business segment

The Authority's one business segment is the provision of bus and ferry services. Due to its relative small size, the ferry service is not considered a separate business segment.

Segment accounting policies

The assets, liabilities, revenue and expenses that are directly attributable, or can be reasonably allocated, to the segment are reported as segment information. The segment accounting policies are the same as the Authority's accounting policies.

(w) Finance leases

Where the Authority, as the lessor, transfers substantially all the risks and rewards of the buses to another entity, the leased assets are recognised as current and non-current receivables at amounts equal to the net investment in the leases.

The lease payment is recognised in two components, one as a payment of the lease receivable and the other as finance income. The finance income is calculated according to the interest rate implicit in the leases.

(x) Comparatives

Comparative figures are, where appropriate, reclassified to give a meaningful comparison with the current year.

(y) Rounding

All amounts shown in the financial reports are expressed to the nearest thousand dollars, unless otherwise specified.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

| | | Parent | Economic entity | |
|--|----------|----------------|--------------------|----------------|
| | | 2006 | 2006 | 2005 |
| | Notes | \$000 | \$000 | \$000 |
| 2. INCOME AND EXPENSES | | | | |
| (a) Operational revenue | 2(i) | 474,716 | 474,716 | 224,291 |
| (b) Reimbursements from NSW Government: | | | | |
| - free travel by school students | 2(j)(i) | 7,167 | 7,167 | 40,568 |
| - concessional travel | 2(j)(i) | 8,783 | 8,783 | 87,042 |
| - community service obligations | 2(j)(ii) | 9,149 | 9,149 | 104,365 |
| Total operational income | | 499,815 | 499,815 | 456,266 |
| (c) Other income | | | | |
| Interest | 2(k) | 1,365 | 1,365 | 323 |
| Government grants | | - | - | 5,000 |
| Other (includes rents, fines, advertising, training and management fees) | | 22,606 | 22,606 | 26,019 |
| Total other income | | 23,971 | 23,971 | 31,342 |
| Total income | | 523,786 | 523,786 | 487,608 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

| | | Parent | Economic entity | |
|---|------------|----------------|--------------------|----------------|
| | | 2006 | 2006 | 2005 |
| | Notes | \$000 | \$000 | \$000 |
| 2. INCOME AND EXPENSES (continued) | | | | |
| (d) Fleet running expenses | | | | |
| Fuel, spare parts and other inventory consumed | | 61,488 | 61,488 | 48,807 |
| Inventory write-down | | 106 | 106 | 17 |
| Equipment maintenance | | 6,878 | 6,878 | 5,623 |
| Other | | 13,777 | 13,777 | 11,267 |
| Total fleet running expenses | | 82,249 | 82,249 | 65,714 |
| (e) Employee benefits | | | | |
| Salaries and wages | | 166,552 | 239,651 | 236,292 |
| Annual leave | | 15,671 | 23,340 | 21,139 |
| Long service leave | | 3,348 | 4,701 | 7,550 |
| Retirement benefits - defined benefits/(income) | 16(c)(iii) | (11,900) | (16,772) | 20,537 |
| Retirement benefits - defined contributions | | 9,643 | 13,536 | 12,698 |
| Total employee benefits | | 183,314 | 264,456 | 298,216 |
| (f) Personnel services | | | | |
| Services from STA Division & WSB Division | | 88,553 | - | - |
| Total personnel services | | 88,553 | - | - |
| (g) Finance costs | | | | |
| Interest | | 5,871 | 5,871 | 6,019 |
| Total finance costs | | 5,871 | 5,871 | 6,019 |
| (h) General operating expenses | | | | |
| Workers' compensation | | 4,034 | 6,706 | 9,299 |
| Payroll tax | | 10,569 | 15,216 | 14,579 |
| Insurances | | 9,066 | 9,066 | 16,220 |
| Depreciation | 10(d) | 31,692 | 31,692 | 31,980 |
| Amortisation of intangible assets | 12 | 273 | 273 | 365 |
| Losses on disposal of assets | 11 | 50 | 50 | 338 |
| Minimum lease payments | | 2,812 | 2,812 | 2,469 |
| Consultancy/professional services | | 2,546 | 2,546 | 2,639 |
| Impairment | | (4) | (4) | (25) |
| Revaluation expense | | 8,047 | 8,047 | - |
| Other | | 47,565 | 47,657 | 44,958 |
| Total general operating expenses | | 116,650 | 124,061 | 122,822 |
| Total expenses | | 476,637 | 476,637 | 492,771 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

2. INCOME AND EXPENSES (continued)

- (i) Operational revenue consists of revenue derived from fares, charters, tourist services and from the operations of the Metropolitan Bus System Contracts.

Metropolitan Bus System Contracts

The Authority entered into four separate Metropolitan Bus System Contracts (MBSC) with the Ministry of Transport for the provision of bus services in the Sydney metropolitan regions. The contracts commenced on 1 July 2005 and will expire on 30 June 2012 (a term of 7 years).

- (j) (i) **Free & concessional travel**

Free and concessional travel is provided by Western Sydney Buses and Newcastle Buses & Ferries to a range of community groups. The extent to which these groups are entitled to free and concessional travel is determined by Government policy. Reimbursement by Government is provided for free school travel on the basis of percentage of the number of passes on issue in the current year. Pensioners pay an all-day concession ticket price of \$2.50 (previously: \$1.10, \$2.20 or \$3.30) and the Government pays the balance of the full fare for all estimated travel consumed. Other free and concessional travel is reimbursed on the basis of the Government paying the balance between the full fare applicable for each journey and the fare paid by the passenger.

- (ii) **Community service obligations (CSO)**

Reimbursements were received from the Government in accordance with the Government's social policy programs designed to promote the accessibility and availability of public transport services in the Newcastle area. CSO payments comprise pricing CSO and service level CSO.

Pricing CSO – The Authority's fares are determined by the Independent Pricing and Regulatory Tribunal (IPART). In line with Government's social policy programs, some tickets are sold at prices below the equivalent commercial fare charged by the private sector bus operators. Consequently, the Authority is reimbursed the difference between the two sets of fares in the form of a pricing CSO.

Service level CSO – Represents payments by the Government to cover services in Newcastle which are not commercially justifiable by normal industry benchmarks.

| | Notes | Parent 2006 \$000 | Economic entity 2006 \$000 | 2005 \$000 |
|---|-------|-------------------------|-------------------------------------|---------------|
| (k) Interest income | | | | |
| Hour-Glass Cash facility (unitised investment) | | 361 | 361 | 12 |
| Other Interest | | 1,004 | 1,004 | 311 |
| Total interest income | | 1,365 | 1,365 | 323 |
| (l) Audit fees | | | | |
| Payable to the Audit Office of NSW for the audit of financial reports | | 188 | 240 | 200 |
| Total audit fees | | 188 | 240 | 200 |

- (m) **Board members' remuneration**

The amount of remuneration, including superannuation contributions, received or due and receivable by the non-executive members of the State Transit Authority Board for services in respect of all entities was \$158,774 (2005: \$175,907). There were no other benefits paid to the members of the Board.

3. INCOME TAX

- (a) **Income tax expense**

| | | | |
|---|----------|----------|----------|
| Current tax expense/(benefit) | 7,529 | 7,529 | 13,945 |
| Deferred tax expense/(benefit) | (7,529) | (7,529) | (13,945) |
| Total income tax expense/(benefit) | - | - | - |

- (b) **Reconciliation between tax expense and accounting profit/(loss)**

| | | | |
|--|----------|----------|----------|
| Prima facie tax on operating profit/(loss) at 30% (2005: 30%) | 14,145 | 14,145 | (1,549) |
| Tax effect of expenses that are not deductible in determining taxable income | 188 | 188 | 12,842 |
| Partial recognition of tax losses | (14,333) | (14,333) | (11,293) |
| Income tax attributable to tax profit/(loss) | - | - | - |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

| | Parent 2006 \$000 | Economic entity 2006 \$000 | 2005 \$000 |
|---|-------------------------|-------------------------------------|---------------|
| 4. CASH AND CASH EQUIVALENTS | | | |
| (a) Reconciliation of operating results after tax to net cash from operating activities | | | |
| Net profit/(loss) after income tax | 47,149 | 47,149 | (5,163) |
| Non-cash adjustments to reconcile net operating result to net cash from operating activities | | | |
| Amortisation of intangible assets | 273 | 273 | 365 |
| Depreciation | 31,692 | 31,692 | 31,980 |
| Net (profit)/loss on disposal of non-current assets | 50 | 50 | 338 |
| Impairment | (4) | (4) | (25) |
| Equipment write-off/obsolescence | 106 | 106 | - |
| Revaluation expense | 8,047 | 8,047 | - |
| Realised gains on financial instruments | 3,437 | 3,437 | - |
| Other non-cash items | (306) | (306) | (108) |
| Changes in assets and liabilities | | | |
| (Increase)/decrease in receivables | 5,013 | 5,013 | 2,315 |
| (Increase)/decrease in inventory | (704) | (704) | (1,205) |
| (Increase)/decrease in goods and services tax | 249 | 249 | 171 |
| (Increase)/decrease in other assets | 63 | 63 | (61) |
| Increase/(decrease) in payables | (5,556) | 2,591 | (8,450) |
| Increase/(decrease) in employee benefits | (18,664) | (26,811) | 17,083 |
| Increase/(decrease) in revenue received in advance | 605 | 605 | 3,399 |
| Increase/(decrease) in other provisions | (5,904) | (5,904) | 4,485 |
| Net cash flows from operating activities | 65,546 | 65,546 | 45,124 |
| (b) Reconciliation of cash and cash equivalents | | | |
| For the purpose of the cash flow statement, cash includes cash-on-hand, in the bank and short-term deposits. | | | |
| Cash at the end of the financial year, as shown in the cash flow statement, is reconciled to the related items in the balance sheet as follows: | | | |
| Cash and cash equivalents | 20,403 | 20,403 | 4,502 |
| Total cash and cash equivalents | 20,403 | 20,403 | 4,502 |
| (c) Financing facility available | | | |
| Short-term standby credit facility | 45,000 | 45,000 | 45,000 |
| Drawn down at balance date | - | - | (10,700) |
| Facility unused at balance date | 45,000 | 45,000 | 34,300 |

The short-term standby credit facility is to meet daily cash flow requirements which may arise from time to time. This facility is no longer restricted to a one-year term and its continuation is now at the discretion of NSW Treasury, in consultation with the Authority.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

| | Notes | Economic entity 2006 \$000 | 2005 \$000 |
|--|-------|-------------------------------------|---------------|
| 5. RECEIVABLES | | | |
| Current | | | |
| Trade debtors | | 5,190 | 7,007 |
| Allowance for impairment | | (18) | (136) |
| | | 5,172 | 6,871 |
| Sundry debtors | | 2,902 | 17,420 |
| Allowance for impairment | | (2,297) | (2,183) |
| | | 605 | 15,237 |
| Goods and services tax | | 235 | 485 |
| Finance leases | | 1,331 | - |
| Prepayments | | 2,195 | 2,521 |
| | | 3,761 | 3,006 |
| Total receivables | | 9,538 | 25,114 |
| Non-current | | | |
| Finance leases | | 30,877 | - |
| Total receivables | | 30,877 | - |
| Finance leases as the lessor | | | |
| Payments for new buses acquired under the Metropolitan Bus System Contracts from 1 July 2005 are recognised as finance lease payments from the Ministry of Transport for a term of 15 years. | | | |
| Gross investment in the leases | | | |
| Not later than one year | | 3,445 | - |
| Later than one year and not later than five years | | 13,778 | - |
| Later than five years | | 33,497 | - |
| Total gross investment | | 50,720 | - |
| Present value of minimum lease payments | | | |
| Not later than one year | | 1,331 | - |
| Later than one year and not later than five years | | 6,306 | - |
| Later than five years | | 24,571 | - |
| Total present value of minimum lease payments | | 32,208 | - |
| Reconciliation | | | |
| Total gross investment | | 50,720 | - |
| Unearned finance income | | (18,512) | - |
| Total present value of minimum lease payments | | 32,208 | - |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

| | | Economic entity | |
|---|-------|--------------------|---------------|
| | Notes | 2006 \$000 | 2005 \$000 |
| 6. INVENTORIES | | | |
| Mechanical and electrical spares | | 5,511 | 5,655 |
| Distillate | | 1,846 | 1,127 |
| Tyres and tubes | | 285 | 253 |
| Other | | 946 | 955 |
| Total inventories | | 8,588 | 7,990 |
| 7. NON-CURRENT ASSETS HELD FOR SALE | | | |
| Buses | | 203 | 274 |
| Total non-current assets held for sale | | 203 | 274 |
| The buses held for sale are old and surplus to requirements. They are to be disposed by way of auction and trade sales. | | | |
| 8. FINANCIAL ASSETS | | | |
| Foreign currency hedge receivable | | - | 14 |
| Total financial assets | | - | 14 |
| 9. OTHER ASSETS | | | |
| Current | | | |
| Other | | 790 | 853 |
| Total current other assets | | 790 | 853 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

10. PROPERTY, PLANT AND EQUIPMENT

(a) Carrying amounts of each class of property, plant and equipment at the beginning and at the end of the reporting period are set out below:

| Economic entity | 2006 | | | 2005 | | |
|--|------------------|---------------------------------------|----------------|----------------|---------------------------------------|----------------|
| | Capital value | Accumulated depreciation/ remediation | Fair value | Capital value | Accumulated depreciation/ remediation | Fair value |
| Class of property, plant and equipment | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Land | 104,926 | (2,384) | 102,542 | 94,307 | - | 94,307 |
| Buildings | 88,975 | (46,206) | 42,769 | 85,590 | (44,036) | 41,554 |
| Wharves | 249 | (85) | 164 | 249 | (76) | 173 |
| Plant and equipment | 61,766 | (50,982) | 10,784 | 63,630 | (53,520) | 10,110 |
| Motor vehicles (other than buses) | 878 | (589) | 289 | 877 | (624) | 253 |
| Buses | 755,541 | (506,856) | 248,685 | 624,452 | (364,085) | 260,367 |
| Ferries | 5,000 | (3,194) | 1,806 | 5,000 | (3,085) | 1,915 |
| Work-in-progress | 12,968 | - | 12,968 | 14,482 | - | 14,482 |
| Total | 1,030,303 | (610,296) | 420,007 | 888,587 | (465,426) | 423,161 |

Valuations

(b) Property, plant and equipment were revalued in accordance with the basis of valuation set out in note 1(j)(i).

(c) The following non-current assets were independently valued by registered valuers:

| Class of assets | Basis of valuation | Date of revaluation | Registered valuers |
|--|------------------------------|---------------------|-------------------------------------|
| Buses | Market-based | 30 June 2006 | Rodney Hyman Asset Services |
| Ferries | Depreciated replacement cost | 30 June 2004 | Rodney Hyman Asset Services |
| Freehold commercial land and buildings | Market-based | 30 June 2003 | International Valuation Consultants |
| Operating land and buildings | Market-based | 30 June 2003 | International Valuation Consultants |
| Wharves | Depreciated replacement cost | 30 June 2003 | International Valuation Consultants |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

10. PROPERTY PLANT AND EQUIPMENT (continued)

(d) Reconciliation of carrying amounts of each class of property, plant and equipment at the beginning and at the end of the reporting period are set out below:

| 2006 | Economic entity | | | | | | | |
|--|-----------------|----------------------|----------------|-----------------|---------------|--------------|-----------------|-----------------|
| Class of property, plant and equipment | Opening balance | Disposals/ transfers | Additions | Other | Held for sale | Revaluation | Depreciation | Closing balance |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Freehold operating land | 93,482 | - | 8,400 | - | - | - | - | 101,882 |
| Freehold commercial land | 825 | - | - | (165) | - | - | - | 660 |
| Total land | 94,307 | - | 8,400 | (165) | - | - | - | 102,542 |
| Buildings | 41,554 | (3) | 3,288 | - | - | 100 | (2,170) | 42,769 |
| Wharves | 173 | - | - | - | - | - | (9) | 164 |
| Plant and equipment | 10,110 | (79) | 4,663 | (566) | - | - | (3,344) | 10,784 |
| Motor vehicles | 253 | (1) | 103 | - | - | - | (66) | 289 |
| Owned buses | 260,367 | (1,068) | 43,602 | (31,999) | 71 | 3,706 | (25,994) | 248,685 |
| Owned ferries | 1,915 | - | - | - | - | - | (109) | 1,806 |
| Work-in-progress | 14,482 | (54,598) | 53,084 | - | - | - | - | 12,968 |
| Total | 423,161 | (55,749) | 113,140 | (32,730) | 71 | 3,806 | (31,692) | 420,007 |

| 2005 | | | | | | | | |
|--|-----------------|----------------------|----------------|---------------|--------------|----------------------------|-----------------|-----------------|
| Class of property, plant and equipment | Opening balance | Disposals/ transfers | Additions | Held for sale | Intangibles | Transfer to Sydney Ferries | Depreciation | Closing balance |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Freehold operating land | 101,067 | - | - | - | - | (7,585) | - | 93,482 |
| Freehold commercial land | 12,105 | (11,280) | - | - | - | - | - | 825 |
| Total land | 113,172 | (11,280) | - | - | - | (7,585) | - | 94,307 |
| Buildings | 48,523 | - | 541 | - | - | (5,325) | (2,185) | 41,554 |
| Wharves | 6,265 | - | - | - | - | (6,084) | (8) | 173 |
| Plant and equipment | 18,907 | (13) | 2,406 | - | (374) | (6,656) | (4,160) | 10,110 |
| Motor vehicles | 200 | - | 106 | - | - | - | (53) | 253 |
| Owned buses | 243,195 | (1,744) | 44,655 | (274) | - | - | (25,465) | 260,367 |
| Owned ferries | 113,451 | - | - | - | - | (111,427) | (109) | 1,915 |
| Work-in-progress | 8,646 | (49,820) | 56,925 | - | - | (1,269) | - | 14,482 |
| Total | 552,359 | (62,857) | 104,633 | (274) | (374) | (138,346) | (31,980) | 423,161 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

10. PROPERTY, PLANT AND EQUIPMENT (continued)

(e) The historical costs of each revalued class of property, plant and equipment at the beginning and at the end of the reporting period are set out below:

| Economic entity | 2006 | | | 2005 | | |
|--|----------------|--------------------------|-----------------|----------------|--------------------------|-----------------|
| | Capital value | Accumulated depreciation | Carrying amount | Capital value | Accumulated depreciation | Carrying amount |
| Class of property, plant and equipment | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Land | 24,965 | - | 24,965 | 16,565 | - | 16,565 |
| Buildings | 52,778 | (21,524) | 31,254 | 49,445 | (20,181) | 29,264 |
| Wharves | 180 | (40) | 140 | 180 | (35) | 145 |
| Buses | 500,572 | (277,539) | 223,033 | 499,614 | (264,085) | 235,529 |
| Ferries | 2,400 | (1,533) | 867 | 2,400 | (1,500) | 900 |
| Total | 580,895 | (300,636) | 280,259 | 568,204 | (285,801) | 282,403 |

| | | Economic entity | |
|-----|---|-----------------|--------------|
| | | 2006 | 2005 |
| | Notes | \$000 | \$000 |
| 11. | GAINS/(LOSSES) ON DISPOSAL OF ASSETS | | |
| | Proceeds from disposal | 1,101 | 12,699 |
| | Carrying amount of assets disposed | 1,151 | 13,037 |
| | Total gains/(losses) on disposal of assets | (50) | (338) |

12. INTANGIBLES

| Economic entity | Capital value | Disposals | Additions | Accumulated amortisation | Amortisation | Carrying amount |
|-----------------|---------------|-----------|--------------|--------------------------|--------------|-----------------|
| 2006 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Software | 660 | - | 1,578 | (717) | (273) | 1,521 |
| Total | 660 | - | 1,578 | (717) | (273) | 1,521 |

| | Capital value | Transfer to Sydney Ferries | Additions | Accumulated amortisation | Amortisation | Carrying amount |
|-------------------------|---------------|----------------------------|-----------|--------------------------|--------------|-----------------|
| 2005 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Service contract rights | 9,355 | (27) | - | (9,328) | (207) | - |
| Software | 657 | - | 3 | (444) | (158) | 216 |
| Total | 10,012 | (27) | 3 | (9,772) | (365) | 216 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

| | Notes | Parent 2006 \$000 | Economic entity 2006 \$000 | 2005 \$000 |
|--|-------|-------------------------|-------------------------------------|---------------|
| 13. DEFERRED TAX ASSETS | | | | |
| Provision for employee benefits | | 38,956 | 38,956 | 46,573 |
| Provision for insurances | | 7,680 | 7,680 | 9,123 |
| Tax losses | | 26,427 | 26,427 | 33,956 |
| Other | | 1,815 | 1,815 | 2,369 |
| Total deferred tax assets | | 74,878 | 74,878 | 92,021 |
| 14. TRADE AND OTHER PAYABLES | | | | |
| Current | | | | |
| Trade creditors | | 14,107 | 14,107 | 15,322 |
| Payables - STA & WSB Divisions | | 79,321 | - | - |
| Other creditors and accruals | | 8,685 | 8,814 | 5,469 |
| Accrued salaries, wages and on-costs | | - | 10,242 | 9,104 |
| Accrued interest payable | | 1,938 | 1,938 | 2,289 |
| Total trade and other payables | | 104,051 | 35,101 | 32,184 |
| Non-current | | | | |
| Payables - STA & WSB Divisions | | 83,025 | - | - |
| Total non-current payables | | 83,025 | - | - |
| 15. FINANCIAL LIABILITIES | | | | |
| Current | | | | |
| Borrowings secured by NSW Government guarantee | | 18,266 | 18,266 | 34,595 |
| Foreign currency hedge payable | | - | - | 14 |
| Total current interest bearing liabilities | | 18,266 | 18,266 | 34,609 |
| Non-current | | | | |
| Borrowings secured by NSW Government guarantee | | 57,746 | 57,746 | 52,711 |
| Total non-current interest bearing liabilities | | 57,746 | 57,746 | 52,711 |
| (a) Payable | | | | |
| Not later than 1 year | | 18,016 | 18,016 | 34,323 |
| Later than 1 year and not later than 5 years | | 24,591 | 24,591 | 10,174 |
| Later than 5 years | | 32,827 | 32,827 | 41,872 |
| Interest bearing borrowings (face value) | | 75,434 | 75,434 | 86,369 |
| Unamortised discount | | (381) | (381) | (352) |
| Unamortised premium | | 959 | 959 | 1,303 |
| Total interest bearing borrowings (capital value) | | 76,012 | 76,012 | 87,320 |
| Current liability | | 18,266 | 18,266 | 34,609 |
| Non-current liability | | 57,746 | 57,746 | 52,711 |
| | | 76,012 | 76,012 | 87,320 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

| | | Parent | Economic entity | 2005 |
|--|-------|----------------------|--------------------|----------------|
| | Notes | 2006 \$000 | 2006 \$000 | \$000 |
| 16. PROVISIONS | | | | |
| Current | | | | |
| Employee benefits | | - | 64,464 | 63,981 |
| Workers' compensation | 16(b) | - | 4,486 | 5,031 |
| Compulsory third party (CTP) | 16(b) | - | - | 2,255 |
| Others | 16(b) | 1,891 | 1,891 | 1,870 |
| Total current provisions | | 1,891 | 70,841 | 73,137 |
| Non-current | | | | |
| Employee benefits | | - | 4,615 | 4,707 |
| Retirement benefits | 16(c) | - | 59,353 | 86,554 |
| Workers' compensation | 16(b) | - | 19,057 | 17,836 |
| Compulsory third party (CTP) | 16(b) | - | - | 3,245 |
| Others | 16(b) | 165 | 165 | 1,227 |
| Total non-current provisions | | 165 | 83,190 | 113,569 |
| (a) Aggregate employee benefits and related on-costs | | | | |
| Provisions - current | | - | 68,950 | 69,012 |
| Provisions - non-current | | - | 83,025 | 109,097 |
| Accrued salaries, wages and on-costs | | - | 10,242 | 9,104 |
| Total employee benefits and related on-costs | | - | 162,217 | 187,213 |
| (b) Movements in each class of provisions during the financial year, other than employee benefits, are set out below: | | | | |
| Economic entity | | Workers' comp | CTP | Others |
| Carrying amount at the beginning of the financial year | | 22,867 | 5,500 | 3,097 |
| Additions/(reduction) to provisions recognised, including increases/(decreases) to existing provisions | | 6,522 | (5,710) | 2,261 |
| Amounts paid during the year | | (5,846) | 210 | (3,302) |
| Carrying amount at the end of financial year | | 23,543 | - | 2,056 |
| Current | | 4,486 | - | 1,891 |
| Non-current | | 19,057 | - | 165 |
| | | 23,543 | - | 2,056 |

16. PROVISIONS (continued)

(c) Retirement benefits

The defined benefit schemes relating to employees of the Economic entity are as follows:

- (a) SASS State Authorities Superannuation Scheme
- (b) SANCS State Authorities Non-Contributory Superannuation Scheme
- (c) SSS State Superannuation Scheme

These schemes are part of the pooled fund, the trustee of which is SAS Trustee Corporation (Trustee). The funds actuary, Mercer Human Resource Consulting Pty Ltd, appointed by the Trustee, has calculated the financial liability. At least a component of the final benefit is derived from a multiple of a member's salary and years of membership.

All of the above schemes were closed to new employees since 1992.

Assets are invested in entity or in property occupied by the entity. All the funds are invested by the Trustee at arm's length through independent fund managers.

The principal actuarial assumptions that have been used in the calculation are:

| | 2006 % pa | 2005 % pa |
|---|-----------------------------------|--------------|
| Discount rate | 5.9 | 5.2 |
| Expected return on plan assets as at 30 June | 7.6 | 7.3 |
| Expected rate of salary increases | 4.0 to 2008 and 3.5 thereafter | 4.0 |
| Expected rate of increase in consumer price index | 2.5 | 2.5 |

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

The assessed liability and funds held in reserve account with the Trustee are as follows:

| | SASS \$000 | SANCS \$000 | SSS \$000 | Total \$000 |
|---------------------------------|---------------|----------------|--------------|----------------|
| Economic entity | | | | |
| As at 30 June 2006 | | | | |
| Gross liability | 272,090 | 25,149 | 11,158 | 308,397 |
| Reserve balance | (225,272) | (13,124) | (10,648) | (249,044) |
| Total unfunded liability | 46,818 | 12,025 | 510 | 59,353 |
| As at 30 June 2005 | | | | |
| Gross liability | 271,971 | 26,604 | 12,365 | 310,940 |
| Reserve balance | (202,849) | (11,852) | (9,685) | (224,386) |
| Total unfunded liability | 69,122 | 14,752 | 2,680 | 86,554 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

16. PROVISIONS (continued)

(c) Retirement benefits (continued)

(i) Movements in defined benefit liability during the year:

| Economic entity | SASS \$000 | SANCS \$000 | SSS \$000 | Total \$000 |
|----------------------------|-----------------------|------------------------|----------------------|------------------------|
| Ending 30 June 2006 | | | | |
| Opening balance | 69,122 | 14,752 | 2,680 | 86,554 |
| Benefit expense/(income) | (13,624) | (1,113) | (2,035) | (16,772) |
| Contributions | (8,680) | (1,614) | (135) | (10,429) |
| Closing balance | 46,818 | 12,025 | 510 | 59,353 |

Parent

| | | | | |
|--|----------|----------|----------|-----------------|
| Ending 30 June 2006 | | | | |
| Opening balance | 69,122 | 14,752 | 2,680 | 86,554 |
| Benefit expense/(income) | (9,666) | (789) | (1,445) | (11,900) |
| Contributions | (6,160) | (1,145) | (96) | (7,401) |
| Net asset/(liability) transferred out on 17 March 2006 | (53,296) | (12,818) | (1,139) | (67,253) |
| Closing balance | - | - | - | - |

Ending 30 June 2005

| | | | | |
|--------------------------|---------------|---------------|--------------|-----------------|
| Opening balance | 62,850 | 12,484 | 1,505 | 76,839 |
| Benefit expense/(income) | 15,305 | 3,916 | 1,316 | 20,537 |
| Contributions | (9,033) | (1,648) | (141) | (10,822) |
| Closing balance | 69,122 | 14,752 | 2,680 | 86,554 |

(ii) Defined benefits plan expense/(income) for the year:

| Economic entity | SASS \$000 | SANCS \$000 | SSS \$000 | Total \$000 |
|--|-----------------------|------------------------|----------------------|------------------------|
| Ending 30 June 2006 | | | | |
| Current service cost | 6,803 | 1,490 | 148 | 8,441 |
| Interest cost | 15,887 | 1,308 | 681 | 17,876 |
| Expected return on plan assets | (14,889) | (851) | (733) | (16,473) |
| Net actuarial losses/(gains) recognised | (21,425) | (3,060) | (2,131) | (26,616) |
| Past service cost | - | - | - | - |
| Losses/(gains) on curtailments or settlements | - | - | - | - |
| Total included in retirement benefits expense | (13,624) | (1,113) | (2,035) | (16,772) |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

16. PROVISIONS (continued)

(c) Retirement benefits (continued)

(ii) Defined benefits plan expense/(income) for the year (continued):

| Parent | SASS \$000 | SANCS \$000 | SSS \$000 | Total \$000 |
|--|----------------|----------------|----------------|-----------------|
| Ending 30 June 2006 | | | | |
| Current service cost | 4,828 | 1,057 | 105 | 5,990 |
| Interest cost | 11,273 | 929 | 484 | 12,686 |
| Expected return on plan assets | (10,565) | (604) | (520) | (11,689) |
| Net actuarial losses/(gains) recognised | (15,203) | (2,171) | (1,513) | (18,887) |
| Past service cost | - | - | - | - |
| Losses/(gains) on curtailments or settlements | - | - | - | - |
| Total included in retirement benefits expense | (9,667) | (789) | (1,444) | (11,900) |
| Ending 30 June 2005 | | | | |
| Current service cost | 7,675 | 1,601 | 111 | 9,387 |
| Interest cost | 16,870 | 1,502 | 545 | 18,917 |
| Expected return on plan assets | (14,740) | (980) | (534) | (16,254) |
| Net actuarial losses/(gains) recognised | 5,500 | 1,793 | 1,194 | 8,487 |
| Past service cost | - | - | - | - |
| Losses/(gains) on curtailments or settlements | - | - | - | - |
| Total included in retirement benefits expense | 15,305 | 3,916 | 1,316 | 20,537 |

(iii) Actual return on plan assets for the year:

| Economic entity | SASS \$000 | SANCS \$000 | SSS \$000 | Total \$000 |
|------------------------------|---------------|----------------|--------------|----------------|
| Ending 30 June 2006 | | | | |
| Actual return on plan assets | 30,122 | 1,837 | 1,513 | 33,472 |
| Parent | | | | |
| Ending 30 June 2006 | | | | |
| Actual return on plan assets | 21,374 | 1,303 | 1,074 | 23,751 |
| Ending 30 June 2005 | | | | |
| Actual return on plan assets | 24,683 | 1,385 | 1,021 | 27,089 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

16. PROVISIONS (continued)

(c) Retirement benefits (continued)

(iv) A summary of the financial position of the fund calculated in accordance with AAS 25 Financial Reporting by Superannuation Plans as supplied by the Trustee:

| Economic entity | SASS \$000 | SANCS \$000 | SSS \$000 | Total \$000 |
|-------------------------------------|-----------------------|------------------------|----------------------|------------------------|
| As at 30 June 2006 | | | | |
| Accrued benefits | 261,149 | 23,902 | 9,347 | 294,398 |
| Net market value of the fund assets | (225,272) | (13,124) | (10,648) | (249,044) |
| Net (surplus)/deficit | 35,877 | 10,778 | (1,301) | 45,354 |
| As at 30 June 2005 | | | | |
| Accrued benefits | 250,380 | 23,480 | 9,380 | 283,240 |
| Net market value of the fund assets | (202,848) | (11,853) | (9,683) | (224,384) |
| Net (surplus)/deficit | 47,532 | 11,627 | (303) | 58,856 |

| Recommended contribution rates for the year ending | SASS Multiple of member contributions | SANCS % member salary | SSS Multiple of member contributions |
|---|--|--------------------------------------|---|
| 30 June 2006 | 2.20 | 2.50 | 1.60 |
| 30 June 2005 | 2.20 | 2.50 | 1.60 |

At the last actuarial review, the Aggregate Funding method was used to determine the employer contribution recommendations. The method adopted affects the timing of the cost to the employer.

Under the Aggregate Funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

(v) The weighted-average economic assumptions adopted for the last actuarial review of the fund were:

| | 2006 % pa | 2005 % pa |
|---|----------------------|----------------------|
| Expected rate of return on fund assets | 7.3 | 7.0 |
| Expected rate of salary increases | 4.0 | 4.0 |
| Expected rate of increase in consumer price index | 2.5 | 2.5 |

(vi) If a surplus exists in the employer's interest in the fund, the employer may be able to reduce the required contribution rate, subject to the fund's actuarial advice.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of the fund assets and the defined benefit obligation.

16. PROVISIONS (continued)

(c) Retirement benefits (continued)

(vii) Demographic assumptions - at 30 June 2006

The demographic assumptions at 30 June 2006 are those being used for the (current) 2006 triennial actuarial valuation. A selection of the most financially significant assumptions is shown below.

(i) SASS contributors

The number of SASS contributors expected in any one year (out of 10,000 members), at the ages shown, to leave the fund as a result of death, disability, resignation, retirement and redundancy. Promotional salary increase rates are also shown.

| Age nearest Birthday | Number of members expected in any one year, out of 10,000 members at the age shown, to leave the fund as a result of: | | | | | | | | Additional promotional salary increase rate % |
|----------------------|---|------------------------------|------------|--------|-------------|--------|------------|--------|---|
| | Death | Total & Permanent Disability | Retirement | | Resignation | | Redundancy | | |
| | | | Part 1 | Part 3 | Part 1 | Part 3 | Part 1 | Part 3 | |
| Males | | | | | | | | | |
| 30 | 4 | 8 | 0 | 0 | 280 | 395 | 150 | 0 | 2.90 |
| 40 | 6 | 10 | 0 | 0 | 150 | 285 | 150 | 0 | 1.80 |
| 50 | 11 | 30 | 0 | 0 | 112 | 172 | 150 | 0 | 0.00 |
| 60 | 30 | 0 | 1,400 | 950 | 0 | 0 | 150 | 0 | 0.00 |
| Females | | | | | | | | | |
| 30 | 2 | 2 | 0 | 0 | 372 | 700 | 150 | 0 | 2.90 |
| 40 | 3 | 6 | 0 | 0 | 175 | 320 | 150 | 0 | 1.80 |
| 50 | 7 | 28 | 0 | 0 | 144 | 270 | 150 | 0 | 0.00 |
| 60 | 18 | 0 | 1,500 | 1,500 | 0 | 0 | 150 | 0 | 0.00 |

(ii) SSS contributors

The number of SSS contributors expected in any one year (out of 10,000 members), at the ages shown, to leave the fund as a result of death, disability, resignation, retirement and preservation. Promotional salary increase rates are also shown.

| Age nearest birthday | Number of members expected in any one year, out of 10,000 members at the age shown, to leave the fund as a result of: | | | | | Additional promotional salary increase rate % |
|----------------------|---|-----------------------|------------------------------|------------------------------------|--------------------------------|---|
| | Death | Ill-health Retirement | Retirement (R60 for females) | Cash Resignation (R60 for females) | Preservation (R60 for females) | |
| Males | | | | | | |
| 30 | 4 | 42 | - | 178 | 95 | 2.90 |
| 40 | 6 | 54 | - | 80 | 140 | 1.80 |
| 50 | 11 | 144 | - | 20 | 50 | 0.00 |
| 60 | 30 | 0 | 6,500 | 0 | 0 | 0.00 |
| Females | | | | | | |
| 30 | 2 | 6 | - | 204 | 124 | 2.90 |
| 40 | 3 | 21 | - | 72 | 105 | 1.80 |
| 50 | 7 | 103 | - | 30 | 90 | 0.00 |
| 60 | 18 | 0 | 6,300 | 0 | 0 | 0.00 |

16. PROVISIONS (continued)

(c) Retirement benefits (continued)

(vii) Demographic assumptions - at 30 June 2006 (continued)

(iii) SSS commutation

The proportion of SSS members assumed to commute their pension to a lump sum in any one year:

| Age | Proportion of pension commuted | |
|---------------------------------|--------------------------------|-----------|
| | Retirement | Breakdown |
| Later of commencement or age 55 | .15 | .20 |
| | Widow | Widower |
| 55 | .2500 | .2500 |
| 65 | .5380 | .5800 |
| 75 | .4825 | .5160 |
| 85 | .3928 | .3728 |

(iv) SSS pensioner mortality

The assumed mortality rates (in 2006/2007) for SSS pensioners (separately for normal retirement/spouses and invalidity):

| Age | Retirement Pensioners and Spouses and Widows | | Invalidity Pensioners | |
|-----|--|---------|-----------------------|---------|
| | Males | Females | Males | Females |
| 55 | 0.0025 | 0.0014 | 0.0081 | 0.0066 |
| 65 | 0.0070 | 0.0055 | 0.0112 | 0.0125 |
| 75 | 0.0194 | 0.0157 | 0.0505 | 0.0314 |
| 85 | 0.0945 | 0.0634 | 0.1134 | 0.1268 |

(v) SSS pensioner mortality improvements

The assumed rates of mortality improvement for SSS pensioners per year:

| Age | Improvement rates- (for years post 2006) | |
|-----|---|---------|
| | Males | Females |
| 55 | 0.0152 | 0.0113 |
| 65 | 0.0101 | 0.0065 |
| 75 | 0.0087 | 0.0068 |
| 85 | 0.0052 | 0.0080 |

16. PROVISIONS (continued)

(c) Retirement benefits (continued)

(viii) Demographic assumptions - at 30 June 2005

The demographic assumptions at 30 June 2005 are those used in the 2003 triennial actuarial valuation. A selection of the most financially significant assumptions is shown below.

(i) SASS contributor

The number of SASS contributors expected in any one year (out of 10,000 members), at the ages shown, to leave the fund as a result of death, disability, resignation, retirement and redundancy. Promotional salary increase rates are also shown.

| Age nearest Birthday | Number of members expected in any one year, out of 10,000 members at the age shown, to leave the fund as a result of: | | | | | | | | Additional promotional salary increase rate % |
|----------------------|---|------------------------------|------------|--------|-------------|--------|------------|--------|---|
| | Death | Total & Permanent Disability | Retirement | | Resignation | | Redundancy | | |
| | | | Part 1 | Part 3 | Part 1 | Part 3 | Part 1 | Part 3 | |
| Males | | | | | | | | | |
| 30 | 5 | 10 | 0 | 0 | 280 | 395 | 150 | 0 | 2.90 |
| 40 | 6 | 13 | 0 | 0 | 145 | 285 | 150 | 0 | 1.80 |
| 50 | 12 | 41 | 0 | 0 | 88 | 172 | 150 | 0 | 0.00 |
| 60 | 36 | 0 | 1600 | 1300 | 0 | 0 | 150 | 0 | 0.00 |
| Females | | | | | | | | | |
| 30 | 2 | 2 | 0 | 0 | 372 | 700 | 150 | 0 | 2.90 |
| 40 | 3 | 7 | 0 | 0 | 190 | 320 | 150 | 0 | 1.80 |
| 50 | 8 | 41 | 0 | 0 | 172 | 270 | 150 | 0 | 0.00 |
| 60 | 20 | 0 | 1800 | 1600 | 0 | 0 | 150 | 0 | 0.00 |

(ii) SSS contributors

The number of SSS contributors expected in any one year (out of 10,000 members), at the ages shown, to leave the fund as a result of death, disability, resignation, retirement and preservation. Promotional salary increase rates are also shown.

| Age nearest birthday | Number of members expected in any one year, out of 10,000 members at the age shown, to leave the fund as a result of: | | | | | Additional promotional salary increase rate % |
|----------------------|---|-----------------------|------------------------------|------------------------------------|--------------------------------|---|
| | Death | Ill-health Retirement | Retirement (R60 for females) | Cash Resignation (R60 for females) | Preservation (R60 for females) | |
| Males | | | | | | |
| 30 | 5 | 30 | - | 178 | 92 | 2.90 |
| 40 | 6 | 39 | - | 52 | 63 | 1.80 |
| 50 | 12 | 103 | - | 23 | 80 | 0.00 |
| 60 | 36 | 0 | 6800 | 0 | 0 | 0.00 |
| Females | | | | | | |
| 30 | 2 | 6 | - | 204 | 124 | 2.90 |
| 40 | 3 | 21 | - | 72 | 105 | 1.80 |
| 50 | 8 | 103 | - | 30 | 90 | 0.00 |
| 60 | 20 | 0 | 6400 | 0 | 0 | 0.00 |

16. PROVISIONS (continued)

(c) Retirement benefits (continued)

(viii) Demographic assumptions - at 30 June 2005 (continued)

(iii) SSS commutation

The proportion of SSS members assumed to commute their pension to a lump sum in any one year:

| Age | Proportion of pension commuted | |
|---------------------------------|--------------------------------|-----------|
| | Retirement | Breakdown |
| Later of commencement or age 55 | .20 | .25 |
| | Widow | Widower |
| 55 | .2500 | .2500 |
| 65 | .5380 | .5800 |
| 75 | .4825 | .5160 |
| 85 | .3928 | .3728 |

(iv) SSS pensioner mortality

The assumed mortality rates [in 2003/2004] for SSS pensioners (separately for normal retirement/spouses and invalidity):

| Age | Retirement Pensioners and Spouses and Widows | | Invalidity Pensioners | |
|-----|--|---------|-----------------------|---------|
| | Males | Females | Males | Females |
| 55 | 0.0025 | 0.0015 | 0.0093 | 0.0092 |
| 65 | 0.0072 | 0.0051 | 0.0158 | 0.0152 |
| 75 | 0.0232 | 0.0145 | 0.0371 | 0.0275 |
| 85 | 0.1063 | 0.0487 | 0.1063 | 0.0681 |

(v) SSS pensioner mortality improvements

The assumed rates of mortality improvement for SSS pensioners per year:

| Age | Short term Improvement rates- (for years 2002-2006) | | Long term Improvement rates- (for years post 2006) | |
|-----|--|---------|---|---------|
| | Males | Females | Males | Females |
| 55 | 0.0342 | 0.0231 | 0.0152 | 0.0113 |
| 65 | 0.0230 | 0.0174 | 0.0101 | 0.0065 |
| 75 | 0.0188 | 0.0144 | 0.0087 | 0.0068 |
| 85 | 0.0062 | 0.0065 | 0.0052 | 0.0080 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

| | Economic entity 2006 \$000 | 2005 \$000 |
|---|-------------------------------------|---------------|
| 17. DEFERRED TAX LIABILITIES | | |
| Assets held for sale | 47 | 63 |
| Depreciation and revaluations | 63,441 | 62,935 |
| Total deferred tax liabilities | 63,488 | 62,998 |
| 18. OTHER LIABILITIES | | |
| Current | | |
| Revenue received in advance | 10,781 | 10,175 |
| Other | 6 | 39 |
| Total current other liabilities | 10,787 | 10,214 |
| Non-current | | |
| Other | - | 7 |
| Total non-current other liabilities | - | 7 |
| 19. COMMITMENTS | | |
| (a) Operating lease commitments | | |
| Payable | | |
| Not later than 1 year | 1,384 | 2,796 |
| Later than 1 year and not later than 5 years | 1,497 | 2,148 |
| Total operating lease commitments (including GST) | 2,881 | 4,944 |
| Operating leases exist in respect of office accommodation, motor vehicles, office equipment and wharves. | | |
| (b) Capital expenditure commitments* | | |
| Payable | | |
| Not later than 1 year | 68,944 | 53,651 |
| Later than 1 year and not later than 5 years | 252,121 | 4,703 |
| Total capital expenditure commitments (including GST) | 321,065 | 58,354 |
| * These capital expenditure commitments relate primarily to bus procurement contracts. | | |
| (c) Other expenditure commitments | | |
| Aggregate other expenditure for the acquisition of goods and services at balance date and not provided for: | | |
| Not later than 1 year | 3,856 | 2,715 |
| Total other expenditure commitments (including GST) | 3,856 | 2,715 |

The commitment totals as shown above include Goods and Services Tax (GST) of \$29.8M, which is recoverable from the Australian Taxation Office.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

20. WESTERN SYDNEY BUSES

Western Sydney Buses ("WSB") was incorporated on 12 July 2002 under the Transport Administration Act 1988 as a public subsidiary corporation of the State Transit Authority. WSB commenced operation from February 2003.

WSB operates bus services along the corridor known as the Liverpool-Parramatta Transitway. Its operations have been incorporated into the Authority's financial result. However, a separate account for WSB is maintained by the Authority, which recognised loans were advanced from and repayments received by the Authority.

The Authority also levies management fees.

WSB's income statement for the period 30 June 2006 are summarised as follows:

| | 2006 | 2005 |
|---|----------------|----------------|
| | \$000 | \$000 |
| Revenue | | |
| Passenger revenue | 3,631 | 3,167 |
| Reimbursements for concessional travel | 498 | 353 |
| Other | 32 | 112 |
| Total revenue | 4,161 | 3,632 |
| Expenses | | |
| Wages, salaries and on-costs | 2,948 | 2,771 |
| Fleet running expenses | 1,481 | 1,190 |
| Other | 1,546 | 2,273 |
| Total expenses | 5,975 | 6,234 |
| Gross profit/(loss) from continuing activities | (1,814) | (2,602) |

WSB's balance sheet at 30 June 2006 are summarised as follows:

| | | |
|--------------------------------------|----------------|----------------|
| Current assets | | |
| Cash and cash equivalents | 22 | 22 |
| Trade and other receivables | 516 | 249 |
| Other | 63 | 145 |
| Total current assets | 601 | 416 |
| Non-current assets | | |
| Other | 38 | 14 |
| Total non-current assets | 38 | 14 |
| Total assets ¹ | 639 | 430 |
| Current liabilities | | |
| Trade and other payables | 644 | 615 |
| Borrowings from parent entity | 9,514 | 7,495 |
| Provisions | 266 | 280 |
| Total current liabilities | 10,424 | 8,390 |
| Non-current liabilities | | |
| Provisions | 41 | 52 |
| Total non-current liabilities | 41 | 52 |
| Total liabilities | 10,465 | 8,442 |
| Net assets | (9,826) | (8,012) |

¹ All property, plant and equipment is leased from the Authority under an operating lease.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

21. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Authority has determined the material areas where changes in accounting policies impact the financial report. Some of these impacts arise because AEIFRS requirements are different from the standards ("AGAAP") existing as at 30 June 2005. Other impacts arise from options in AEIFRS. To ensure consistency at the whole of government level, NSW Treasury has advised the Authority of options it has mandated for the NSW Public Sector. The disclosure below reflect NSW Treasury's mandates and policy decisions. There are no material impacts on the Authority's cash flows.

(a) Reconciliation of AEIFRS equity, total liabilities and total assets with AGAAP as at 1 July 2004:

| | Equity \$000 | Liabilities \$000 | Assets \$000 |
|--|-----------------|----------------------|-----------------|
| Total reported under AGAAP | 241,323 | 344,099 | 585,422 |
| AEIFRS adjustments: | | | |
| Deferred tax liability ¹ | (85,229) | 85,229 | - |
| Deferred tax asset ¹ | 55,538 | - | 55,538 |
| Deferred tax asset from recognition of tax losses ² | 47,901 | - | 47,901 |
| Retirement benefits ³ | (15,936) | 15,936 | - |
| Assets held for sale - land ⁵ | - | - | 11,280 |
| Assets held for sale - buses ⁵ | - | - | 495 |
| Intangibles - software ⁶ | - | - | 469 |
| Property, plant and equipment | - | - | (12,244) |
| Workers compensation self-insurance ⁷ | 3,503 | (3,503) | - |
| Asset revaluations reserve ⁸ | (60,694) | - | - |
| Accumulated funds | 60,694 | - | - |
| Total AEIFRS adjustments | 5,777 | 97,662 | 103,439 |
| Total restated under AEIFRS as at 1 July 2004 | 247,100 | 441,761 | 688,861 |

(b) Reconciliation of AEIFRS equity, total liabilities, total assets and earnings with AGAAP as at 30 June 2005:

| | Equity \$000 | Liabilities \$000 | Assets \$000 | Gross surplus/ (deficit) \$000 | Net surplus/ (deficit) \$000 |
|--|-----------------|----------------------|-----------------|---|---------------------------------------|
| Total reported under AGAAP | 169,065 | 293,228 | 462,293 | 5,776 | 5,776 |
| AEIFRS adjustments: | | | | | |
| Deferred tax liability ¹ | - | 62,998 | - | - | - |
| Deferred tax asset ¹ | - | - | 58,065 | - | - |
| Deferred tax asset from recognition of tax losses ² | 29,023 | - | 33,956 | - | - |
| Retirement benefits ³ | (11,762) | 27,395 | (303) | (11,762) | (11,762) |
| Current employee benefits ⁴ | - | 30,751 | - | - | - |
| Non-current employee benefits ⁴ | - | (30,751) | - | - | - |
| Assets held for sale - buses ⁵ | - | - | 274 | - | - |
| Intangibles - software ⁶ | - | - | 216 | - | - |
| Property, plant and equipment | - | - | (490) | - | - |
| Workers compensation self-insurance ⁷ | 4,192 | (4,192) | - | 689 | 689 |
| Asset revaluations reserve ⁸ | (40,784) | - | - | - | - |
| Provision for bad and doubtful debts ⁹ | 134 | - | 134 | 134 | 134 |
| Accumulated funds | 24,848 | - | - | - | - |
| Proceeds from sale of fixed assets ¹⁰ | - | - | - | (12,699) | - |
| Cost of fixed assets sold/write-off ¹⁰ | - | - | - | 13,037 | - |
| Gains/(losses) on disposal of fixed assets ¹⁰ | - | - | - | (338) | - |
| Total AEIFRS adjustments | 5,651 | 86,201 | 91,852 | (10,939) | (10,939) |
| Total restated under AEIFRS as at 30 June 2005 | 174,716 | 379,429 | 554,145 | (5,163) | (5,163) |

The explanatory notes are on the following page.

21. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(b) Notes on the reconciliation of AEIFRS equity, total liabilities, total assets and earnings with AGAAP:

1 Deferred tax (asset and liability)

Under AGAAP, the Authority accounted for deferred tax (asset and liability) using the income statement approach in respect of those timing differences expected to reverse in the foreseeable future. Due to the existence of large accumulated tax losses, the Authority had not been recognising any deferred tax using the income statement approach. Under AEIFRS, deferred tax is recognised on all temporary differences between the accounting and tax values for each asset and liability (known as the balance sheet approach). An adjustment is made to recognise deferred tax on all the temporary differences resulting from applying the balance sheet approach. The temporary differences are due mainly to asset revaluations, retirement benefits and other employee-related provisions.

2 Deferred tax asset from recognition of tax losses

Under AEIFRS, recognition of accumulated losses as a deferred tax asset is allowed if future profits are probable; or where deferred tax liability exceeds deferred tax asset. The Authority recognised all of the accumulated tax losses.

3 Retirement benefits

Under AEIFRS, the Authority is required to use a government bond rate, which is lower than the expected investment return rate, to recognise the full constructive obligation, being the amount by which the accumulated benefit obligation to all members exceeds the fair value of the assets relating to those members. The full constructive obligation is determined by an actuarial assessment.

4 Employee benefits

AEIFRS requires employee benefits to be classified as current liability where the Authority does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

5 Assets held for sale

The Authority is required by AEIFRS to recognise assets held for sale, once the recognition criteria are satisfied, as a separate class of assets on the face of the balance sheet.

6 Intangibles - software

AEIFRS requires the Authority to recognise any software that is not integral to the operation of computer hardware as intangibles and amortise using an appropriate rate.

7 Workers compensation self-insurance

AEIFRS does not allow the Authority to add a risk, or prudential, margin in valuing its self-insured workers compensation provision.

8 Asset revaluations reserve

Where a deferred tax liability is caused by asset revaluations, AEIFRS requires the Authority to transfer a corresponding amount of the deferred tax liability from asset revaluations reserve to accumulated funds.

9 Provision for bad and doubtful debts

AEIFRS does not allow the Authority to make a general provision for bad and doubtful debts where an indication of impairment did not exist as at the reporting date.

10 Disposal of assets

AEIFRS requires gains and losses on disposal of assets to be recognised on a net, rather than gross, basis.

22. FINANCIAL INSTRUMENTS

(a) Interest rate risk

Exposure to interest rate risk and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at balance date, are as follows:

| | Floating interest rate | Fixed interest rate maturing in | | | Non- interest bearing | Total | Weighted average effective interest rate | |
|------------------------------------|------------------------------|---------------------------------|----------------------|-------------------------|-----------------------------|----------------|--|------------|
| | | 1 year or less | Over 1 to 5 years | More than 5 years | | | Floating % | Fixed % |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | | |
| 2006 | | | | | | | | |
| Financial assets | | | | | | | | |
| Cash and cash equivalents | 2,070 | - | - | - | 18,333 | 20,403 | 5.69 | N/A |
| Receivables | - | - | - | - | 9,538 | 9,538 | N/A | N/A |
| Total financial assets | 2,070 | - | - | - | 27,871 | 29,941 | | |
| Financial liabilities | | | | | | | | |
| Trade creditors & accruals | - | - | - | - | 35,101 | 35,101 | N/A | N/A |
| Borrowings | - | 18,266 | 25,022 | 32,724 | - | 76,012 | 6.49 | 6.81 |
| Total financial liabilities | - | 18,266 | 25,022 | 32,724 | 35,101 | 111,113 | | |
| 2005 | | | | | | | | |
| Financial assets | | | | | | | | |
| Cash and cash equivalents | 1,716 | - | - | - | 2,786 | 4,502 | 5.38 | N/A |
| Receivables | - | - | - | - | 25,114 | 25,114 | N/A | N/A |
| Currency options ¹ | - | - | - | - | 365 | 365 | N/A | N/A |
| Commodity swaps ¹ | - | - | - | - | 1 | 1 | N/A | N/A |
| Total financial assets | 1,716 | - | - | - | 28,266 | 29,982 | | |
| Financial liabilities | | | | | | | | |
| Trade creditors & accruals | - | - | - | - | 32,184 | 32,184 | N/A | N/A |
| Borrowings | 10,700 | 23,895 | 10,858 | 41,853 | - | 87,306 | 6.24 | 7.89 |
| Total financial liabilities | 10,700 | 23,895 | 10,858 | 41,853 | 32,184 | 119,490 | | |

¹ Amounts included within other assets in the balance sheet.

22. FINANCIAL INSTRUMENTS (continued)

(b) Net fair values

All financial assets and liabilities have been recognised at the balance date at their net fair values except for the following:

| | Total carrying amount | | Total net fair value | |
|------------------------------------|-----------------------|---------------|----------------------|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$000 | \$000 | \$000 | \$000 |
| Financial liabilities | | | | |
| Borrowings | 76,012 | 87,306 | 76,370 | 89,503 |
| Total financial liabilities | 76,012 | 87,306 | 76,370 | 89,503 |

2 The carrying amount of options & swaps represents the prepaid premiums and fees, and the net fair value of options & swaps represents the unrealised gains at reporting date calculated in accordance with market practices, which is based on the applicable market rates at reporting date.

(c) Credit risk exposures

The Authority's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the balance sheet.

In relation to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. It is not expected that any counterparties will fail to meet their obligations given the Authority's credit policy.

The following table summarises the credit risk exposure on derivative financial instruments held at balance date:

| | Face value | | Market value | |
|--|---------------|------------|---------------|------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$000 | \$000 | \$000 | \$000 |
| Forward exchange contracts | | | | |
| Not later than 1 year | 16,374 | 656 | 16,371 | 662 |
| Later than 1 year but not later than 5 years | 36,938 | - | 37,093 | - |
| Total | 53,312 | 656 | 53,464 | 662 |

22. FINANCIAL INSTRUMENTS (continued)

(d) Suspension of the fuel-related hedging program

Under the Metropolitan Bus System Contracts (MBSC), which commenced on 1 July 2005, movements in the price of diesel fuel paid by the Authority are adjusted in the monthly MBSC payments to the Authority.

Prior to the MBSC, the Authority managed its distillate price exposure by undertaking an active hedging program in USD/Gasoil and AUD/USD currency. The hedging program has been suspended since 1 July 2005. All of the hedges had expired or settled by April 2006.

23. RELATED PARTIES

The Authority and its controlled entities engage in a variety of related party transactions in the ordinary course of business. These transactions are conducted on normal terms and conditions.

(a) Related party transactions and balances as at 30 June 2006:

| | The Authority \$000 | STA Division \$000 | WSB \$000 | WSB Division \$000 |
|--------------------------------------|------------------------|-----------------------|-----------------|-----------------------|
| Personnel service income/(expense) | (88,611) | 87,781 | - | 830 |
| Management fees/(expense) | 138 | - | (138) | - |
| Receivables/(payables) - current | (69,819) | 79,018 | (9,502) | 303 |
| Receivables/(payables) - non-current | (83,027) | 83,024 | - | 3 |
| Operating lease income/(expense) | 533 | - | (533) | - |
| Total | (240,786) | 249,823 | (10,173) | 1,136 |

(b) Related party transactions and balances as at 30 June 2005:

| | The Authority \$000 | STA Division \$000 | WSB \$000 | WSB Division \$000 |
|----------------------------------|------------------------|-----------------------|----------------|-----------------------|
| Receivables/(payables) - current | 7,495 | - | (7,495) | - |
| Operating lease income/(expense) | 916 | - | (916) | - |
| Total | 8,411 | - | (8,411) | - |

| | Parent 2006 \$000 | Economic entity 2006 \$000 | 2005 \$000 |
|--|-------------------------|-------------------------------------|---------------|
| (c) Key management personnel compensation | | | |
| Short-term employee benefits | 1,789 | 2,475 | 2,386 |
| Post-employment benefits | 13 | 13 | 15 |
| Other long-term benefits | - | - | 66 |
| Termination benefits | - | - | 623 |
| Total | 1,802 | 2,488 | 3,090 |

24. CONTINGENT LIABILITIES

No significant contingent liabilities are anticipated, except for potential property and personal injury claims formerly managed by HIH Casualty & General Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

| | Economic entity 2006 \$000 | 2005 \$000 |
|--|-------------------------------------|----------------|
| 25. SEGMENT INFORMATION | | |
| Primary reporting: geographical segment: Sydney & Newcastle | | |
| Segment income | | |
| Operational revenue | 482,067 | 456,265 |
| Other income | 33,399 | 22,038 |
| Total segment income | 515,466 | 478,303 |
| Non-segment income | 8,320 | 9,305 |
| Total income | 523,786 | 487,608 |
| Segment expenses | | |
| Amortisation & depreciation | 30,548 | 31,017 |
| Others | 436,742 | 442,410 |
| Total segment expenses | 467,290 | 473,427 |
| Non-segment expenses | 9,347 | 19,344 |
| Total expenses | 476,637 | 492,771 |
| Profit/(loss) | | |
| Segment result | 48,176 | 4,876 |
| Non-segment result | (1,027) | (10,039) |
| Income tax expense | - | - |
| Net profit/(loss) from continuing activities | 47,149 | (5,163) |
| Assets | | |
| Segment assets | 464,353 | 438,806 |
| Non-segment assets | 102,452 | 115,339 |
| Total assets | 566,805 | 554,145 |
| Liabilities | | |
| Segment liabilities | 178,599 | 206,712 |
| Non-segment liabilities | 160,820 | 172,717 |
| Total liabilities | 339,419 | 379,429 |
| Capital additions | | |
| Acquisitions of property, plant & equipment | 59,266 | 54,083 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

26. EQUITY

| | Accumulated funds | | Reserves | | Total equity | |
|---|-------------------|---------------|----------------|---------------|----------------|----------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Economic entity | | | | | | |
| Balance at the beginning of the year | 79,553 | 44,788 | 95,163 | 202,312 | 174,716 | 247,100 |
| Financial instruments held for sale arising from first-time adoption of AASB 139 | 3,069 | - | - | - | 3,069 | - |
| Transactions with owners as owners: | | | | | | |
| - Decrease in net assets from equity transfer | - | (83,135) | - | - | - | (83,135) |
| - Equity injection | - | 5,100 | - | - | - | 5,100 |
| - Contribution of land | 8,235 | - | - | - | 8,235 | - |
| Increment/(decrement) on revaluation of property, plant and equipment | - | - | 11,853 | - | 11,853 | - |
| Asset revaluation reserve balance transferred to accumulated funds on disposal/transfer of assets | 5,146 | 68,516 | (5,146) | (68,516) | - | - |
| Adjustment for individual asset revaluation history from adoption of for-profit status | (3,846) | - | 3,846 | - | - | - |
| Recognition of deferred tax liability on the asset revaluation reserve for fixed assets | - | 38,633 | (3,166) | (38,633) | (3,166) | - |
| Impact of tax liability on current year operations | (14,470) | - | - | - | (14,470) | - |
| AEIFRS impacts less profit/(loss) for the year | - | 10,814 | - | - | - | 10,814 |
| Net profit/(loss) for the year | 47,149 | (5,163) | - | - | 47,149 | (5,163) |
| Balance at the end of the year | 124,836 | 79,553 | 102,550 | 95,163 | 227,386 | 174,716 |

27. EVENT AFTER THE BALANCE SHEET DATE

The Authority entered into a Outer Metropolitan Bus System Contract (OMBSC) with the Ministry of Transport for the provision of bus services in the Newcastle-Hunter region. The contract commenced on 1 July 2006 and will expire on 30 June 2013.

END OF AUDITED FINANCIAL STATEMENTS



Paul Dunn BCom, MBA, ACA

GENERAL MANAGER - FINANCE & CORPORATE SERVICES

SYDNEY



FINANCIAL STATEMENT

State Transit Authority Division

STATE TRANSIT AUTHORITY DIVISION

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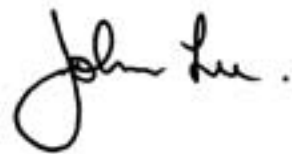
STATEMENT BY THE DIVISION HEAD

For the year ended 30 June 2006

Pursuant to section 41(C)(1B) of the Public Finance and Audit Act 1983, I declare that in my opinion:

1. The accompanying financial statements exhibit a true and fair view of the financial position and transactions of the State Transit Authority Division as at 30 June 2006; and
2. The financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2005 and the Treasurer's Directions.

Further, I am not aware of any circumstances which would render the particulars included in the financial statements to be misleading or inaccurate.

A handwritten signature in black ink, appearing to read 'John Lee' with a period at the end.

John Lee
DIVISION HEAD

SYDNEY - 19 October 2006



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT STATE TRANSIT AUTHORITY DIVISION

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the State Transit Authority Division (the Division):

- presents fairly the Division's financial position as at 30 June 2006 and its performance for the period ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the *Public Finance and Audit Act 1983* (the Act) and the *Public Finance and Audit Regulation 2005*.

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

Scope

The Financial Report and Division Head's Responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement and accompanying notes to the financial statements for the Division, for the period ended 30 June 2006.

The Division Head is responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Division Head in preparing the financial report, and
- examined a sample of evidence that supports the amounts and disclosures in the financial report.

INDEPENDENT AUDIT REPORT

For the year ended 30 June 2006

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Division Head had not fulfilled his reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the Division,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



Peter Carr FCPA
Director, Financial Audit Services

SYDNEY
25 October 2006

INCOME STATEMENT

For the year ended 30 June 2006

| | Notes | 2006 \$000 |
|---|-------|---------------|
| INCOME | | |
| Personnel services | | 87,722 |
| Others | | 59 |
| Total income | | 87,781 |
| EXPENSES | | |
| Annual leave | | 7,663 |
| Audit | | 59 |
| Fringe benefits tax | | 89 |
| Long service leave | | 1,349 |
| Payroll tax | | 4,615 |
| Retirement benefits - defined benefits | 5(e) | (4,866) |
| Retirement benefits - defined contributions | | 3,840 |
| Salaries and wages | | 72,379 |
| Workers compensation | | 2,653 |
| Total expenses | | 87,781 |
| Surplus/(deficit) from continuing activities before income tax | | - |
| Total surplus/(deficit) attributable to owners | | - |

The accompanying notes form an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2006

| | Notes | 2006 \$000 |
|---|-------|---------------|
| Total equity at the beginning of the period | | - |
| Total surplus/(deficit) for the period | | - |
| Total equity at the end of the period | | - |

The accompanying notes form an integral part of the financial statements

BALANCE SHEET

As at 30 June 2006

| | Notes | 2006 \$000 |
|--------------------------------------|-------|----------------|
| CURRENT ASSETS | | |
| Receivables | 2 | 79,017 |
| Total current assets | | 79,017 |
| NON-CURRENT ASSETS | | |
| Receivables | 2 | 83,022 |
| Total non-current assets | | 83,022 |
| Total assets | | 162,039 |
| CURRENT LIABILITIES | | |
| Payables | 3 | 10,292 |
| Provisions | 4 | 68,725 |
| Total current liabilities | | 79,017 |
| NON-CURRENT LIABILITIES | | |
| Provisions | 4 | 83,022 |
| Total non-current liabilities | | 83,022 |
| Total liabilities | | 162,039 |
| Net assets | | - |
| EQUITY | | |
| Accumulated funds | | - |
| Total equity | | - |

The accompanying notes form an integral part of the financial statements

CASH FLOW STATEMENT

For the year ended 30 June 2006

| | Notes | 2006 \$000 |
|---|-------|---------------|
| Net cash flows from operating activities | | - |
| Net cash flows from investing activities | | - |
| Net cash flows from financing activities | | - |
| Net increase/(decrease) in cash and cash equivalents | | - |
| Cash and cash equivalents at the beginning of the period | | - |
| Cash and cash equivalents at the end of the period | | - |

The accompanying notes form an integral part of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

State Transit Authority Division ("STA Division") is a Division of the NSW Government Service, established pursuant to Part 2 of Schedule 1 to the Public Sector Employment and Management Act 2002. It is a not-for-profit entity as profit is not its principal objective. It is consolidated as part of the NSW Total State Sector Accounts. It is domiciled in Australia and its principal office is at Level 1, 219-241 Cleveland Street, Strawberry Hills NSW 2010.

STA Division's objective is to provide personnel services to the State Transit Authority of New South Wales.

STA Division commenced operations on 17 March 2006 when it assumed responsibility for the employees and employee-related liabilities of the former employer, the State Transit Authority of New South Wales. The assumed liabilities were recognised on 17 March 2006 together with an offsetting receivable representing the related funding due from the former employer.

The financial report was authorised for issue by Mr John Lee, Division Head, on 19 October 2006. The report will not be amended and reissued as it has been audited.

(b) Basis of preparation

This is a general purpose financial report prepared in accordance with the requirements of Australian Accounting Standards, the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2005, and specific directions issued by the Treasurer.

This is the first financial report prepared on the basis of Australian equivalents to International Financial Reporting Standards.

Generally, the historical cost basis of accounting has been adopted and the financial report does not take into account changing money values or current valuations. However, certain provisions are measured at fair value. See note 1(g).

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

Management's judgements, key assumptions and estimates are disclosed in the relevant notes to the financial report.

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

(c) Comparative information

Since this is STA Division's first financial report, comparative information for the previous year is not provided.

(d) Income

Income is measured at the fair value of the consideration received or receivable. Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

(e) Receivables

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

A receivable is measured initially at fair value and subsequently at amortised cost using the effective interest rate method, less any allowance for doubtful debts. A short-term receivable with no stated interest rate is measured at the original invoice amount where the effect of discounting is immaterial. An invoiced receivable is due for settlement within thirty days of invoicing.

If there is objective evidence at year end that a receivable may not be collectable, its carrying amount is reduced by means of an allowance for doubtful debts and the resulting loss is recognised in the income statement. Receivables are monitored during the year and bad debts are written off against the allowance when they are determined to be irrecoverable. Any other loss or gain arising when a receivable is derecognised is also recognised in the income statement.

(f) Payables

Payables include accrued wages, salaries, and related on costs (such as payroll tax, fringe benefits tax and workers' compensation insurance) where there is certainty as to the amount and timing of settlement.

A payable is recognised when a present obligation arises under a contract or otherwise. It is derecognised when the obligation expires or is discharged, cancelled or substituted.

A short-term payable with no stated interest rate is measured at historical cost if the effect of discounting is immaterial.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Employee benefit provisions and expenses

Provisions are made for liabilities of uncertain amount or uncertain timing of settlement.

Employee benefit provisions represent expected amounts payable in the future in respect of unused entitlements accumulated as at the reporting date. Liabilities associated with, but that are not, employee benefits (such as payroll tax) are recognised separately.

Superannuation and leave liabilities are recognised as expenses and provisions when the obligations arise, which is usually through the rendering of service by employees.

Long-term annual leave (ie that is not expected to be taken within twelve months) is measured at present value using a discount rate equal to the market yield on government bonds.

Superannuation and long service leave provisions are actuarially assessed prior to each reporting date and are measured at the present value of the estimated future payments.

The unconditional component of the long service leave entitlements, for those employees currently employed for nine or more years at the reporting date, are classified as current liabilities.

All other employee benefit liabilities (ie for benefits falling due wholly within twelve months after reporting date) are assessed by management and are measured at the undiscounted amount of the estimated future payments.

The amount recognised for superannuation and long service leave provisions is the net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at that date of any plan assets out of which the obligations are to be settled directly.

The amount recognised in the income statement for superannuation and long service leave is the net total of current service cost, interest cost, the expected return on any plan assets, and actuarial gains and losses. Actuarial gains or losses are recognised as income or expense in the year they occur.

The actuarial assessment of superannuation and long service leave provisions uses the Projected Unit Credit Method and reflects estimated future salary increases and the benefits set out in the terms of the plan. The liabilities are discounted using the market yield rate on government bonds of similar maturity to those obligations. Actuarial assumptions are unbiased and mutually compatible and financial assumptions are based on market expectations for the period over which the obligations are to be settled.

(h) Accounting standards issued but not yet effective

Except for amendments AASB 2005-4 and AASB 2005-6, the Australian Accounting Standards that have been amended or issued as at 30 June 2006 but are not yet effective have not been early adopted for the annual reporting period ending 30 June 2006. It is anticipated these amendments and standard will not have material impact on future accounting policies.

| AASB Amendment | Affected standard(s) | Applicable to annual reporting periods beginning on or after |
|----------------|---|--|
| 2004-3 | AASB 1; AASB 101 | 1 January 2006 |
| 2005-1 | AASB 139 | 1 January 2006 |
| 2005-5 | AASB 1; AASB 139 | 1 January 2006 |
| 2005-9 | AASB 132; AASB 139 | 1 January 2006 |
| 2005-10 | AASB 1; AASB 101; AASB 132; AASB 139 | 1 January 2007 |
| New standard | AASB 7 Financial Instruments: Disclosures | 1 January 2007 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

| | Notes | 2006 \$000 |
|--|-------|---------------|
| 2. RECEIVABLES | | |
| Current | | |
| Receivables from State Transit Authority | | 79,017 |
| Total current receivables | | 79,017 |
| Non-current | | |
| Receivables from State Transit Authority | | 83,022 |
| Total current receivables | | 83,022 |
| 3. PAYABLES | | |
| Accrued salaries, wages and on-costs | | 10,292 |
| Total payables | | 10,292 |
| 4. PROVISIONS | | |
| Current | | |
| Employee benefits | | 64,240 |
| Workers' compensation | | 4,485 |
| Total current provisions | | 68,725 |
| Non-current | | |
| Employee benefits | | 4,573 |
| Retirement benefits | 5(c) | 59,392 |
| Workers' compensation | | 19,057 |
| Total non-current provisions | | 83,022 |

5. RETIREMENT BENEFITS

(a) The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- (a) SASS State Authorities Superannuation Scheme
- (b) SANCS State Authorities Non-Contributory Superannuation Scheme
- (c) SSS State Superannuation Scheme

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership.

All the schemes are closed to new members.

All fund assets are invested by STC at arm's length through independent fund managers.

(b) The principal actuarial assumptions that have been used in the calculation are:

| | 2006 % pa |
|---|-----------------------------------|
| Discount rate | 5.9 |
| Expected return on plan assets as at 30 June | 7.6 |
| Expected rate of salary increases | 4.0 to 2008 and 3.5 thereafter |
| Expected rate of increase in consumer price index | 2.5 |

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

(c) The assessed liability and funds held in reserve account with the Trustee are as follows:

| | SASS \$000 | SANCS \$000 | SSS \$000 | Total \$000 |
|---------------------------------|---------------|----------------|--------------|----------------|
| As at 30 June 2006 | | | | |
| Gross liability | 271,990 | 25,134 | 11,158 | 308,282 |
| Reserve balance | (225,145) | (13,097) | (10,648) | (248,890) |
| Total unfunded liability | 46,845 | 12,037 | 510 | 59,392 |

(d) Movements in defined benefit liability during the period:

| | SASS \$000 | SANCS \$000 | SSS \$000 | Total \$000 |
|---|---------------|----------------|--------------|----------------|
| Ending 30 June 2006 | | | | |
| Opening balance | - | - | - | - |
| Benefit expense/(income) | (3,953) | (322) | (591) | (4,866) |
| Contributions | (2,520) | (468) | (39) | (3,027) |
| Net (asset)/liability transferred in on 17 March 2006 | 53,318 | 12,827 | 1,140 | 67,285 |
| Closing balance | 46,845 | 12,037 | 510 | 59,392 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

5. RETIREMENT BENEFITS (continued)

(e) Defined benefits plan expense/(income) for the period:

| | SASS \$000 | SANCS \$000 | SSS \$000 | Total \$000 |
|--|----------------|----------------|--------------|----------------|
| Ending 30 June 2006 | | | | |
| Current service cost | 1,974 | 432 | 43 | 2,449 |
| Interest cost | 4,612 | 380 | 198 | 5,190 |
| Expected return on plan assets | (4,322) | (247) | (213) | (4,782) |
| Net actuarial losses/(gains) recognised | (6,217) | (887) | (619) | (7,723) |
| Past service cost | - | - | - | - |
| Losses/(gains) on curtailments or settlements | - | - | - | - |
| Total included in retirement benefits expense | (3,953) | (322) | (591) | (4,866) |

(f) Actual return on plan assets for the period:

| | SASS \$000 | SANCS \$000 | SSS \$000 | Total \$000 |
|------------------------------|---------------|----------------|--------------|----------------|
| Ending 30 June 2006 | | | | |
| Actual return on plan assets | 8,743 | 532 | 439 | 9,714 |

(g) A summary of the financial position of the fund calculated in accordance with AAS 25 Financial Reporting by Superannuation Plans as supplied by the Trustee:

| | SASS \$000 | SANCS \$000 | SSS \$000 | Total \$000 |
|-------------------------------------|---------------|----------------|----------------|------------------|
| As at 30 June 2006 | | | | |
| Accrued benefits | 261,053 | 23,889 | 9,347 | 294,289 |
| Net market value of the fund assets | (225,145) | (13,097) | (10,648) | (248,890) |
| Net (surplus)/deficit | 35,908 | 10,792 | (1,301) | 45,399 |

5. RETIREMENT BENEFITS (continued)

| (h) | Recommended contribution rates for the period ending | SASS | SANCS | SSS |
|-----|--|----------------------------------|-----------------|----------------------------------|
| | | Multiple of member contributions | % member salary | Multiple of member contributions |
| | 30 June 2006 | 2.20 | 2.50 | 1.60 |

The method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate Funding method. The method adopted affects the timing of the cost to the employer.

Under the Aggregate Funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

(i) The weighted-average economic assumptions adopted for the last actuarial review of the fund were:

| | 2006 |
|--|------|
| | % pa |
| Expected rate of return on fund assets | 7.3 |
| Expected salary increase rate | 4.0 |
| Expected rate of CPI increase | 2.5 |

(j) If a surplus exists in the employer's interest in the fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of the fund assets and the defined benefit obligation.

5. RETIREMENT BENEFITS (continued)

(k) Demographic assumptions

The demographic assumptions at 30 June 2006 are those being used for the (current) 2006 triennial actuarial valuation. A selection of the most financially significant assumptions is shown below:

(i) **SASS Contributors** - the number of SASS contributors expected in any one year (out of 10,000 members), at the ages shown, to leave the fund as a result of death, disability, resignation, retirement and redundancy. Promotional salary increase rates are also shown.

| Age nearest Birthday | Number of members expected in any one year, out of 10,000 members at the age shown, to leave the fund as a result of: | | | | | | | | Additional promotional salary increase rate % |
|----------------------|---|------------------------------|------------|--------|-------------|--------|------------|--------|---|
| | Death | Total & Permanent Disability | Retirement | | Resignation | | Redundancy | | |
| | | | Part 1 | Part 3 | Part 1 | Part 3 | Part 1 | Part 3 | |
| Males | | | | | | | | | |
| 30 | 4 | 8 | 0 | 0 | 280 | 395 | 150 | 0 | 2.90 |
| 40 | 6 | 10 | 0 | 0 | 150 | 285 | 150 | 0 | 1.80 |
| 50 | 11 | 30 | 0 | 0 | 112 | 172 | 150 | 0 | 0.00 |
| 60 | 30 | 0 | 1,400 | 950 | 0 | 0 | 150 | 0 | 0.00 |
| Females | | | | | | | | | |
| 30 | 2 | 2 | 0 | 0 | 372 | 700 | 150 | 0 | 2.90 |
| 40 | 3 | 6 | 0 | 0 | 175 | 320 | 150 | 0 | 1.80 |
| 50 | 7 | 28 | 0 | 0 | 144 | 270 | 150 | 0 | 0.00 |
| 60 | 18 | 0 | 1,500 | 1,500 | 0 | 0 | 150 | 0 | 0.00 |

(ii) **SSS Contributors** - the number of SSS contributors expected in any one year (out of 10,000 members), at the ages shown, to leave the fund as a result of death, disability, resignation, retirement and preservation. Promotional salary increase rates are also shown.

| Age nearest birthday | Number of members expected in any one year, out of 10,000 members at the age shown, to leave the fund as a result of: | | | | | Additional promotional salary increase rate % |
|----------------------|---|-----------------------|------------------------------|------------------------------------|--------------------------------|---|
| | Death | Ill-health Retirement | Retirement (R60 for females) | Cash Resignation (R60 for females) | Preservation (R60 for females) | |
| Males | | | | | | |
| 30 | 4 | 42 | - | 178 | 95 | 2.90 |
| 40 | 6 | 54 | - | 80 | 140 | 1.80 |
| 50 | 11 | 144 | - | 20 | 50 | 0.00 |
| 60 | 30 | 0 | 6,500 | 0 | 0 | 0.00 |
| Females | | | | | | |
| 30 | 2 | 6 | - | 204 | 124 | 2.90 |
| 40 | 3 | 21 | - | 72 | 105 | 1.80 |
| 50 | 7 | 103 | - | 30 | 90 | 0.00 |
| 60 | 18 | 0 | 6,300 | 0 | 0 | 0.00 |

Note: R60 stands for women who elected to retire at age 60 rather than age 55.

5. RETIREMENT BENEFITS (continued)

(k) Demographic assumptions (continued)

(iii) **SSS Commutation** - the proportion of SSS members assumed to commute their pension to a lump sum in any one year.

| Age | Proportion of pension commuted | |
|---------------------------------|--------------------------------|-----------|
| | Retirement | Breakdown |
| Later of commencement or age 55 | .15 | .20 |
| | Widow | Widower |
| 55 | .2500 | .2500 |
| 65 | .5380 | .5800 |
| 75 | .4825 | .5160 |
| 85 | .3928 | .3728 |

(iv) **SSS Pensioner Mortality** - assumed mortality rates (in 2006/2007) for SSS pensioners (separately for normal retirement/spouses and invalidity).

| Age | Retirement Pensioners and Spouses and Widows | | Invalidity Pensioners | |
|-----|--|---------|-----------------------|---------|
| | Males | Females | Males | Females |
| 55 | 0.0025 | 0.0014 | 0.0081 | 0.0066 |
| 65 | 0.0070 | 0.0055 | 0.0112 | 0.0125 |
| 75 | 0.0194 | 0.0157 | 0.0505 | 0.0314 |
| 85 | 0.0945 | 0.0634 | 0.1134 | 0.1268 |

(v) **SSS Pensioner Mortality Improvements** - per annum assumed rates of mortality improvement for SSS pensioners.

| Age | Improvement rates- (for years post 2006) | |
|-----|---|---------|
| | Males | Females |
| 55 | 0.0152 | 0.0113 |
| 65 | 0.0101 | 0.0065 |
| 75 | 0.0087 | 0.0068 |
| 85 | 0.0052 | 0.0080 |



FINANCIAL STATEMENT

Western Sydney Buses Division

WESTERN SYDNEY BUSES DIVISION

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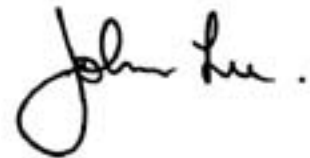
STATEMENT BY THE DIVISION HEAD

For the year ended 30 June 2006

Pursuant to section 41(C)(1B) of the Public Finance and Audit Act 1983, I declare that in my opinion:

1. The accompanying financial statements exhibit a true and fair view of the financial position and transactions of the Western Sydney Buses Division as at 30 June 2006; and
2. The financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2005 and the Treasurer's Directions.

Further, I am not aware of any circumstances which would render the particulars included in the financial statements to be misleading or inaccurate.

A handwritten signature in black ink, appearing to read 'John Lee' followed by a period.

John Lee
DIVISION HEAD

SYDNEY - 19 October 2006



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

Western Sydney Buses Division

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the Western Sydney Buses Division (the Division):

- presents fairly the Division's financial position as at 30 June 2006 and its performance for the period ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the *Public Finance and Audit Act 1983* (the Act) and the *Public Finance and Audit Regulation 2005*.

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

Scope

The Financial Report and Division Head's Responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement and accompanying notes to the financial statements for the Division, for the period ended 30 June 2006.

The Division Head is responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Division Head in preparing the financial report, and
- examined a sample of evidence that supports the amounts and disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Division Head had not fulfilled his reporting obligations.

INDEPENDENT AUDIT REPORT

For the year ended 30 June 2006

My opinion does *not* provide assurance:

- about the future viability of the Division,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



Peter Carr FCPA
Director, Financial Audit Services

SYDNEY
25 October 2006

INCOME STATEMENT

For the year ended 30 June 2006

| | Notes | 2006 \$000 |
|---|-------|---------------|
| INCOME | | |
| Personnel services | | 830 |
| Total income | | 830 |
| EXPENSES | | |
| Annual leave | | 6 |
| Fringe benefits tax | | 3 |
| Long service leave | | 3 |
| Payroll tax | | 32 |
| Retirement benefits - defined benefits | 5(e) | (5) |
| Retirement benefits - defined contributions | | 52 |
| Salaries and wages | | 720 |
| Workers compensation | | 19 |
| Total expenses | | 830 |
| Surplus/(deficit) from continuing activities before income tax | | - |
| Total surplus/(deficit) attributable to owners | | - |

The accompanying notes form an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2006

| | Notes | 2006 \$000 |
|---|-------|---------------|
| Total equity at the beginning of the period | | - |
| Total surplus/(deficit) for the period | | - |
| Total equity at the end of the period | | - |

The accompanying notes form an integral part of the financial statements

BALANCE SHEET

As at 30 June 2006

| | Notes | 2006 \$000 |
|--------------------------------------|-------|---------------|
| CURRENT ASSETS | | |
| Receivables | 2 | 304 |
| Total current assets | | 304 |
| NON-CURRENT ASSETS | | |
| Receivables | 2 | 3 |
| Total non-current assets | | 3 |
| Total assets | | 307 |
| CURRENT LIABILITIES | | |
| Payables | 3 | 80 |
| Provisions | 4 | 224 |
| Total current liabilities | | 304 |
| NON-CURRENT LIABILITIES | | |
| Provisions | 4 | 3 |
| Total non-current liabilities | | 3 |
| Total liabilities | | 307 |
| Net assets | | - |
| EQUITY | | |
| Accumulated funds | | - |
| Total equity | | - |

The accompanying notes form an integral part of the financial statements

CASH FLOW STATEMENT

For the year ended 30 June 2006

| | Notes | 2006 \$000 |
|---|-------|---------------|
| Net cash flows from operating activities | | - |
| Net cash flows from investing activities | | - |
| Net cash flows from financing activities | | - |
| Net increase/(decrease) in cash and cash equivalents | | - |
| Cash and cash equivalents at the beginning of the period | | - |
| Cash and cash equivalents at the end of the period | | - |

The accompanying notes form an integral part of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

Western Sydney Buses Division ("WSB Division") is a Division of the NSW Government Service, established pursuant to Part 2 of Schedule 1 to the Public Sector Employment and Management Act 2002. It is a not-for-profit entity as profit is not its principal objective. It is consolidated as part of the NSW Total State Sector Accounts. It is domiciled in Australia and its principal office is at Level 1, 219-241 Cleveland Street, Strawberry Hills NSW 2010.

WSB Division's objective is to provide personnel services to the State Transit Authority of New South Wales.

WSB Division commenced operations on 17 March 2006 when it assumed responsibility for the employees and employee-related liabilities of the former employer, the State Transit Authority of New South Wales. The assumed liabilities were recognised on 17 March 2006 together with an offsetting receivable representing the related funding due from the former employer.

The financial report was authorised for issue by Mr John Lee, Division Head, on 19 October 2006. The report will not be amended and reissued as it has been audited.

(b) Basis of preparation

This is a general purpose financial report prepared in accordance with the requirements of Australian Accounting Standards, the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2005, and specific directions issued by the Treasurer.

This is the first financial report prepared on the basis of Australian equivalents to International Financial Reporting Standards.

Generally, the historical cost basis of accounting has been adopted and the financial report does not take into account changing money values or current valuations. However, certain provisions are measured at fair value. See note 1(g).

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

Management's judgements, key assumptions and estimates are disclosed in the relevant notes to the financial report.

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

(c) Comparative information

Since this is WSB Division's first financial report, comparative information for the previous year is not provided.

(d) Income

Income is measured at the fair value of the consideration received or receivable. Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

(e) Receivables

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

A receivable is measured initially at fair value and subsequently at amortised cost using the effective interest rate method, less any allowance for doubtful debts. A short-term receivable with no stated interest rate is measured at the original invoice amount where the effect of discounting is immaterial. An invoiced receivable is due for settlement within thirty days of invoicing.

If there is objective evidence at year end that a receivable may not be collectable, its carrying amount is reduced by means of an allowance for doubtful debts and the resulting loss is recognised in the income statement. Receivables are monitored during the year and bad debts are written off against the allowance when they are determined to be irrecoverable. Any other loss or gain arising when a receivable is derecognised is also recognised in the income statement.

(f) Payables

Payables include accrued wages, salaries, and related on costs (such as payroll tax, fringe benefits tax and workers' compensation insurance) where there is certainty as to the amount and timing of settlement.

A payable is recognised when a present obligation arises under a contract or otherwise. It is derecognised when the obligation expires or is discharged, cancelled or substituted.

A short-term payable with no stated interest rate is measured at historical cost if the effect of discounting is immaterial.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Employee benefit provisions and expenses

Provisions are made for liabilities of uncertain amount or uncertain timing of settlement.

Employee benefit provisions represent expected amounts payable in the future in respect of unused entitlements accumulated as at the reporting date. Liabilities associated with, but that are not, employee benefits (such as payroll tax) are recognised separately.

Superannuation and leave liabilities are recognised as expenses and provisions when the obligations arise, which is usually through the rendering of service by employees.

Long-term annual leave (ie that is not expected to be taken within twelve months) is measured at present value using a discount rate equal to the market yield on government bonds.

Superannuation and long service leave provisions are actuarially assessed prior to each reporting date and are measured at the present value of the estimated future payments.

The unconditional component of the long service leave entitlements is classified as current liabilities. It relates to staff currently employed for nine or more years at the reporting date.

All other employee benefit liabilities (ie for benefits falling due wholly within twelve months after reporting date) are assessed by management and are measured at the undiscounted amount of the estimated future payments.

The amount recognised for superannuation and long service leave provisions is the net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at that date of any plan assets out of which the obligations are to be settled directly.

The amount recognised in the income statement for superannuation and long service leave is the net total of current service cost, interest cost, the expected return on any plan assets, and actuarial gains and losses. Actuarial gains or losses are recognised as income or expense in the year they occur.

The actuarial assessment of superannuation and long service leave provisions uses the Projected Unit Credit Method and reflects estimated future salary increases and the benefits set out in the terms of the plan. The liabilities are discounted using the market yield rate on government bonds of similar maturity to those obligations. Actuarial assumptions are unbiased and mutually compatible and financial assumptions are based on market expectations for the period over which the obligations are to be settled.

(h) Accounting standards issued but not yet effective

Except for amendments AASB 2005-4 and AASB 2005-6, the relevant Australian Accounting Standards that have been amended or issued as at 30 June 2006 but are not yet effective have not been early adopted for the annual reporting period ending 30 June 2006. It is anticipated these amendments and standard will not have material impact on future accounting policies.

| AASB Amendment | Affected standard(s) | Applicable to annual reporting periods beginning on or after |
|----------------|---|--|
| 2004-3 | AASB 1; AASB 101 | 1 January 2006 |
| 2005-1 | AASB 139 | 1 January 2006 |
| 2005-5 | AASB 1; AASB 139 | 1 January 2006 |
| 2005-9 | AASB 132; AASB 139 | 1 January 2006 |
| 2005-10 | AASB 1; AASB 101; AASB 132; AASB 139 | 1 January 2007 |
| New standard | AASB 7 Financial Instruments: Disclosures | 1 January 2007 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

| | Notes | 2006 \$000 |
|--|-------|---------------|
| 2. RECEIVABLES | | |
| Current | | |
| Receivables from State Transit Authority | | 304 |
| Total current receivables | | 304 |
| Non-current | | |
| Receivables from State Transit Authority | | 3 |
| Total current receivables | | 3 |
| 3. PAYABLES | | |
| Accrued salaries, wages and on-costs | | 80 |
| Total payables | | 80 |
| 4. PROVISIONS | | |
| Current | | |
| Employee benefits | | 224 |
| Total current provisions | | 224 |
| Non-current | | |
| Employee benefits | | 41 |
| Retirement benefits | 5(c) | [38] |
| Total non-current provisions | | 3 |

5. RETIREMENT BENEFITS

(a) The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- (a) SASS State Authorities Superannuation Scheme
- (b) SANCS State Authorities Non-Contributory Superannuation Scheme
- (c) SSS State Superannuation Scheme

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership.

All the schemes are closed to new members.

All fund assets are invested by STC at arm's length through independent fund managers.

(b) The principal actuarial assumptions that have been used in the calculation are:

| | 2006 % pa |
|---|-----------------------------------|
| Discount rate | 5.9 |
| Expected return on plan assets as at 30 June | 7.6 |
| Expected rate of salary increases | 4.0 to 2008 and 3.5 thereafter |
| Expected rate of increase in consumer price index | 2.5 |

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement.

(c) The assessed liability and funds held in reserve account with the Trustee are as follows:

| | SASS \$000 | SANCS \$000 | SSS \$000 | Total \$000 |
|---------------------------------|---------------|----------------|--------------|----------------|
| As at 30 June 2006 | | | | |
| Gross liability | 100 | 15 | - | 115 |
| Reserve balance | (126) | (27) | - | (153) |
| Total unfunded liability | (26) | (12) | - | (38) |

(d) Movements in defined benefit liability during the period:

| | SASS \$000 | SANCS \$000 | SSS \$000 | Total \$000 |
|---|---------------|----------------|--------------|----------------|
| Ending 30 June 2006 | | | | |
| Opening balance | - | - | - | - |
| Benefit expense/(income) | (4) | (1) | - | (5) |
| Contributions | (1) | - | - | (1) |
| Net (asset)/liability transferred in on 17 March 2006 | (21) | (11) | - | (32) |
| Closing balance | (26) | (12) | - | (38) |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

5. RETIREMENT BENEFITS (continued)

(e) Defined benefits plan expense/(income) for the period:

| | SASS \$000 | SANCS \$000 | SSS \$000 | Total \$000 |
|--|---------------|----------------|--------------|----------------|
| Ending 30 June 2006 | | | | |
| Current service cost | 1 | - | - | 1 |
| Interest cost | 2 | - | - | 2 |
| Expected return on plan assets | (2) | - | - | (2) |
| Net actuarial losses/(gains) recognised | (5) | (1) | - | (6) |
| Past service cost | - | - | - | - |
| Losses/(gains) on curtailments or settlements | - | - | - | - |
| Total included in retirement benefits expense | (4) | (1) | - | (5) |

(f) Actual return on plan assets for the period:

| | SASS \$000 | SANCS \$000 | SSS \$000 | Total \$000 |
|------------------------------|---------------|----------------|--------------|----------------|
| Ending 30 June 2006 | | | | |
| Actual return on plan assets | 5 | 1 | - | 6 |

(g) A summary of the financial position of the fund calculated in accordance with AAS 25 Financial Reporting by Superannuation Plans as supplied by the Trustee:

| | SASS \$000 | SANCS \$000 | SSS \$000 | Total \$000 |
|-------------------------------------|---------------|----------------|--------------|----------------|
| As at 30 June 2006 | | | | |
| Accrued benefits | 95 | 13 | - | 108 |
| Net market value of the fund assets | (126) | (27) | - | (153) |
| Net (surplus)/deficit | (31) | (14) | - | (45) |

5. RETIREMENT BENEFITS (continued)

| (h) Recommended contribution rates for the period ending | SASS | SANCS | SSS |
|--|----------------------------------|-----------------|----------------------------------|
| | Multiple of member contributions | % member salary | Multiple of member contributions |
| 30 June 2006 | 1.90 | 2.50 | - |

The method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate Funding method. The method adopted affects the timing of the cost to the employer.

Under the Aggregate Funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

(i) The weighted-average economic assumptions adopted for the last actuarial review of the fund were:

| | 2006 |
|--|------|
| | % pa |
| Expected rate of return on fund assets | 7.3 |
| Expected salary increase rate | 4.0 |
| Expected rate of CPI increase | 2.5 |

(j) If a surplus exists in the employer's interest in the fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of the fund assets and the defined benefit obligation.

5. RETIREMENT BENEFITS (continued)

(k) Demographic assumptions

The demographic assumptions at 30 June 2006 are those being used for the (current) 2006 triennial actuarial valuation. A selection of the most financially significant assumptions is shown below:

(i) SASS Contributors - the number of SASS contributors expected in any one year (out of 10,000 members), at the ages shown, to leave the fund as a result of death, disability, resignation, retirement and redundancy. Promotional salary increase rates are

| Age nearest Birthday | Number of members expected in any one year, out of 10,000 members at the age shown, to leave the fund as a result of: | | | | | | | | Additional promotional salary |
|----------------------|---|------------------------------|------------|--------|-------------|--------|------------|--------|-------------------------------|
| | Death | Total & Permanent Disability | Retirement | | Resignation | | Redundancy | | |
| | | | Part 1 | Part 3 | Part 1 | Part 3 | Part 1 | Part 3 | |
| | | | | | | | | | |
| Males | | | | | | | | | |
| 30 | 4 | 8 | 0 | 0 | 280 | 395 | 150 | 0 | 2.90 |
| 40 | 6 | 10 | 0 | 0 | 150 | 285 | 150 | 0 | 1.80 |
| 50 | 11 | 30 | 0 | 0 | 112 | 172 | 150 | 0 | 0.00 |
| 60 | 30 | 0 | 1,400 | 950 | 0 | 0 | 150 | 0 | 0.00 |
| Females | | | | | | | | | |
| 30 | 2 | 2 | 0 | 0 | 372 | 700 | 150 | 0 | 2.90 |
| 40 | 3 | 6 | 0 | 0 | 175 | 320 | 150 | 0 | 1.80 |
| 50 | 7 | 28 | 0 | 0 | 144 | 270 | 150 | 0 | 0.00 |
| 60 | 18 | 0 | 1,500 | 1,500 | 0 | 0 | 150 | 0 | 0.00 |

(ii) SSS Contributors - the number of SSS contributors expected in any one year (out of 10,000 members), at the ages shown, to leave the fund as a result of death, disability, resignation, retirement and preservation. Promotional salary increase rates are

| Age nearest birthday | Number of members expected in any one year, out of 10,000 members at the age shown, to leave the fund as a result of: | | | | | Additional promotional salary increase rate % |
|----------------------|---|-----------------------|------------------------------|------------------------------------|--------------------------------|---|
| | Death | Ill-health Retirement | Retirement (R60 for females) | Cash Resignation (R60 for females) | Preservation (R60 for females) | |
| Males | | | | | | |
| 30 | 4 | 42 | - | 178 | 95 | 2.90 |
| 40 | 6 | 54 | - | 80 | 140 | 1.80 |
| 50 | 11 | 144 | - | 20 | 50 | 0.00 |
| 60 | 30 | 0 | 6,500 | 0 | 0 | 0.00 |
| Females | | | | | | |
| 30 | 2 | 6 | - | 204 | 124 | 2.90 |
| 40 | 3 | 21 | - | 72 | 105 | 1.80 |
| 50 | 7 | 103 | - | 30 | 90 | 0.00 |
| 60 | 18 | 0 | 6,300 | 0 | 0 | 0.00 |

Note: R60 stands for women who elected to retire at age 60 rather than age 55.

5. RETIREMENT BENEFITS (continued)

(k) Demographic assumptions (continued)

(iii) **SSS Commutation** - the proportion of SSS members assumed to commute their pension to a lump sum in any one year.

| Age | Proportion of pension commuted | |
|---------------------------------|--------------------------------|-----------|
| | Retirement | Breakdown |
| Later of commencement or age 55 | .15 | .20 |
| | Widow | Widower |
| 55 | .2500 | .2500 |
| 65 | .5380 | .5800 |
| 75 | .4825 | .5160 |
| 85 | .3928 | .3728 |

(iv) **SSS Pensioner Mortality** - assumed mortality rates (in 2006/2007) for SSS pensioners (separately for normal retirement/spouses and invalidity).

| Age | Retirement Pensioners and Spouses and Widows | | Invalidity Pensioners | |
|-----|--|---------|-----------------------|---------|
| | Males | Females | Males | Females |
| 55 | 0.0025 | 0.0014 | 0.0081 | 0.0066 |
| 65 | 0.0070 | 0.0055 | 0.0112 | 0.0125 |
| 75 | 0.0194 | 0.0157 | 0.0505 | 0.0314 |
| 85 | 0.0945 | 0.0634 | 0.1134 | 0.1268 |

(v) **SSS Pensioner Mortality Improvements** - per annum assumed rates of mortality improvement for SSS pensioners.

| Age | Improvement rates- (for years post 2006) | |
|-----|---|---------|
| | Males | Females |
| 55 | 0.0152 | 0.0113 |
| 65 | 0.0101 | 0.0065 |
| 75 | 0.0087 | 0.0068 |
| 85 | 0.0052 | 0.0080 |

A close-up photograph of several interlocking metal gears, rendered in a monochromatic blue and white color scheme. The gears are of different sizes and are meshed together, creating a complex, mechanical pattern. The lighting highlights the metallic texture and the sharp edges of the teeth.

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State Transit Authority of
New South Wales

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1 SUMMARY OF LAND

In accordance with Section 41B(1)(d) of the Public Finance and Audit Act, 1983, stated below is a summary of the Authority's land holding as at 30 June 2006 according to actual use of the land.

| Land Use Classification | \$000 |
|--------------------------------|----------------|
| Bus Depots | 99,376 |
| Minor Operational assets | 2,505 |
| Commercial properties | 3,045 |
| Total | 104,926 |

| Land Use Classification | \$000 |
|--------------------------------|----------------|
| Bus Depots | 99,376 |
| Minor Operational assets | 2,505 |
| Commercial properties | 3,045 |
| Total | 104,926 |

Disposal of property

During the year State Transit did not dispose of any properties.

2 CAPITAL WORKS EXPENDITURE

| Major Works | Completion Date | \$000 |
|------------------------------------|------------------------|--------------|
| BUS REPLACEMENT PROGRAM | | |
| 100 Rigid Bus Contract | | |
| 27 buses delivered | July 05 | 5,845 |
| 80 Articulated Bus Contract | | |
| 50 buses delivered | Oct 05 | 36,195 |
| 250 Volvo Diesel Buses | | |
| 0 Buses delivered | June 11 | 139 |
| 255 Mercedes CNG Buses | | |
| 0 Buses delivered | June 11 | 107 |

3 CONSOLIDATED INCOME AND EXPENDITURE STATEMENT

CONSOLIDATED INCOME AND EXPENDITURE STATEMENTS COMPARISON BETWEEN ACTUAL AND BUDGET FOR THE YEAR ENDED 30 JUNE 2006

| | 2004/05 Actual \$000 | 2005/06 Actual \$000 | 2005/06 Budget \$000 | Variance | | 2006/07 Budget \$000 |
|---------------------------------|----------------------------|----------------------------|----------------------------|-----------------|---------------|----------------------------|
| | | | | \$000 | % | |
| Income: | | | | | | |
| Operational revenue | 456,266 | 499,815 | 491,799 | 8,607 | 1.8% | 523,323 |
| Interest | 323 | 1,365 | 24 | 750 | 3,125.0% | 266 |
| Other revenue | 31,019 | 22,606 | 19,192 | 3,414 | 17.8% | 23,495 |
| Total Income | 487,608 | 523,786 | 511,015 | 12,771 | 2.5% | 547,084 |
| Expenditure: | | | | | | |
| Payroll and related costs | 322,094 | 286,378 | 318,387 | (32,009) | (10.1%) | 325,154 |
| Depreciation and amortisation | 32,345 | 31,965 | 34,801 | (2,836) | (8.1%) | 32,451 |
| Fleet running expenses | 65,714 | 82,249 | 72,504 | 9,745 | 13.4% | 90,368 |
| Finance costs | 6,019 | 5,871 | 7,264 | (1,393) | (19.2%) | 5,621 |
| Other operating costs | 66,599 | 70,174 | 65,311 | 4,863 | 7.4% | 69,297 |
| Total Expenditure | 492,771 | 476,637 | 498,267 | (21,630) | (4.3%) | 522,891 |
| Profit/(Loss) Before Tax | (5,163) | 47,149 | 12,748 | 34,401 | 269.9% | 24,193 |

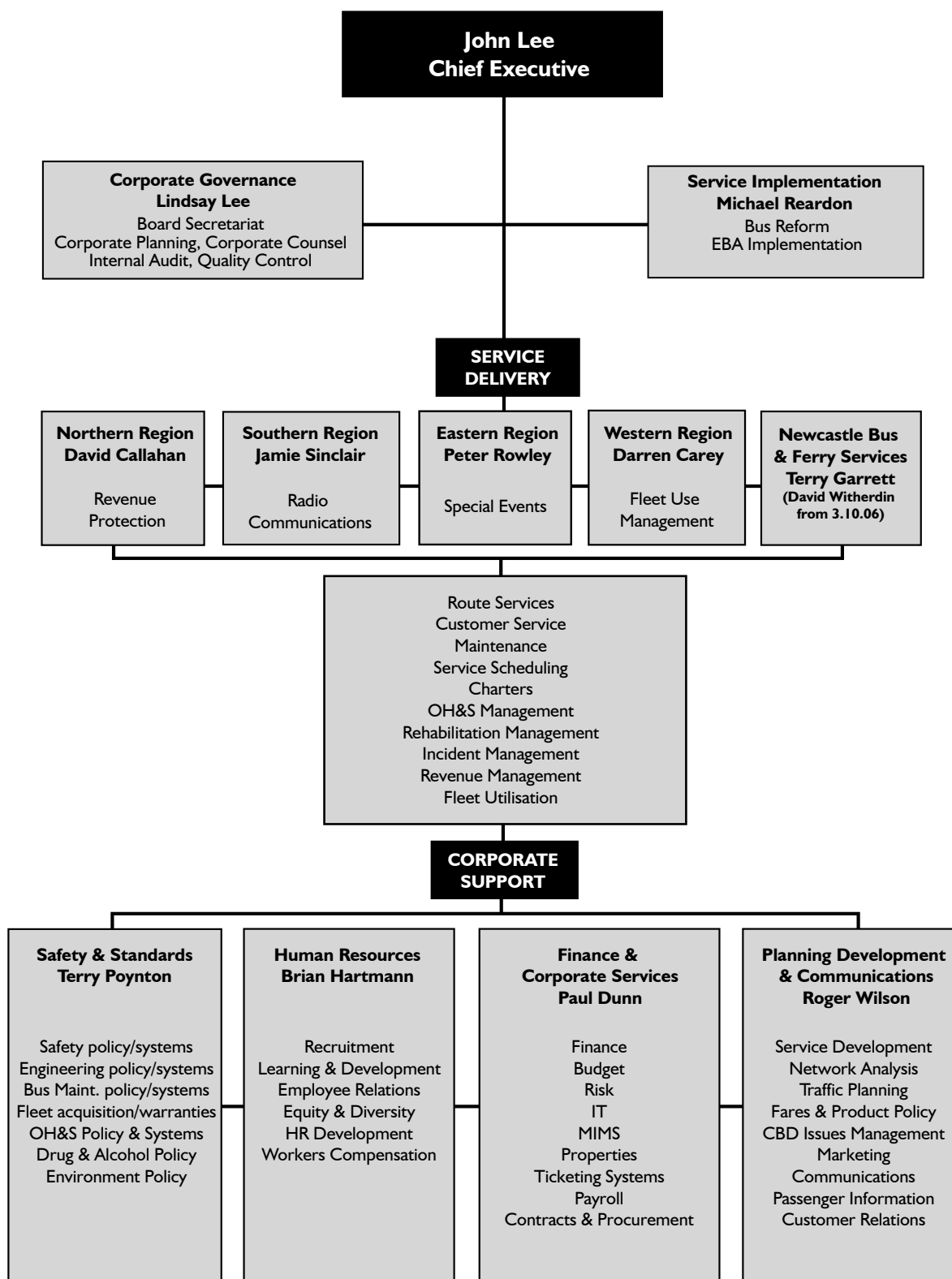
NOTE:

From 1 July 2005, the basis for Government's funding for Social Program Payments for Sydney Buses changed. Funding for concessional fares and community services obligations changes to funding of efficient cost levels. Under the new contracts (Metropolitan Bus System Contracts) the Government receives passenger revenue derived by State Transit and pays the agreed costs for operating services. Newcastle Services entered into the Outer Metropolitan Bus System Contract on 1 July 2006.

2005-06 Financial Performance Overview

- Under the new funding arrangements, operational revenue is more predictable and thus falls in line with budget.
- Interest income was higher than budget as a result of the receipt of the Randwick land sale proceeds in 2005/06 of \$11.3m and the delay in the delivery of new buses.
- Other revenue was better than budget by \$3.4m primarily due to better than expected outcome from the new advertising contract effective from February 2006.
- Payroll and related costs were better than budget by \$31.9m as a result of the year end actuarial adjustment of superannuation benefits of \$32.0m.
- Depreciation, amortisation expenses and borrowing costs were lower than anticipated due to the delay in delivery of new buses this financial year.
- Diesel price increased by 19.2% in 2005/06 and added \$5.9m to the fleet running expenses, accounting for the majority of the unfavourable variance.

4 STRUCTURE



5 BOARD OF DIRECTORS

The Hon. Barrie Unsworth – Chairman

Mr Unsworth was appointed as Chairman of the State Transit in March 2004.

Mr Unsworth is the former Premier of NSW, Transport Minister in the Wran Government, Secretary of the Labor Council and Nominated Commissioner of the Public Transport Commission. He is currently also Chairman of the Ambulance Service of NSW and until recently a Director of TAB Limited. He is a Director of RailCorp, Youth of the Streets Pty Ltd and Chairman of Labor Campaign Pty Ltd.

In 2003/04 Mr Unsworth carried out a major review of bus services in NSW at the request of the then Minister for Transport Services.

Mr Unsworth also sits as a member of the Audit Committee of the State Transit Board.

Geoff Ashton

He is currently the Chairman of Leighton Holdings Limited and Chairman of the Superannuation Trust of Australia. He is a member of the ASX Corporate Governance Council's Implementation Review Committee. He is National President of the Australian Industry Group. Mr Ashton was formerly Managing Director of Monier Limited and later Clyde Industries Limited.

Mr Ashton was first appointed to the Board in January 1997. Mr Ashton was Chairman of the Safety Committee of the State Transit Board. Mr Ashton was appointed as Chairman of the Sydney Ferries Corporation in 2005. Mr Ashton left the Board in January 2006.

Margy Osmond

Mrs Osmond was appointed to the Board in September 2003. Mrs Osmond was until recently the Chief Executive of the State Chamber of Commerce (NSW). Mrs Osmond was recently appointed as the inaugural Chief Executive of the Australian National Retailers Association. She is a member of the NSW Industry Skills Forum and the NSW Major Events Board. Mrs Osmond's background is in politics, corporate affairs and government relations.

Keith Todd

Mr Todd was appointed to the Board in March 2004. He is the former Chairman of the Bus Industry Confederation and President of the Bus and Coach Association of NSW. He is also the former

owner of Glenorie Bus Company. He currently chairs the Transport Management Committee of the Parramatta Rail Link. He is a Director of Parkview Leasing Pty Ptd and Chairman of the Transport Management Committee of the Transport Infrastructure Development Corporation.

Mr Todd has extensive experience in managing and operating bus companies. Mr Todd is the Chairman of the Audit Committee of the State Transit Board.

Matt Thistlethwaite

Mr Thistlethwaite is the Deputy Assistant Secretary of Unions NSW (formerly the Labor Council of NSW). He has experience in industrial relations and policy formulation in the public transport industry.

Mr Thistlethwaite was appointed to the Board in July 2005. Mr Thistlethwaite is a member of Safety Committee of the State Transit Board.

Jan McClelland

Ms McClelland was appointed to the Board in March 2006. Ms McClelland is a management consultant (Managing Director, Jan McClelland and Associates Pty Ltd). Ms McClelland was previously the Director General of the Department of Education and Training and the Managing Director of the NSW TAFE Commission. Ms McClelland is the Chair of Buinesslink Pty Ltd and holds directorships on the Boards of the Waste Recycling and Processing Corporation and the Festival Development Corporation.

John Lee - Chief Executive

Mr John Lee joined the Board as the new Chief Executive in March 2006. Mr Lee was previously the Director General of the Ministry of Transport. Mr Lee has extensive public and private sector experience in the transport industry in the RTA and RailCorp. Mr Lee was previously the Managing Director of Westbus for National Express.

Roger Wilson – Acting Chief Executive

Mr Wilson as Acting Chief Executive was a statutory member of the Board for the period of July 2005 to February 2006.

Jim Bosnjak

Mr Bosnjak was appointed to the Board in March 2004. Mr Bosnjak was formerly President of the Bus and Coach Association of NSW. Mr Bosnjak controls Bosnjak Investment. Mr Bosnjak resigned from the Board in March 2006 due to his overseas business commitments.

Susan Gray

Ms Gray is an Associate Director, Project and Structured Finance for Macquarie Bank Limited. She is a lawyer and economist. Ms Gray was first appointed to the Board in January 2000. Ms Gray's appointment concluded in February 2006.

ATTENDANCE AT BOARD MEETINGS

In 2005/06 the Board met on 12 occasions and attendance was as follows:

| Name | Meetings attended |
|---|-------------------|
| The Hon BJ Unsworth | 12 |
| Mr J Lee | 5 |
| Mr R Wilson | 8 |
| Mr GJ Ashton (left the Board in January '06) | 6 |
| Ms S Gray (left Board February '06) | 6 |
| Mr M Thistlethwaite | 10 |
| Mrs M Osmond | 9 |
| Mr K Todd | 11 |
| Mr SJJ Bosnjak (on approved leave - resigned March '06) | 2 |
| Ms Jan McClelland | 4 |

Audit Committee

The Board has an Audit Committee to support it in fulfilling its responsibilities under the Transport Administration Act 1988.

The Audit Committee's role set out in its Charter is to assure the independence of the audit function, monitor corporate risk assessment and internal controls, review financial and other practices, review the quality and integrity of financial reports and oversee the responsibilities of the Internal Audit Manager.

The Audit Committee met on 5 occasions in 2005/06.

Committee members during 2005/06 were:

- Mr K Todd (Chairman)
- The Hon BJ Unsworth
- Mr SJJ Bosnjak (on approved leave)

Safety Committee

In 2005/06 the Safety Committee met on 2 occasions. The State Transit Board received monthly briefings on all safety and security matters.

Committee members during 2005/06 were:

- Mr GJ Ashton (Chairman)
- Mr M Thistlethwaite
- Mrs Margy Osmond

6 LEGISLATION

The State Transit Authority is constituted as an operating body without policy or regulatory functions and is not charged with the administration of legislation. However, set out under is an overview of the legislation directly relevant to State Transit during the year under review:

Transport Administration Act

The State Transit Authority is created as a corporation by the Transport Administration Act 1988 and operates pursuant to that Act and the regulations made under the Act.

Regulations

The following regulations made under the Transport Administration Act 1988 had direct application to the State Transit Authority and were in force during the year under review;

- Transport Administration (Staff) Regulation 2000
- Transport Administration (General) Regulation 2000

Orders

Section 85 of the Transport Administration Act 1988 provides that the charges to be demanded by the State Transit Authority in respect of its bus or ferry services and/or any other purpose shall be as from time to time determined by order made by the State Transit Authority.

During the year under review, a new Fares Order was made entitled - Transport Administration (State Transit Authority - Fares) Order 2004.

Passenger Transport Act 1990

State Transit, in common with other operators of public passenger services in New South Wales, is directly bound by the provisions of the Passenger Transport Act 1990 and relevant regulations made under the Act.

7 GOVERNMENT AND SOCIAL PROGRAM PAYMENTS

Government Funding and Social Program

Government funding consisted of the following:

Metropolitan Bus Systems Contract (MBSC)

In 2005/06, State Transit entered into four separate MBSCs with the Ministry of Transport for the provision of bus services in Sydney. The introduction of the MBSC on 1 July 2005 brought the level of funding for Sydney Buses into line with that of other bus operators in Sydney.

Other Government Payments

Newcastle Bus and Ferry Services continued to receive payments from Government for providing free and concessional fares and non-commercial services in 2005/06.

These payments consisted of the following:

Concessional and Free Travel

Concession reimbursements were payments from Government which made up the balance of fares where a concession had been allowed as a result of Government's social policies

The relevant categories included under State Transit's concession program were:

- blind civilians
- school students
- tertiary students
- unemployed
- other welfare recipients
- pensioner and retired senior citizens

Service Level Community Service Obligation

The social program payment for non-commercial services was a payment made by Government to reimburse State Transit for operating a number of services in Newcastle that were not commercially justifiable by normal industry benchmarks.

Pricing Community Service Obligation

The social program payment for non-commercial fares was a payment made by Government in recognition of the fact that State Transit's fares in Newcastle (which were regulated by the Independent Pricing and Regulatory Tribunal) were held below commercial fare levels charged by most private sector operators.

8 IMPLEMENTATION OF 2005/06 FARES DETERMINATION

Under section 18(4) of the Independent Pricing and Regulatory Tribunal Act, State Transit is required, where there has been a determination by the Independent Pricing and Regulatory Tribunal, to include in its Annual Report particulars of how any such determination has been implemented.

A change in State Transit's fare scale, in accordance with the determination of the Independent Pricing & Regulatory Tribunal made in December 2005, was made by order published in Government Gazette No 167 of 30 December 2005 effective 3 January 2006.

The following table summarises the determination made by the Independent Pricing and Regulatory Tribunal in relation to Sydney bus and Newcastle bus and ferry fares and the fare changes implemented by State Transit.

| TICKET | IPART Determination | Implementation |
|-------------------------------|---|--|
| Sydney single ride bus fares | <p>Price increases will apply to the following:</p> <p>Adult 1-2 Sections \$0.10 Adult 3-5 Sections \$0.10 Adult 6-9 Sections \$0.10 Adult 10-15 Sections \$0.20 Adult 16+ Sections \$0.20 Concession 3-5 Sections \$0.10 Concession 10-15 Sections \$0.10 Concession 16+ Sections \$0.10</p> <p>All other single ride adult and concession fares will remain unchanged.</p> | All adult and concession single journey bus fares increases were implemented. |
| Sydney TravelTens | <p>Price increases will apply to the following:</p> <p>Adult 1-2 Sections \$0.90 Adult 3-5 Sections \$1.10 Adult 6-9 Sections \$1.70 Concession 1-2 Sections \$0.50 Concession 3-5 Sections \$0.60 Concession 6-9 Sections \$0.90</p> <p>All other TravelTen adult and concession fares will remain unchanged.</p> | All changes to TravelTen fares were within the Tribunal's guidelines. |
| TravelPass Tickets | Bus and Ferry TravelPasses will rise by either \$1.00 or \$2.00. There will be no change to the Bus/Rail/Ferry TravelPass fares. | All changes to TravelPass fares were within the Tribunal's guidelines. |
| BusTripper | The price of the BusTripper ticket will increase by \$0.40 for the adult and \$0.20 for the concession. | The change to the price of the BusTripper ticket was within the Tribunal's guidelines. |
| DayTripper | The price of the DayTripper ticket will remain unchanged. | No change was made to the price of the DayTripper ticket. |
| Newcastle bus and ferry fares | <p>The prices of the adult and concession 1 hour, 4 hours and 23 hours tickets will increase by between 10 and 30 cents.</p> <p>The price of the TimeTen 1 hour ticket will increase by \$1.60 for the adult and \$0.80 for the concession.</p> <p>The price of the Stockton ferry single ride ticket will remain unchanged.</p> | All changes to bus and ferry fares in Newcastle were within the Tribunal's guidelines. |
| School Term Pass | The price of the School Term Pass will remain at \$40. | No change was made to the price of the School Term Pass. |

9 TAXES AND OTHER PAYMENTS TO GOVERNMENT

State Transit, as a Government Trading Enterprise, is subject to a full range of state and federal taxes and other government charges that apply to private sector businesses. Some of these charges are levied under the New South Wales Government's Tax Equivalent Regime.

The following taxes and charges were applied during 2005/2006

a) New South Wales State Taxes and Charges

| Classification | \$'000 |
|---|--------|
| Payroll Tax | 15,216 |
| Land Tax | 1,484 |
| Registration charges and stamp duty for the bus fleet and commercial vehicles | 2,259 |
| Total | 18,959 |

(b) Federal Taxes and Charges

| Classification | \$'000 |
|---------------------------|--------|
| Excise Duty on Distillate | 12,902 |
| Fringe Benefits tax | 421 |
| Total | 13,323 |

10 FUNDS GRANTED TO NON-GOVERNMENT COMMUNITY ORGANISATION

Payments made by State Transit to Non Government community organisations for the year 2005/06 was:

| Name of organisation | Amount ('000) |
|------------------------|---------------|
| Harmony Media Pty Ltd. | 1 |

12 INVESTMENT MANAGEMENT PERFORMANCE

State Transit invests its surplus short-term funds in NSW Treasury Corporation 'Hour Glass' Investment - Cash Facility. In the year ended 30 June 2006, State Transit's weighted average rate of return on the investment was 5.69% (net of fees and expenses). The NSW Treasury Corporation 'Hour Glass' Investment - Cash Facility benchmark is the UBS Australian Bank Bill Index and the benchmark return was 5.76% (no adjustment for fees and expenses).

11 LIABILITY MANAGEMENT PERFORMANCE

In the year ended 30 June 2006, the 'market value cost of funds' of State Transit's debt portfolio, which includes actual interest costs, accrued interest costs and the change in market capital value of the debt portfolio, was 3.13%. The benchmark portfolio 'market value cost of funds' was 3.42%.

13 ACCOUNT PAYMENT PERFORMANCE

State Transit's performance in paying trade creditor accounts during the year is set out below, in accordance with the requirements of the Annual Reports (Statutory Bodies) Regulation 2000:

Performance in Paying Accounts

State Transit's performance in paying trade creditor accounts during the year is set out below, in accordance with the requirements of the Annual Reports (Statutory Bodies) Regulation 2000:

| Quarter | Amounts Paid on Time | | | Total Amount Paid |
|----------------|----------------------|----------|---------|-------------------|
| | Target % | Actual % | \$000 | \$000 |
| September 2005 | 85 | 93 | 109,058 | 116,302 |
| December 2005 | 85 | 95 | 108,533 | 113,724 |
| March 2006 | 85 | 93 | 96,727 | 103,203 |
| June 2006 | 85 | 94 | 121,545 | 128,631 |

Of the total number of invoice processed during the year, 90% were paid within the trading terms. There were no penalty interest payments made under clause 18 of the Public Finance and Audit Regulation 2000.

| Quarter | Aged Transactions by Quarter | | | Total Amount |
|----------------|------------------------------|-------|--------|--------------|
| | Current | 30-60 | 60-90+ | \$000 |
| September 2005 | 27,990 | 630 | 1,022 | 29,642 |
| December 2005 | 22,712 | 460 | 162 | 23,334 |
| March 2006 | 25,748 | 206 | 9 | 25,963 |
| June 2006 | 25,397 | 2,598 | 226 | 28,221 |

14 RISK MANAGEMENT AND INSURANCE

State Transit's Risk Management Framework covers all areas of business activities and statutory compliance to protect Whole of Government exposures. This is achieved through the governance and risk structure emanating from the State Transit Board. Continuous improvement under the ISO 9000:2000 Quality Management System has enhanced compliance and therefore the control of risk exposures.

Implementation of Metropolitan and Outer-Metropolitan Bus Systems Contracts has brought about an environment of significant change to the New South Wales bus industry. State Transit has responded to these significant reforms implementing cost effective strategies to:

- Develop an organisational culture that optimises its ability to achieve business objectives while ensuring appropriate management of risks rather than taking un-managed risks,
- Identify, assess and treat the risks associated with State Transit's activities with the objective to minimise losses and maximise the opportunities,
- Identify risk treatment options applicable to State Transit in all areas including Bus & Ferry Operations, Safety & Security, OH&S, Environment, Engineering Policy & Standards, Property, Information Technology, Treasury, Financial and Commercial Contracts, Fraud / Corruption, Financial Management, Business Continuity Management, and

14 RISK MANAGEMENT AND INSURANCE (cont.)

- Provide objective information to decision-makers through all layers of the organisation.

A cost effective insurance program provided financial protection for the organisation during the year. The program spans: General property, personal injury, consequential loss, motor, professional risks, general and marine liability. State Transits' enhanced risk profile has yielded lower premium escalation than experienced over recent years by the insured community.

During the year, State Transit has reviewed its Emergency and Operational Response Plans, documented robust Business Continuity Plans and commenced a detailed review of its Crisis Management and Communications Framework. State Transit has also undertaken significant project risk studies for major infrastructure development and asset procurement. Operationally, an extensive program of bus route risk studies has commenced across the network. The maturing of a risk based OH&S regime has focussed staff on workplace hazards and appropriate risk treatments.

Simulation and training exercises have maintained staff preparedness and tested both the context and robustness of operational recovery plans which are compliant with ISO and ISM Standards.

15 RESPONSE TO MATTERS RAISED BY AUDITOR GENERAL

There were no significant issues in the 2005/06 Outgoing Audit Report that required the Authority's attention.

16 OVERSEAS TRAVEL

During the year, State Transit officers undertook the following overseas trips:

1. Mr Terry Poynton – General Manager Safety and Standards Mr Mark Delohery –

Date: 12- 26 November 2005
Destination: Volvo, Sweden and London
Purpose: Review training police liaison emergency response techniques for bus operator safety

2. Mr John Lee - Chief Executive

Date: 17 - 23 June 2006
Destination: London/Madrid/Dublin
Purpose: To attend International Bus Benchmarking Annual General Meeting

17 FREEDOM OF INFORMATION

During the financial year 2005/2006, State Transit received eleven (11) applications for information under the Freedom of Information Act 1989.

Section A - FOI Applications

| | Personal | Other | Total |
|--|----------|-------|-------|
| New (including transferred in) | 1 | 21 | 22 |
| Brought forward (incomplete requests from previous year) | 0 | 0 | 0 |
| Total to process | 1 | 21 | 22 |
| Complete | 1 | 18 | 19 |
| Transferred out | 0 | 0 | 0 |
| Withdrawn | 0 | 0 | 0 |
| Total processed | 1 | 18 | 19 |
| Unfinished (carried forward) | 0 | 3 | 3 |

Section B - Result of FOI Applications

| | Personal | Other | Total |
|-----------------|----------|-------|-------|
| Granted in full | 0 | 10 | 10 |
| Granted in part | 1 | 4 | 5 |
| Refused | 0 | 4 | 4 |
| Deferred | 0 | 0 | 0 |
| Withdrawn | 0 | 0 | 0 |
| Completed | 1 | 18 | 19 |

Section C - Reason for not providing access

| | Personal | Other |
|--------------------------------|----------|-------|
| S25(1)(a) - exempt | 1 | 0 |
| S28(1)(b) - documents not held | 0 | 1 |
| Total | 1 | 1 |

Section D - Ministerial Certificates

Nil

Section E - Formal Consultations

Nil

Section F - Amendment of Personal Records

Nil

Section G - Notation of Personal Records

Nil

Section H - Costs

| | |
|----------------|---------------|
| Assessed Costs | Fees Received |
| \$28,000 | \$690.00 |

Section I - Discount allowed on Fee Charged

| | Personal | Other |
|--|----------|-------|
| Financial Hardship - pensioner/child | 0 | 0 |
| Financial Hardship - non profit organisation | 0 | 0 |
| Other - Personnel records etc | 0 | 0 |
| Total | 0 | 0 |

Section J - Days to process

| Processing Days | Personal | Other |
|-----------------|----------|-------|
| 0-21 days | 1 | 3 |
| 22 - 30 days | 0 | 7 |
| 31 - 45 days | 0 | 2 |
| 46 + days | 0 | 6 |
| Total | 1 | 18 |

Section K - Hours to process

| Processing hours | Personal | Other |
|------------------|----------|-------|
| 0-10 hours | 1 | 0 |
| 11-21 hours | 0 | 0 |
| 21-40 hours | 0 | 0 |
| 40+ | 0 | 21 |

Section L - Reviews and Appeals

| Internal Review | Personal | Other |
|-----------------|----------|-------|
| | 0 | 1 |

18 CONSULTANCY AND PROFESSIONAL FEES

The following table is a summary of consultants and professional services fees incurred during the year. Expenditure of the nature of providing a high level specialist or professional advice to assist decision-making by management is classified as Consultancy Fee. Generally it is the advisory nature of the work that differentiates a consultancy fee from other professional services.

| | |
|---|---------------|
| 1. Consultancy Fees | \$'000 |
| (a) Where Consultancy fees exceeded \$30,000 Fees paid to 1 consulting agency | 60 |
| (b) Where consultancy fees paid were less than \$30,000 Fees paid to 2 consulting agency | 31 |
| 2. Professional Services | 2,457 |

19 COMMITTEES (INTERNAL & EXTERNAL)

INTERNAL COMMITTEES

Audit Committee

The Audit Committee established by the Board operates to support it in fulfilling its responsibilities under the Transport Administration Act 1988.

Safety Committee

The Safety Committee established by the Board in May 2004 oversees the safety program for workplace safety and operational safety for State Transit.

Direct Reports Committee

The Direct Reports Committee is the senior management committee for State Transit examining all policies and procedures for the organisation. The Direct Reports Committee has 5 sub-committees examining performance in detail against State Transit's priority areas; Safety Committee, Asset Management Committee, People Committee, Environment Committee and Quality Committee. Direct Reports conducts a monthly business review of all operations in depots.

20 ANNUAL ENVIRONMENT AND WRAPP REPORT

Environmental Policy and Environmental Management System

State Transit's Environment Policy commits State Transit to the objectives of legislative compliance, continuous improvement, best practice environmental standards, the prevention of pollution incidents, management of environmental risks, and the promotion of staff and community awareness of the benefits of public transport in creating sustainable environments.

The Environmental Management System, aligned with ISO 14001 standards, provides the framework for State Transit to achieve its policy objectives. State Transit's Environment Policy has been reviewed and updated in 2005/2006.

Environmental Performance Targets

Targets for Environmental Performance have been set in the areas of fuel, (46l/100km non-air conditioned diesel, 59l/100km air conditioned diesel and 65 cubic metres/100km CNG), electricity (1320kWhrs/employee/annum) and water consumption, (24kL/employee/annum).

Depot performance against these targets is reported every quarter, with targets reviewed annually to drive continuous improvement in performance.

Executive Management Review

The Environmental Direct Reports Committee has met on three occasions to review environmental management and address significant environmental issues related to State Transit operations.

Environmental Notices

During 2005/2006 State Transit received one Environmental Penalty Notice from the Department of Environment and Conservation for a motor vehicle emitting excessive air impurities. All vehicles subject to such notices are referred to the responsible depot for investigation and servicing.

Environmental Incidents

A total of 14 environmental incidents for in-service operation of the bus fleet were reported to the Environment Office, compared with the 42 reported in the previous financial year. This represents a 33% decrease in internally reported environmental incidents. All reported incidents are reviewed to ensure appropriate management by the responsible depot.

Environmental Complaints Handling

In the 2005/2006 financial year 95 public environmental complaints were referred to the 131 500 number for Sydney Buses operations, compared with 100 for the previous year. Newcastle Buses received eight complaints, the same number as the previous year. Complaints are recorded in categories of noise, smoke, spillage or littering from bus and depot noise pollution. Public environmental complaints recorded on the 131 500 number are referred to the responsible depot for investigation and response.

Environmental Licenses

All State Transit bus depots, with the exception of Belmont Depot, are licensed with the Department of Environment and Conservation (DEC) for the storage and handling of class A, industrial or hazardous wastes. All annual returns for license renewals were completed within the required timeframe. A number of these licenses are subject to periodic DEC review. A copy of each license, and their particular conditions, is available on the DEC public register, accessible on <http://www.dec.nsw.gov.au>

Dangerous Goods Licensing and Notification

With changes in dangerous goods regulations, six depots have notified WorkCover of the storage and handling of manifest quantities of dangerous goods, typically diesel fuel, via the approved notification form.

Trade Waste Licenses

All Sydney bus depots have at least one Trade Waste Agreement with Sydney Water for the discharge of wastewaters to sewer. All discharges are metered, sampled and monitored according to Sydney Water's agreement and acceptance conditions.

In 2005/2006 State Transit Bus Depots Trade Waste discharges exceeded Sydney Water's conditions on three occasions. Each incident was investigated and resolved to Sydney Water's requirements.

The Randwick Bus Depot completed a significant upgrade to its Trade Waste Treatment system to achieve a state of the art, single point discharge system.

Environmental Risks

An Environmental Risk Register of Environmental Risks was developed in 2005/2006 for each depot, with significant environmental risks incorporated into Environmental Management Plans. The Environmental Management Plans are regularly reviewed for monitoring the implementation of relevant control actions to mitigate these risks.

Media Based Reporting: Air, Water, Land, Waste and Energy

Air

Approximately 21% of State Transit's bus fleet is comprised of Compressed Natural Gas (CNG) buses. CNG refuelling facilities are available at Leichhardt, Kingsgrove, Ryde, Port Botany and Waverley depots.

Over the next five years State Transit will be acquiring some 255 CNG and 250 Euro 5 Diesel Buses to displace older pre-Euro 2 diesels, thereby improving the fleet's emissions profile, as well as contributing to the enhancement of Sydney's urban air quality.

State Transit has made a submission to the NSW Parliamentary enquiry into Sydney's Urban Air Quality arguing the benefits of public transport and improved fleet emissions for the quality of Sydney's air.

Water

State Transit bus depot operations consumed some 86,000kL of potable water at an average of 18kL per employee per annum. This consumption rate compares favourably with a target of 24kL per employee per annum.

State Transit conserves potable water by the use of up to 80% recycled waters in its bus washes, with a 20% freshwater makeup to maintain clean bus wash waters.

To comply with water restrictions State Transit's cleaners utilise buckets and squeegee mops to clean internal and window bus surfaces, when buses are parked on the hardstand outside of the bus or chassis wash wastewater containment and treatment system.

Stormwater

All stormwater drains within depot environments are clearly marked with dolphin symbols to highlight their connection to downstream environments. Spill kits and absorbents are contained within wheelie bins strategically located at key points around the depot to enable rapid spill response. A number of depots are fitted with electromechanical stormwater isolation or Penstock Valves to contain stormwater in the event of a spill or depot fire. Yard scrubbers are utilised daily within depot yards to prevent buildup of oils and grease on the hardstands on which buses park. Our fleet of operational customer service coordinator vehicles carry portable spill kits to enable spill response to in-service spills, in addition to the emergency response provided by the Fire Brigade.

Noise

Environmental Noise Surveys were completed for Leichhardt, Randwick, Kingsgrove and Willoughby Depots. With the exception of Randwick Depot results were within the requirements of the Industrial Noise Policy. Noise mitigation measures will be adopted at Randwick to reduce average noise levels.

During 2005/2006 seven depot noise related complaints were recorded via the 131 500 public information access number, one less than the previous financial year. Depot based noise from

bus start ups, public announcement systems and garage radios are monitored and controlled via operational measures including noise surveys, standard operating procedures, restricted hours of operation for noisy equipment, and staff education and awareness of the importance of minimising noise and potential nuisance to nearby neighbours.

Lands

Investigations into contamination at Burwood Depot, as part of a Voluntary Remediation Agreement with the Department of Environment and Conservation are continuing. A site concept model is proposed that will meet with Auditor and DEC requirements for signoff on the site as no longer presenting a significant risk of harm.

State Transit entered into a Voluntary Remediation Agreement with DEC for the voluntary remediation of Lot 10, being lands vested from Railcorp to State Transit, forming part of the old Leichhardt Tram Depot. Remediation of these lands is occurring in conjunction with remediation of adjacent Department of Education and Training Lands, as part of the Leichhardt Playing Field development for the Leichhardt Secondary School.

Energy

As part of the Government Energy Management Program, State Transit reports annually on Energy Consumption for its bus fleet, passenger vehicles and office buildings to the Ministry of Energy, Utilities and Sustainability. Energy consumption figures for office buildings, passenger vehicles and bus fleet are in preparation and will appear in the Department of Energy, Utility and Sustainability's next Annual Report.

Fuel Systems

State Transit underground diesel fuel storage assets are tested annually for their integrity along with the Cathodic Protection Systems designed to protect those assets from corrosion. Arising from the Cathodic Protection Survey of 2005/2006, a number of systems were upgraded from sacrificial anode to impressed current systems to provide for improved asset protection.

Waste

A new clinical waste collection contract commenced with a licensed waste provider for the safe collection and disposal of sharps and biological wastes.

State Transit completed a Waste Management Audit to determine its compliance with documented procedures, the Waste Reduction and Purchasing Policy, and EPA Licensing requirements. This assessment identified several areas where improvements can be made. These improvements have been raised as corrective actions within the Business Management System for tracking of progress in their implementation.

State Transit continues to actively recycle or reuse materials such as oil, batteries, steel drums, used filters, metals, paper and toner cartridges. as reported in its Waste Reduction and Purchasing Plan (WRAPP) report.

WRAPP Report

State Transit continues to implement its Waste Reduction and Purchasing Plan via adoption of WRAPP principles in its purchasing policies and contract specifications for goods and services and via the recycling of significant quantities of waste oil, paper, aluminium, batteries, steel drums and loose steel.

State Transit has progressed its WRAPP by conducting a waste audit to identify areas for improvement in waste performance. These areas include the carrying out of regular waste audits, the revision and updating of waste management policies and procedures and development of a program to raise staff awareness.

The approximate quantities of wastes collected for recycling each year are:

| | |
|-----------------|---------------------|
| Waste Oil | > 60,000 litres, |
| Paper | > 250 cubic metres, |
| Aluminium | > 2.5 tonnes, |
| Bus Batteries | > 600 items, |
| Phone Batteries | > 40 items, |
| Steel Drums | > 200 items, |
| Steel | > 60 tonnes. |

21 GOVERNMENT ENERGY MANAGEMENT POLICY

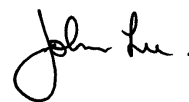
- Energy consumption for office - tenant services (Strawberry Hills) rose significantly (13%)
- Electricity consumption for other facilities (Bus Depots) decreased by 2.6% yet the total cost increased by \$100k or 17%
- CNG consumption increased 0.5% and Automotive Diesel by 2.8% for the fleet
- State Transit consumes 20.7MJ of energy per km of distance travelled in its transport task
- This energy consumption per distance travelled has decreased by 2.0% in the last financial year
- State Transit has increased its overall energy consumption (transport + Depots + Hq) by 1.5%
- It is noted that all energy costs per unit of energy have increased in the last financial year.

22 MOBILE PHONES

Procedures for issuing mobile telephones to staff are outlined in State Transit's Telephone and Mobile Telephones Manual. The Chief Executive, General Managers and Depot Managers are responsible for the issuing of mobile telephones as and when a business need is demonstrated. In 2005/06 there were 240 (243 in 2004/05) mobile telephones in use.

23 CREDIT CARD CERTIFICATION

This is to certify that Corporate Credit Cards are issued to State Transit's staff for business purposes and used in accordance with the Premier's Memoranda and Treasurer's Directions.



Certified by: John Lee, Chief Executive

24 SERVICE CHANGES IN RESPONSE TO COMMUNITY CONSULTATION

Service adjustments were made in all regions to realign resources to better meet changes in demand in peak and off-peak periods.

25 CUSTOMER RESPONSE

| | Sydney Buses | Newcastle Buses and Ferries | T-Way | Total |
|--------------|---------------|-----------------------------|------------|---------------|
| Complaints | 23,251 | 763 | 188 | 24,202 |
| Compliments | 1,147 | 36 | 9 | 1,192 |
| Query | 274 | 22 | 2 | 298 |
| Suggestion | 303 | 12 | 3 | 318 |
| Total | 24,975 | 833 | 202 | 26,010 |

Main features of complaints were:

- service complaints, including timetable changes, unscheduled cancellations, late running and lack of accommodation.
- staff complaints, including poor driving, not stopping when signalled and rudeness.
- ticket and fare evasion disputes.

26 GUARANTEE OF SERVICE

State Transit has renewed its commitment to raise performance standards on buses and ferries in Sydney and Newcastle.

The commitment to customer service is supported by six main aims:

- To ensure that the service delivered reflects the travel needs of customers.
- To operate buses and ferries with excellent safety standards for the benefit of passengers, staff, the general public and their property.
- To provide bus and ferry services that meet high standards of frequency, timeliness, reliability and cleanliness.
- To provide customers with complete, easily understood and up-to-date service information.
- To develop a reputation for customer service through polite, courteous and helpful staff.
- To make services more accessible for all passengers.

State Transit's Guarantee of Service is published on its internet home page, including details of what to expect from bus and ferry services, how to use the services, contact details and how to make suggestions, commendations or complaints.

27 DISABILITY PLANS

State Transit has a Disability Strategic Plan under Section 9 of the Disability Services Act 1993 to ensure accessible public transport. It is also committed to implementing the requirements of the Draft Disability Standards for Accessible Public Transport under the Commonwealth Disability Discrimination Act. Progress in this area for 2005/06 includes:

- Wheelchair accessible services have been timetabled on more than 163 routes across Sydney;
- Purchase of 77 new wheelchair accessible buses;
- Increase in the number of low floor buses in the fleet to 837 (43% of the fleet) of which 739 are fitted with a ramp for wheelchair access (38%);
- Provision of disability awareness training to Bus Operators and other front-line staff.

28 HUMAN RESOURCE STATISTICS

Comparison of State Transit's staff by classification (full time equivalent) over the five-year period from July 2001 to June 2006 is outlined below.

| | 2000/01 | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 |
|------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Operations | 3,486 | 3,377 | 3,405 | 3,482 | 3,631 | 3,769 |
| Maintenance | 350 | 382 | 383 | 402 | 360 | 366 |
| Administration | 562 | 593 | 601 | 605 | 611 | 587 |
| SES | 12 | 13 | 13 | 13 | 13 | 13 |
| TOTAL | 4,410 | 4,365 | 4,402 | 4,502 | 4,602 | 4,735 |
| Full Time Equiv. | 4,344 | 4,299 | 4334 | 4,452 | 4,523 | 4,555 |
| Casuals | 86 | 92 | 94 | 78 | 82 | 69 |

Figures are converted to FTEs for part time staff, and represent the average staffing levels for the year. Sydney Ferries' staff is included in the above classifications up to 30 June 2004.

29 EQUAL EMPLOYMENT OPPORTUNITY

Details of staff numbers by equity category and income, as at June 2006, are at below:

| LEVEL | TOTAL STAFF | Respondents | Men | Women | Aboriginal People & Torres Strait Islanders | People from Racial, Ethnic, Ethno- Religious Minority Groups | People Whose Language First Spoken as a Child was not English | People with a Disability | People with a Disability Requiring Work- related Adjustment |
|-------------------------|----------------|--------------|--------------|------------|---|---|--|--------------------------------|--|
| < \$32,606 | 24 | 24 | 22 | 2 | 1 | 1 | 0 | 2 | 2 |
| \$32,606 - \$42,824 | 3,617 | 2,639 | 3,288 | 329 | 21 | 628 | 706 | 94 | 94 |
| \$42,825 - \$47,876 | 156 | 92 | 111 | 45 | 0 | 20 | 22 | 3 | 3 |
| \$47,877 - \$60,583 | 563 | 285 | 503 | 60 | 3 | 66 | 71 | 10 | 10 |
| \$60,584 - \$78,344 | 119 | 70 | 87 | 32 | 1 | 18 | 12 | 6 | 6 |
| \$78,345 - \$97,932 | 72 | 50 | 60 | 12 | 0 | 9 | 9 | 2 | 2 |
| > \$97,932 (non SES) | 51 | 32 | 49 | 2 | 0 | 4 | 2 | 1 | 1 |
| > \$97,932 (SES) | 13 | 0 | 13 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 4,615 | 3,192 | 4,133 | 482 | 26 | 746 | 822 | 118 | 118 |

FTE (includes all full time equivalent workforce at 30 June 2006 - includes paid ordinary hours and overtime)

29 EQUAL EMPLOYMENT OPPORTUNITY (cont.)

| LEVEL | TOTAL STAFF (Number) | Respondents | Men | Women | Aboriginal People & Torres Strait Islanders | People from Racial, Ethnic, Ethno- Religious Minority Groups | People Whose Language First Spoken as a Child was not English | People with a Disability | People with a Disability Requiring Work-related Adjustment |
|-------------------------|----------------------------|-------------|------------|------------|---|---|--|--------------------------------|--|
| < \$32,606 | 24 | 100% | 92% | 8% | 4.2% | 4% | | 8% | 8.3% |
| \$32,606 - \$42,824 | 3,617 | 73% | 91% | 9% | 0.8% | 24% | 27% | 4% | 3.6% |
| \$42,825 - \$47,876 | 156 | 59% | 71% | 29% | | 22% | 24% | 3% | 3.3% |
| \$47,877 - \$60,583 | 563 | 51% | 89% | 11% | 1.1% | 23% | 25% | 4% | 3.5% |
| \$60,584 - \$78,344 | 119 | 59% | 73% | 27% | 1.4% | 26% | 17% | 9% | 8.6% |
| \$78,345 - \$97,932 | 72 | 69% | 83% | 17% | | 18% | 18% | 4% | 4.0% |
| > \$97,932 (non SES) | 51 | 63% | 96% | 4% | | 13% | 6% | 3% | 3.1% |
| > \$97,932 (SES) | 13 | | 100% | | | | | | |
| TOTAL | 4,615 | 69% | 90% | 10% | 0.8% | 23% | 26% | 4% | 3.7% |

Subgroup as Estimated Percent of Total Staff at each Level

FTE (includes all full time equivalent workforce at June 2006 -paid ordinary hours and overtime)

30 ACTION PLAN FOR WOMEN INITIATIVES

See report on Action Plan for Women Initiatives on page 26 of this Report.

- During the reporting year the Chief Executive Officer's Equity and Diversity Steering Committee was established to set the strategic direction for the Equity and Diversity Program within State Transit. **(Leadership)**

31 ETHNIC AFFAIRS PRIORITIES STATEMENT AND AGREEMENTS

Planning And Evaluation

- The Corporate Plan is now based on 4 key areas; Safety, Customer Service, People and Competitive Business. The EAPS strategies have been integrated in the People and Customer Service areas of the Corporate Plan with the key aim of developing equitable, inclusive and high performance services for all passengers and a service culture which is trained, resourced and managed to achieve this target. **(Leadership)**
- The People Committee, one of the main sub-committees of the Direct Reports Committee comprising the Executive management team of the organisation leads, monitors and ensures the development and implementation of State Transit's Ethnic Affairs Priority Statement strategies. **(Leadership)**

Program And Service Delivery

- State Transit engages in consultation with ethnic communities regarding the introduction of new or changed bus services. The consultation has consisted of community consultation with the use of interpreters as required. Brochures are also produced in the local ethnic languages of the areas where the service changes are to be implemented. Some of the languages included are Chinese, Italian, Assyrian and Armenian. **(Access and Equity)**

Staffing

- State Transit is a Registered Training Organisation. Since the implementation of the Traineeship program in 2002, all new Bus Operators have been trained up to Competency Certificate Level III in Transport and Distribution (Road Transport). There are a couple of modules in this program which incorporate dealing with customers from a culturally diverse background. These modules include the following:

- Working effectively with others – forms of communication
 - Working in a socially diverse environment
- All Bus Operators appointed under the traineeship have been trained in these modules. **(Harmony)**
6. A new training program, Bus Driver Skills Maintenance Program, for all current Bus Operators began during 2005/06 to ensure that State Transit's customer service standards are consistently met for all the passengers. Under the new program, all Bus Operators (around 3,200 drivers) are provided with refresher training on service requirements for customers of culturally diverse backgrounds. **(Harmony)**
 7. A significant proportion (26%) of State Transit employees come from a Non English Speaking Background. State Transit's Learning and Development Unit has two programs for Workplace English Language and Literacy with funding from DEST (Commonwealth). A Learning and Language co-ordinator in the Unit is employed to support learning in a diverse workplace. Bus Operator Trainers, Bus Operator Trainees, Customer Service Coordinators and Maintenance staff with identified language and literacy deficiencies were assessed under this program in 2005/06 and sent to Petersham TAFE for training in these areas. **(Access and Equity)**
 8. Because of the culturally and linguistically diverse background of the staff, the Learning and Development Unit has all training documents and guides written in "Plain English". This service is provided by Petersham TAFE and paid for by State Transit. **(Access and Equity)**

Communications

9. The Transport Infoline website, www.131500.com.au, funded by State Transit, RailCorp and the MOT, has an introductory section translated into 6 major languages. These are Arabic, Chinese, Japanese, Korean, Spanish and Vietnamese. The TripPlanner on this website gives an explanation of the facility in different languages but provides the trip planner in English only. **(Access and Equity)**

Funded Services

10. The company which runs the "Your Say Line" 131 500 service for customers with comments, complaints and compliments which is contracted out by State Transit, has many staff who speak another language, including many of the Asian languages and Spanish, to assist customers who are unable to discuss their issues or concerns in English. **(Access and Equity)**
11. State Transit is a client of the Department of Immigration and Multicultural and Indigenous Affairs – a translating and interpreting service. The professional Interpretive services can call 131 500 and have a three-way conversation with a Call center agent, the caller and the interpreter. Interpreter service calls can be taken through them and this service is paid for by State Transit. **(Access and Equity)**
12. In 2006, interpreter services for the 'Your Say Line' will be available through the above arrangement in the following languages: Arabic, Bosnian, Chinese, Croatian, French, German, Greek, Italian, Japanese, Korean, Macedonian, Polish, Russian, Serbian, Spanish, Turkish and Vietnamese. **(Access and Equity)**

32 EEO TARGET GROUPS

The number of employees falling within Equal Employment Opportunity reporting categories are:

| EEO Target Group | % of Total Staff ¹ | | | | |
|---|-------------------------------|---------------|---------------|------|------|
| | Benchmark or Target | 2003 | 2004 | 2005 | 2006 |
| Women | 50% | 11% | 11% | 10% | 10% |
| Aboriginal people and Torres Strait Islanders | 2% | 0.8% | 1% | 0.9% | 0.8% |
| People whose first language was not English | 20% | 27% | 26% | 27% | 26% |
| People with a Disability | 12% | 4% | 4% | 4% | 4% |
| People with a Disability Requiring Work-related Adjustment. | 7% | Not Available | Not Available | 4% | 3.7% |

| EEO Target Group | June 2004 No. | June 2004 % staff | June 2005 No. | June 2005 % staff | June 2006 No. | June 2006 % staff |
|---|---------------|-------------------|---------------|-------------------|---------------|-------------------|
| Women | 524 | 11 | 538 | 11 | 482 | 10 |
| Aboriginal People & Torres Strait Islanders | 28 | 0.8 | 30 | 1.0 | 26 | 0.8 |
| People whose first language was not English | 833 | 27 | 842 | 26 | 822 | 26 |
| People with a Disability | 124 | 4 | 128 | 4 | 118 | 4 |

1 Excludes Casual Staff

33 OCCUPATIONAL HEALTH, SAFETY AND REHABILITATION

As reported elsewhere in this report, Lost Time Injury Frequency Rates reduced significantly as a consequence of a range of initiatives taken to improve safety performance.

The Chief Executive accompanied by the General Manager, Safety and Standards continued a program of attending OH&S committees.

The Workers Compensation Rehabilitation and Injury Management function continued to perform effectively delivering savings in workers compensation costs during the reporting period.

34 CODE OF CONDUCT AND PROTECTED DISCLOSURES

The Code of Conduct is printed in the Employee Folder which is a controlled document issued to all State Transit employees. The Handbook is an authoritative source document relied on by both management and employees alike.

The Code of Conduct sets the standard of behaviour expected from employees.

The review of the discipline policy referred to in the previous report proved more labor intensive than originally expected, and continued during the reporting period.

Protected Disclosures

The subject matter of any allegation made as a protected disclosure is reported to the Audit Committee.

The Protected Disclosure Reporting system is working effectively and training of senior staff has been completed.

The Protected Disclosure Reporting System procedures are included in the Employee Handbook. This is designed to ensure all staff are aware of the standards required in order to maintain a fraud and corruption free work environment and how they will be protected when reporting known or suspected corrupt behaviour.

Ethics

The focus of ensuring high ethical standards continued during the reporting period supported in particular by training on protected disclosures and publication of items in Transit Times focusing on ethical behavior.

35 PRIVACY MANAGEMENT

In accordance with the Privacy and Personal Information Protection Act 1998, State Transit has implemented a Privacy Management Plan.

A copy of the Privacy Management Plan has been lodged with the Privacy Commissioner.

The Plan requires employees to keep personal information secure and ensures that the information is only used for the purposes for which it is collected.

In accordance with the plan State Transit informs all individuals at the time of collecting personal information what the information is to be used for and to whom the personal information will pass.

State Transit will continue to maintain and improve its current collection and storage of personal information to ensure it continues to satisfy the guidelines provided in the Act.

36 CES/SES BANDS

| Band | Number June 2006 |
|--------------|------------------|
| Level 7 | 1 |
| Level 5 | 1 |
| Level 4 | 7 |
| Level 3 | 2 |
| Level 2 | 2 |
| Total | 13 |

37 SENIOR EXECUTIVES' QUALIFICATIONS

Senior Executives At 30 June 2006

| Name | Position | Qualification |
|----------------|--|--------------------------------------|
| David Callahan | General Manager, Northern Region | MBA, BA, DAIC, CTM* |
| Darren Carey | General Manager, Western Region | Dip Frontline Mgmt, CTM |
| Paul Dunn | Gen. Manager, Finance & Corp Services | MBA, BComm, ACA |
| Bruce Eldridge | Director Service Implementation | MTM, CTM |
| Terry Garrett | General Manager Newcastle | CTM |
| Brian Hartmann | General Manager Human Resources | MComm, Grad Dip ER, BA, Dip Teaching |
| John Lee | Chief Executive | BEd |
| Lindsay Lee | Manager Corporate Governance | BA (Hons) |
| Terry Poynton | General Manager Safety & Standards | MSc, MCommLaw, B Aero Eng |
| Peter Rowley | General Manager Eastern Region | MTM, CTM |
| Jamie Sinclair | General Manager Southern Region | Advanced Mgmt Cert, CTM |
| Roger Wilson | Gen. Manager Planning & Communications | MEngSc, BEng, CTM, MIE Aust |

* to complete in 2006

38 SES PERFORMANCE REVIEW AND REMUNERATION

JOHN LEE, CHIEF EXECUTIVE SES LEVEL 7

Period in position

CEO From February 2006

ROGER WILSON, ACTING CHIEF EXECUTIVE SES LEVEL 7

Period in position

1 July 2005 – 10 February 2006

Responsibilities

The Chief Executive is responsible for delivering State Transit's objectives: efficient, safe and reliable bus and ferry services; sound financial performance; social responsibility; contributions to ecologically sustainable development and regional development. The Chief Executive is responsible for developing and implementing State Transit's strategies as detailed in its Corporate Plan to meet these objectives.

Mr Lee and Mr Wilson managed State Transit effectively in 2005/06 and maintained Sydney and Newcastle Buses' reputation as a reliable public transport provider:

- On-time running has consistently been 95% or better and reliability well over 99%.
- Significant improvements in mechanical reliability.

Key achievements for 2005/06 include:

- The negotiation and signing of the four Metropolitan Bus System Contracts for Sydney Buses.
- The negotiation and signing of the Outer Metropolitan Bus System Contract for Newcastle Buses.
- The stepping up of security in the post-9/11 environment and following the London terrorist bombings.
- Significant patronage growth of 19% by Western Sydney Buses on the Liverpool Parramatta Transitway.
- Introduced 77 low floor fully wheelchair accessible diesel Euro 3 powered buses.

38 SES PERFORMANCE REVIEW AND REMUNERATION (cont.)

- 163 bus routes now have timetabled wheelchair-accessible services and State Transit is well ahead of the timetable set for introduction of low floor buses.
- ISO 9001:2000 Quality certification maintained for State Transit's bus services.
- Award-winning training programs.
- Best-practice contracts and procurement systems.

The Board of State Transit and the Minister for Transport have indicated that they are satisfied that the performance targets specified in Mr Lee's and Mr Wilson's performance contracts have been achieved and exceeded.

SES REMUNERATION

State Transit had three executives in the report period whose remuneration equals or exceeds the minimum for a Level 5 Senior Executive Service:

- I. **Chief Executive: John Lee**
Total Remuneration Package: \$321,624
Performance Payment 2005/2006:
State Transit policy specifies that no performance payments are made.
- II. **Acting Chief Executive: Roger Wilson**
Total Remuneration Package: \$245,182
Performance Payment 2005/2006:
State Transit policy specifies that no performance payments are made.
- III. **General Manager, Finance & Corporate Services: Paul Dunn**
Total Remuneration Package: \$213,200
Performance Payment 2005/2006:
State Transit policy specifies that no performance payments are made.

39 LIST OF PUBLICATIONS

In 2005/2006 State Transit produced and distributed:

- 2005/2006 Annual Report
- 2005/2006 Corporate Plan
- Bus Timetables (various)
- Various brochures and flyers, including for a number of tourist products, new and special tickets, service changes, safety material and guides to Sydney Harbour, Newcastle and ferries
- Transit Times (24 editions)

The above services are well utilised by our customers and on average, 190,000 customers visits per month are handled via the Internet. State Transit does business electronically wherever appropriate:

- 1) Tenders are advertised on our website together with full documentation, and disclosure of contracts awarded are posted on our website.
- 2) Electronic procurement processes with major suppliers are in place and being extended wherever suppliers have the capability to do business electronically.
- 3) Information Kiosks provide staff with payroll, leave and FAQ electronic self service facilities.

40 ANNUAL REPORT PUBLICATION DETAILS

The State Transit Annual Report was designed and produced in house. The Annual Report is designed as a website document (PDFs) able to be printed if required by individual users. Five hundred coloured copies were also produced at a cost of \$20.24 each.

41 ELECTRONIC SERVICE DELIVERY

The State Government made a commitment via the ESD program to ensure that NSW Government agencies have the systems to do business and provide customer-focused services electronically (eGovernment) by December 2001.

State Transit completed its objective of implementing the ESD program by December 2001. The key customer-focused services provided electronically via the Internet include:

- 1) Extensive information on our services and products, including the facility to print personalised timetables.
- 2) Sophisticated travel planning system.
- 3) Employment opportunities.
- 4) Information of the School Student Transport Scheme.
- 5) Performance Reports.
- 6) Annual reports and corporate plan.

42 KEY PERFORMANCE INDICATORS

In 2005/06 Dollars

Note: 2004/05 and 2005/06 figures have been prepared applying Australian Equivalents to International Reporting Standards (IFRS)

| | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 |
|-----------------------------------|-----------|-----------|-----------|-----------|-----------|
| Consolidated State Transit | | | | | |
| Total revenue ('000) | \$444,278 | \$479,700 | \$481,051 | \$501,827 | \$519,509 |
| Total expenses ('000) | \$468,092 | \$474,396 | \$459,181 | \$507,039 | \$472,359 |
| Patronage ('000) | 199,019 | 199,037 | 200,002 | 199,364 | 199,384 |
| Kilometres ('000) | 87,993 | 86,420 | 88,915 | 88,962 | 89,038 |
| Staff | 4,336 | 4,335 | 4,470 | 4,533 | 4,564 |
| Total revenue per passenger | \$2.23 | \$2.41 | \$2.41 | \$2.52 | \$2.61 |
| Total revenue per Km | \$5.05 | \$5.55 | \$5.41 | \$5.64 | \$5.83 |
| Passengers per vehicle Km | 2.3 | 2.3 | 2.3 | 2.2 | 2.2 |
| Cost per passenger | \$2.35 | \$2.38 | \$2.30 | \$2.54 | \$2.37 |
| Cost per vehicle Km | \$5.32 | \$5.49 | \$5.16 | \$5.70 | \$5.31 |
| Passengers per employee | 45,899 | 45,914 | 44,743 | 43,981 | 43,686 |
| Vehicle Km per employee | 20,294 | 19,935 | 19,891 | 19,625 | 19,509 |
| Fleet size - buses | 1,935 | 1,904 | 1,926 | 1,943 | 1,927 |
| Fleet size - ferries | 2 | 2 | 2 | 2 | 2 |
| Sydney Bus Services | | | | | |
| Total revenue ('000) | \$408,017 | \$439,946 | \$440,384 | \$454,588 | \$477,167 |
| Total expenses ('000) | \$419,085 | \$416,254 | \$407,757 | \$449,880 | \$418,560 |
| Patronage ('000) | 187,307 | 187,288 | 187,223 | 186,486 | 186,363 |
| Kilometres ('000) | 78,852 | 77,426 | 78,593 | 78,993 | 79,117 |
| Staff | 3,700 | 3,642 | 3,775 | 3,854 | 3,911 |
| Total revenue per passenger | \$2.18 | \$2.35 | \$2.35 | \$2.44 | \$2.56 |
| Total revenue per Km | \$5.17 | \$5.68 | \$5.60 | \$5.75 | \$6.03 |
| Passengers per vehicle Km | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 |
| Cost per passenger | \$2.24 | \$2.22 | \$2.18 | \$2.41 | \$2.25 |
| Cost per vehicle Km | \$5.31 | \$5.38 | \$5.19 | \$5.70 | \$5.29 |
| Passengers per employee | 50,624 | 51,424 | 49,595 | 48,393 | 47,651 |
| Vehicle Km per employee | 21,311 | 21,259 | 20,819 | 20,498 | 20,229 |
| Changeovers per 100,000 Kms | | | | | |
| - mechanical | 17.60 | 16.15 | 16.13 | 15.26 | 13.87 |
| - traffic | 4.64 | 4.41 | 4.53 | 3.98 | 3.58 |
| Average bus vehicle age | 11.7 | 12.2 | 13.0 | 12.8 | 12.7 |
| Bus service reliability (on time) | 96% | 96% | 96% | 95% | 95% |
| Fleet size - buses | 1,756 | 1,704 | 1,729 | 1,745 | 1,733 |

42 KEY PERFORMANCE INDICATORS

In 2005/06 Dollars

Note: 2004/05 and 2005/06 figures have been prepared applying Australian Equivalents to International Reporting Standards (IFRS)

| | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 |
|---|----------|----------|----------|----------|----------|
| Newcastle Bus & Ferry Services | | | | | |
| Total revenue ('000) | \$33,881 | \$34,054 | \$33,082 | \$33,303 | \$33,978 |
| Total expenses ('000) | \$41,369 | \$44,584 | \$43,975 | \$41,215 | \$40,567 |
| Patronage ('000) | 11,712 | 11,465 | 11,480 | 11,191 | 11,006 |
| Kilometres ('000) | 9,141 | 8,381 | 8,367 | 8,236 | 8,256 |
| Staff | 382 | 388 | 389 | 392 | 392 |
| Total revenue per passenger | \$2.89 | \$2.97 | \$2.88 | \$2.98 | \$3.09 |
| Total revenue per Km | \$3.71 | \$4.06 | \$3.95 | \$4.04 | \$4.12 |
| Passengers per vehicle Km | 1.3 | 1.4 | 1.4 | 1.4 | 1.3 |
| Cost per passenger | \$3.53 | \$3.89 | \$3.83 | \$3.68 | \$3.69 |
| Cost per vehicle Km | \$4.53 | \$5.32 | \$5.26 | \$5.00 | \$4.91 |
| Passengers per employee | 30,660 | 29,549 | 29,512 | 28,541 | 28,077 |
| Vehicle Km per employee | 23,929 | 21,601 | 21,509 | 21,005 | 21,061 |
| Changeovers per 100,000 Kms | | | | | |
| - mechanical | 11.79 | 10.33 | 10.95 | 12.26 | 9.22 |
| - traffic | 2.26 | 2.27 | 2.28 | 2.19 | 1.91 |
| Average bus vehicle age | 14.1 | 14.9 | 12.6 | 12.6 | 12.8 |
| Bus service reliability (on time) | 97% | 96% | 98% | 98% | 98% |
| Fleet size - buses | 179 | 183 | 180 | 181 | 177 |
| Fleet size - ferries | 2 | 2 | 2 | 2 | 2 |
| Western Sydney Buses | | | | | |
| Total revenue ('000) | | \$745 | \$3,135 | \$3,740 | \$4,161 |
| Total expenses ('000) | | \$3,078 | \$6,552 | \$6,420 | \$5,974 |
| Patronage ('000) | | 284 | 1,299 | 1,687 | 2,015 |
| Kilometres ('000) | | 613 | 1,955 | 1,733 | 1,665 |
| Staff | | 47 | 47 | 48 | 49 |
| Total revenue per passenger | | \$2.62 | \$2.41 | \$2.22 | \$2.07 |
| Total revenue per Km | | \$1.22 | \$1.60 | \$2.16 | \$2.50 |
| Passengers per vehicle Km | | 0.5 | 0.7 | 1.0 | 1.2 |
| Cost per passenger | | \$10.84 | \$5.04 | \$3.81 | \$2.96 |
| Cost per vehicle Km | | \$5.02 | \$3.35 | \$3.71 | \$3.59 |
| Passengers per employee | | 6,043 | 27,638 | 35,146 | 41,122 |
| Vehicle Km per employee | | 13,043 | 41,596 | 36,098 | 33,980 |
| Changeovers per 100,000 Kms | | | | | |
| - mechanical | | | 8.18 | 11.72 | 9.37 |
| - traffic | | | 6.14 | 5.37 | 2.22 |
| Average bus vehicle age | | 0.0 | 1.0 | 0.0 | 1.0 |
| Fleet size - buses | | 17 | 17 | 17 | 17 |

43 CONTACT DETAILS

HOURS OF SERVICE

8.30am to 5.00pm, Monday to Friday.

SYDNEY BUSES AND NEWCASTLE BUS & FERRY INFORMATION

131 500, 6.00am to 10.00pm daily.

HEAD OFFICE

Level 1, 219-241 Cleveland Street, Strawberry Hills NSW 2010.

Telephone: (02) 9245 5777

SYDNEY BUS DEPOTS

| | |
|--------------|----------------|
| Brookvale | (02) 9941 5816 |
| Burwood | (02) 9582 4444 |
| Kingsgrove | (02) 9582 3015 |
| Leichhardt | (02) 9582 5915 |
| Mona Vale | (02) 9997 1258 |
| North Sydney | (02) 9245 5260 |
| Port Botany | (02) 9582 7614 |
| Randwick | (02) 9298 6714 |
| Ryde | (02) 9941 6814 |
| Waverley | (02) 9298 6623 |
| Willoughby | (02) 9941 9214 |

WESTERN SYDNEY BUSES

Bonnyrigg Depot
(02) 9610 7724

NEWCASTLE BUSES

Belmont Depot
(02) 4945 0333

Hamilton Depot
(02) 4974 1600

NEWCASTLE FERRY SERVICES

(02) 4974 1160

WEBSITE ADDRESS

www.sta.nsw.gov.au
www.sydneybuses.nsw.gov.au
www.sydneybuses.info
www.newcastle.sta.nsw.gov.au

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