Performance Measures and Financial Statements

Statement of Certification

Key Performance Indicators

We hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Commissioner of Main Roads performance and fairly represent the performance of the Commissioner of Main Roads for the financial year ended 30 June 2013.

Financial Statements

The accompanying financial statements of the Commissioner of Main Roads have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2013 and the financial position as at 30 June 2013.

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

Peter Woronzow
CHIEF FINANCE OFFICER

15 August 2013

Steve Troughton
MANAGING DIRECTOR OF MAIN ROADS

15 August 2013

Reece Waldock
COMMISSIONER OF MAIN ROADS

15 August 2013

Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

COMMISSIONER OF MAIN ROADS

Report on the Financial Statements
I have audited the accounts and financial statements of the Commissioner of Main Roads.

The financial statements comprise the Statement of Financial Position as at 30 June 2013, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

Commissioner's Responsibility for the Financial Statements
The Commissioner is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Commissioner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Main Roads' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Commissioner, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Commissioner of Main Roads at 30 June 2013 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

7th Floor Albert Facey House 469 Wellington Street Perth MAIL TO: Perth BC PO Box 8489 Perth WA 6849 TEL: 08 6557 7500 FAX: 08 6557 7600

Report on Controls
I have audited the controls exercised by the Commissioner of Main Roads during the year ended 30 June 2013.

Controls exercised by the Commissioner of Main Roads are those policies and procedures established by the Commissioner to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

Commissioner's Responsibility for Controls
The Commissioner is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

Auditor's Responsibility
As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Commissioner of Main Roads based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that Main Roads complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

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

Opinion
In my opinion, the controls exercised by the Commissioner of Main Roads are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2013.

Report on the Key Performance Indicators
I have audited the key performance indicators of the Commissioner of Main Roads for the year ended 30 June 2013.

The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide information on outcome achievement and service provision.

Commissioner's Responsibility for the Key Performance Indicators
The Commissioner is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such controls as the Commissioner determines necessary to ensure that the key performance indicators fairly represent indicated performance.

Auditor's Responsibility
As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Commissioner's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.

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

Basis for Qualified Opinion
As a result of the expiry of the Traffic Control Infrastructure Contract and transition to a new delivery arrangement during the financial year impacting on the reliability of data, the Commissioner of Main Roads has elected to not report the actual results for 2012-13 for the following key effectiveness performance indicators; availability of traffic signals, road lighting and emergency phones.

As a consequence the Commissioner has not complied with the requirement to report actual results for all key performance indicators approved by the Under Treasurer.

Qualified Opinion
In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the key performance indicators of the Commissioner of Main Roads are relevant and appropriate to assist users to assess Main Roads' performance and fairly represent indicated performance for the year ended 30 June 2013.

Independence
In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing and Assurance Standards, and other relevant ethical requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators
This auditor's report relates to the financial statements and key performance indicators of the Commissioner of Main Roads for the year ended 30 June 2013 included on Main Roads' website. Main Roads' management is responsible for the integrity of Main Roads' website. This audit does not provide assurance on the integrity of Main Roads' website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.

COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
19 August 2013

Key Performance Measures

Introduction

Main Roads uses performance measurement to gain insight into, and make judgements about, the effectiveness and efficiency of its programs, processes and people. We measure our progress in meeting strategic goals and outcomes, gather and analyse performance data and then use that data to drive improvements and successfully measure the deployment of actions into outcomes.

Our performance measures support managerial decision making by providing useful information regarding how efficient and effective our core processes are, if improvements are necessary, to identify potential risk areas, determine if our customers and stakeholders are satisfied and if we are meeting our own and the Government's goals.

We have a well-established outcome based performance measurement framework that seeks to measure the organisation's success in terms of delivering on agreed Government goals and outcomes. Our performance measures are integrated within the monthly performance evaluation process undertaken by the Corporate Executive Leadership team.

Alignment with Government Goals

The Western Australian Government has identified the following goals that Main Roads will contribute to in delivering its stated goals. We achieve the delivery of the Government goals through an outcome based Program Management approach. There are seven programs that drive outcome based decision making to achieve agreed business outcomes. The following table shows the alignment of each Program against the Government's goals.

Main Roads		Government
Program	**Outcome**	**Goal**
Road Safety	A safe road environment	Outcome Based Service Delivery
Office of Road Safety	Improved coordination and community awareness of road safety	
Road Management	Reliable and efficient movement of people and goods	
Road Efficiency		
State Development	Facilitate economic and regional development	State Building – Major Projects
Maintenance	A well maintained road network	Stronger focus on the Regions
Community Access	Improved community access and roadside amenity	Social and Environmental Responsibility

Great Northern Highway

Changes since the last report

During the year Main Roads carried out a minor review of its measures seeking to adopt a number of recommendations identified in the Auditor General's report to Parliament "Beyond Compliance: reporting and Managing KPIs in the Public Sector" and to formalise a number of other amendments including minor changes to improve methodology and moving reporting of the Smooth Travel exposure form annual to biennial. These changes have been reported in the commentary accompanying as they have been adopted. The Deputy Under Treasurer formally approved these various minor amendments in January 2013.

Understanding Community Perception Measures

Four of the measures are derived from an annual Community Perceptions Survey that seeks to reflect the satisfaction levels of customers in both metropolitan and rural areas of the State. These results are used to ensure that Main Roads' projects and customer service initiatives are targeted at the areas of greatest need.

Through the use of an external research company, the data was collected by way of telephone interview using a developed structured questionnaire. The results are based upon a random sample of 1 101 people (201 persons in the Metropolitan area and 900 persons in rural areas – 100 from each Main Roads Region). When extending these results to estimate the percentage of satisfied Western Australians, the margin of error is approximately 2.9% at the 95% confidence level and is also weighted to reflect the actual population distribution based on ABS statistics.

Please note that the structure of the survey questionnaire has changed in 2011-12 however, the questions used to derive the results for this indicator remain unchanged. As such comparability with prior year results is not affected.

The four measures are Community Satisfaction with Main Roads, road safety, maintenance and provision of cycleway and pedestrian facilities.

Understanding On Time and On Cost Measures

The delivery of infrastructure in a State that is as climatically and geologically diverse as Western Australia provides many challenges. Ten of our efficiency measures are based on reporting against the delivery of our contracts in terms of time and cost. To recognise the complexity in achieving this, and consistent with approaches taken in other road agencies, all reporting against these measures includes a 10% margin when calculating the final outcome.

Structure

The following provides a summary of Main Roads' program outcomes and measures for each indicator showing the trend over time as well as providing a status report as to how the results for 2012-13 compared against the targets agreed with Government. The remainder of this chapter provides commentary on the efficiency and effectiveness indicators grouped around the seven outcome based programs.

Summary of Key Performance Measures and Outcomes

			2010	2011	2012	2013 Target	2013 Actual	Ref
Road Safety Program								
% Community Satisfaction of road safety			96	95	92	90	94	112
Black Spot location indicator			11.7	11.2	10.7	11	10.3	112
% of contracts completed on time			59	61	67	90	70	113
% of contracts completed on budget			95	88	95	90	95	113
Office of Road Safety Program								
% Effectiveness of road safety awareness campaigns			84	79	60	>50	83	113
% of ORS Projects completed on time			78	90	87	90	78	113
% of ORS Projects completed on budget			82	88	97	90	100	113
Road Efficiency and Road System Management Programs								
% Community Satisfaction			97	97	95	90	94	114
Road network permitted for use by heavy vehicles	B Double – 27.5m %		99	96	96	96	97	114
	Double RT – 27.5m %		98	96	96	96	97	114
	Double RT – 36.5m %		79	78	78	78	79	114
	Triple RT – 53.5m %		44	44	44	44	44	114
% Network configuration	Roads		89	89	89	90	89	114
	Bridges	Strength	n/a	n/a	87	87	88	114
		Width	94	94	95	94	95	114
% of contracts completed on time			44	57	55	90	86	115
% of contracts completed on budget			89	86	82	90	100	115
Average $ cost of network management per million vehicle km travelled			4,300	3,840	3,853	3,743	4,535	115
State Development Program								
Average return on construction expenditure			2.0	2.7	2.1	2.5	3.1	115
% of contracts completed on time			40	71	33	90	100	115
% of contracts completed on budget			100	100	100	90	100	115
Road Maintenance Program								
% Smooth Travel Exposure			98	98	n/a	97	97	115
% Community Satisfaction road maintenance			93	94	90	90	84	116
% Preventative maintenance indicator			87	88	86	85	87	116
% availability of traffic signals, road lighting and emergency phones	Traffic Signals		99.1	99.1	99.4	99	n/a	116
	Road Lighting		99.4	97.4	96.1	99	n/a	116
	Emergency phones		99.9	99.9	99.9	99	n/a	116
Average $ cost of network maintenance per lane kilometre of road network			6,183	6,083	7,939	7,400	7,926	116
Community Access Program								
% of the year that 100% of the Main Roads' State road network is available			96	85	90	70	94	116-117
% Community satisfaction with cycleways and pedestrian facilities			90	90	76	90	83	117
% of contracts completed on time			86	50	80	90	80	117
% of contracts completed on budget			71	100	100	90	80	117

Great Eastern Highway Widening

Road Safety

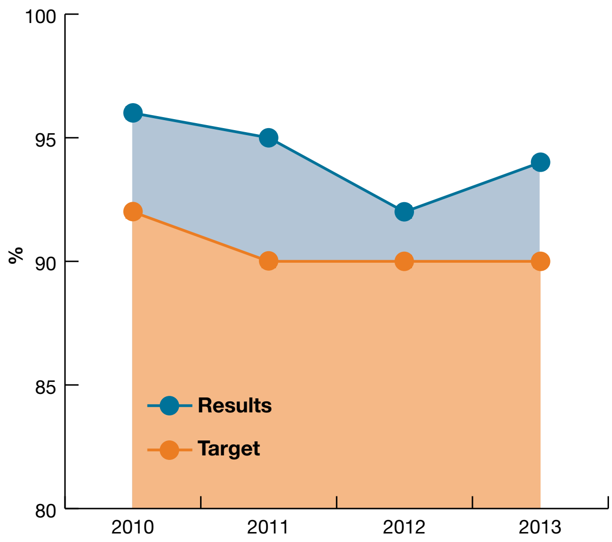
Outcome: Providing a Safe Road Environment

This program seeks to reduce the State's road fatality rate to the lowest in Australia by minimising road factors contributing to road trauma and reducing the serious crash injury rate. We demonstrate this through the following measures:

Effectiveness Indictors

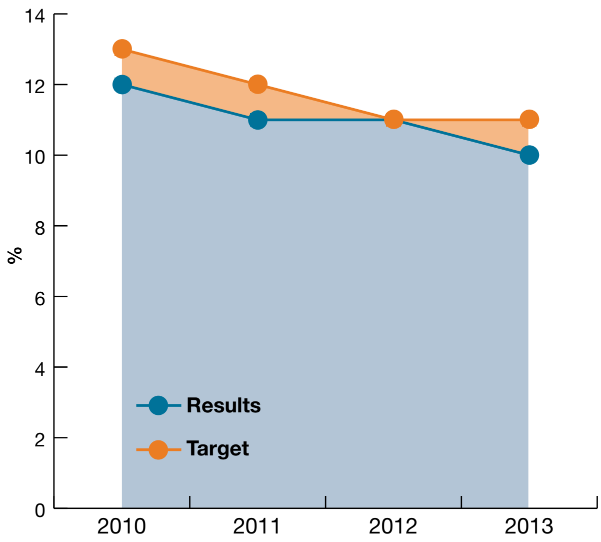
Community Satisfaction with Road Safety

This indicator represents how satisfied the community is with Main Roads' overall performance in the area of road safety. The survey results show that Main Roads' high performance on road safety remains strong rising a further two points since last year to achieve 94% of survey participants rating it as okay or better exceeding the target of 90%.



Black Spot Location Indicator

The indicator gives a measure of the number of locations on the road network that meet State Black Spot criteria based on an analysis of crash history. The measure uses a sliding window to determine whether the number of locations eligible for funding is increasing or decreasing, taking into account the amount of travel in the State and the annual Black Spot funding used to treat those locations. Last year the results for the period 2008 to 2011 were recast to incorporate new information made available by the Australian Bureau of Statistics that amends the vehicle kilometres travelled input. Including this revised information ensures that the results over time remain accurate and comparable. The four year trend continues to shows a gradual decline in the number of eligible black spot locations with the current result being the lowest recorded since the implementation of the Black Spot program in 2001, coming in below the estimated target.



Efficiency Indictors

Percentage of Contracts Completed on Time

This indicator represents the percentage of contracts that were delivered on time in the Road Safety Program. Whilst the target was established at 90%, 70% of contracts were delivered on time which is an improvement on the previous year. Of the contracts that were late 10 exceeded the target date by more than 10 days. The following is an explanation of the reasons in each case:

- Two contracts were delayed due to inclement weather combined with increases in scope delaying completion of works
- One due to inclement weather causing some rework
- One due to additional works being undertaken
- One due to delays in service relocations
- Five are currently works in progress arising from factors that include increase in scope of works, inclement weather, delays in procuring materials, service relocations and availability of a line marking contractor.

Percentage of Contracts Completed on Budget

This indicator represents the percentage of contracts delivered on budget in the Road Safety Program. The result of 95% reflects an improvement on the previous year. There were two contracts that exceeded their target value both due to additional works being taken.

Office of Road Safety

Outcome: Improved Coordination and Community Awareness of Road Safety

This program represents the outcomes sought from the Office of Road Safety and their role in supporting the Minister for Road Safety and the Road Safety Council in coordinating and raising community awareness of the road safety effort for Western Australia. We demonstrate this through the following measures:

Effectiveness Indictors

Effectiveness of Road Safety Awareness Campaigns

This indicator represents the portion of Western Australian drivers who remember seeing major road safety community education campaigns (valued at more than $500 000) conducted by the Office of Road Safety. The data is collected independently through a professional market research company by conducting campaign evaluation surveys of in excess of 400 responses before and after each major campaign, with a margin of error at plus or minus 5 per cent at the 95 per cent confidence level. This year the data is based on six major campaigns which averaged a penetration rate of 83% which exceeds the target of achieving an audience penetration rate of 50% or greater.

Efficiency Indictors

Percentage of Projects Completed on Time

This indicator represents the percentage of projects approved by the Road Safety Council and the Minister for Road Safety that were delivered on time by the Office of Road Safety, it excludes external bodies grant funded projects. The current year's result shows that 78% of all projects were delivered on time which is below the target of 90%, there was no single cause as to why four of the projects were delivered late. Reasons for the late delivery include impacts of caretaker mode during the election, drafting of legislation taking longer than anticipated, delays in evaluation and award of a tender for publishing crash statistics and reworking of a business case associated with the development of an enhanced road safety information system.

Percentage of Contracts Completed on Budget

This indicator represents the percentage of projects approved by the Road Safety Council and the Minister for Road Safety that were delivered on budget by the Office of Road Safety. The current year's result shows that 100% of all projects were delivered on cost ahead of the target of 90%.

Efficiency and Road System Management

Outcome: Safe and Efficient Movement of People and Goods

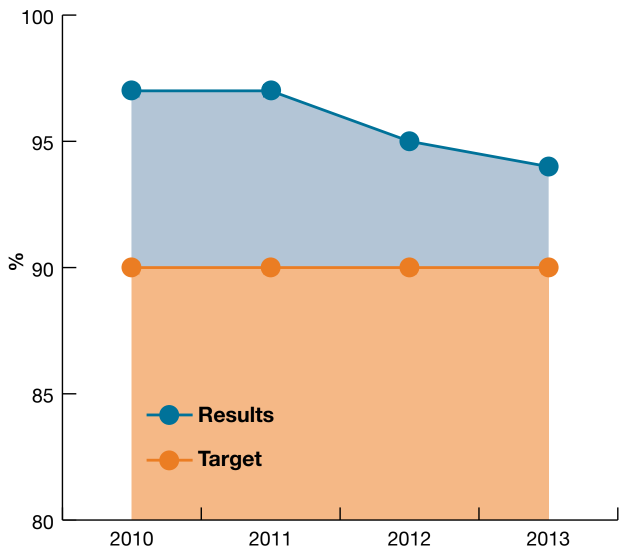
The Efficiency Program seeks to improve the efficiency, capacity and utilisation of the existing road network whilst the Road System Management Program seeks to optimise real-time management of the network, provide traveller information, asset management planning and to support service delivery throughout the organisation. Together these programs contribute to achieving the outcome.

We demonstrate this through the following measures:

Effectiveness Indictors

Community Satisfaction

The Community Satisfaction Indicator represents how satisfied the community is with Main Roads' overall performance in the management and operation of the State road network. The results are drawn from the Community Perception Survey where respondents were asked to rate Main Roads' overall performance on a five-point scale, 94% of respondents rate Main Roads' performance as okay or better. The overall trend remains positive with very strong results over the past four years exceeding the established target.



Road Network Permitted for use by Heavy Freight Vehicles

This indicator relates to the efficient movement of goods within Western Australia and the percentage of available State roads accessed by B-Doubles, Double road trains and Triple road trains. The use of larger vehicles with greater payloads can increase the overall efficiency of freight transport operations, resulting in lower transport costs. However, to maintain road safety and guard against infrastructure damage, restrictions are placed on some trucks. Because of the relatively high efficiency of these vehicles, the proportion of roads accessible to them is an important factor in the overall efficiency of freight transport in this State. Over the past four years the trend has remained relatively consistent with most minor fluctuations in results attributed to changes in ownership of roads between State and Local Government and very minor variations with access categorisation.

Network Configuration-Roads

This indicator shows the percentage of travel undertaken on roads meeting specific criteria for seal width, carriageway width and curve rating. The indicator gives a measure of the ability of Main Roads to plan for and maintain roads to desirable standards. In 2013, 89.4% of travel was undertaken on roads meeting the seal width, carriageway width and curve rating criteria which was very close to the target of 90%. The results over the four-year period are relatively consistent and demonstrate that Main Roads continues to plan and program works to address roads that are below the criteria.

Network Configuration – Bridges

Similar to the roads measure, bridges are assessed for strength and width using agreed investigatory criteria. The monitoring of bridge strength and width needs to ensure a safe and efficient road network relating to improved access and transport efficiencies. These measures are indicators for the number of bridges that meet, or are above, the investigatory criteria, recorded as a percentage of the total number of bridges on main roads and highways. Therefore, the percentage of bridges meeting these network configuration criteria should continue to rise but only slightly in future years. All bridges that do not meet the investigatory criteria for strength or width are considered in assessing, scoping and prioritising works, as part of the ten year bridge strategy.

Strength – The results of this indicator show that 88% of the bridges meet the agreed criteria for strength against a target of 87%. It should be noted that this year's results reflects the adoption of an approach that compares the strength rating of a bridge based on its strategic role within the road network and its ability to meet that role. This new approach ensures that the information we are reporting against is representative of the actual vehicles requesting access to the bridge and therefore better reflects the use of the asset. It is not possible to report results prior to 2011-12.

Width – In relation to width 95% of bridges meet the criteria against a target of 94% which is consistent with previous years.

Efficiency Indictors

Percentage of Contracts Completed on Time

This indicator represents the percentage of contracts that were delivered on time in the Road Efficiency Program. Whilst the target was established at 90%, 86% of contracts were delivered on time which is a significant improvement on last year. Of the three contracts that were late only one exceeded the target date by more than 10 days. In that instance the scope of works was increased to include an additional pedestrian bridge.

Percentage of Contracts Completed on Budget

This indicator represents the percentage of contracts delivered on budget in the Road Efficiency Program. The result achieved was 100% of contracts being delivered on budget.

Average Cost of Network Management

This indicator measures the financial efficiency of the Road System Management program in terms of cost per million vehicle kilometres travelled to manage the road system. In order to compare current figures with previous years all figures have been adjusted and reported in terms of current year's dollars. The overall four year trend is inconsistent as this program includes occasional one-off development costs that can affect the overall results. In respect of the current year the result of $4,535 per million vehicle kilometres travelled (mvkt) exceeds the target. The target was established using an estimate of mvkt, now that the actual figures are available it is apparent that the estimate used to establish the target was overstated.

State Development

Outcome: Facilitating Economic and Regional Development

This program expands the road network in accordance with State and Commonwealth transport and land use strategies that will facilitate the economic and regional development of the State. We demonstrate this through the following measures:

Effectiveness Indictors

Return on Construction Expenditure

New road and bridge construction networks add to the capacity of the road network. Return on Construction Expenditure is based on Benefit Cost Ratio (BCR) estimates of a set of projects undertaken each year. It indicates the extent to which road and bridge construction expenditure will deliver future economic benefits to the community. This indicator represents the expenditure weighted BCR for the State Development Program and Road Efficiency program for which a BCR has been calculated. The result of 3.1 exceeds the target of 2.5.

Efficiency Indictors

Percentage of Contracts Completed on Time

This indicator represents the percentage of contracts that were delivered on time in the State Development Program. The result achieved was 100% of contracts being delivered on time which is an improvement on last years result.

Percentage of Contracts Completed on Budget

This indicator represents the percentage of contracts delivered on budget against a target of 90% in the State Development Program. The result achieved was 100% of contracts being delivered on budget which is consistent with last year's result.

Road Maintenance

Outcome: Providing a Well Maintained Road Network

This program seeks to maintain the existing road and bridge network by maximising asset life and minimising whole of life costs. We demonstrate this through the following measures:

Effectiveness Indictors

Smooth Travel Exposure

This indicator is based on the percentage of travel undertaken on the State road network meeting specific roughness criteria. In 2011 the decision was made to only capture the information used in reporting this data on a biennial basis meaning that this is the first results since the 2010-11 financial year. The result of 97% is consistent with previous years and reflects that the majority of all travel is undertaken on roads that meet the roughness standard.

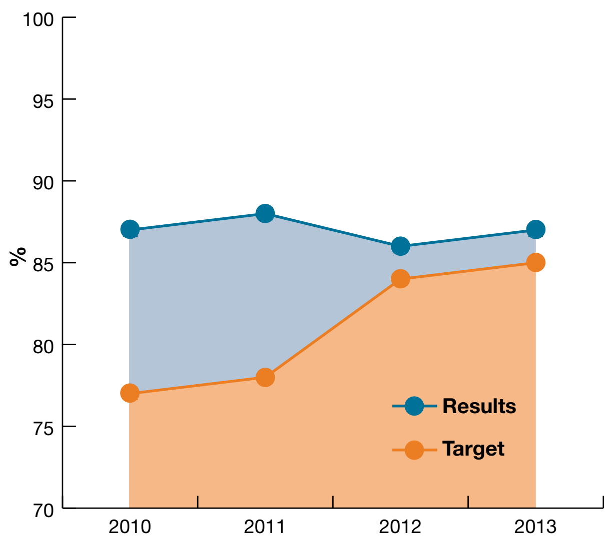
Efficiency Indictors

Community Satisfaction of Road Maintenance

The Community Satisfaction of road maintenance indicator represents how satisfied the community is with Main Roads in the maintenance of the State road network. The results are drawn from the Community Perception Survey. Overall community satisfaction with road maintenance has declined to 84% over the last year against a target of 90%. The survey showed that people in Perth are happier with the maintenance of road surfaces, compared to those in the Gascoyne, Wheatbelt North, Wheatbelt South and Goldfields-Esperance Regions. Responses indicate that one of the primary areas of concern is in relation to "loose gravel and rough surfaces".

Preventative Maintenance Indicator

The Preventative Maintenance Indicator provides a measure of the proportion of sealed state road network which has a surfacing age younger than its optimal target age. The indicator provides a measure of proactive maintenance undertaken on the network on an annual basis. Sections of the network with a surfacing age younger than target age are classified as 'Good'. In 2013, the proportion of the network with a surfacing age considered 'Good' is 86.7% which is above the target value of 85%. It should be noted that as a result of additional data being available for previous years the results for 2011 and 2012 are slightly higher than reported previously. Overall the results for the four-year period remain consistent.



Availability of Traffic Signals, Road Lighting and Emergency Telephones

Since 2008 Main Roads has been measuring the availability of traffic signals, road lighting and emergency telephones throughout the road network as a percentage of time the assets are fully operational. The measures were reportable outcomes sought under the Traffic Control Infrastructure Contract or TCIC. In March of this year the TCIC expired and services were subsumed within Main Roads Integrated Service Arrangements. Data validity issues arose during this change in process and as a consequence Main Roads will not be reporting on these indicators as part of the annual performance measures.

Average Cost of Network Maintenance per Lane Kilometre of Road Network

This indicator identifies the financial efficiency of road and roadside maintenance works by showing the cost per lane kilometre to maintain acceptable travel conditions on the State roads. In determining the cost basis expenditure on structures and infrastructure depreciation has been excluded. In order to compare current figures with previous years all figures have been adjusted and reported in terms of current year's dollars which can influence the trend result. The overall trend for this measure remains inconsistent with the current result indicating that the measure came in above target by $526. The reason for this is largely as a result of excessive unforseen expenditure arising from declared Natural Disasters.

Community Access

Outcome: Improving Community Access and Roadside Amenity

This program seeks to provide infrastructure that will increase personal mobility and community access. We demonstrate this through the following measures:

Effectiveness Indictors

Unplanned Road Closure on the State Road Network

Generally 100% of Main Roads Road network is available to all road users; however, there are unplanned road closures due to a number of reasons including flooding, cyclones, major bushfires and major road accidents, which may vary in duration.


Perth Arena, Wellington Street

The availability of the sealed road network is measured as a percentage of calendar days that the whole network is available to the road user. Closure is determined by measuring the number of whole days (24 hours commencing from the time the road is closed) that any section of the sealed road network is closed. This year the road network was available 94% of the year which exceeds the 70% target. All closures were due to flooding and rainfall events including Tropical Cyclone Rusty.

Community Satisfaction with Cycleways and Pedestrian Facilities

This indicator represents how satisfied the community is with Main Roads' performance in the construction, maintenance and management of cycleways and pedestrian facilities. The results are drawn from the Community Perception Survey. The overall result shows that community satisfaction regarding provision of cycleway and pedestrian facilities has increased since last year rising 7 points to 83% against the target of 90%.

Efficiency Indictors

Percentage of Contracts Completed on Time

This indicator represents the percentage of contracts that were delivered on time in the Community Access Program. Whilst the target was established at 90%, 80% of contracts were delivered on time. Only one contract was late which was due to technical issues arising from applying coloured road surfacing to the project.

Percentage of Contracts Completed on Budget

This indicator represents the percentage of contracts delivered on budget against a target of 90%. The result of 80% reflects increased costs arising from service relocation and design changes to address additional drainage requirements.

Financial Statements and Notes

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2013

	Note	2013 $000	2012 $000
COST OF SERVICES			
Expenses			
Employee benefits expense	6	64,335	69,063
Supplies and services	7	473,546	453,659
Depreciation expense of infrastructure assets	8	247,437	218,492
Depreciation and amortisation expense of other assets	9	4,788	6,031
Finance costs	10	900	1,333
Grants and subsidies	11	222,850	177,311
Infrastructure assets retired/replaced	12	36,890	12,670
Total cost of services		1,050,746	938,559
Income			
Revenue			
Regulatory fines	13	84,725	57,887
Sale of goods and services	14	5,901	4,359
Commonwealth grants and contributions	15	351,494	441,161
Contributions to roadworks	16	95,014	18,499
Grants from other bodies	17	63,537	108,478
Interest revenue	18	2,498	1,748
Other revenue	19	13,028	29,592
Total revenue		616,197	661,724
Gains			
Gain on disposal of non-current assets	20	634	1,614
Total gains		634	1,614
Total income other than income from State Government		616,831	663,338
NET COST OF SERVICES		**433,915**	**275,221**
Income from State Government	21		
Service appropriations		712,979	671,974
Natural disaster funds		90,584	41,361
Services received free of charge		1,375	732
Royalties for Regions Fund		1,407	1,310
Total income from State Government		806,345	715,377
SURPLUS/(DEFICIT) FOR THE PERIOD		**372,430**	**440,156**
OTHER COMPREHENSIVE INCOME			
Items not reclassified subsequently to profit or loss			
Changes in asset revaluation surplus	35	(334,380)	(336,800)
Total other comprehensive income		(334,380)	(336,800)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**38,050**	**103,356**

See also note 49 'Schedule of Income and Expenses by Service'.

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

STATEMENT OF FINANCIAL POSITION
as at 30 June 2013

	Note	2013 $000	2012 $000
ASSETS			
Current Assets			
Cash and cash equivalents	36	196,112	384,713
Restricted cash and cash equivalents	22	66,497	45,017
Receivables	23	60,974	32,512
Amounts receivable for services	24	46,907	46,907
Inventories	25	4,027	31
Prepayments	26	15,847	18,646
Non-current assets classified as held for sale	27	5,346	4,906
Total Current Assets		395,710	532,732
Non-Current Assets			
Receivables	23	138	80
Amounts receivable for services	24	1,373,652	1,244,765
Inventories	25	1,360	1,495
Prepayments	26	1,200	949
Property, plant and equipment	28	482,091	509,163
Infrastructure	29	39,163,464	38,902,231
Intangible assets	30	16,376	9,754
Total Non-Current Assets		41,038,281	40,668,437
TOTAL ASSETS		**41,433,991**	**41,201,169**
LIABILITIES			
Current Liabilities			
Payables	32	232,142	215,153
Borrowings	33	5,000	5,000
Provisions	34	36,604	35,631
Total Current Liabilities		273,746	255,784
Non-Current Liabilities			
Borrowings	33	10,766	15,766
Provisions	34	4,218	3,630
Total Non-Current Liabilities		14,984	19,396
TOTAL LIABILITIES		**288,730**	**275,180**
NET ASSETS		**41,145,261**	**40,925,989**
EQUITY	35		
Contributed equity		3,303,418	3,122,196
Reserves		26,052,939	26,387,319
Accumulated surplus/(deficit)		11,788,904	11,416,474
TOTAL EQUITY		**41,145,261**	**40,925,989**

The Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2013

	Note	Contributed Equity $000	Reserves $000	Accumulated surplus/(deficit) $000	Total Equity $000
Balance at 1 July 2011	35	2,865,852	26,724,119	10,976,318	40,566,289
Changes in accounting policy or correction of prior period errors		–	–	–	–
Restated balance at 1 July 2011		2,865,852	26,724,119	10,976,318	40,566,289
– Surplus/(deficit)		–	–	440,156	440,156
– Other comprehensive income		–	(336,800)	–	(336,800)
Total comprehensive income for the period		–	(336,800)	440,156	103,356
Transactions with owners in their capacity as owners:					
– Capital appropriations		257,636	–	–	257,636
– Other contributions by owners		716	–	–	716
– Distributions to owners		(2,008)	–	–	(2,008)
Total		256,344	–	–	256,344
Balance at 30 June 2012		**3,122,196**	**26,387,319**	**11,416,474**	**40,925,989**
Balance at 1 July 2012		3,122,196	26,387,319	11,416,474	40,925,989
– Surplus/(deficit)		–	–	372,430	372,430
– Other comprehensive income		–	(334,380)	–	(334,380)
Total comprehensive income for the period		–	(334,380)	372,430	38,050
Transactions with owners in their capacity as owners:					
– Capital appropriations		200,348	–	–	200,348
– Other contributions by owners		13,114	–	–	13,114
– Distributions to owners		(32,240)	–	–	(32,240)
Total		181,222	–	–	181,222
Balance at 30 June 2013		**3,303,418**	**26,052,939**	**11,788,904**	**41,145,261**

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2013

	Note	2013 $000	2012 $000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriations		537,185	520,092
Capital appropriations		200,348	257,636
Holding account drawdowns		46,907	46,907
Natural disaster funding		90,584	41,361
Royalties for Regions Fund		10,562	1,310
Net cash provided by State Government		885,586	867,306
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(64,310)	(68,589)
Supplies and services		(472,803)	(451,348)
Grants and subsidies		(218,147)	(167,395)
GST payments on purchases		(128,888)	(102,015)
Finance costs		(1,008)	(1,411)
Receipts			
Sale of goods and services		74,967	20,767
Commonwealth grants and contributions		351,494	441,162
Regulatory fines		84,725	57,887
Interest received		2,288	1,700
GST receipts on sales		9,264	4,377
GST receipts from taxation authority		120,637	93,407
Other receipts		10,124	26,887
Rent received		3,884	3,473
Net cash provided by/(used in) operating activities	36	(227,773)	(141,098)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current physical assets		(22,167)	(11,307)
Purchase of infrastructure assets		(806,909)	(516,128)
Receipts			
Proceeds from sale of non-current physical assets		9,142	10,754
Net cash provided by/(used in) investing activities		(819,934)	(516,681)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments			
Repayment of borrowings		(5,000)	(5,000)
Net cash provided by/(used in) financing activities		(5,000)	(5,000)
Net increase/(decrease) in cash and cash equivalents		(167,121)	204,527
Cash and cash equivalents at the beginning of the period		429,730	225,203
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	36	**262,609**	**429,730**

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

1 Australian Accounting Standards

General

The Commissioner of Main Roads' (Main Roads) financial statements for the year ended 30 June 2013 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

Main Roads has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

Early adoption of standards

Main Roads cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by Main Roads for the annual reporting period ended 30 June 2013.

2 Summary of significant accounting policies

(a) General statement

Main Roads is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

The *Financial Management Act* and the Treasurer's Instructions impose legislative provisions that govern the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

(b) Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except for land, buildings and infrastructure which have been measured at fair value.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000).

Note 3 'Judgements made by management in applying accounting policies' discloses judgements that have been made in the process of applying the Main Roads' accounting policies resulting in the most significant effect on amounts recognised in the financial statements.

Note 4 'Key sources of estimation uncertainty' discloses key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(c) Reporting entity

The reporting entity comprises the Commissioner of Main Roads.

(d) Contributed equity

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed equity.

The transfers of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

(e) Income

Revenue recognition

Revenue is recognised and measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

Sale of goods

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership transfer to the purchaser and can be measured reliably.

Provision of services

Revenue is recognised by reference to the stage of completion of the transaction.

Interest

Revenue is recognised as the interest accrues.

Service appropriations

Service Appropriations are recognised as revenues at fair value in the period in which Main Roads gains control of the appropriated funds. Main Roads gains control of appropriated funds at the time those funds are deposited to the bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury.

Grants, donations, gifts and other non-reciprocal contributions

Revenue is recognised at fair value when Main Roads obtains control over the assets comprising the contributions, usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

<u>Gains</u>

Realised and unrealised gains are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and some revaluations of non-current assets.

(f) Borrowing costs

Borrowing costs for qualifying assets are capitalised net of any investment income earned on the unexpended portion of the borrowings. Other borrowing costs are expensed when incurred.

(g) Property, plant and equipment and infrastructure

<u>Capitalisation/expensing of assets</u>

Items of property, plant and equipment and infrastructure costing $5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment and infrastructure costing less than $5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

<u>Initial recognition and measurement</u>

Property, plant and equipment and infrastructure are initially recognised at cost.

For items of property, plant and equipment and infrastructure acquired at no cost or for nominal cost, the cost is the fair value at the date of acquisition.

<u>Subsequent measurement</u>

Subsequent to initial recognition as an asset, the revaluation model is used for the measurement of land, buildings and infrastructure and historical cost for all other property, plant and equipment. Land, buildings and infrastructure are carried at fair value less accumulated depreciation (buildings and infrastructure only) and accumulated impairment losses. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Where market-based evidence is available, the fair value of land and buildings is determined on the basis of current market buying values determined by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

Land and buildings are independently valued annually by the Western Australian Land Information Authority (Valuation Services) and recognised annually to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period.

Fair value of infrastructure, other than land under roads, has been determined by reference to the depreciated replacement cost (existing use basis) as the assets are specialised and no market-based evidence of value is available. The replacement cost is determined by Main Roads every three years by reference to the cost of a new asset and adjusted in the intervening years by reference to a cost index (ABS Road and Bridge Construction Cost Index or rates obtained by professional estimators specialising in road infrastructure works) to ensure asset values do not materially differ from fair value. The value of roads and principal shared paths (earthworks, drainage, pavements and seals), bridges and road furniture at 30 June 2013 is based on the current depreciated replacement cost determined at 30 June 2011 by Main Roads and a cost index (ABS Road and Bridge Construction Cost Index or rates obtained by professional estimators specialising in road infrastructure works) has been applied to ensure asset values do not materially differ from fair value.

When infrastructure is revalued, the accumulated depreciation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Work in Progress is recognised at cost.

The fair value of land under roads (i.e. land within road reserves) is based on the market value of the land adjoining the road reserve. The land values are provided by geographic location on an annual basis by the Western Australian Land Information Authority (Valuation Services) as follows:

- Metropolitan area – median value for single residential land for each Local Government Area. Land parcels up to 899 square metres are assumed to have a single residential zoning.
- South West Region – nominal unimproved valuation rates covering the south west of the State from Geraldton to Esperance.
- Balance of State – nominal unimproved valuation rates based on leasehold rates for Crown land.

The most significant assumptions in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated useful life. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

Land acquired for road reserves is initially reported as 'land acquired for roadworks' under 'property, plant and equipment' until the land is required for road construction. It is then transferred to 'land within road reserves' and reported as part of infrastructure assets.

Land determined to be surplus to the requirements of the road reserve is available for disposal and is transferred to 'surplus land' or 'non current assets held for sale' depending on the timetable for disposal.

Wherever possible, the properties are rented or leased until required for roadworks. Income from these properties is recognised as revenue in the financial year it is earned.

Derecognition

Upon disposal or derecognition of an item of property, plant and equipment and infrastructure, any revaluation surplus relating to that asset is retained in the asset revaluation surplus.

Asset revaluation surplus

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets as described in note 28 'Property, plant and equipment'.

Depreciation

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

Road earthworks do not generally have a finite life. Physical deterioration and commercial obsolescence are not significant factors. The small percentage of earthworks that are depreciated have been assessed to be substandard in terms of horizontal alignment and therefore impacted by technical obsolescence. An engineering review is completed annually to identify these segments of the network.

Depreciation is calculated using the straight line method, using rates which are reviewed annually.

Estimated useful lives for each class of depreciable asset are:

Road Infrastructure:	
Earthworks	Up to 173 years
Pavement, drainage and seals:	
Metropolitan asphalt roads	40 years
Sealed rural roads	50 years
Gravel roads	12 years
Bridges	60 to 100 years
Road furniture	25 to 40 years
Property, Plant & Equipment:	
Buildings	10 to 40 years
Plant and vehicles	5 to 10 years
Equipment and furniture	5 to 13 years
Computer hardware and software [(a)]	3 to 13 years

(a) Software that is integral to the operation of related hardware

Land is not depreciated.

(h) Intangible assets

Capitalisation/expensing of assets

Acquisitions of intangible assets costing $5,000 or more and internally generated intangible assets costing $50,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful lives. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life which is reviewed annually) on the straight line basis. All intangible assets controlled by Main Roads have a finite useful life and zero residual value.

The expected useful lives for each class of intangible asset are:

Computer software [(a)] and licences	3 to 10 years

(a) Software that is not integral to the operation of any related hardware

Computer software and licences

Software that is an integral part of the related hardware is recognised as property, plant and equipment. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than $5,000 is expensed in the year of acquisition.

Drainage easements

Easements secured over properties for the purpose of road drainage have an indefinite useful life.

(i) Impairment of assets

Property, plant and equipment, infrastructure and intangible assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income. As Main Roads is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. The exception is road earthworks when the alignment of a section of road may be assessed to be deficient and the useful life of the asset is revised from infinite to finite. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at the end of each reporting period irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

(j) Non-current assets (or disposal groups) classified as held for sale

Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount and fair value less costs to sell, and are disclosed separately from other assets in the Statement of Financial Position. Assets classified as held for sale are not depreciated or amortised.

(k) Leases

Operating leases are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

(l) Financial instruments

In addition to cash, Main Roads has two categories of financial instrument:

- Loans and receivables; and
- Financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

- Financial Assets
  - Cash and cash equivalents
  - Restricted cash and cash equivalents
  - Receivables
  - Amounts receivable for services
- Financial Liabilities
  - Payables
  - WATC Loan

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

(m) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(n) Accrued salaries

Accrued salaries (see note 32 ‘Payables’) represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. Main Roads considers the carrying amount of accrued salaries to be equivalent to its fair value.

(o) Amounts receivable for services (holding account)

Main Roads receives income from the State Government partly in cash and partly as an asset (holding account receivable). The accrued amount appropriated is accessible on the emergence of the cash funding requirement to cover leave entitlements and asset replacement.

(p) Inventories

Inventories held for distribution (for roadworks) are measured at the lower of cost and current replacement cost. Costs are assigned on a standard, average or last known cost basis.

Inventories held for resale are valued at the lower of cost and net realisable value. See note 25 ‘Inventories’.

(q) Receivables

Receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that Main Roads will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

(r) Payables

Payables are recognised at the amounts payable when Main Roads becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

(s) Borrowings

All loans payable are initially recognised at fair value, being the net proceeds received. Subsequent measurement is at amortised cost using the effective interest method.

(t) Provisions

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

Provisions – employee benefits

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

Annual leave

The liability for annual leave that is expected to be settled within 12 months after the end of the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liability is settled.

Annual leave that is not expected to be settled within 12 months after the end of the reporting period is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The provision for annual leave is classified as a current liability as Main Roads does not have an unconditional right to the defer settlement of the liability for at least 12 months after the end of the reporting period.

Long service leave

The liability for long service leave that is expected to be settled within 12 months after the end of the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liability is settled.

Long service leave that is not expected to be settled within 12 months after the end of the reporting period is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Unconditional long service leave provisions are classified as current liabilities as Main Roads does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because Main Roads has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Sick leave

Liabilities for sick leave are recognised when it is probable that sick leave paid in the future will be greater than the entitlement that will accrue in the future.

Past history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised.

As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income for this leave as it is taken.

Superannuation

The Government Employees Superannuation Board (GESB) and other funds administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees varies according to commencement and implementation dates.

Eligible employees contribute to the Pension Scheme, a defined benefit pension scheme closed to new members since 1987, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme closed to new members since 1995.

The GSS is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, it is a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by Main Roads to GESB extinguishes the agency's obligations to the related superannuation liability.

Main Roads has no liabilities under the Pension Scheme or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by Main Roads to the GESB.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension Scheme or the GSS became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). From 30 March 2012, existing members of the WSS or GESBS and new employees have been able to choose their preferred superannuation fund provider. Main Roads makes contributions to GESB or other fund providers on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992.* Contributions to these accumulation schemes extinguish Main Roads' liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

The GESB makes all benefit payments in respect of the Pension Scheme and GSS, and is recouped from the Treasurer for the employer's share.

Provisions – other

Employment on-costs

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses' and are not included as part of Main Roads' 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

(u) Superannuation expense

The superannuation expense in the Statement of Comprehensive Income comprises employer contributions paid to the GSS (concurrent contributions), WSS, the GESBS, or other superannuation fund.

(v) Assets and services received free of charge or for nominal cost

Assets or services received free of charge or for nominal cost are recognised as income at the fair value of the assets and/or the fair value of those services that can be reliably measured and Main Roads would otherwise pay for. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of Financial Position.

Assets or services received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

(w) Comparative figures

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

(x) Insurance

Main Roads regularly reviews its insurance arrangements including areas where self-insurance is deemed to be economically justified. Self insurance covers the risks of natural disasters causing damage to infrastructure assets. Currently, these self-insurance areas are:

- roads, bridges and road furniture

(y) Property liabilities and commitments

A liability has been recognised in respect of properties for which a Notice of Resumption under the *Land Administration Act 1997* has been issued and formal possession has taken place but where settlement has not been achieved at the end of the reporting period. Liabilities in such circumstances have been based on valuations and include costs of acquisition. This liability is included in Payables. See note 32 'Payables'.

3 Judgements made by management in applying accounting policies

There were no material judgements made by management in applying accounting policies for the 2012-13 financial year, other than those disclosed at note 2(y) 'Property liabilities and commitments'.

4 Key sources of estimation uncertainty

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Long Service Leave

The liability for long service leave is measured at the present value of amounts expected to be paid when the liabilities are settled. The assessment of future payments is based on estimated retention rates and remuneration levels and discounted using current market yields on national government bonds with maturity dates that match the estimated future cash outflows.

Depreciated replacement cost of infrastructure assets

Infrastructure assets, other than land within road reserves, are measured at current depreciated replacement cost by reference to the cost of new assets. The replacement cost is reviewed every three years on the basis of actual contract construction rates and adjusted in the intervening years by applying the Road and Bridge Construction Index published by the Australian Bureau of Statistics.

5 Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

Main Roads has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2012 that impacted on Main Roads.

AASB 2011-9	*Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]* This Standard requires to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). There is no financial impact.

Future impact of Australian Accounting Standards not yet operative

Main Roads cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements.* Consequently, Main Roads has not applied early any of the following Australian Accounting Standards that have been issued that may impact Main Roads. Where applicable, Main Roads plans to apply these Australian Accounting Standards from their application date.

		Operative for reporting periods beginning on/after
AASB 9	*Financial Instruments* This Standard supersedes AASB 139 *Financial Instruments: Recognition and Measurement*, introducing a number of changes to accounting treatments. AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* amended the mandatory application date of this Standard to 1 January 2015. Main Roads has not yet determined the application or the potential impact of the Standard.	1 Jan 2015
AASB 10	*Consolidated Financial Statements* This Standard supersedes AASB 127 *Consolidated and Separate Financial Statements* and Int 112 *Consolidation – Special Purpose Entities*, introducing a number of changes to accounting treatments. Mandatory application of this Standard was deferred by one year for not-for-profit entities by AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*. Main Roads has not yet determined the application or the potential impact of the Standard.	1 Jan 2014
AASB 11	*Joint Arrangements* This Standard supersedes AASB 131 *Interests in Joint Ventures,* introducing a number of changes to accounting treatments. Mandatory application of this Standard was deferred by one year for not-for-profit entities by AASB 2012-10. Main Roads has not yet determined the application or the potential impact of the Standard.	1 Jan 2014
AASB 12	*Disclosure of Interests in Other Entities* This Standard supersedes disclosure requirements under AASB 127 *Consolidated and Separate Financial Statements* and AASB 131 *Interests in Joint Ventures*. Mandatory application of this Standard was deferred by one year for not-for-profit entities by AASB 2012-10. Main Roads has not yet determined the application or the potential impact of the Standard.	1 Jan 2014
AASB 13	*Fair Value Measurement* This Standard defines fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. There is no financial impact.	1 Jan 2013
AASB 119	*Employee Benefits* This Standard supersedes AASB 119 (October 2010), making changes to the recognition, presentation and disclosure requirements. Main Roads does not have any defined benefit plans, and therefore the financial impact will be limited to the effect of discounting annual leave and long service leave liabilities that were previously measured at the undiscounted amounts.	1 Jan 2013
AASB 127	*Separate Financial Statements* This Standard supersedes AASB 127 *Consolidated and Separate Financial Statements*, introducing a number of changes to accounting treatments. Mandatory application of this Standard was deferred by one year for not-for-profit entities by AASB 2012-10. Main Roads has not yet determined the application or the potential impact of the Standard.	1 Jan 2014
AASB 128	*Investments in Associates and Joint Ventures* This Standard supersedes AASB 128 *Investments in Associates*, introducing a number of changes to accounting treatments. Mandatory application of this Standard was deferred by one year for not-for-profit entities by AASB 2012-10. Main Roads has not yet determined the application or the potential impact of the Standard.	1 Jan 2014

		Operative for reporting periods beginning on/after
AASB 1053	*Application of Tiers of Australian Accounting Standards* This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. There is no financial impact.	1 Jul 2013
AASB 1055	*Budgetary Reporting* This Standard specifies the nature of budgetary disclosures, the circumstances in which they are to be included in the general purpose financial statements of not-for-profit entities within the GGS. Main Roads will be required to disclose additional budgetary information and explanations of major variances between actual and budgeted amounts, though there is no financial impact.	1 Jul 2014
AASB 2010-2	*Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Int 2, 4, 5, 15, 17, 127, 129 & 1052]* This Standard makes amendments to Australian Accounting Standards and Interpretations to introduce reduced disclosure requirements for certain types of entities. There is no financial impact.	1 Jul 2013
AASB 2010-7	*Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]* This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. AASB 2012-6 amended the mandatory application date of this Standard to 1 January 2015. Main Roads has not yet determined the application or the potential impact of the Standard.	1 Jan 2015
AASB 2011-2	*Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & 1054]* This Standard removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards for reduced disclosure reporting. There is no financial impact.	1 Jul 2013
AASB 2011-6	*Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [AASB 127, 128 & 131]* This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity comply with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements. There is no financial impact.	1 Jul 2013
AASB 2011-7	*Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Int 5, 9, 16 & 17]* This Standard gives effect to consequential changes arising from the issuance of AASB 10, AASB 11, AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*. For not-for-profit entities it applies to annual reporting period beginning on or after 1 January 2014. Main Roads has not yet determined the application or the potential impact of the Standard.	1 Jan 2013

		Operative for reporting periods beginning on/after
AASB 2011-8	*Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Int 2, 4, 12, 13, 14, 17, 19, 131 & 132]* This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011. There is no financial impact.	1 Jan 2013
AASB 2011-10	*Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Int 14]* This Standard makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 119 in September 2011. There is no financial impact.	1 Jan 2013
AASB 2011-11	*Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements* This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements for AASB 119 (September 2011). There is no financial impact.	1 Jul 2013
AASB 2012-1	*Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements [AASB 3, 7, 13, 140 & 141]* This Standard establishes and amends reduced disclosure requirements for additional and amended disclosures arising from AASB 13 and the consequential amendments implemented through AASB 2011-8. There is no financial impact.	1 Jul 2013
AASB 2012-2	*Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & 132]* This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. There is no financial impact.	1 Jan 2013
AASB 2012-3	*Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]* This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. There is no financial impact.	1 Jan 2014
AASB 2012-5	*Amendments to Australian Accounting Standards arising from Annual Improvements 2009-11 Cycle [AASB 1, 101, 116, 132 & 134 and Int 2]* This Standard makes amendments to the Australian Accounting Standards and Interpretations as a consequence of the annual improvements process. There is no financial impact.	1 Jan 2013
AASB 2012-6	*Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, 2009-11, 2010-7, 2011-7 & 2011-8]* This Standard amends the mandatory effective date of AASB 9 *Financial Instruments* to 1 January 2015. Further amendments are also made to consequential amendments arising from AASB 9 that will now apply from 1 January 2015 and to consequential amendments arising out of the Standards that will still apply from 1 January 2013. There is no financial impact.	1 Jan 2013

		Operative for reporting periods beginning on/after
AASB 2012-7	*Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 7, 12, 101 & 127]* This Standard adds to or amends the Australian Accounting Standards to provide further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general financial statement. There is no financial impact.	1 Jul 2013
AASB 2012-10	*Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049, & 2011-7 and Int 12]* This Standard makes amendments to AASB 10 and related Standards to revise the transition guidance relevant to the initial application of those Standards, and to clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The Standard was issued in December 2012. Main Roads has not yet determined the application or the potential impact of the Standard.	1 Jan 2013
AASB 2012-11	*Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments [AASB 1, 2, 8, 10, 107, 128, 133, 134 & 2011-4]* This Standard makes various editorial corrections to Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2). These corrections ensure that the Standards reflect decisions of the AASB regarding the Tier 2 requirements. This Standard also extends the relief from consolidation and the equity method (in the new Consolidation and Joint Arrangements Standards) to entities complying with Australian Accounting Standards – Reduced Disclosure Requirements. There is no financial impact.	1 Jul 2013

6 Employee benefits expense

	2013 $000	2012 $000
Wages and salaries	50,353	54,767
Annual leave	4,877	4,846
Long service leave	2,349	2,483
Fringe benefits tax	1,118	1,092
	58,697	63,188
Superannuation – defined contribution plans [(a)]	5,638	5,875
	64,335	**69,063**

(a) Defined contribution plans include West State, Gold State and GESBS and other eligible funds.

7 Supplies and services

	2013 $000	2012 $000
Contractors and Consultants	427,146	402,669
Materials	788	1,598
Plant hire charges	8,978	12,759
Postage, stationery and reprographics	1,017	1,218
Telecommunications	4,292	3,922
Building maintenance and equipment	3,577	5,275
Electricity, gas and water	8,632	6,021
Contributions	34	140
Legal costs	379	328
Advertising	6,879	6,295
Rates and taxes	401	336
Insurance	4,088	2,990
Other	7,335	10,108
	473,546	**453,659**

8 Depreciation expense of infrastructure assets

	2013 $000	2012 $000
Roads – earthworks	840	509
Roads – pavements, drainage and seal	179,923	159,676
Bridges	49,525	45,988
Road furniture	17,149	12,319
	247,437	**218,492**

	2013 $000	2012 $000
9 Depreciation and amortisation expense of other assets		
Depreciation		
Plant, equipment and vehicles	3,057	2,919
Buildings	5,730	7,652
Total depreciation	8,787	10,571
Amortisation		
Intangible assets	1,733	458
Total amortisation	1,733	458
Total depreciation and amortisation	10,520	11,029
Less: depreciation capitalised to infrastructure	(5,732)	(4,998)
	4,788	**6,031**

10 Finance costs

	2013 $000	2012 $000
Interest expense	**900**	**1,333**

11 Grants and subsidies

	2013 $000	2012 $000
Grants and subsidies to local government and other bodies	221,414	167,620
Grants of non-current assets to other bodies	1,436	9,691
	222,850	**177,311**

12 Infrastructure assets retired/replaced

	2013 $000	2012 $000
Earthworks and pavements	33,624	10,503
Bridges	21	–
Road furniture	3,156	209
Work in progress	89	1,958
	36,890	**12,670**

Infrastructure assets replaced or retired during the year have been expensed at their carrying amount.

13 Regulatory fines

	2013 $000	2012 $000
Regulatory fines	**84,725**	**57,887**

This revenue represents all moneys in 2012-13 and two-thirds in 2011-12 from photographic based vehicle infringement notices collected via Department of Transport and Department of the Attorney General. The collections are credited to the Road Trauma Trust Account and administered by the Office of Road Safety in accordance with the *Road Safety Council Act 2002*.

14 Sale of goods and services

	2013 $000	2012 $000
Sale of goods and services	**5,901**	**4,359**

This amount represents works undertaken for other public and private bodies and includes the recovery of expenditure from the Commonwealth Department of Infrastructure and Transport, Local Government and Regional Development under service delivery arrangements with the Shires of Christmas Island and Cocos (Keeling) Island. The amounts expended or set aside for expenditure during 2012-13 are summarised at note 48 'Indian Ocean Territories'.

	2013 $000	2012 $000
15 Commonwealth grants and contributions		
Nation Building Program	341,881	437,965
Jobs Fund – Infrastructure Employment Projects	6,500	–
Interstate Road Transport Act 1985	3,113	3,196
	351,494	**441,161**

Nation Building Program

Grants are received from the Commonwealth Government through the *Nation Building Program (National Land Transport) Act 2009.* The objective of this Act is to assist national and regional economic and social development by improving the performance of land transport infrastructure. Programs funded under this arrangement include the Heavy Vehicle Safety and Productivity and the Black Spot Program along with funding for the Local Road and National Road Projects.

Jobs Fund – Infrastructure Employment Projects

Grants are received from the Commonwealth Government through the Jobs Fund. This is an Australian Government initiative to support and create jobs and skill development through projects that build infrastructure and social capital in local communities. This funding is used to deliver the Fitzgerald River National Park Road Upgrade and Walk Trail Project.

Interstate Road Transport Act 1985

A charge is levied under the Act on interstate commercial vehicles that are exempt from State charges and the revenue raised is distributed in accordance with the damage attributed to interstate vehicles in each State.

At 30 June 2013, $20.215 million of the *Nation Building Program (National Land Transport) Act 2009* grants recognised as revenue remained unspent on approved projects (at 30 June 2012 the amount was $76.050 million). Refer to note 2(e) 'Income'.

16 Contributions to roadworks

Contributions to roadworks	**95,014**	**18,499**

This revenue represents contributions by both public and private bodies towards the cost of works performed on highways and main roads. See note 2(e) 'Income'.

17 Grants from other bodies

Grants from local government authorities and other bodies		
Transferred infrastructure assets at fair value	1,830	91,406
Local Government contribution to traffic signal construction	612	1,354
Developers contribution to roadworks	61,095	15,718
	63,537	**108,478**

Transferred infrastructure assets at fair value are transfers from Local Government and other bodies to State Government based on formal proclamation. The following assets were transferred during 2012-13: Principal Shared Path (Welshpool Road to Lacey Street).

The developers contribution to roadworks relate to construction costs met by private developers on roads owned by Main Roads. Roadworks include Great Northern Highway (FMG Mainline Bridge), North West Coastal Highway Realignment (Warrambro Mine), Nanutarra-Munjina (Solomon Mine), Goomalling-Merredin Road Intersection Improvements and various traffic signal construction.

	2013 $000	2012 $000
18 Interest revenue		
AusLink Accelerated Upgrade Package interest revenue	–	516
Road Trauma Trust Account interest revenue	2,442	1,190
Other interest revenue	56	42
	2,498	**1,748**
19 Other revenue		
Rental income	3,929	3,491
Return of previous year grants	73	125
Other contributions [(a)]	4,850	2,752
Contractual settlements	–	18,500
Other	4,176	4,724
	13,028	**29,592**

(a) Contributions to the Office of Road Safety by other bodies for road related safety projects

20 Net gain/(loss) on disposal of non current assets

	2013 $000	2012 $000
Proceeds from disposal of non-current assets		
Land acquired for roadworks	3,913	8,297
Land and buildings	5,123	503
Plant, equipment and vehicles	168	5
	9,204	8,805
Costs of disposal of non-current assets		
Land acquired for roadworks	5,544	6,553
Land and buildings	2,665	618
Plant, equipment and vehicles	361	20
	8,570	7,191
Net gain/(loss)	**634**	**1,614**

	2013 $000	2012 $000
21 Income from State Government		
Service appropriations		
Motor vehicle licence fees	528,185	463,839
Untied funds	176,373	200,995
Motor vehicle permit fees	8,054	6,775
Salaries and Allowances Act 1975	367	365
	712,979	671,974
Other funds received from State Government		
Natural disaster funds	90,584	41,361
Services received free of charge from other State government agencies during the period:		
Land Information Authority (Landgate)	765	128
Department of the Attorney General (State Solicitor's Office)	610	599
Department of Finance – BMW	–	5
	1,375	732
Royalties for Regions Fund		
Regional Infrastructure and Headworks Account	1,407	1,310
	806,345	**715,377**

Service appropriations

Service appropriations fund the net cost of services delivered. Appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.

Motor vehicle licence fees

Motor vehicle licence fees for cars and light vehicles are raised under the *Road Traffic Act 1974*. The total licence fees collected in 2012-13 was $616.462 million. An amount of $528.185 million was received as a service appropriation and the balance of $88.277 million appropriated as a capital contribution by owners and included under 'Contributed Equity' in the Statement of Financial Position.

Untied funds

Untied funds are appropriations from the Consolidated Fund. The total appropriation from the Consolidated Fund in 2012-13 was $288.444 million. This includes a service appropriation of $176.373 million and a capital contribution of $112.071 million. The service appropriation includes a cash component of $0.579 million and a $175.794 million non cash component.

Motor vehicle permit fees

The vehicle standards for dimensions and mass are prescribed under the *Road Traffic (Vehicle Standards) Regulations 2002.* Under the regulations, a permit is required to access certain parts of the WA road network for vehicles that do not meet the standards. Main Roads charges a fee to issue the permits in accordance with *Road Traffic (Charges and Fees) Regulations 2006.*

Other funds received from State Government

Natural disaster funds

Funds provided by the Fire and Emergency Services Authority for the re-opening and re-instatement of roads damaged by declared natural disasters.

Regional Infrastructure and Headworks Account

This is a sub-fund within the over-arching 'Royalties for Regions Fund'. The recurrent funds are committed to projects and programs in WA regional areas.

	2013 $000	2012 $000

22 Restricted cash and cash equivalents

	2013 $000	2012 $000
Current		
Contractor's deposits	1,980	1,544
Road Trauma Trust Account	64,517	43,463
Commonwealth Paid Parental Leave Scheme	–	10
	66,497	**45,017**

Contractor's deposits

Amounts withheld from contractors payments pending satisfactory completion of works.

Road Trauma Trust Account

Cash held in this Account is to be used only for the purposes as prescribed in note 46 'Special purpose accounts'.

Commonwealth Paid Parental Leave Scheme

Funds held in this account are to be used for purposes of meeting payments to eligible working parents with 18 weeks of Parental Leave Pay.

23 Receivables

	2013 $000	2012 $000
Current		
Trade debtors	20,536	7,698
Other debtors	3,514	2,259
Allowance for impairment of receivables	(1,815)	(2,110)
Trade debtors – unbilled receivables	14,347	1,526
GST receivable [(a)]	24,114	22,909
Accrued revenue	278	230
Total current	60,974	32,512
Non-current		
Trade debtors	138	80
Total non-current	138	80
Total receivables	**61,112**	**32,592**

(a) The comparative amount has been restated to reflect the prior year change in note 32.

	2013 $000	2012 $000
Reconciliation of changes in the allowance for impairment of receivables:		
Balance at start of year	2,110	237
Doubtful debts expense	2	1,882
Amounts written off during the year	(236)	–
Amounts recovered during the year	(61)	(9)
Balance at end of year	**1,815**	**2,110**

Main Roads does not hold any collateral or other credit enhancements as security for receivables.

	2013 $000	2012 $000
24 Amounts receivable for services (Holding Account)		
Current	46,907	46,907
Non-current	1,373,652	1,244,765
	1,420,559	**1,291,672**

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

25 Inventories

	2013 $000	2012 $000
Current		
Inventories held for distribution:		
– Construction and maintenance materials	4,027	31
Total current	4,027	31
Non-current		
Inventories held for distribution:		
– Construction and maintenance materials	1,360	1,495
Total non-current	1,360	1,495

26 Prepayments

	2013 $000	2012 $000
Current		
Prepayments	15,847	18,646
Total current	15,847	18,646
Non-current		
Prepayments	1,200	949
Total non-current	1,200	949

27 Non-current assets classified as held for sale

	2013 $000	2012 $000
Freehold land and buildings		
Opening balance	4,906	8,335
Assets reclassified as held for sale	10,826	4,534
Assets removed from current disposal program	(1,912)	(656)
Assets sold	(8,200)	(7,172)
Write-down of assets from carrying value to fair value less selling costs	(274)	(135)
Closing balance	**5,346**	**4,906**

	2013 $000	2012 $000
28 Property, plant and equipment		
Land		
At fair value [(a)]	109,951	108,529
	109,951	108,529
Buildings		
At fair value [(a)]	97,331	101,815
Accumulated depreciation	(232)	(61)
	97,099	101,754
Buildings under construction		
Construction costs	7,067	1,729
	7,067	1,729
Plant, equipment and vehicles		
At cost	28,385	27,116
Accumulated depreciation	(19,682)	(17,320)
	8,703	9,796
Surplus assets		
At fair value [(a)]	84,011	95,060
	84,011	95,060
Land acquired for roadworks		
At fair value [(a)]	175,260	192,295
	175,260	192,295
Total property, plant and equipment	**482,091**	**509,163**

(a) Land, buildings, surplus assets and land acquired for roadworks were revalued as at 1 July 2012 by the Western Australian Land Information Authority (Valuation Services) in conjunction with estimations by Main Roads' management. The valuations were performed during the year ended 30 June 2013 and recognised at 30 June 2013.

The estimations have been made in relation to the value of certain Metro and Rural properties where the values were not available at the end of the reporting period from information provided by Valuation Services for the period 1 July 2011 to 1 July 2012. These properties have been valued based on the average percentage increase for the Metro and Rural areas respectively over the period 1 July 2011 to 1 July 2012. The average percentage increases have been determined by calculating the movement in the value of Main Roads' Metro and Rural properties where Valuation Services have provided a value. The effective date of the valuations is 1 July 2012. In undertaking the revaluation, fair value was determined by reference to market values of Freehold land $109.951 million and Buildings $97.099 million.

To ensure the valuations provided by Valuation Services were compliant at 30 June 2013 with the fair value requirements under AASB 116, Valuation Services provided the Department of Treasury (TSY) with information that tracked the general movement of the market value of land and building construction costs from the 1 July 2012 (date of valuation) to 31 March 2013. TSY reviewed the information and determined that the change in fair values from 1 July 2012 (date of valuation) to 31 March 2013 were not likely to have a material impact on the fair values of these assets as recognised at 30 June 2013.

Reconciliations of the carrying amounts of property, plant, and equipment at the beginning and end of the reporting period are set out in the table below.

2013	Land $000	Buildings $000	Buildings under construction $000	Plant, equipment and vehicles $000	Surplus assets $000	Land acquired for roadworks $000	Total $000
Carrying amount at start of year	108,529	101,754	1,729	9,796	95,060	192,295	509,163
Additions	3,605	4,261	9,892	2,325	568	2,358	23,009
Disposals	–	(9)	–	(361)	–	(362)	(732)
Classified as held for sale	(77)	(608)	–	–	(6,963)	(1,266)	(8,914)
Transfers	(3,289)	–	(4,554)	–	–	(407)	(8,250)
Transfer to infrastructure	–	–	–	–	(887)	(1,198)	(2,085)
Revaluation increments/ (decrements)	1,183	(2,569)	–	–	(3,767)	(16,160)	(21,313)
Depreciation	–	(5,730)	–	(3,057)	–	–	(8,787)
Carrying amount at end of year	109,951	97,099	7,067	8,703	84,011	175,260	482,091
2012							
Carrying amount at start of year	96,686	102,759	3,373	9,322	100,431	201,563	514,134
Additions	1,154	4,149	2,797	3,416	606	846	12,968
Disposals	(1,000)	–	–	(23)	–	–	(1,023)
Classified as held for sale	–	–	–	–	(1,522)	(2,356)	(3,878)
Transfers	(1,451)	–	(4,441)	–	(1,926)	(3,716)	(11,534)
Transfer to infrastructure	–	–	–	–	–	1,204	1,204
Revaluation increments/ (decrements)	13,140	2,498	–	–	(2,529)	(5,246)	7,863
Depreciation	–	(7,652)	–	(2,919)	–	–	(10,571)
Carrying amount at end of year	108,529	101,754	1,729	9,796	95,060	192,295	509,163

	2013 $000	2012 $000
29 Infrastructure		
Infrastructure		
At fair value	48,089,927	47,144,793
Accumulated depreciation	(9,638,873)	(8,976,203)
	38,451,054	38,168,590
Infrastructure – work in progress		
Construction costs	712,410	733,641
	39,163,464	**38,902,231**

The value of roads and principal shared paths (earthworks, drainage, pavements and seals), bridges and road furniture at 30 June 2013 is based on the current depreciated replacement cost determined at 30 June 2011 by Main Roads and a cost index (ABS Road and Bridge Construction Cost Index or rates obtained by professional estimators specialising in road infrastructure works) has been applied to ensure asset values do not materially differ from fair value.

Land within road reserves was revalued at 30 June 2013 using 1 July 2012 values supplied by the Western Australian Land Information Authority (Valuation Services).

Infrastructure work in progress comprises capital project expenditure at cost, which is capitalised following the completion of projects.

Reconciliation		
Carrying amount at start of year	38,902,231	38,834,925
Additions	821,679	545,235
Capital contribution	(27,874)	(822)
Land transferred from land acquired for roadworks	2,085	(1,204)
Reclassified to non-current assets	–	–
Revaluation increments/(decrements)	(312,793)	(344,528)
Local roads reclassified as highways and main roads	63,537	108,478
Infrastructure assets retired/replaced	(36,890)	(12,670)
Depreciation expense	(247,437)	(218,492)
Disposals-highways and main roads reclassified as local roads	(1,074)	(8,691)
Transfers to/from operating (prior year adjustments)	–	–
Carrying amount at end of year	**39,163,464**	**38,902,231**

	2013 $000	2012 $000
30 Intangible assets		
Computer software and licences		
At cost	21,440	13,085
Accumulated amortisation	(5,073)	(3,340)
	16,367	9,745
Drainage easements		
At cost	9	9
	9	9
Total intangible assets	**16,376**	**9,754**
Reconciliations:		
Computer software and licences		
Carrying amount at start of year	9,745	4,793
Additions	8,355	5,410
Disposals	–	–
Transfers	–	–
Amortisation expense	(1,733)	(458)
Carrying amount at end of year	**16,367**	**9,745**

31 Impairment of assets

There were no indications of impairment to property, plant and equipment, infrastructure or intangible assets at 30 June 2013.

Main Roads held no goodwill during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use.

32 Payables

	2013 $000	2012 $000
Current		
Trade creditors	13,631	19,104
Major contracts and services [(a)]	146,856	115,405
Property acquisitions	57,268	63,796
Contractors retention	1,978	1,544
Funds in advance	9,660	12,407
Performance bonds/surety	29	216
Accrued salaries	2,720	2,681
Total current	232,142	215,153

(a) The comparative amount has been restated to include GST (see note 23).

33 Borrowings

	2013 $000	2012 $000
Current		
WA Treasury Corporation borrowings	5,000	5,000
Total current	5,000	5,000
Non-current		
WA Treasury Corporation borrowings	10,766	15,766
Total non-current	10,766	15,766

	2013 $000	2012 $000
34 Provisions		
Current		
Employee benefits provisions		
Annual leave	13,856	13,445
Long service leave	22,537	22,072
	36,393	35,517
Other provisions		
Employment on-costs	211	114
	36,604	35,631
Non-current		
Employee benefits provisions		
Long service leave	4,194	3,618
	4,194	3,618
Other provisions		
Employment on-costs	24	12
	4,218	3,630

(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2013 $000	2012 $000
Within 12 months of the end of the reporting period	8,967	8,499
More than 12 months after the end of the reporting period	4,889	4,946
	13,856	13,445

(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2013 $000	2012 $000
Within 12 months of the end of the reporting period	3,541	3,235
More than 12 months after the end of the reporting period	23,190	22,455
	26,731	25,690

(c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

The associated expense, apart from the unwinding of the discount (finance cost), is disclosed in note 7 'Supplies and services'.

Movements in other provisions

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

	2013 $000	2012 $000
Employment on-cost provision		
Carrying amount at start of period	126	317
Additional provisions recognised	109	(191)
Payments/other sacrifices of economic benefits	–	–
Unwinding of the discount	–	–
Carrying amount at end of period	**235**	**126**

35 Equity

The Government holds the equity interest in Main Roads on behalf of the community. Equity represents the residual interest in the net assets of Main Roads. The asset revaluation surplus represents that portion of equity resulting from the revaluation of non-current assets.

	2013 $000	2012 $000
Contributed equity		
Balance at start of period	3,122,196	2,865,852
Contributions by owners		
Capital contributions	200,348	257,636
Other contributions by owners		
Royalties for Regions Fund – Regional Infrastructure and Headwork Account	9,155	–
Transfer of net assets from other agencies		
Public Transport Authority	3,250	–
Western Australian Planning Commission	331	339
Department of Regional Development and Lands	225	–
Metropolitan Redevelopment Authority	153	–
Department of Health	–	377
Total contributions by owners	213,462	258,352
Distributions to owners		
Transfer of net assets to other agencies		
Public Transport Authority	31,962	1,538
Department of Environment and Conservation	278	–
Department of Regional Development and Lands	–	470
Total distributions to owners	32,240	2,008
Balance at end of period	**3,303,418**	**3,122,196**
Reserves		
Asset revaluation surplus		
Balance at start of period	26,387,319	26,724,119
Net revaluation increments/(decrements)		
Earthworks, Drainage, Pavements and Seals	488,181	740,031
Bridges	90,949	198,881
Land within Road Reserves	(898,620)	(1,296,656)
Road Furniture	6,697	13,216
Land and Buildings	(21,587)	7,728
Balance at end of period	**26,052,939**	**26,387,319**
Accumulated surplus/(deficit)		
Balance at start of period	11,416,474	10,976,318
Result for the period	372,430	440,156
Income and expense recognised directly in equity	–	–
Balance at end of period	**11,788,904**	**11,416,474**
Total Equity at end of period	**41,145,261**	**40,925,989**

36 Notes to the Statement of Cash Flows

Reconciliation of cash

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

	2013 $000	2012 $000
Cash and cash equivalents	196,112	384,713
Restricted cash and cash equivalents	66,497	45,017
	262,609	**429,730**

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

	2013 $000	2012 $000
Net cost of services	(433,915)	(275,221)
Non-cash items:		
Depreciation expense – infrastructure	247,437	218,492
Depreciation and amortisation expense – other fixed assets	4,788	6,031
Grants to other bodies	1,436	9,691
Grants received from other bodies	(63,537)	(108,478)
Services received free of charge	1,375	732
Infrastructure assets retired/replaced	36,890	12,670
Adjustment for other non-cash items	–	2
Net (gain)/loss on sale of property, plant and equipment	(634)	(1,614)
(Increase)/decrease in assets:		
Receivables [(a)]	(27,253)	2,311
Inventories	(3,861)	47
Prepayments	2,548	(6,745)
Increase/(decrease) in liabilities:		
Payables [(a)]	6,597	5,527
Employee benefits	1,561	(263)
Net GST receipts/(payments) [(b)]	128,701	93,407
Change in GST in receivables/payables [(c)]	(129,906)	(97,687)
Net cash provided by/(used in) operating activities	**(227,773)**	**(141,098)**

(a) Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

(b) This is the net GST paid/received, i.e. cash transactions.

(c) This reverses out the GST in receivables and payables.

37 Services provided free of charge

During the period the following services were provided to other agencies free of charge for functions outside the normal operations of Main Roads:

	2013 $000	2012 $000
Department of Transport – inspection of road and car park, and provision of traffic modelling services	29	32
Police Department – traffic forecasts	–	2
Department of Planning – provision of traffic modelling services	15	22
Public Transport Authority – provision of traffic modelling services	11	–
	55	**56**

38 Commitments

The commitments below are inclusive of GST.

Non-cancellable operating lease commitments

Commitments for minimum lease payments are payable as follows:

	2013 $000	2012 $000
Within 1 year	4,565	4,001
Later than 1 year and not later than 5 years	6,430	3,274
Later than 5 years	4	–
	10,999	**7,275**

Capital expenditure commitments

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

	2013 $000	2012 $000
Within 1 year	366,292	309,103
Later than 1 year and not later than 5 years	28,876	236,230
Later than 5 years	–	–
	395,168	**545,333**

Other expenditure commitments

Other expenditure commitments predominantly comprise maintenance commitments for road infrastructure assets contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:

	2013 $000	2012 $000
Within 1 year	423,958	403,422
Later than 1 year and not later than 5 years	524,416	877,898
Later than 5 years	–	–
	948,374	**1,281,320**

39 Contingent liabilities and contingent assets

Contingent liabilities

The following contingent liabilities are additional to the liabilities included in the financial statements:

	2013 $000	2012 $000
Contract claims in dispute	2,095	6,550
Resumption claims in dispute	268,249	261,272
	270,344	**267,822**

	2013 $000	2012 $000

Contract claims in dispute

Claims have been submitted by contractors in relation to services provided under roadwork contracts.
The contingent liability is the difference between the amount of the claim and the liability estimated by Main Roads based on legal advice.

Resumption claims in dispute

Claims have been lodged by owners of property acquired for road construction purposes. The contingent liability is the difference between the owner's claim and the estimated settlement price determined by Main Roads in accordance with an independent valuation.

Contaminated sites

Under the *Contaminated Sites Act 2003*, Main Roads is required to report known and suspected contaminated sites to the Department of Environment and Conservation (DEC). In accordance with the Act, DEC classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as *contaminated – remediation required or possibly contaminated – investigation required*, Main Roads may have a liability in respect of investigation or remediation expenses.

During the year, Main Roads reported thirty three suspected contaminated sites to DEC. Fourteen were classified as possibly contaminated – investigation required, seventeen were classified as contaminated – remediation required and two were classified as remediated for restricted use. Main Roads is unable to assess the likely outcome of the classification process, and accordingly, it is not practicable to estimate the potential financial effect or to identify the uncertainties relating to the amount or timing of any outflows. Whilst there is no possibility of reimbursement of any future expenses that may be incurred in the remediation of these sites, Main Roads may apply for funding from the Contaminated Sites Management Account to undertake further investigative work or to meet remediation costs that may be required.

Contingent assets

The following contingent assets are additional to the assets included in the financial statements:

	2013 $000	2012 $000
Contracts in dispute	1,400	1,400
Damages claim in progress	–	–
	1,400	**1,400**

Contracts in dispute (dispute resolution in progress)

The amount shown relates to claims against various contractors for deficient works, which are currently proceeding through dispute resolution processes. The potential financial effect of the success of the claims cannot be reliably measured at this time.

Damages claim in progress

The damages claim in progress relates to damage to Main Roads infrastructure by a third party. The potential financial effect of the success of the claim cannot be reliably measured at this time.

40 Events occurring after the end of the reporting period

There were no events occurring after the end of the reporting period that have any financial effect on the results reported on these financial statements.

41 Explanatory statements

Significant variations between estimates and actual results for 2013 and between the actual results for 2012 and 2013 are shown below. Significant variations are considered to be those greater than 10% and $5 million.

Significant variances between estimated and actual result for 2013

	2013 Estimate $000	2013 Actual $000	Variation $000
Income			
Commonwealth grants and contributions	413,718	351,494	62,224
Contribution to roadworks	69,975	95,014	(25,039)
Grants from other bodies	40,000	63,537	(23,537)

Commonwealth grants and contributions

The variance is due to delays in the approval of the Project Proposal Report by the Federal Department of Infrastructure and Transport relating to the Gateway WA project which resulted in less revenue than anticipated.

Contribution to roadworks

Main Roads undertook additional work funded by third parties relating to the Fiona Stanley Hospital Project, the Dampier Highway Duplication Project and the widening of Great Eastern Highway between Kooyong Road and Tonkin Highway.

Grants from other bodies

The larger than expected revenue is due to developer grants of infrastructure relating to work on the North West Coastal Highway Realignment which was completed ahead of schedule.

Significant variances between actual result for 2012 and 2013

	2013 $000	2012 $000	Variation $000
Expenses			
Depreciation expense of infrastructure assets	247,437	218,492	28,945
Grants and subsidies	222,850	177,311	45,539
Infrastructure assets retired/replaced	36,890	12,670	24,220
Income			
Regulatory fines	84,725	57,887	26,838
Commonwealth grants and contributions	351,494	441,161	(89,667)
Contributions to roadworks	95,014	18,499	76,515
Grants from other bodies	63,537	108,478	(44,941)
Other revenue	13,028	29,592	(16,564)

Depreciation expense of infrastructure assets

Depreciation expenditure is higher following an increase in completed capital works during the financial year.

Grants and subsidies

The variance is due to a higher level of road project grants paid to local government authorities based on claims submitted during the financial year, as well as grant paid by the Office of Road Safety relating to approved projects funded by the Road Trauma Trust Account.

Infrastructure assets retired/replaced

The increase is a result of greater levels of road reconstruction works during the current financial year.

Regulatory fines

In 2013 Main Roads now receives all Speed and Red Light Camera revenue, which is an increase from the previous year of two thirds, resulting in a substantial increase in revenue.

Commonwealth grants and contributions

The variance is due to a reduction in receipts as a result of a smaller Commonwealth funded capital works program in 2012-13 as well as delays in the approval of the Project Proposal Report by the Federal Department of Infrastructure and Transport relating to the Gateway WA project.

Contributions to roadworks

The increase relates to services rendered on behalf of third parties for the construction of Carnarvon Flood Levees and Fiona Stanley Hospital (Kwinana Freeway Northbound Off-ramp) Works during the financial year.

Grants from other bodies

The variance is due to a significant transaction in the previous financial year related to the transfer of Ravensthorpe – Hopetoun Road from the Shire of Ravensthorpe amounting to $34m and Indian Ocean Drive amounting to $42m from shire of Dandaragan and $16m from shire of Coorow.

Other revenue

The decrease relates to the settlement of contractual disputes associated with pavement failures in the previous financial year.

42 Financial instruments

(a) Financial risk management objectives and policies

Financial instruments held by Main Roads are cash and cash equivalents, restricted cash and cash equivalents, loans and receivables, payables, and WATC borrowings. Main Roads has limited exposure to financial risks. Main Roads' overall risk management program focuses on managing the risks identified below.

Credit risk

Credit risk arises when there is the possibility of Main Roads' receivables defaulting on their contractual obligations resulting in financial loss to Main Roads.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at note 42(c) 'Financial instrument disclosures' and note 23 'Receivables'.

Credit risk associated with Main Roads' financial assets is minimal because the main receivable is the amounts receivable for services (holding account). For receivables other than government, Main Roads trades only with recognised, creditworthy third parties. Main Roads has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that Main Roads' exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

Liquidity risk

Liquidity risk arises when Main Roads is unable to meet its financial obligations as they fall due.

Main Roads is exposed to liquidity risk through its trading in the normal course of business.

Main Roads has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect Main Roads' income or the value of its holdings of financial instruments. Main Roads does not trade in foreign currency and is not materially exposed to other price risks. Main Roads' exposure to market risk for changes in interest rates relates primarily to the long-term debt obligations.

All borrowings are due to the Western Australian Treasury Corporation (WATC) and are repayable at fixed rates with varying maturities. Other than as detailed in the interest rate sensitivity analysis table at note 42(c), Main Roads is not exposed to interest rate risk because the majority of cash and cash equivalents and restricted cash are non-interest bearing and it has no borrowings other than the WATC borrowings.

(b) Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	2013 $000	2012 $000
Financial Assets		
Cash and cash equivalents	196,112	384,713
Restricted cash and cash equivalents	66,497	45,017
Loans and receivables [(a)]	1,457,557	1,301,355
Financial Liabilities		
Financial liabilities measured at amortised cost	247,908	235,919

(a) The amount of loans and receivables excludes GST recoverable from the ATO (statutory receivable).

(c) Financial instrument disclosures

Credit risk

The following table discloses Main Roads' maximum exposure to credit risk and the ageing analysis of financial assets. Main Roads' maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of Main Roads.

Main Roads does not hold any collateral as security or other credit enhancement relating to the financial assets it holds.

Ageing analysis of financial assets

			Past due but not impaired					
	Carrying Amount	Not past due and not impaired	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Impaired financial assets
	$000	$000	$000	$000	$000	$000	$000	$000
2013								
Cash and cash equivalents	196,112	196,112	–	–	–	–	–	–
Restricted cash and cash equivalents	66,497	66,497	–	–	–	–	–	–
Receivables [(a)]	36,998	34,330	2,080	96	383	82	–	27
Amounts receivable for services	1,420,559	1,420,559	–	–	–	–	–	–
	1,720,166	1,717,498	2,080	96	383	82	–	27
2012								
Cash and cash equivalents	384,713	384,713	–	–	–	–	–	–
Restricted cash and cash equivalents	45,017	45,017	–	–	–	–	–	–
Receivables [(a)]	9,683	6,575	1,183	1,090	485	27	–	323
Amounts receivable for services	1,291,672	1,291,672	–	–	–	–	–	–
	1,731,085	1,727,977	1,183	1,090	485	27	–	323

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

Liquidity risk and interest rate exposure

The following table details Main Roads' interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

Interest rate exposures and maturity analysis of financial assets and financial liabilities

		Interest rate exposure				Maturity date					
	Weighted Average Effective Interest Rate	Carrying Amount	Fixed interest rate	Variable interest rate	Non-interest bearing	Nominal Amount	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
	%	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
2013											
Financial Assets											
Cash and cash equivalents	3.40	196,112	–	196,099	13	196,112	196,112	–	–	–	–
Restrricted cash and cash equivalents	3.40	66,497	–	66,497	–	66,497	66,497	–	–	–	–
Receivables [(a)]	–	36,998	–	–	36,998	36,998	36,998	–	–	–	–
Amounts receivable for services	–	1,420,559	–	–	1,420,559	1,420,559	4	14	29	155	1,420,357
		1,720,166	–	262,596	1,457,570	1,720,166	299,611	14	29	155	1,420,357
Financial Liabilities											
Payables	–	232,142	–	–	232,142	232,142	232,142	–	–	–	–
WATC Loan	5.39	15,766	15,766	–	–	15,766	5,000	–	2,337	8,429	–
		247,908	15,766	–	232,142	247,908	237,142	–	2,337	8,429	–
2012											
Financial Assets											
Cash and cash equivalents	4.81	384,713	–	384,700	13	384,713	384,713	–	–	–	–
Restrricted cash and cash equivalents	4.81	45,017	–	45,017	–	45,017	45,017	–	–	–	–
Receivables [(a)]	–	9,683	–	–	9,683	9,683	9,683	–	–	–	–
Amounts receivable for services	–	1,291,672	–	–	1,291,672	1,291,672	4	9	34	188	1,291,437
		1,731,085	–	429,717	1,301,368	1,731,085	439,417	9	34	188	1,291,437
Financial Liabilities											
Payables	–	215,153	–	–	215,153	215,153	215,153	–	–	–	–
WATC Loan	5.63	20,766	20,766	–	–	20,766	5,000	2,000	3,327	10,211	228
		235,919	20,766	–	215,153	235,919	220,153	2,000	3,327	10,211	228

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of Main Roads' financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 0.25% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

		-25 basis points		+25 basis points	
	Carrying amount	Surplus	Equity	Surplus	Equity
	$000	$000	$000	$000	$000
2013					
Financial Assets					
Cash and cash equivalents	196,112	(490)	(490)	490	490
Restricted cash and cash equivalents	66,497	(166)	(166)	166	166
Total Increase/(Decrease)		(656)	(656)	656	656
2012					
Financial Assets					
Cash and cash equivalents	384,713	(962)	(962)	962	962
Restricted cash and cash equivalents	45,017	(113)	(113)	113	113
Total Increase/(Decrease)		(1,075)	(1,075)	1,075	1,075

Fair values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

43 Remuneration of members of the accountable authority and senior officers

Remuneration of members of the accountable authority

The number of members of the accountable authority, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

$	2013	2012
0 – 10,000	1	1

	$000	$000
Base remuneration and superannuation	–	–
Annual leave and long service leave accruals	–	–
Other benefits	–	–
The total remuneration of members of the accountable authority	–	–

The total remuneration includes the superannuation expense incurred by Main Roads in respect of members of the accountable authority.

The remuneration of the incumbent Commissioner of Main Roads is met by the Department of Transport.

Remuneration of senior officers

The number of senior officers, other than senior officers reported as members of the accountable authority, whose total fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year fall within the following bands are:

$	2013	2012
10,001 – 20,000	–	1
80,001 – 90,000	1	–
130,001 – 140,000	1	–
150,001 – 160,000	–	1
180,001 – 190,000	1	–
190,001 – 200,000	1	–
200,001 – 210,000	1	3
210,001 – 220,000	3	3
230,001 – 240,000	1	–
240,001 – 250,000	–	1
350,001 – 360,000	1	–
410,001 – 420,000	–	1

	$000	$000
Base remuneration and superannuation	2,020	1,982
Annual leave and long service leave accruals	(32)	36
Other benefits	45	87
The total remuneration of senior officers	**2,033**	**2,105**

The total remuneration includes the superannuation expense incurred by Main Roads in respect of senior officers other than senior officers reported as members of the accountable authority. Base remuneration includes accumulated leave and termination payments received by senior officers.

44 Remuneration of auditor

Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:

	2013 $000	2012 $000
Auditing the accounts, financial statements and key performance indicators	193	176
Other audits	23	12
	216	**188**

45 Affiliated bodies

WA Pavement Asset Research Centre (WAPARC) is a government affiliated body that received a grant of $0.533 million from Main Roads. The WAPARC is not subject to operational control by Main Roads.

	2013 $000	2012 $000

46 Special purpose accounts

Special Purpose Account [a]

Road Trauma Trust Account

In accordance with section 12 of the *Road Safety Council Act 2002,* the purpose of the Account is to receive and hold funds from parliamentary appropriations, all moneys in 2012-13 and two-thirds in 2011-12 from photographic based vehicle infringement (via Department of Transport and Department of the Attorney General) and any money lawfully received for the purpose of the Act.

	2013 $000	2012 $000
Balance at the start of the financial year	43,463	2,756
Receipts	93,685	62,933
Payments	(72,631)	(22,226)
Balance at the end of the financial year	**64,517**	**43,463**

(a) Established under section 16(1)(c) of FMA

47 Supplementary financial information

Write-offs

	2013 $000	2012 $000
Bad debts – damage to roads, bridges and road furniture	236	–
Fixed asset stocktake discrepancies	–	–
Inventory – stocktake discrepancies and obsolete/contaminated materials	21	235
	257	**235**

Gifts of public property

	2013 $000	2012 $000
Gifts of public property provided by Main Roads	7	4
	7	**4**

Restricted Access Vehicle permits [a]

	2013 $000	2012 $000
Regulatory fees	7,998	6,825
Transfer payments	8,045	6,769
Cash held in lieu of transfer	9	56

(a) Main Roads collects the Restricted Access Vehicle permits fees in accordance with Road Traffic (Charges and Fees) Regulations 2006. The receipts are paid into the Consolidated Fund and is subsequently appropriated to Main Roads.

48 Indian Ocean Territories

Main Roads provides road management services to Indian Ocean Territories under service delivery arrangements with the Shires of Christmas Island and Cocos (Keeling) Islands. The amounts expended or set aside for expenditure during 2012-13 are summarised below:

	2013 $000	2012 $000
Amount brought forward for recovery	(12)	1
Amount received during the year	(43)	(47)
	(55)	(46)
Expenditure during the year	25	34
Amount carried forward for recovery	**(30)**	**(12)**

49 Schedule of income and expenses by service

Schedule of Income and Expenses by Service for 2011-12 and 2012-13	Road Safety		Road System Management		Road Efficiency Improvements		Infrastructure For Community Access		Road Network Maintenance		Infrastructure For State Development		Office Of Road Safety		Roadworks Capitalised/ Expenses Not Allocated To Outputs		Total	
(All amounts in $'000)	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
COST OF SERVICES																		
Expenses																		
Employee benefits expense	3,602	3,118	50,809	50,002	10,327	11,133	1,748	2,211	10,627	13,529	6,863	5,290	2,318	2,403	(21,959)	(18,623)	**64,335**	**69,063**
Supplies and services	131,806	81,092	52,896	38,447	363,378	356,690	47,392	22,961	386,786	367,305	272,747	122,319	10,430	11,255	(791,889)	(546,410)	**473,546**	**453,659**
Depreciation of infrastructure assets	–	–	–	–	–	–	–	–	247,437	218,492	–	–	–	–	–	–	**247,437**	**218,492**
Depreciation and amortisation of other non-current assets	492	491	381	508	1,313	1,901	171	163	1,559	2,316	872	652	–	–	–	–	**4,788**	**6,031**
Finance costs	92	108	72	112	247	420	32	36	293	513	164	144	–	–	–	–	**900**	**1,333**
Grants and subsidies	24,277	17,770	4,142	5,818	53,365	27,643	6,479	8,355	107,456	100,670	5,595	7,638	29,666	9,364	(8,130)	53	**222,850**	**177,311**
Infrastructure assets retired/replaced	–	–	–	–	–	–	–	–	–	–	–	–	–	–	36,890	12,670	**36,890**	**12,670**
Total cost of services	**160,269**	**102,579**	**108,300**	**94,887**	**428,630**	**397,787**	**55,822**	**33,726**	**754,158**	**702,825**	**286,241**	**136,043**	**42,414**	**23,022**	**(785,088)**	**(552,310)**	**1,050,746**	**938,559**
Income																		
Revenue																		
Regulatory fines	–	–	–	–	–	–	–	–	–	–	–	–	84,725	57,887	–	–	**84,725**	**57,887**
Sale of goods and services	–	–	1,101	449	1,090	1,046	28	2	3,640	2,800	42	62	–	–	–	–	**5,901**	**4,359**
Commonwealth grants and contributions	11,530	8,288	2,459	–	152,470	302,914	6,500	–	61,883	68,608	116,652	61,351	–	–	–	–	**351,494**	**441,161**
Contributions to roadworks	70	368	2,497	–	25,552	1,086	31,547	5,676	16,938	10,427	18,410	942	–	–	–	–	**95,014**	**18,499**
Grants from other bodies	5,678	7,586	3,837	6,965	15,185	29,417	1,978	2,492	26,718	51,960	10,141	10,058	–	–	–	–	**63,537**	**108,478**
Interest revenue	223	39	151	36	596	151	78	13	1,051	266	399	53	–	1,190	–	–	**2,498**	**1,748**
Other revenue	1,164	1,449	787	1,651	3,114	6,972	405	591	5,479	12,315	2,079	2,384	–	4,230	–	–	**13,028**	**29,592**
Total revenue	**18,665**	**17,730**	**10,832**	**9,101**	**198,007**	**341,587**	**40,536**	**8,774**	**115,709**	**146,375**	**147,723**	**74,850**	**84,725**	**63,307**	**–**	**–**	**616,197**	**661,724**
Gains																		
Gain on disposal of non-current assets	57	112	39	103	147	441	20	37	269	772	102	149	–	–	–	–	**634**	**1,614**
Total gains	**57**	**112**	**39**	**103**	**147**	**441**	**20**	**37**	**269**	**772**	**102**	**149**	**–**	**–**	**–**	**–**	**634**	**1,614**
Total income other than income from State Government	**18,722**	**17,842**	**10,871**	**9,204**	**198,154**	**342,028**	**40,556**	**8,811**	**115,978**	**147,147**	**147,825**	**74,999**	**84,725**	**63,307**	**–**	**–**	**616,831**	**663,338**
NET COST OF SERVICES	**141,547**	**84,791**	**97,429**	**85,044**	**230,476**	**56,026**	**15,266**	**24,911**	**638,180**	**555,932**	**138,416**	**61,115**	**(42,311)**	**(40,285)**	**(785,088)**	**(552,310)**	**433,915**	**275,221**
INCOME FROM STATE GOVERNMENT																		
Service appropriation	53,668	32,764	98,678	71,116	126,008	72,389	11,677	24,074	418,502	434,497	3,138	35,797	1,308	1,337	–	–	**712,979**	**671,974**
Natural disaster funds	–	–	–	–	–	–	–	–	90,584	41,361	–	–	–	–	–	–	**90,584**	**41,361**
Royalties for Region	–	101	1,052	327	355	36	–	98	–	619	–	129	–	–	–	–	**1,407**	**1,310**
Capital contribution	28,494	36,428	541	147	80,646	159,148	6,327	1,250	4,335	3,554	60,878	55,818	–	–	(181,221)	(256,345)	**–**	**–**
Resources received free of charge	124	51	83	47	329	198	43	17	577	351	219	68	–	–	–	–	**1,375**	**732**
Total income from State Government	**82,286**	**69,344**	**100,354**	**71,637**	**207,338**	**231,771**	**18,047**	**25,439**	**513,998**	**480,382**	**64,235**	**91,812**	**1,308**	**1,337**	**(181,221)**	**(256,345)**	**806,345**	**715,377**
SURPLUS/DEFICIT FOR THE PERIOD	**(59,261)**	**(15,447)**	**2,925**	**(13,407)**	**(23,138)**	**175,745**	**2,781**	**528**	**(124,182)**	**(75,550)**	**(74,181)**	**30,697**	**43,619**	**41,622**	**603,867**	**295,965**	**372,430**	**440,156**