



Financial Statements and Notes

Statement of Comprehensive Income.....	117
Statement of Financial Position.....	118
Statement of Changes in Equity.....	119
Statement of Cash Flow.....	120
Notes to the Financial Statements.....	121
Schedule of Income and Expenses by Service.....	181

Statement of Comprehensive Income

For the year ended 30 June 2016

	Note	2016 \$000	2015 \$000
COST OF SERVICES			
Expenses			
Employee benefits expense	6	62,855	65,593
Supplies and services	7	416,517	440,573
Depreciation expense of infrastructure assets	8	340,308	254,263
Depreciation and amortisation expense of other assets	9	5,171	4,284
Finance costs	10	3	476
Grants and subsidies	11	188,925	197,844
Other expenses	12	99,670	18,852
Total cost of services		1,113,449	981,885
Income			
Revenue			
Regulatory fines	13	-	99,787
Sale of goods and services	14	9,861	11,304
Commonwealth grants and contributions	15	776,652	547,545
Contributions to roadworks	16	108,942	78,328
Grants from other bodies	17	41,662	13,772
Interest revenue	18	10,051	2,756
Other revenue	19	12,350	18,838
Total revenue		959,518	772,330
Gains			
Gain/(loss) on disposal of non-current assets	20	(1,585)	1,628
Total gains		(1,585)	1,628
Total income other than income from State Government		957,933	773,958
NET COST OF SERVICES		155,516	207,927
Income from State Government	21		
Service appropriation		876,638	830,568
Services received free of charge		1,337	5,616
Other funds received from State Government		107,911	36,006
Total income from State Government		985,886	872,190
SURPLUS/(DEFICIT) FOR THE PERIOD		830,370	664,263
OTHER COMPREHENSIVE INCOME			
Items not reclassified subsequently to profit or loss			
Changes in asset revaluation surplus	36	266,407	1,865,619
Total other comprehensive income		266,407	1,865,619
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,096,777	2,529,882

See also note 50 '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

For the year ended 30 June 2016

	Note	2016 \$000	2015 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	37	83,452	186,970
Restricted cash and cash equivalents	22	376,755	95,048
Receivables	23	82,031	51,443
Amounts receivable for services	24	60,606	54,063
Inventories	25	3,863	2,421
Prepayments	26	10,507	21,435
Non-current assets classified as held for sale	27	7,439	7,150
Total Current Assets		624,653	418,530
Non-Current Assets			
Receivables	23	3,873	96
Amounts receivable for services	24	1,927,246	1,698,895
Inventories	25	2,215	1,855
Prepayments	26	436	1,330
Property, plant and equipment	28	547,464	567,204
Infrastructure	29	44,589,402	43,729,691
Intangible assets	31	14,481	17,725
Total Non-Current Assets		47,085,117	46,016,796
TOTAL ASSETS		47,709,770	46,435,326
LIABILITIES			
Current Liabilities			
Payables	33	292,242	326,348
Borrowings	34	-	5,766
Provisions	35	27,236	28,999
Total Current Liabilities		319,478	361,113
Non-Current Liabilities			
Provisions	35	4,886	4,561
Total Non-Current Liabilities		4,886	4,561
TOTAL LIABILITIES		324,364	365,674
NET ASSETS		47,385,406	46,069,652
EQUITY			
Contributed equity	36	4,258,913	4,039,936
Reserves		29,586,632	29,320,225
Accumulated surplus/(deficit)		13,539,861	12,709,491
TOTAL EQUITY		47,385,406	46,069,652

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 2016

	Note	CONTRIBUTED EQUITY \$000	RESERVES \$000	ACCUMULATED SURPLUS/(DEFICIT) \$000	TOTAL EQUITY \$000
Balance at 1 July 2014	36	3,759,621	27,454,606	12,045,228	43,259,455
- Surplus/(deficit)		-	-	664,263	664,263
- Other comprehensive income		-	1,865,619	-	1,865,619
Total comprehensive income for the period		-	1,865,619	664,263	2,529,882
Transactions with owners in their capacity as owners:					
- Capital appropriations		325,471	-	-	325,471
- Other contributions by owners		16,193	-	-	16,193
- Distributions to owners		(61,349)	-	-	(61,349)
Total		280,315	-	-	280,315
Balance at 30 June 2015		4,039,936	29,320,225	12,709,491	46,069,652
Balance at 1 July 2015		4,039,936	29,320,225	12,709,491	46,069,652
- Surplus/(deficit)		-	-	830,370	830,370
- Other comprehensive income		-	266,407	-	266,407
Total comprehensive income for the period		-	266,407	830,370	1,096,777
Transactions with owners in their capacity as owners:					
- Capital appropriations		294,173	-	-	294,173
- Other contributions by owners		11,545	-	-	11,545
- Distributions to owners		(86,741)	-	-	(86,741)
Total		218,977	-	-	218,977
Balance at 30 June 2016		4,258,913	29,586,632	13,539,861	47,385,406

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 2016

	Note	2016 \$000	2015 \$000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		587,682	622,261
Capital appropriation		294,173	325,471
Holding account drawdown		54,063	47,553
Road Trauma Trust Fund		71,240	-
Natural disaster funds		32,257	35,210
Royalties for Regions Fund		11,080	10,183
Net cash provided by State Government		1,050,495	1,040,678
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(63,725)	(70,480)
Supplies and services		(400,305)	(441,828)
Grants and subsidies		(180,654)	(189,237)
GST payments on purchases		(153,945)	(146,675)
Finance costs		(226)	(403)
Receipts			
Sale of goods and services		100,323	94,594
Commonwealth grants and contributions		776,652	547,545
Regulatory fines		-	99,787
Interest received		7,630	2,622
GST receipts on sales		18,196	11,333
GST receipts from taxation authority		135,482	133,814
Other receipts		6,232	12,394
Rent received		3,599	3,978
Net cash provided by/(used in) operating activities	37	249,259	57,444
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current assets		(25,113)	(27,452)
Purchase of infrastructure assets		(999,332)	(957,948)
Receipts			
Proceeds from sale of non-current assets		3,228	5,849
Net cash provided by/(used in) investing activities		(1,021,217)	(979,551)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments			
Repayment of borrowings		(5,766)	(5,000)
Net cash provided by/(used in) financing activities		(5,766)	(5,000)
Net increase/(decrease) in cash and cash equivalents		272,771	113,571
Cash and cash equivalents at the beginning of the period		282,018	168,447
Cash balance transferred to Other State Agencies		(94,582)	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	37	460,207	282,018

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 2016

1. Australian Accounting Standards

General

The Commissioner of Main Roads' (Main Roads) financial statements for the year ended 30 June 2016 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*. Partial exemption permitting early adoption of AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities* has been granted. Aside from AASB 2015-7, 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 2016.

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 2006* 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*

Notes to the Financial Statements

For the year ended 30 June 2016

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.

Royalties for Regions funds are recognised as revenue at fair value in the period in which Main Roads obtains control over the funds. Main Roads obtains control of the funds at the time the funds are deposited into Main Roads' bank account.

Gains

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

Capitalisation/expensing of assets

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).

Initial recognition and measurement

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.

Notes to the Financial Statements

For the year ended 30 June 2016

Subsequent measurement

Subsequent to initial recognition of 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 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.

In the absence of market-based evidence, fair value of land and buildings is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use buildings is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost. Where the fair value of buildings is determined on the depreciated replacement cost basis, the gross carrying amount and the accumulated depreciation are restated proportionately. Fair value for restricted use land is determined by comparison with market evidence for land with similar approximate utility (high restricted use land) or market value of comparable unrestricted land (low restricted use land).

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 2016 is based on the depreciated replacement cost determined at 30 June 2016 calculated using construction unit rates determined by a professional quantity surveying firm and multiplying these by the units that form the infrastructure asset. A cost index (ABS Road and Bridge Construction Cost Index) has been applied to principal shared paths and certain road furniture assets 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 under roadways, and road reserves, including land under footpaths, nature strips and median strips) 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.

Notes to the Financial Statements

For the year ended 30 June 2016

The most significant assumptions and judgements in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated economic 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 under roads' 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 on a class of assets basis

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 and drainage:	
- Metropolitan asphalt roads	40 years
- Sealed rural roads	50 years
- Gravel roads	12 years
Seals	12 to 19 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

Notes to the Financial Statements

For the year ended 30 June 2016

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, except drainage easements, 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
<i>(a) Software that is not integral to the operation of any related hardware</i>	

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 a specialised 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.

Notes to the Financial Statements

For the year ended 30 June 2016

(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 33 '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 asset replacement.

(p) Inventories

Inventories held for distribution (for roadworks) are measured at cost, adjusted when applicable for any loss of service potential. 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.

Notes to the Financial Statements

For the year ended 30 June 2016

(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 the 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

Annual leave is not expected to be settled wholly within 12 months after the end of reporting period and is therefore considered to be 'other long term employee benefits'. The annual leave liability 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 defer settlement of the liability for at least 12 months after the end of the reporting period.

Long service leave

Long service leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore 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

Notes to the Financial Statements

For the year ended 30 June 2016

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 providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary 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.

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 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.

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

Superannuation expense is recognised in the profit or loss of the Statement of Comprehensive Income and comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBS, or other superannuation funds. The employer contribution paid to the GESB in respect of the GSS is paid back into the Consolidated Account by the GESB.

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

Assets or services received free of charge or for nominal cost that Main Roads would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services where they can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of Financial Position.

Notes to the Financial Statements

For the year ended 30 June 2016

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 33 'Payables'.

3. Judgements made by management in applying accounting policies

The preparation of financial statements requires management to make judgements about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. Main Roads evaluates these judgements regularly.

Fair Value Measurement

In determining the fair value of land, buildings and infrastructure, Main Roads adopts the valuation techniques applied by professional valuers and

quantity surveying firms. Refer to note 2(g) for further details.

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 under roads, are measured at 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 2015 that impacted on Main Roads.

Notes to the Financial Statements

For the year ended 30 June 2016

AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments.
	Part C of this Standard defers the application of AASB 9 to 1 January 2017. The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB 2014-1. Main Roads has not yet determined the application or the potential impact of AASB 9.
AASB 2014-8	Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB9 (2009 & 2010)]
	This Standard makes amendments to AASB 9 Financial Instruments (December 2009) and AASB 9 Financial Instruments (December 2010), arising from the issuance of AASB 9 Financial Instruments in December 2014. Main Roads has not yet determined the application or the potential impact of AASB 9.
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.
	This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. There is no financial impact.

Voluntary changes in accounting policy

Refinement of Road Assets Components to separately identify road seals

Main Roads has undertaken a review of its road infrastructure asset components, specifically relating to road surfaces. Previously Main Roads has valued the road pavement, drainage and surfaces as a combined asset component. After reviewing the developments in data capture, systems and delivery arrangements for roadworks, it was concluded that Main Roads was in a position to enhance its financial reporting by categorising road surfaces as a separate asset component. Road surfaces were deemed to have useful lives that were distinctly different from the pavement and business improvements have made it possible to independently value and account for road surfaces on an ongoing basis. As a result, effective from 1 July 2015, Main Roads has established policies and procedures to value road surfaces as a discrete asset component, better define and capture road surface replacement expenditure and separately depreciate the road surface asset.

The decision to further componentise the road asset has been treated as a voluntary change in accounting policy in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

The isolation of road surface assets will enhance the quality of the valuation of infrastructure through the inclusion of better estimates for depreciated

replacement cost of road surfaces. The result will include having financial reports that are more reliable and relevant with improved alignment to actual asset consumption. The change will improve the relevance of the financial statements for asset management decision making as well as enhancing compliance with AASB 116 Property, Plant and Equipment.

The change in accounting policy has been applied from 1 July 2015 and has not been applied retrospectively as it was impractical to do so. The effects of the policy change on previous years are not determinable. Prior to 1 July 2015, sufficient data was not collected as specified under the changed policy to allow for the calculation of prior year opening balances. The policy change includes prescriptive definitions to isolate road surface expenditure and this information was not sought or is available for prior years.

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.

Notes to the Financial Statements

For the year ended 30 June 2016

		OPERATIVE FOR REPORTING PERIODS BEGINNING ON/ AFTER
AASB 9	<p><i>Financial Instruments</i></p> <p>This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i>, introducing a number of changes to accounting treatments.</p> <p>The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9, and, AASB 2014-1 <i>Amendments to Australian Accounting Standards</i>. Main Roads has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
AASB 15	<p><i>Revenue from Contracts with Customers</i></p> <p>This Standard establishes the principles that Main Roads shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Main Roadst has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
AASB 16	<p><i>Leases</i></p> <p>This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Main Roads has not yet determined the application or the potential impact of the standard.</p>	1 Jan 2019
AASB 1057	<p><i>Application of Australian Accounting Standards</i></p> <p>This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. There is no financial impact.</p>	1 Jan 2016
AASB 2010-7	<p><i>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}</i></p> <p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.</p> <p>The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. Main Roads has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
AASB 2014-1	<p><i>Amendments to Australian Accounting Standards</i></p> <p>Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. It has not yet been assessed to determine the application or potential impact.</p>	1 Jan 2018

Notes to the Financial Statements

For the year ended 30 June 2016

OPERATIVE FOR
REPORTING PERIODS
BEGINNING ON/AFTER

AASB 2014-3	<p><i>Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & 11]</i></p> <p>Main Roads establishes Joint Operations in pursuit of its objectives and does not routinely acquire interests in Joint Operations. Therefore, there is no financial impact on application of the Standard.</p>	1 Jan 2016
AASB 2014-4	<p><i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]</i></p> <p>The adoption of the new Standard has no financial impact for Main Roads as depreciation and amortisation is not determined by reference to revenue generation, but by reference to consumption of future economic benefits.</p>	1 Jan 2016
AASB 2014-5	<p><i>Amendments to Australian Accounting Standards arising from AASB 15</i></p> <p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The mandatory application date of this Standard has been amended by AASB 2015-8 to 1 January 2018. Main Roads has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
AASB 2014-7	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i></p> <p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). Main Roads has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
AASB 2014-9	<p><i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]</i></p> <p>This Standard amends AASB 127, and consequentially amends AASB 1 and AASB 128, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. Main Roads has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2016
AASB 2014-10	<p><i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & 128]</i></p> <p>This Standard amends AASB 10 and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. Main Roads has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2016

Notes to the Financial Statements

For the year ended 30 June 2016

OPERATIVE FOR REPORTING PERIODS BEGINNING ON/AFTER

AASB 2015-1	<p><i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 & 140]</i></p>	1 Jan 2016
	<p>These amendments arise from the issuance of International Financial Reporting Standard Annual Improvements to IFRSs 2012–2014 Cycle in September 2014, and editorial corrections. Main Roads has not yet determined the application or the potential impact of the Standard.</p>	
AASB 2015-2	<p><i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]</i></p>	1 Jan 2016
	<p>This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. There is no financial impact.</p>	
AASB 2015-6	<p><i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]</i></p>	1 Jul 2016
	<p>The amendments extend the scope of AASB 124 to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities. Main Roads will be required to make related party disclosures, though there is no financial impact.</p>	
AASB 2015-8	<p><i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i></p>	1 Jan 2017
	<p>This Standard amends the mandatory effective date (application date) of AASB 15 Revenue from Contracts with Customers so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. Main Roads has not yet determined the application or the potential impact of AASB 15.</p>	
AASB 2015-10	<p><i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 & 128</i></p>	1 Jan 2016
	<p>This Standard defers the mandatory effective date (application date) of amendments to AASB 10 & 128 that were originally made in AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016. Main Roads has not yet determined the application or the potential impact of AASB 2014-10.</p>	

Notes to the Financial Statements

For the year ended 30 June 2016

OPERATIVE FOR REPORTING PERIODS BEGINNING ON/AFTER

AASB 2016-2	<p><i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i></p>	1 Jan 2017
	<p>This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. There is no financial impact.</p>	
AASB 2016-3	<p><i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i></p>	1 Jan 2018
	<p>This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and, provides further transitional provisions to AASB 15. Main Roads has not yet determined the application or the potential impact.</p>	

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
6. EMPLOYEE BENEFITS EXPENSE		
Wages and salaries	49,230	51,504
Annual leave	4,636	4,833
Long service leave	4,636	2,058
Fringe benefits tax	1,382	934
	57,198	59,329
Superannuation - defined contribution plans ^(a)	5,657	6,264
	62,855	65,593

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

7. SUPPLIES AND SERVICES		
Consultants and contractors	372,175	389,774
Materials	6,008	4,736
Plant hire charges	5,036	4,185
Postage, stationery and reprographics	854	739
Telecommunications	5,074	4,824
Building maintenance and equipment	4,959	3,247
Electricity, gas and water	7,945	7,321
Contributions	101	33
Legal costs	467	1,460
Advertising	465	4,107
Rates and taxes	349	408
Insurance	4,216	5,038
Other	8,868	14,701
	416,517	440,573

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
8. DEPRECIATION EXPENSE OF INFRASTRUCTURE ASSETS		
Roads – earthworks	805	824
Roads – pavements, drainage and seal	261,644	179,932
Bridges	57,135	55,947
Road furniture	20,724	17,560
	340,308	254,263
9. DEPRECIATION AND AMORTISATION EXPENSE OF OTHER ASSETS		
Depreciation		
Plant, equipment and vehicles	4,478	2,618
Buildings	6,788	6,041
TOTAL DEPRECIATION	11,266	8,659
Amortisation		
Intangible assets	3,685	2,887
TOTAL AMORTISATION	3,685	2,887
TOTAL DEPRECIATION AND AMORTISATION	14,951	11,546
Less: depreciation capitalised to infrastructure	(9,780)	(7,262)
	5,171	4,284
10. FINANCE COSTS		
Interest expense	3	476
11. GRANTS AND SUBSIDIES		
Grants and subsidies	186,714	185,734
Grants of non-current assets to other bodies	2,211	12,110
	188,925	197,844

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
12. OTHER EXPENSES		
Non-current assets retired/replaced (a)	99,371	18,304
Write-down of non-current assets classified as held for sale (b)	299	548
	99,670	18,852

(a) Non-current assets replaced or retired during the year have been expensed at their carrying amount.

(b) Non-current assets held for sale measured at lower of carrying amount and fair value less selling costs.

13. REGULATORY FINES		
Regulatory fines	-	99,787

In 2014/15, the revenue represented all moneys from photographic based vehicle infringement notices collected via Department of Transport and Department of the Attorney General. The collections were credited to the Road Trauma Trust Account which was administered by the Office of Road Safety in accordance with the *Road Safety Council Act 2002*.

From 1 July 2015, the regulatory fines are now reported through the Road Safety Commission.

14. SALE OF GOODS AND SERVICES		
Sale of goods and services	9,861	11,304

This amount represents works undertaken for other public and private bodies and includes the recovery of expenditure from the Commonwealth Department of Infrastructure 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 2015-16 are summarised at note 49 'Indian Ocean Territories'.

15. COMMONWEALTH GRANTS AND CONTRIBUTIONS		
Land Transport Infrastructure Projects	773,859	544,633
Interstate Road Transport Act 1985	2,793	2,912
	776,652	547,545

Land Transport Infrastructure Projects

Grants are received from the Commonwealth Government through the *National Land Transport Act 2014*. 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 National Road Projects.

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 2016, \$376.772 million of the *National Land Transport Act 2014* grants recognised as revenue remained unspent on approved projects (at 30 June 2015 the amount was \$15.414 million). Refer to note 2(e) 'Income'.

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
16. CONTRIBUTIONS TO ROADWORKS		
Contributions to roadworks	108,942	78,328
<p>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'.</p>		
17. GRANTS FROM OTHER BODIES		
Grants from local government authorities and other bodies		
Transferred infrastructure assets at fair value	1,048	1,516
Local Government contribution to traffic signal construction	2,034	691
Developers contribution to roadworks	38,580	11,565
	41,662	13,772
<p>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 30 June 2016 : Intersection improvements (Wanneroo Road & Flynn Drive), Katanning Saleyards access entry (Kojonup-Pingrup Road) and intersection improvements (South Coast Highway & Chartwell Lane)</p> <p>The developers contribution to roadworks relate to construction costs met by private developers on roads owned by Main Roads. Roadworks include land contribution (Gateway WA), land contribution (Vasse Bypass), road reconstruction (Marble Bar Road), Baldivis Service Centre access (Kwinana Freeway).</p>		
18. INTEREST REVENUE		
Land Transport Infrastructure Projects interest revenue	10,038	-
Road Trauma Trust Account interest revenue	-	2,737
Other interest revenue	13	19
	10,051	2,756
19. OTHER REVENUE		
Rental income	3,616	3,915
Return of previous year grants	-	763
Other contributions (a)	-	190
Assets not previously recognised	3,415	4,311
Other	5,319	9,659
	12,350	18,838

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

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
20. NET GAIN/(LOSS) ON DISPOSAL OF NON CURRENT ASSETS		
Net proceeds from disposal of non-current assets		
Land acquired for roadworks	2,597	5,542
Land and buildings	603	298
Plant, equipment and vehicles	41	69
	3,241	5,909
Carrying amount of non-current assets disposed		
Land acquired for roadworks	4,177	3,957
Land and buildings	643	309
Plant, equipment and vehicles	6	15
	4,826	4,281
Net gain/ (loss)	(1,585)	1,628
21. INCOME FROM STATE GOVERNMENT		
Service appropriation		
Motor vehicle licence fees	578,397	606,463
Untied funds	291,195	216,322
Motor vehicle permit fees	6,644	7,393
Salaries and Allowances Act 1975	402	390
	876,638	830,568
Services received free of charge from other State government agencies during the period:		
Land Information Authority (Landgate)	714	4,629
Department of the Attorney General (State Solicitor's Office)	623	789
Department of Housing	-	184
Department of Water	-	6
Department of Finance	-	8
	1,337	5,616

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
Other funds received from State Government		
Road Trauma Trust Fund	75,352	-
Natural disaster funds	32,257	35,210
Royalties for Regions Fund	302	796
	985,886	872,190

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 budgeted depreciation expense for 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 2015-16 was \$831.150 million (2014-15: \$804.267 million). An amount of \$578.397 million (2014-15: \$606.463 million) was received as a service appropriation and the balance of \$252.753 million (2014-15: \$197.804 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 2015-16 was \$332.615 million (2014-15: \$343.989 million). This includes a service appropriation of \$291.195 million (2014-15: \$216.322 million) and a capital contribution of \$41.420 million (2014-15: \$127.667 million). The service appropriation includes a cash component of \$2.238 million (2014-15: \$8.015 million) and a \$288.957 million (2014-15: \$208.307 million) non cash component.

Motor vehicle permit fees

The vehicle standards for dimensions and mass are prescribed under the *Road Traffic (Vehicles) Regulations 2014*. 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 the regulations.

Other funds received from State Government

Road Trauma Trust Fund

Funds provided by Road Safety Commission to undertake road projects improving road safety in Western Australia.

Natural disaster funds

Funds provided by Department of the Premier and Cabinet for the re-opening and re-instatement of roads damaged by declared natural disasters.

Royalties for Regions Fund

The recurrent funds are committed to projects and programs in WA regional areas.

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
22. RESTRICTED CASH AND CASH EQUIVALENTS		
Current		
Contractor's deposits	708	756
Land Transport Infrastructure Projects	376,037	-
Road Trauma Trust Account	-	93,975
Commonwealth Paid Parental Leave Scheme	10	9
Royalties for Regions Fund	-	308
	376,755	95,048

Contractor's deposits

Amounts withheld from contractors payments pending satisfactory completion of works.

Land Transport Infrastructure Projects

Funds provided as part of National Partnership on Infrastructure Projects in Western Australia.

Road Trauma Trust Account

Cash held in this Account is to be used only for the purposes as prescribed in note 47 '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.

Royalties for Regions Fund

Unspent funds are committed to projects and programs in WA regional areas.

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
23. RECEIVABLES		
Current		
Trade debtors	12,556	6,480
Other debtors	4,274	2,538
Allowance for impairment of receivables	(2,247)	(2,023)
Trade debtors – unbilled receivables	22,721	11,045
GST receivable	32,013	33,137
Accrued revenue	12,714	266
TOTAL CURRENT	82,031	51,443
Non-current		
Trade debtors	3,873	96
Total non-current	3,873	96
TOTAL RECEIVABLES	85,904	51,539
Reconciliation of changes in the allowance for impairment of receivables:		
Balance at start of year	2,023	2,077
Doubtful debts expense	353	125
Amounts written off during the year	(129)	(163)
Impairment losses reversed during the period	-	(16)
BALANCE AT END OF YEAR	2,247	2,023

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

24. AMOUNTS RECEIVABLE FOR SERVICES (HOLDING ACCOUNT)		
Current	60,606	54,063
Non-current	1,927,246	1,698,895
	1,987,852	1,752,958

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

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
25. INVENTORIES		
Current		
Inventories held for distribution:		
- Construction and maintenance materials	338	215
- Electrical Stores	3,525	2,206
TOTAL CURRENT	3,863	2,421
Non-current		
Inventories held for distribution:		
- Construction and maintenance materials	2,215	1,855
TOTAL NON-CURRENT	2,215	1,855
26. PREPAYMENTS		
Current		
Prepayments	10,507	21,435
TOTAL CURRENT	10,507	21,435
Non-current		
Prepayments	436	1,330
TOTAL NON-CURRENT	436	1,330
27. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE		
Freehold land and buildings		
Opening balance	7,150	638
Assets reclassified as held for sale	5,395	11,326
Assets removed from current disposal program	-	-
Assets sold	(4,807)	(4,265)
Write-down of assets from carrying value to fair value less selling costs	(299)	(549)
CLOSING BALANCE	7,439	7,150

Information on fair value measurements is provided in Note 30.

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
<p>Main Roads disposes freehold land and buildings where it is no longer required for road construction, outside the defined road planning requirement or no longer required for operational purposes. If the freehold land and buildings are not required by Government, then they are sold at public auction or tender in the first instance and thereafter by private treaty. Non-current assets classified as held for sale are expected to settle within 12 months.</p>		
28. PROPERTY, PLANT AND EQUIPMENT		
Land		
At fair value ^(a)	93,082	109,568
	93,082	109,568
Buildings		
At fair value ^(a)	101,751	99,402
Accumulated depreciation	(332)	(175)
	101,419	99,227
Buildings under construction		
Construction costs	7,352	9,982
	7,352	9,982
Plant, equipment and vehicles		
At cost	39,578	34,794
Accumulated depreciation	(23,628)	(21,199)
	15,950	13,595
Surplus assets		
At fair value ^(a)	112,649	105,692
	112,649	105,692
Land acquired for roadworks		
At fair value ^(a)	217,012	229,140
	217,012	229,140
TOTAL PROPERTY, PLANT AND EQUIPMENT	547,464	567,204

Notes to the Financial Statements

For the year ended 30 June 2016

(a) Land, buildings, surplus assets and land acquired for roadworks were revalued as at 1 July 2015 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 2016 and recognised at 30 June 2016.

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 2014 to 1 July 2015. These properties have been valued based on the average percentage increase for the Metro and Rural areas respectively over the period 1 July 2014 to 1 July 2015. 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 2015. In undertaking the revaluation, fair value was determined by reference to market values of Freehold land \$93.082 million (2014-15: \$109.568 million) and Buildings \$101.419 million (2014-15: \$99.227 million).

To ensure the valuations provided by Valuation Services were compliant at 30 June 2016 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 2015 (date of valuation) to 31 March 2016.

TSY reviewed the information and determined that the change in fair values from 1 July 2015 (date of valuation) to 31 March 2016 were not likely to have a material impact on the fair values of these assets as recognised at 30 June 2016.

Information on fair value measurements is provided in Note 30.

Notes to the Financial Statements

For the year ended 30 June 2016

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.

2016	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	109,568	99,227	9,982	13,595	105,692	229,140	567,204
Additions	2,095	404	15,280	6,440	97	543	24,859
Disposals	-	(12)	-	(12)	-	-	(24)
Classified as held for sale	2,119	(556)	-	-	(1,663)	(5,294)	(5,394)
Held for sale removed from disposal program	-	-	-	-	-	-	-
Transfers	(3,244)	16,824	(17,910)	436	2,673	1,221	-
Transfer (to) / from infrastructure	-	-	-	-	1,425	(3,404)	(1,979)
Equity contribution / (distribution)	26	-	-	(16)	226	1	237
Revaluation increments / (decrements)	(17,482)	(7,680)	-	-	2,840	(7,251)	(29,573)
Impairment losses	-	-	-	-	-	-	-
Assets not previously recognised	-	-	-	-	1,359	2,056	3,415
Depreciation	-	(6,788)	-	(4,493)	-	-	(11,281)
CARRYING AMOUNT AT END OF YEAR	93,082	101,419	7,352	15,950	112,649	217,012	547,464

Notes to the Financial Statements

For the year ended 30 June 2016

2015	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	104,019	101,610	6,238	8,331	96,403	213,094	529,695
Additions	11,543	72	7,395	7,588	3,223	4,857	34,678
Disposals	(455)	-	-	(22)	(5)	-	(482)
Classified as held for sale	(330)	(354)	-	-	(2,821)	(7,773)	(11,278)
Held for sale removed from disposal program	-	-	-	-	-	-	-
Transfers	770	2,565	(3,651)	316	-	-	-
Transfer (to) / from infrastructure	200	-	-	-	916	6,463	7,579
Equity contribution / (distribution)	42	-	-	-	-	281	323
Revaluation increments / (decrements)	(6,219)	1,375	-	-	6,404	9,477	11,037
Impairment losses	-	-	-	-	-	-	-
Assets not previously recognised	(2)	-	-	-	1,572	2,741	4,311
Depreciation	-	(6,041)	-	(2,618)	-	-	(8,659)
CARRYING AMOUNT AT END OF YEAR	109,568	99,227	9,982	13,595	105,692	229,140	567,204

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
29. INFRASTRUCTURE		
Roads and principal shared paths		
Earthworks at fair value	13,377,621	13,018,650
Accumulated depreciation	(3,058,958)	(3,078,276)
	10,318,663	9,940,374
Pavement and drainage at fair value	8,819,496	9,597,806
Accumulated depreciation	(4,793,891)	(5,549,511)
	4,025,605	4,048,295
Seals at fair value ^(a)	1,526,196	-
Accumulated depreciation	(910,296)	-
	615,900	-
Land under roads		
At fair value	24,382,292	24,211,137
	24,382,292	24,211,137
Bridges		
At fair value	5,497,075	5,269,313
Accumulated depreciation	(1,570,624)	(1,522,786)
	3,926,451	3,746,527
Road furniture		
At fair value	559,947	435,410
Accumulated depreciation	(195,305)	(178,793)
	364,642	256,617

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
Infrastructure work in progress		
At cost	955,849	1,526,741
	955,849	1,526,741
<hr/>		
TOTAL INFRASTRUCTURE	44,589,402	43,729,691

(a) refer to Note 5 Disclosure of changes in accounting policy and estimates

The value of roads and principal shared paths (earthworks, drainage, pavements and seals), bridges and road furniture at 30 June 2016 is based on the depreciated replacement cost determined at 30 June 2014 by Main Roads. A review of the cost index (ABS Road and Bridge Construction Cost Index or rates obtained by professional estimators specialising in road infrastructure works) revealed no material movement during the financial year. Main Roads have determined it unnecessary to adjust replacement cost as the asset values do not differ materially.

Land under roads was revalued at 30 June 2016 using 1 July 2015 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.

Reconciliations of the carrying amounts of infrastructure at the beginning and end of the reporting period are set out in the table below.

Notes to the Financial Statements

For the year ended 30 June 2016

2016	ROADS AND PRINCIPAL SHARED PATHS \$000	LAND UNDER ROADS \$000	BRIDGES \$000	ROAD FURNITURE \$000	WORK IN PROGRESS \$000	TOTAL \$000
Carrying amount at start of year	13,988,669	24,211,137	3,746,527	256,617	1,526,741	43,729,691
Additions	-	-	-	-	962,510	962,510
Retirements	(93,388)	-	(2,049)	(2,849)	-	(98,286)
Transfers	1,148,797	17,169	239,108	128,328	(1,533,402)	-
Transfer (to) / from land acquired for roadworks	-	1,979	-	-	-	1,979
Revaluation increments / (decrements)	159,779	136,192	-	11	-	295,982
Highways and main roads reclassified as local roads	(2,211)	-	-	-	-	(2,211)
Local roads classified as highways and main roads	21,630	15,300	-	4,732	-	41,662
Equity contribution / (distribution)	(659)	515	-	(1,473)	-	(1,617)
Assets not previously recognised	-	-	-	-	-	-
Depreciation	(262,449)	-	(57,135)	(20,724)	-	(340,308)
CARRYING AMOUNT AT END OF YEAR	14,960,168	24,382,292	3,926,451	364,642	955,849	44,589,402

Notes to the Financial Statements

For the year ended 30 June 2016

2015	ROADS AND PRINCIPAL SHARED PATHS \$000	LAND UNDER ROADS \$000	BRIDGES \$000	ROAD FURNITURE \$000	WORK IN PROGRESS \$000	TOTAL \$000
Carrying amount at start of year	13,752,974	22,342,031	3,728,185	258,710	1,124,546	41,206,446
Additions	-	-	-	-	1,001,410	1,001,410
Retirements	(15,831)	-	(2,201)	(391)	125	(18,298)
Transfers	455,746	16,663	97,645	30,294	(600,348)	-
Transfer (to) / from land acquired for roadworks	-	(3,978)	-	-	(3,601)	(7,579)
Revaluation increments / (decrements)	(743)	1,855,478	-	(201)	-	1,854,534
Highways and main roads reclassified as local roads	(10,082)	-	(1,567)	-	-	(11,649)
Local roads classified as highways and main roads	9,665	-	-	3,218	1,073	13,956
Equity contribution / (distribution)	(22,304)	943	(19,588)	(17,453)	3,536	(54,866)
Assets not previously recognised	-	-	-	-	-	-
Depreciation	(180,756)	-	(55,947)	(17,560)	-	(254,263)
CARRYING AMOUNT AT END OF YEAR	13,988,669	24,211,137	3,746,527	256,617	1,526,741	43,729,691

Information on fair value measurements is provided in Note 30.

Notes to the Financial Statements

For the year ended 30 June 2016

30. FAIR VALUE MEASUREMENTS				
ASSETS MEASURED AT FAIR VALUE:	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE AT END OF PERIOD
2016	\$000	\$000	\$000	\$000
Non-current assets classified as held for sale (Note 27)	-	7,439	-	7,439
Land (Note 28)	-	87,181	5,901	93,082
Buildings (Note 28)	-	85,398	16,021	101,419
Surplus assets (Note 28)	-	70,491	42,158	112,649
Land acquired for roadworks (Note 28)	-	168,925	48,087	217,012
Infrastructure (Note 29)	-	-	43,633,553	43,633,553
	-	419,434	43,745,720	44,165,154
ASSETS MEASURED AT FAIR VALUE:	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE AT END OF PERIOD
2015	\$000	\$000	\$000	\$000
Non-current assets classified as held for sale (Note 27)	-	7,150	-	7,150
Land (Note 28)	-	103,786	5,782	109,568
Buildings (Note 28)	-	84,952	14,275	99,227
Surplus assets (Note 28)	-	64,582	41,110	105,692
Land acquired for roadworks (Note 28)	-	168,807	60,333	229,140
Infrastructure (Note 29)	-	-	42,202,950	42,202,950
	-	429,277	42,324,450	42,753,727

Valuation techniques to derive Level 2 fair values

Level 2 fair values of Non-current assets held for sale, Land, Buildings, Surplus assets and Land acquired for roadworks are derived using the market approach. Market evidence of sales prices of comparable land and buildings in close proximity is used to determine price per square metre.

Non-current assets held for sale have been written down to fair value less costs to sell. Fair value has been determined by reference to market evidence of sales prices of comparable assets.

Notes to the Financial Statements

For the year ended 30 June 2016

Fair value measurements using significant unobservable inputs (Level 3)

	NON-CURRENT ASSET HELD FOR SALE	LAND	BUILDINGS	SURPLUS ASSETS	LAND ACQUIRED FOR ROADWORKS	INFRASTRUCTURE
2016	\$000	\$000	\$000	\$000	\$000	\$000
Fair value at start of period	-	5,782	14,275	41,110	60,333	42,202,950
Additions	-	-	1,989	1,875	2,227	1,577,558
Revaluation increments/ (decrements) recognised in Profit or Loss	-	-	-	-	-	-
Revaluation increments/ (decrements) recognised in Other Comprehensive Income	-	(9)	137	1,781	(6,587)	295,982
Transfers from/(to) Level 2	-	128	259	(2,089)	(3,669)	-
Disposals	-	-	(13)	(502)	(4,217)	(102,629)
Depreciation expense	-	-	(626)	(17)	-	(340,308)
FAIR VALUE AT END OF PERIOD		5,901	16,021	42,158	48,087	43,633,553
TOTAL GAINS OR LOSSES FOR THE PERIOD INCLUDED IN PROFIT OR LOSS, UNDER 'OTHER GAINS'	-	-	-	-	-	-

Notes to the Financial Statements

For the year ended 30 June 2016

	NON-CURRENT ASSET HELD FOR SALE	LAND	BUILDINGS	SURPLUS ASSETS	LAND ACQUIRED FOR ROADWORKS	INFRASTRUCTURE
2015	\$000	\$000	\$000	\$000	\$000	\$000
Fair value at start of period	65	5,469	14,451	37,933	51,030	40,081,900
Additions	-	151	124	683	8,696	616,015
Revaluation increments/ (decrements) recognised in Profit or Loss	-	-	-	-	-	-
Revaluation increments/ (decrements) recognised in Other Comprehensive Income	-	-	325	2,205	1,678	1,854,534
Transfers from/(to) Level 2	-	162	13	489	85	-
Disposals	(65)	-	-	(170)	(1,156)	(95,236)
Depreciation expense	-	-	(638)	(30)	-	(254,263)
FAIR VALUE AT END OF PERIOD		5,782	14,275	41,110	60,333	42,202,950
TOTAL GAINS OR LOSSES FOR THE PERIOD INCLUDED IN PROFIT OR LOSS, UNDER 'OTHER GAINS'	-	-	-	-	-	-

Valuation processes

There were no changes in valuation techniques during the period.

Transfers in and out of a fair value level are recognised on the date of the event or change in circumstances that caused the transfer. Transfers are generally limited to assets newly classified as non-current assets held for sale as Treasurer's Instructions require valuations of land, buildings and infrastructure to be categorised within Level 3 where the valuations will utilise significant Level 3 inputs on a recurring basis.

Land, surplus assets and land acquired for roadworks (Level 3 fair values)

Fair value for restricted use land is based on comparison with market evidence for land with low level utility (high restricted use land). The relevant comparators of land with low level utility is selected by the Western Australian Land Information Authority (Valuation Services) and represents the application of a significant Level 3 input in this valuation methodology. The fair value measurement is sensitive to values of comparator land, with higher values of comparator land correlating with higher estimated fair values of land.

Notes to the Financial Statements

For the year ended 30 June 2016

Buildings (Level 3 fair values)

Fair value for existing use specialised building assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost. Depreciated replacement cost is the current replacement cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, or obsolescence, and optimisation (where applicable) of the asset. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications.

Infrastructure (Level 3 fair values)

Fair value for infrastructure assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost. Depreciated replacement cost is the current replacement cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, or obsolescence, and optimisation (where applicable) of the asset. Current replacement cost is determined 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.

Significant Level 3 inputs used by Main Roads are derived and evaluated as follows:

Selection of land with restricted utility

Fair value for restricted use land is determined by comparison with market evidence for land with low level utility. Relevant comparators of land with low level utility are selected by the Western Australian Land Information Authority (Valuation Services).

Historical cost per square metre floor area (m²)

The cost of constructing specialised buildings with similar utility area extracted from financial reports of Main Roads, then indexed by movements in CPI.

Consumed economic benefit/obsolescence of asset

These are estimated by the Western Australian Land Information Authority (Valuation Services).

Historical cost per cubic metre (m³)

The fair value of road infrastructure comprising of earthworks, pavements (including drainage and seals), bridges and road furniture is calculated using construction unit rates determined by a professional quantity surveying firm and multiplying these by the units that form the infrastructure asset.

Historical cost per cubic metre (m³)

The fair value of road infrastructure comprising of principal shared paths and certain road furniture are extracted from financial records of Main Roads and indexed by movements in the ABS Road and Bridge Construction cost index.

Selection of land adjoining road reserve

The fair value of road infrastructure comprising of land under roads is determined by comparison with the unimproved land values for land tax purposes maintained by the Western Australian Land Information Authority (Valuation Services).

Notes to the Financial Statements

For the year ended 30 June 2016

Basis of Valuation

In the absence of market-based evidence, due to the specialised nature of some non-financial assets, these assets are valued at Level 3 of the fair value hierarchy on an existing use basis. The existing use basis recognises that restrictions or limitations have been placed on their use and disposal when they are not determined to be surplus to requirements. These restrictions are imposed by virtue of the assets being held to deliver a specific community service.

DESCRIPTION	FAIR VALUE 2016 \$000	FAIR VALUE 2015 \$000	VALUATION TECHNIQUE(S)	UNOBSERVABLE INPUTS
Land, Surplus asset and Land acquired for roadworks	96,146	107,225	Market approach	Selection of land with similar approximate utility
Buildings	16,021	14,275	Depreciated replacement cost	Historical cost per square metre floor area (m ²) Consumed economic benefit/ obsolescence of asset
Infrastructure (Earthworks)	10,318,663	9,940,374	Depreciated replacement cost	Historical cost per square metre floor area (m ²)
Infrastructure (Pavements including drainage and seals)	4,641,505	4,048,295	Depreciated replacement cost	Historical cost per square metre floor area (m ²)
Infrastructure (Bridges)	3,926,451	3,746,527	Depreciated replacement cost	Historical cost per square metre floor area (m ²)
Infrastructure (Road furniture)	364,642	256,617	Depreciated replacement cost	Consumed economic benefit/ obsolescence of asset
Infrastructure (Land under roads)	24,382,292	24,211,137	Market approach	Selection of land adjoining road reserve

Reconciliations of the opening and closing balances are provided in Notes 28 and 29.

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
31. INTANGIBLE ASSETS		
Computer software and licences		
At cost	26,154	27,321
Accumulated amortisation	(11,682)	(9,605)
	14,472	17,716
Drainage easements		
At cost	9	9
	9	9
TOTAL INTANGIBLE ASSETS	14,481	17,725
Reconciliations:		
Computer software and licences		
Carrying amount at start of year	17,716	18,065
Additions	1,521	2,538
Disposals	(1,080)	-
Transfers	-	-
Amortisation expense	(3,685)	(2,887)
CARRYING AMOUNT AT END OF YEAR	14,472	17,716

32. IMPAIRMENT OF ASSETS

There were no indications of impairment to property, plant and equipment, infrastructure or intangible assets at 30 June 2016.

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.

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
33. PAYABLES		
Current		
Trade creditors	7,692	5,512
Major contracts and services	207,432	207,651
Property acquisitions	45,451	83,759
Contractors retention	708	756
Funds in advance	26,157	24,940
Performance bonds / surety	244	44
Accrued salaries	4,558	3,686
TOTAL CURRENT	292,242	326,348
34. BORROWINGS		
Current		
WA Treasury Corporation borrowings	-	5,766
TOTAL CURRENT	-	5,766
35. PROVISIONS		
Current		
Employee benefits provisions		
- Annual leave	12,162	12,812
- Long service leave	14,936	16,022
	27,098	28,834
Other provisions		
- Employment on-costs	138	165
	27,236	28,999

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
Non-current		
Employee benefits provisions		
- Long service leave	4,861	4,535
	4,861	4,535
Other provisions		
- Employment on-costs	25	26
	4,886	4,561

(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:

Within 12 months of the end of the reporting period	8,829	9,265
More than 12 months after the end of the reporting period	3,333	3,547
	12,162	12,812

(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:

Within 12 months of the end of the reporting period	4,604	5,701
More than 12 months after the end of the reporting period	15,193	14,856
	19,797	20,557

(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.

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
Employment on-cost provision		
Carrying amount at start of period	191	368
Additional provisions recognised	(28)	(177)
Payments/other sacrifices of economic benefits	-	-
Unwinding of the discount	-	-
CARRYING AMOUNT AT END OF PERIOD	163	191

36. EQUITY

The Western Australian 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.

CONTRIBUTED EQUITY		
Balance at start of period	4,039,936	3,759,621
Contributions by owners		
Capital contributions	294,173	325,471
Other contributions by owners		
Royalties for Regions Fund - Regional Infrastructure and Headwork Account	10,778	9,387
Royalties for Regions Fund - Regional Community Services Account	-	-
Transfer of net assets from other agencies		
- Public Transport Authority	-	5,341
- Western Australian Planning Commission	515	1,435
- Department of Lands	252	-
- Water Corporation	-	30
TOTAL CONTRIBUTIONS BY OWNERS	305,718	341,664

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
Distributions to owners		
Transfer of net assets to other agencies		
- Public Transport Authority	(2,133)	(47,362)
- Department of Parks & Wildlife	-	(163)
- Department of Lands	-	(13,824)
- Road Safety Commission	(84,608)	-
TOTAL DISTRIBUTIONS TO OWNERS	(86,741)	(61,349)
BALANCE AT END OF PERIOD	4,258,913	4,039,936
RESERVES		
Asset revaluation surplus		
Balance at start of period	29,320,225	27,454,606
Net revaluation increments/(decrements)		
- Earthworks, Drainage, Pavements and Seals	159,779	(743)
- Bridges	-	-
- Land under roads	136,192	1,855,478
- Road Furniture	11	(201)
- Land and Buildings	(29,575)	11,085
BALANCE AT END OF PERIOD	29,586,632	29,320,225
ACCUMULATED SURPLUS/(DEFICIT)		
Balance at start of period	12,709,491	12,045,228
Result for the period	830,370	664,263
Income and expense recognised directly in equity	-	-
BALANCE AT END OF PERIOD	13,539,861	12,709,491
TOTAL EQUITY AT END OF PERIOD	47,385,406	46,069,652

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
37. 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:		
Cash and cash equivalents	83,452	186,970
Restricted cash and cash equivalents	376,755	95,048
	460,207	282,018
Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities		
Net cost of services	(155,516)	(207,927)
Non-cash items:		
Depreciation expense - infrastructure	340,308	254,263
Depreciation and amortisation expense - other fixed assets	5,171	4,284
Grants to other bodies	2,211	12,110
Grants received from other bodies	(41,662)	(13,772)
Services received free of charge	1,337	5,432
Infrastructure assets retired/replaced	99,670	18,852
Assets not previously recognised	(3,415)	(4,311)
Adjustment for other non-cash items	-	-
Net (gain)/loss on sale of property, plant and equipment	1,585	(1,628)
(Increase)/decrease in assets:		
Receivables ^(a)	(32,096)	4,284
Inventories	(1,802)	22
Prepayments	11,822	9,992

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
Increase/(decrease) in liabilities:		
Payables (a)	21,353	(17,735)
Employee benefits	(831)	(4,375)
Net GST receipts/(payments) (b)	135,481	133,814
Change in GST in receivables/payables (c)	(134,357)	(135,861)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	249,259	57,444

(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.

38. SERVICES PROVIDED FREE OF CHARGE

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

Department of Transport - accommodation costs and provision of traffic modelling services	9	154
Department of Planning - provision of traffic modelling services	3	22
Public Transport Authority - provision of professional services	1	13
Department of Parks and Wildlife - bridge inspection services	-	14
Services provided free of charge to other agencies	2	1
Road Safety Commission - accommodation cost and provision of corporate services	440	-
	455	204

39. COMMITMENTS

Non-cancellable operating lease commitments

Commitments for minimum lease payments are payable as follows:

Within 1 year	4,760	4,473
Later than 1 year and not later than 5 years	3,347	4,437
Later than 5 years	105	173
	8,212	9,083

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
The commitments below are inclusive of GST.		
Capital expenditure commitments		
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	379,601	589,502
Later than 1 year and not later than 5 years	80,994	117,794
Later than 5 years	-	1
	460,595	707,297
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:		
Within 1 year	343,474	399,096
Later than 1 year and not later than 5 years	97,919	436,292
Later than 5 years	-	972
	441,393	836,360
40. CONTINGENT LIABILITIES AND CONTINGENT ASSETS		
Contingent liabilities		
The following contingent liabilities are additional to the liabilities included in the financial statements:		
Contract claims in dispute	22,835	67,552
Resumption claims in dispute	177,900	229,979
	200,735	297,531

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 and recognised 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 and recognised by Main Roads in accordance with an independent valuation.

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
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Contaminated sites

Under the *Contaminated Sites Act 2003*, Main Roads is required to report known and suspected contaminated sites to the Department of Environment Regulation (DER). In accordance with the Act, DER 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 five suspected contaminated sites to DER. Three were classified as possibly contaminated - investigation 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.

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

Contingent assets		
The following contingent assets are additional to the liabilities included in the financial statements:		
Contract in dispute	200	119
	200	119

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 is based on best estimates available.

41. 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.

42. EXPLANATORY STATEMENTS

All variances between estimates (original budget) and actual results for 2016, and between the actual results for 2016 and 2015 are shown below. Narratives are provided for key variations selected from observed major variances, which are generally greater than:

- 5% and \$19.6 million for the Statements of Comprehensive Income and Cash Flows; and,
- 5% and \$25.0 million for the Statement of Financial Position.

Notes to the Financial Statements

For the year ended 30 June 2016

	VARIANCE NOTE	ORIGINAL BUDGET 2016	ACTUAL 2016	ACTUAL 2015	VARIANCE BETWEEN ESTIMATE AND ACTUAL	VARIANCE BETWEEN ACTUAL RESULTS FOR 2016 AND 2015
STATEMENT OF COMPREHENSIVE INCOME		\$000	\$000	\$000	\$000	\$000
Expenses						
Employee benefits expense		76,725	62,855	65,593	(13,870)	(2,738)
Supplies and services	1, A	516,010	416,517	440,573	(99,493)	(24,056)
Depreciation expense of infrastructure assets	B	333,490	340,308	254,263	6,818	86,045
Depreciation and amortisation expense of other assets		8,793	5,171	4,284	(3,622)	887
Finance costs		400	3	476	(397)	(473)
Grants and subsidies		195,214	188,925	197,844	(6,289)	(8,919)
Other expenses	2, C	27,244	99,670	18,852	72,426	80,818
TOTAL COST OF SERVICES		1,157,876	1,113,449	981,885	(44,427)	131,564
Income						
Revenue						
Regulatory fines	3,D	115,317	-	99,787	(115,317)	(99,787)
Sale of goods and services		-	9,861	11,304	9,861	(1,443)
Commonwealth grants and contributions	4,E	525,368	776,652	547,545	251,284	229,107
Contributions to roadworks	5,F	71,076	108,942	78,328	37,866	30,614
Grants from other bodies	6,G	-	41,662	13,772	41,662	27,890
Interest revenue		10	10,051	2,756	10,041	7,295
Other revenue		11,534	12,350	18,838	816	(6,488)
TOTAL REVENUE		723,305	959,518	772,330	236,213	187,188
Gains						
Gain/(loss) on disposal of non-current assets		200	(1,585)	1,628	(1,785)	(3,213)
TOTAL GAINS		200	(1,585)	1,628	(1,785)	(3,213)
TOTAL INCOME OTHER THAN INCOME FROM STATE GOVERNMENT		723,505	957,933	773,958	234,428	183,975
NET COST OF SERVICES		434,371	155,516	207,927	(278,855)	(52,411)
INCOME FROM STATE GOVERNMENT						
Service appropriation	H	882,701	876,638	830,568	(6,063)	46,070
Services received free of charge		2,700	1,337	5,616	(1,363)	(4,279)
Other funds received from State Government	7,I	14,758	107,911	36,006	93,153	71,905
TOTAL INCOME FROM STATE GOVERNMENT		900,159	985,886	872,190	85,727	113,696
SURPLUS/(DEFICIT) FOR THE PERIOD		465,788	830,370	664,263	364,582	166,107
OTHER COMPREHENSIVE INCOME						
Items not reclassified subsequently to profit or loss						
Changes in asset revaluation surplus	8,J	-	266,407	1,865,619	266,407	(1,599,212)
TOTAL OTHER COMPREHENSIVE INCOME		-	266,407	1,865,619	266,407	(1,599,212)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		465,788	1,096,777	2,529,882	630,989	(1,433,105)

Notes to the Financial Statements

For the year ended 30 June 2016

	VARIANCE NOTE	ORIGINAL BUDGET 2016	ACTUAL 2016	ACTUAL 2015	VARIANCE BETWEEN ESTIMATE AND ACTUAL	VARIANCE BETWEEN ACTUAL RESULTS FOR 2016 AND 2015
		\$000	\$000	\$000	\$000	\$000
STATEMENT OF FINANCIAL POSITION						
ASSETS						
<i>Current Assets</i>						
Cash and cash equivalents	9,K	179,631	83,452	186,970	(96,179)	(103,518)
Restricted cash and cash equivalents	10,L	81,042	376,755	95,048	295,713	281,707
Receivables	11,M	52,257	82,031	51,443	29,774	30,588
Amounts receivable for services		60,606	60,606	54,063	-	6,543
Inventories		2,994	3,863	2,421	869	1,442
Prepayments		29,515	10,507	21,435	(19,008)	(10,928)
Non-current assets classified as held for sale		638	7,439	7,150	6,801	289
TOTAL CURRENT ASSETS		406,683	624,653	418,530	217,970	206,123
<i>Non-Current Assets</i>						
Receivables		115	3,873	96	3,758	3,777
Amounts receivable for services	N	1,927,246	1,927,246	1,698,895	-	228,351
Inventories		1,304	2,215	1,855	911	360
Prepayments		3,242	436	1,330	(2,806)	(894)
Property, plant and equipment	12	508,823	547,464	567,204	38,641	(19,740)
Infrastructure		45,057,538	44,589,402	43,729,691	(468,136)	859,711
Intangible assets		18,134	14,481	17,725	(3,653)	(3,244)
TOTAL NON-CURRENT ASSETS		47,516,402	47,085,117	46,016,796	(431,285)	1,068,321
TOTAL ASSETS		47,923,085	47,709,770	46,435,326	(213,315)	1,274,444
LIABILITIES						
<i>Current Liabilities</i>						
Payables	O	304,023	292,242	326,348	(11,781)	(34,106)
Borrowings		766	-	5,766	(766)	(5,766)
Provisions		33,287	27,236	28,999	(6,051)	(1,763)
TOTAL CURRENT LIABILITIES		338,076	319,478	361,113	(18,598)	(41,635)
<i>Non-Current Liabilities</i>						
Provisions		4,148	4,886	4,561	738	325
TOTAL NON-CURRENT LIABILITIES		4,148	4,886	4,561	738	325
TOTAL LIABILITIES		342,224	324,364	365,674	(17,860)	(41,310)
NET ASSETS		47,580,861	47,385,406	46,069,652	(195,455)	1,315,754
EQUITY						
Contributed equity	13,P	4,521,843	4,258,913	4,039,936	(262,930)	218,977
Reserves		29,928,039	29,586,632	29,320,225	(341,407)	266,407
Accumulated surplus/(deficit)	Q	13,130,979	13,539,861	12,709,491	408,882	830,370
TOTAL EQUITY		47,580,861	47,385,406	46,069,652	(195,455)	1,315,754

Notes to the Financial Statements

For the year ended 30 June 2016

	VARIANCE NOTE	ORIGINAL BUDGET 2016	ACTUAL 2016	ACTUAL 2015	VARIANCE BETWEEN ESTIMATE AND ACTUAL	VARIANCE BETWEEN ACTUAL RESULTS FOR 2016 AND 2015
		\$000	\$000	\$000	\$000	\$000
STATEMENT OF CASH FLOW						
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriation	R	593,744	587,682	622,261	(6,062)	(34,579)
Capital appropriation	14,S	425,414	294,173	325,471	(131,241)	(31,298)
Holding account drawdown		54,063	54,063	47,553	-	6,510
Road Trauma Trust Fund	15	-	71,240	-	71,240	71,240
Natural disaster funds		14,250	32,257	35,210	18,007	(2,953)
Royalties for Regions Fund		14,868	11,080	10,183	(3,788)	897
NET CASH PROVIDED BY STATE GOVERNMENT		1,102,339	1,050,495	1,040,678	(51,844)	9,817
CASH FLOWS FROM OPERATING ACTIVITIES						
<i>Payments</i>						
Employee benefits		(76,725)	(63,725)	(70,480)	13,000	6,755
Supplies and services	16,T	(462,858)	(400,305)	(441,828)	62,553	41,523
Grants and subsidies		(178,379)	(180,654)	(189,237)	(2,275)	8,583
GST payments on purchases	17	(101,946)	(153,945)	(146,675)	(51,999)	(7,270)
Finance costs		(400)	(226)	(403)	174	177
<i>Receipts</i>						
Sale of goods and services	18	72,018	100,323	94,594	28,305	5,729
Commonwealth grants and contributions	19,U	525,368	776,652	547,545	251,284	229,107
Regulatory fines	20,V	115,317	-	99,787	(115,317)	(99,787)
Interest received		10	7,630	2,622	7,620	5,008
GST receipts on sales		1,808	18,196	11,333	16,388	6,863
GST receipts from taxation authority	21	99,892	135,482	133,814	35,590	1,668
Other receipts		8,334	6,232	12,394	(2,102)	(6,162)
Rent received		3,200	3,599	3,978	399	(379)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES		5,639	249,259	57,444	243,620	191,815
CASH FLOWS FROM INVESTING ACTIVITIES						
<i>Payments</i>						
Purchase of non-current assets		(13,922)	(25,113)	(27,452)	(11,191)	2,339
Purchase of infrastructure assets	22	(1,075,070)	(999,332)	(957,948)	75,738	(41,384)
<i>Receipts</i>						
Proceeds from sale of non-current assets		14,500	3,228	5,849	(11,272)	(2,621)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		(1,074,492)	(1,021,217)	(979,551)	53,275	(41,666)
CASH FLOWS FROM FINANCING ACTIVITIES						
<i>Payments</i>						
Repayment of borrowings		(5,000)	(5,766)	(5,000)	(766)	(766)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		(5,000)	(5,766)	(5,000)	(766)	(766)
Net increase/(decrease) in cash and cash equivalents		28,486	272,771	113,571	244,285	159,200
Cash and cash equivalents at the beginning of the period		232,187	282,018	168,447	49,831	113,571
Cash balance transferred to Other State Agencies		-	(94,582)	-	(94,582)	(94,582)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		260,673	460,207	282,018	199,534	178,189

Notes to the Financial Statements

For the year ended 30 June 2016

Major Estimate and Actual (2016) Variance Narratives

- 1 Supplies and services was underspent by \$99.5 million (19.3%) mainly due to transfer out of the Office of Road Safety, works on the Swan River Pedestrian Bridge and capitalised operational overheads.
- 2 Other expenses exceeded estimates by \$72.4 million (265.8%) due to increased infrastructure retired or replaced as major capital projects were completed including Gateway WA, Great Northern Highway - Batty Bog to Walebing and Great Eastern Highway - Bullabulling to Coolgardie.
- 3 Regulatory fines was overestimated by \$115.3 million (100.0%) as the revenue is now reported through the Road Safety Commission.
- 4 Commonwealth grants and contributions exceeded estimates by \$251.3 million (47.8%) due mainly to the additional infrastructure funding received during the financial year.
- 5 Contributions to roadworks exceeded estimates by \$37.9 million (53.3%) due mainly to the cost on unanticipated third party roadworks for both public and private bodies.
- 6 Grants from other bodies exceeded estimates by \$41.7 million (100.0%) due mainly to road assets transferred to Main Roads from local government and other bodies. Please refer to Note 17.
- 7 Other funds received from State Government exceeded estimates by \$93.2 million (631.2%) due mainly to revenue recognition of grant funding from the Road Trauma Trust Account.
- 8 Changes in asset revaluation surplus exceeded estimates by \$266.4 million (100.0%) due mainly to fair value reassessment of land under roads.
- 9 Cash and cash equivalents was overestimated by \$96.2 million (53.5%) due mainly to less than anticipated receipts of Commonwealth milestone payments.
- 10 Restricted cash and cash equivalent exceeded estimates by \$295.7 million (364.9%) due to unanticipated receipt of additional infrastructure funding from the Commonwealth less transfer of the Road Trauma Trust Fund to the Road Safety Commission. Funded projects include Mitchell Freeway Extension - Burns Beach Road to Hester Avenue and Tonkin Highway Grade Separations.
- 11 Receivables exceeded estimates by \$29.7 million (56.9%) due to higher sundry debtor arrangements with third parties to deliver infrastructure projects.
- 12 Property, plant and equipment exceeded estimates by \$38.6 million (7.6%) due mainly to more land for future roadworks acquired in the financial year.
- 13 Contributed equity was overestimated by \$262.9 million (5.8%) due to decreased capital appropriation received in the financial year and equity transfers of assets and liabilities to the Road Safety Commission.
- 14 Capital appropriation was overestimated by \$131.2 million (30.9%) due to funds replaced by additional infrastructure funding from the Commonwealth.
- 15 Road Trauma Trust Fund exceeded estimates by \$71.2 million (100.0%) mainly due to the recognition of grants revenue from the Road Trauma Trust Account.
- 16 Supplies and services overestimated by \$62.6 million (13.5%) mainly due to transfer out of the Office of Road Safety, works on the Swan River Pedestrian Bridge and capitalised operational overheads.
- 17 GST payment on purchases exceeded estimates by \$52.0 million (51.0%) due mainly to higher than anticipated GST payments on purchases.
- 18 Sales of goods and services was exceeded estimates by \$28.3 million (39.3%) due to a higher level of work performed on behalf of third parties.
- 19 Commonwealth grants and contributions exceeded estimates by \$251.3 million (47.8%) due mainly to the additional infrastructure funding received during the financial year.

Notes to the Financial Statements

For the year ended 30 June 2016

- 20 Regulatory fines was overestimated by \$115.3 million (100.0%) as the revenue is now reported through the Road Safety Commission.
- 21 GST receipts from taxation authority exceeded estimates by \$35.6 million (35.6%) due to higher than anticipated GST receipts from taxation authority.
- 22 Purchase of infrastructure assets was underspent by \$75.7 million (7.0%) due to major projects not meeting original milestones.

Major Actual (2016) and Comparative (2015) Variance Narratives

- A Supplies and services was decreased by \$24.1 million (5.5%) due mainly to transfer out of the Office of Road Safety and resurfacing of roads that were previously recognised as maintenance cost is now capitalised separately as an asset category.
- B Depreciation expense of infrastructure increased by \$86.0 million (33.8%) due mainly to the change in accounting policy to recognise road seals separately.
- C Other expenses increased by \$80.8 million (428.7%) due to increased infrastructure retired or replaced as major capital projects were completed including Gateway WA, Great Northern Highway - Batty Bog to Walebing and Great Eastern Highway - Bullabulling to Coolgardie.
- D Regulatory fines decreased by \$99.8 million (100.0%) as the revenue is now reported through the Road Safety Commission.
- E Commonwealth grants and contributions increased by \$229.1 million (41.8%) due mainly to the additional infrastructure funding received during the financial year.
- F Contributions to roadworks increased by \$30.6 million (39.1%) due mainly to the cost on unanticipated third party roadworks for both public and private bodies.
- G Grants from other bodies increased by \$27.9 million (202.5%) due mainly to road assets transferred to Main Roads from local government and other bodies. Please refer to Note 17.
- H Service appropriation increased by \$46.1 million (5.5%) due mainly to higher infrastructure depreciation funded through non-cash appropriation.
- I Other funds received from State Government increased by \$71.9 million (199.7%) due mainly to revenue recognition of grants receipts from the Road Trauma Trust Account.
- J Changes in asset revaluation surplus decreased by \$1.6 billion (85.7%) due to minimal fair value movements of land under road assets.
- K Cash and cash equivalents decreased by \$103.5 million (55.4%) due to utilisation of funds for capital projects.
- L Restricted cash and cash equivalent increased by \$281.7 million (296.4%) due to additional infrastructure funding received from the Commonwealth less transfer of the Road Trauma Trust Fund to the Road Safety Commission. Funded projects include Mitchell Freeway Extension - Burns Beach Road to Hester Avenue and Tonkin Highway Grade Separations.
- M Receivables increased by \$30.5 million (59.4%) due to higher sundry debtor arrangements with third party to deliver infrastructure projects.
- N Amounts receivable for services was increased by \$228.4 million (13.4%) due to a increasing values of infrastructure assets.
- O Payables decreased by \$34.2 million (10.5%) due mainly to reduction in land resumption liabilities.
- P Contributed equity increased by \$219.0 million (5.4%) due to capital appropriation received in the financial year less equity transfers of assets and liabilities to the Road Safety Commission.

Notes to the Financial Statements

For the year ended 30 June 2016

- Q Accumulated surplus increased by \$830.4 (6.5%) due mainly to higher income received from State Government.
- R Service appropriation decreased by \$34.6 million (5.6%) mainly due to transfer out of the Office of Road Safety and works on the Swan River Pedestrian Bridge.
- S Capital appropriation was decreased by \$31.3 million (9.6%) due to deferral of some capital projects.
- T Supplies and services decreased by \$41.5 million (9.4%) due mainly to transfer out of the Office of Road Safety and resurfacing of roads that were previously recognised as maintenance cost is now capitalised separately as an asset category.
- U Commonwealth grants and contributions increased by \$229.1 million (41.8%) due to the additional infrastructure funding received during the financial year.
- V Regulatory fines decreased by \$99.8 million (100.0%) as the revenue is now reported through the Road Safety Commission.

Notes to the Financial Statements

For the year ended 30 June 2016

43. 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 43(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 43(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. The borrowings due to WATC was fully repaid during the 2015-16 financial year.

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
(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:		
Financial Assets		
Cash and cash equivalents	83,452	186,970
Restricted cash and cash equivalents	376,755	95,048
Loans and receivables ^(a)	2,041,743	1,771,360
Financial Liabilities		
Financial liabilities measured at amortised cost	292,242	332,114

(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.

Notes to the Financial Statements

For the year ended 30 June 2016

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

	CARRYING AMOUNT	NOT PAST DUE AND NOT IMPAIRED	PAST DUE BUT NOT IMPAIRED					IMPAIRED FINANCIAL ASSETS
			UP TO 1 MONTH	1-3 MONTHS	3 MONTHS TO 1 YEAR	1-5 YEARS	MORE THAN 5 YEARS	
2016	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cash and cash equivalents	83,452	83,452	-	-	-	-	-	-
Restricted cash and cash equivalents	376,755	376,755	-	-	-	-	-	-
Receivables ^(a)	53,891	50,140	1,418	66	20	-	-	2,247
Amounts receivable for services	1,987,852	1,987,852	-	-	-	-	-	-
	2,501,950	2,498,199	1,418	66	20	-	-	2,247
2015								
Cash and cash equivalents	186,970	186,970	-	-	-	-	-	-
Restricted cash and cash equivalents	95,048	95,048	-	-	-	-	-	-
Receivables ^(a)	18,402	14,170	1,171	1,007	30	-	-	2,024
Amounts receivable for services	1,752,958	1,752,958	-	-	-	-	-	-
	2,053,378	2,049,146	1,171	1,007	30	-	-	2,024

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

Notes to the Financial Statements

For the year ended 30 June 2016

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 TO 1 YEAR	1-5 YEARS	MORE THAN 5 YEARS
2016	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
FINANCIAL ASSETS										
Cash and cash equivalents	-	83,452	-	-	83,452	83,452	83,452	-	-	-
Restricted cash and cash equivalents	2.29	376,755	-	376,755	-	376,755	376,755	-	-	-
Receivables (a)	-	53,891	-	-	53,891	53,891	53,891	-	-	-
Amounts receivable for services	-	1,987,852	-	-	1,987,852	1,987,852	6,800	17,000	17,000	36,806
		2,501,950	-	376,755	2,125,195	2,501,950	520,898	17,000	36,806	222,794
FINANCIAL LIABILITIES										
Payables	-	292,242	-	-	292,242	292,242	292,242	-	-	-
WATC Loan	-	-	-	-	-	-	-	-	-	-
		292,242	-	-	292,242	292,242	292,242	-	-	-

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

	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 TO 1 YEAR	1-5 YEARS	MORE THAN 5 YEARS
2015	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
FINANCIAL ASSETS										
Cash and cash equivalents	-	186,970	-	-	186,970	186,970	186,970	-	-	-
Restricted cash and cash equivalents	2.70	95,048	-	-	308	95,048	95,048	-	-	-
Receivables (a)	-	18,402	-	94,740	18,402	18,402	18,402	-	-	-
Amounts receivable for services	-	1,752,958	-	-	1,752,958	1,752,958	10,200	9,600	34,263	203,277
		2,053,378	-	94,740	1,958,638	2,053,378	310,620	9,600	34,263	203,277
FINANCIAL LIABILITIES										
Payables	-	326,348	-	-	326,348	326,348	326,348	-	-	-
WATC Loan	5.57	5,766	5,766	-	-	6,073	1,851	-	1,825	2,397
		332,114	5,766	-	326,348	332,421	328,199	-	1,825	2,397

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

Notes to the Financial Statements

For the year ended 30 June 2016

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.

	CARRYING AMOUNT	-25 BASIS POINTS		+25 BASIS POINTS	
		SURPLUS	EQUITY	SURPLUS	EQUITY
2016	\$000	\$000	\$000	\$000	\$000
FINANCIAL ASSETS					
Restricted cash and cash equivalents	376,755	(942)	(942)	942	942
TOTAL INCREASE/(DECREASE)		(942)	(942)	942	942
2015					
FINANCIAL ASSETS					
Restricted cash and cash equivalents	94,740	(237)	(237)	237	237
TOTAL INCREASE/(DECREASE)		(237)	(237)	237	237

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.

Notes to the Financial Statements

For the year ended 30 June 2016

44. 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:

Remuneration Band (\$)	2016	2015
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.

Notes to the Financial Statements

For the year ended 30 June 2016

Remuneration of senior officers

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

REMUNERATION BAND (\$)	2016	2015
70,001 – 80,000	-	1
200,001 – 210,000	-	1
210,001 – 220,000	3	1
220,001 – 230,000	-	2
230,001 – 240,000	1	3
240,001 – 250,000	2	-
250,001 – 260,000	2	-
260,001 – 270,000	1	-
310,001 – 320,000	-	1
410,001 – 420,000	1	1
	\$000	\$000
Base remuneration and superannuation	2,480	2,592
Annual leave and long service leave accruals	19	(248)
Other benefits	73	82
The total remuneration of senior officers	2,572	2,363

Total remuneration includes the superannuation expense incurred by Main Roads in respect of senior officers.

	2016 \$000	2015 \$000
45. REMUNERATION OF AUDITOR		
Remuneration of members of the accountable authority		
Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:		
Auditing the accounts, financial statements and key performance indicators	225	220
Other audits	22	47
	247	267

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
46. AFFILIATED BODIES		
The Board of the WA Pavement Asset Research Centre (WAPARC) has agreed to lapse the agreement and is no longer an affiliated body. No payments were made to WAPARC during the financial year.		
47. SPECIAL PURPOSE ACCOUNTS		
Road Trauma Trust Account ^(a)		
In accordance with section 12 of the <i>Road Safety Council Act 2002</i> , the purpose of the Account is to receive and hold funds from parliamentary appropriations, all moneys 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.		
Balance at the start of the financial year	93,975	72,309
Receipts	-	103,358
Payments	-	(81,692)
Transfer to Road Safety Commission ^(b)	(93,975)	-
BALANCE AT THE END OF THE FINANCIAL YEAR	-	93,975
<i>(a) Established under section 16(1)(b) of FMA.</i>		
<i>(b) From 1 July 2015, The Road Trauma Trust Account is now reported through the Road Safety Commission</i>		
48. SUPPLEMENTARY FINANCIAL INFORMATION		
Write-offs		
Bad debts – damage to roads, bridges and road furniture	130	163
Fixed asset stocktake discrepancies	-	3
Damage to public property	5	3
Inventory – stocktake discrepancies and obsolete/contaminated materials	-	-
	135	169
Gifts of public property		
Gifts of public property provided by Main Roads	19	11
	19	11

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 \$000	2015 \$000
Restricted Access Vehicle Permits ^(a)		
Regulatory fees	6,624	7,326
Transfer payments	6,644	7,326
Cash held in lieu of transfer	20	39

(a) Main Roads collects the Restricted Vehicle Access permits fees in accordance with Road Traffic (Vehicles) Regulations 2014. The receipts are paid into the Consolidated Fund and is subsequently appropriated to Main Roads.

49. 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 2015-16 are summarised below:

Amount brought forward for recovery	(44)	(45)
Amount received during the year	-	(39)
	(44)	(84)
Expenditure during the year	19	40
AMOUNT CARRIED FORWARD FOR RECOVERY	(25)	(44)

50. SCHEDULE OF INCOME AND EXPENSES BY SERVICE

SCHEDULE OF INCOME AND EXPENSES BY SERVICE FOR 2014-15 AND 2015-16 (ALL AMOUNTS IN \$'000)	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		
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
COST OF SERVICES																			
<i>Expenses</i>																			
Employee benefits expense	4,311	3,580	55,409	54,337	12,551	16,173	1,241	1,030	8,236	8,420	3,892	2,446	-	2,637	(22,785)	(23,030)	62,855	65,593	
Supplies and services	159,984	133,730	63,775	58,645	532,057	730,463	43,919	36,993	401,340	345,387	131,691	120,884	-	6,037	(916,249)	(991,566)	416,517	440,573	
Depreciation of infrastructure assets	-	-	-	-	-	-	-	-	340,308	254,263	-	-	-	-	-	-	340,308	254,263	
Depreciation and amortisation of other assets	596	402	451	348	1,787	1,928	161	109	1,738	1,181	438	316	-	-	-	-	5,171	4,284	
Finance costs	-	45	-	39	2	214	-	12	1	131	-	35	-	-	-	-	3	476	
Grants and subsidies	25,994	(27,518)	3,120	5,181	29,187	16,788	6,345	5,126	142,642	114,147	4,704	1,984	-	75,061	(23,067)	7,075	188,925	197,844	
Other expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	99,670	18,852	99,670	18,852	
Total cost of services	190,885	110,239	122,755	118,550	575,584	765,566	51,666	43,270	894,265	723,529	140,725	125,665	-	83,735	(862,431)	(988,669)	1,113,449	981,885	
INCOME																			
<i>Revenue</i>																			
Regulatory fines	-	-	-	-	-	-	-	-	-	-	-	-	-	99,787	-	-	-	-	99,787
Sale of goods and services	-	68	2,021	2,111	1	23	23	-	7,784	9,080	32	22	-	-	-	-	9,861	11,304	
Commonwealth grants and contributions	5,722	5,722	5,870	-	458,470	458,469	223,236	-	49,342	49,342	34,012	34,012	-	-	-	-	776,652	547,545	
Contributions to roadworks	3,018	1,252	41	3,410	25,330	39,859	39,343	14,151	31,097	17,937	10,113	1,719	-	-	-	-	108,942	78,328	
Grants from other bodies	4,025	1,136	2,588	843	12,136	5,445	1,089	308	18,857	5,146	2,967	894	-	-	-	-	41,662	13,772	
Interest revenue	971	2	624	1	2,928	8	263	-	4,549	7	716	1	-	2,737	-	-	10,051	2,756	
Other revenue	1,193	1,473	767	1,094	3,597	7,062	323	399	5,590	6,674	880	1,159	-	977	-	-	12,350	18,838	
Total revenue	14,929	9,653	11,911	7,459	502,462	510,866	264,277	14,858	117,219	88,186	48,720	37,807	-	103,501	-	-	959,518	772,330	
<i>Gains</i>																			
Gain on disposal of non-current assets	(153)	134	(98)	100	(463)	644	(41)	36	(717)	608	(113)	106	-	-	-	-	(1,585)	1,628	
Total gains	(153)	134	(98)	100	(463)	644	(41)	36	(717)	608	(113)	106	-	-	-	-	(1,585)	1,628	
Total income other than income from State Government	14,776	9,787	11,813	7,559	501,999	511,510	264,236	14,894	116,502	88,794	48,607	37,913	-	103,501	-	-	957,933	773,958	
NET COST OF SERVICES	176,109	100,462	110,942	110,991	73,585	254,056	(212,570)	28,376	777,763	634,735	92,118	87,752	-	(19,766)	(862,431)	(988,669)	155,516	207,927	
INCOME FROM STATE GOVERNMENT																			
Service appropriation	55,090	106,001	169,880	120,925	(356,278)	46,678	50,003	15,564	886,996	518,531	70,947	22,869	-	-	-	-	876,638	830,568	
Capital appropriation	47,722	35,537	774	1,199	172,446	195,622	8,698	9,976	32,146	3,597	39,821	34,383	-	-	(301,607)	(280,314)	-	-	
Services received free of charge	129	463	83	344	389	2,220	35	126	606	2,099	95	364	-	-	-	-	1,337	5,616	
Other funds received from State Government	75,352	-	302	796	-	-	-	-	32,257	35,210	-	-	-	-	-	-	107,911	36,006	
Total income from State Government	178,293	142,001	171,039	123,264	(183,443)	244,520	58,736	25,666	952,005	559,437	110,863	57,616	-	-	(301,607)	(280,314)	985,886	872,190	
SURPLUS/DEFICIT FOR THE PERIOD	2,184	41,549	60,097	12,273	(257,028)	(9,536)	(271,306)	(2,710)	174,242	(75,298)	18,745	(30,136)	-	19,766	560,824	708,355	830,370	664,263	