

# Financial Statements and Notes

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## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Note	2018 \$000	2017 \$000
<b>COST OF SERVICES</b>			
<b>Expenses</b>			
Employee benefits expenses	3.1(a)	72,081	67,556
Supplies and services	3.3	519,093	472,690
Depreciation and impairment expense of infrastructure assets	5.2.1	343,782	363,669
Depreciation, amortisation and impairment expense – other	5.1.1, 5.3.1	5,296	5,140
Grants and subsidies	3.2	271,179	275,923
Other expenses	3.3	51,427	143,486
<b>Total cost of services</b>		<b>1,262,858</b>	<b>1,328,464</b>
<b>Income</b>			
<i>Revenue</i>			
Sale of goods and services	4.2	10,970	11,234
Commonwealth grants and contributions	4.3	772,639	263,474
Contributions to roadworks	4.4	108,341	93,090
Grants from other bodies	4.5	9,731	22,409
Interest revenue	4.6	6,004	5,210
Other revenue	4.7	11,300	10,939
<b>Total revenue</b>		<b>918,985</b>	<b>406,356</b>
<i>Gains</i>			
Gain/(loss) on disposal of non-current assets	4.8	(708)	(3,257)
<b>Total gains</b>		<b>(708)</b>	<b>(3,257)</b>
<b>Total income other than income from State Government</b>		<b>918,277</b>	<b>403,099</b>
<b>NET COST OF SERVICES</b>		<b>344,581</b>	<b>925,365</b>
<b>Income from State Government</b>	4.1		
Income from State Government		897,792	923,910
Services received free of charge		1,672	1,846
Other funds received from State Government		183,337	150,849
<b>Total income from State Government</b>		<b>1,082,801</b>	<b>1,076,605</b>
<b>SURPLUS FOR THE PERIOD</b>		<b>738,220</b>	<b>151,240</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items not reclassified subsequently to profit or loss</b>			
Changes in asset revaluation surplus	9.8	(34,166)	(1,916,165)
<b>Total other comprehensive income</b>		<b>(34,166)</b>	<b>(1,916,165)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>704,054</b>	<b>(1,764,925)</b>

See also note 2 'Schedule of Income and Expenses by Service'.

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

## STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Note	2018 \$000	2017 \$000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7.1	283,742	91,984
Restricted cash and cash equivalents	7.1	251,059	183,136
Receivables	6.1	116,822	97,589
Amounts receivable for services	6.2	38,936	30,303
Inventories	6.3	3,932	3,379
Prepayments	6.4	9,715	13,894
Non-current assets classified as held for sale	9.7	11,620	1,579
<b>Total Current Assets</b>		<b>715,826</b>	<b>421,864</b>
<b>Non-Current Assets</b>			
Receivables	6.1	238	1,147
Amounts receivable for services	6.2	2,502,858	2,214,931
Inventories	6.3	5,408	1,912
Prepayments	6.4	367	1,157
Property, plant and equipment	5.1	426,473	477,030
Infrastructure	5.2	43,802,551	43,126,425
Intangible assets	5.3	14,828	13,498
<b>Total Non-Current Assets</b>		<b>46,752,723</b>	<b>45,836,100</b>
<b>TOTAL ASSETS</b>		<b>47,468,549</b>	<b>46,257,964</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	6.5	318,133	283,493
Employee related provisions	3.1(b)	28,426	27,433
Other provisions	6.6	1,877	5,744
<b>Total Current Liabilities</b>		<b>348,436</b>	<b>316,670</b>
<b>Non-Current Liabilities</b>			
Employee related provisions	3.1(b)	4,925	5,034
<b>Total Non-Current Liabilities</b>		<b>4,925</b>	<b>5,034</b>
<b>TOTAL LIABILITIES</b>		<b>353,361</b>	<b>321,704</b>
<b>NET ASSETS</b>		<b>47,115,188</b>	<b>45,936,260</b>
<b>EQUITY</b>			
	9.8		
Contributed equity		5,052,392	4,574,692
Reserves		27,636,301	27,670,467
Accumulated surplus		14,426,495	13,691,101
<b>TOTAL EQUITY</b>		<b>47,115,188</b>	<b>45,936,260</b>

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 2018

	Note	Contributed Equity \$000	Reserves \$000	Accum- ulated surplus/ (deficit) \$000	Total Equity \$000
<b>Balance at 1 July 2016</b>	9.8	4,258,913	29,586,632	13,539,861	47,385,406
– Surplus		–	–	151,240	151,240
– Other comprehensive income		–	(1,916,165)	–	(1,916,165)
Total comprehensive income for the period		–	(1,916,165)	151,240	(1,764,925)
Transactions with owners in their capacity as owners:					
– Capital appropriations		307,721	–	–	307,721
– Other contributions by owners		31,608	–	–	31,608
– Distributions to owners		(23,550)	–	–	(23,550)
Total		315,779	–	–	315,779
<b>Balance at 30 June 2017</b>		<b>4,574,692</b>	<b>27,670,467</b>	<b>13,691,101</b>	<b>45,936,260</b>
<b>Balance at 1 July 2017</b>		4,574,692	27,670,467	13,691,101	45,936,260
Correction of errors in prior period		2,826	–	(2,826)	–
– Surplus		–	–	738,220	738,220
– Other comprehensive income		–	(34,166)	–	(34,166)
Total comprehensive income for the period		2,826	(34,166)	735,394	704,054
Transactions with owners in their capacity as owners:					
– Capital appropriations		336,556	–	–	336,556
– Other contributions by owners		156,538	–	–	156,538
– Distributions to owners		(18,220)	–	–	(18,220)
Total		474,874	–	–	474,874
<b>Balance at 30 June 2018</b>		<b>5,052,392</b>	<b>27,636,301</b>	<b>14,426,495</b>	<b>47,115,188</b>

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 2018

	Note	2018 \$000	2017 \$000
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Service appropriation		568,932	605,922
Capital appropriation		336,556	307,721
Holding account drawdown		32,300	60,606
Road Trauma Trust Fund		57,671	87,158
Natural disaster funds		97,017	50,681
Royalties for Regions Fund		138,250	11,832
<b>Net cash provided by State Government</b>		<b>1,230,726</b>	<b>1,123,920</b>
Utilised as follows:			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee benefits		(71,793)	(67,884)
Supplies and services		(519,639)	(461,970)
Grants and subsidies		(251,228)	(209,667)
GST payments on purchases		(149,346)	(145,679)
Finance costs		-	-
<b>Receipts</b>			
Sale of goods and services		128,704	119,364
Commonwealth grants and contributions		772,639	263,475
Interest received		5,630	6,685
GST receipts on sales		20,225	22,562
GST receipts from taxation authority		128,100	120,671
Other receipts		12,745	7,948
Rent received		3,575	3,752
<b>Net cash provided by/(used in) operating activities</b>	7.1.2	<b>79,612</b>	<b>(340,743)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Payments</b>			
Purchase of non-current assets		(15,225)	(21,272)
Purchase of infrastructure assets		(1,038,819)	(958,064)
<b>Receipts</b>			
Proceeds from sale of non-current assets		3,387	11,815
<b>Net cash provided by/(used in) investing activities</b>		<b>(1,050,657)</b>	<b>(967,521)</b>
Net increase/(decrease) in cash and cash equivalents		259,681	(184,344)
Cash and cash equivalents at the beginning of the period		275,120	460,207
Cash balance transferred to Other State Agencies		-	(743)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	7.1.1	<b>534,801</b>	<b>275,120</b>

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 2018

## 1 Basis of preparation

The Commissioner of Main Roads (Main Roads) is a WA Government entity and is controlled by the State of Western Australia, which is the ultimate parent. Main Roads is a not-for-profit entity (as profit is not its principal objective).

A description of the nature of its operations and its principal activities have been included in the 'Overview' which does not form part of these financial statements.

### Statement of compliance

These general purpose financial statements have been prepared in accordance with:

- 1) The *Financial Management Act 2006* (**FMA**)
- 2) The *Treasurer's Instructions* (**the Instructions or TI**)
- 3) *Australian Accounting Standards* (**AAS**) including applicable interpretations
- 4) Where appropriate, those **AAS** paragraphs applicable for not-for-profit entities have been applied.

The *Financial Management Act 2006* and the *Treasurer's Instructions* (the Instructions) take precedence over AAS. Several AAS are modified by the Instructions to vary application, disclosure format and wording. 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.

### Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case, the different measurement basis is disclosed in the associated note. All values are rounded to the nearest thousand dollars (\$'000).

### Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

### Contributed equity

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

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

## 2 Agency outputs

This section includes information regarding the nature of funding Main Roads receives and how this funding is utilised to achieve the agency's objectives.

	<u>Note</u>
Agency objective	2.1
Schedule of Income and Expenses by Service	2.2

## 2.1 Agency objectives

### Mission

Our aspiration is to provide world class outcomes for our customers through a safe, reliable and sustainable road-based transport system.

Main Roads is predominantly funded by Parliamentary appropriation hypothecated from Motor Vehicle License Fees raised under the *Road Traffic Act 1974*. It also receives grants from the Commonwealth Government.

### Services

Main Roads provides the following services:

#### *Service 1: Infrastructure for State Development*

The objective of this program is to expand the road network in accordance with Government transport and land use strategies that will facilitate the economic and regional development of the State.

#### *Service 2: Road System Management*

The objective of this program is to optimise real time management of the network, provide traveller information and support delivery of projects.

#### *Service 3: Road Efficiency Improvements*

The objective of this program is to improve the efficiency, capacity and utilisation of the existing road network.

#### *Service 4: Road Network Maintenance*

The objective of this program is to maintain the existing road and bridge network by maximising asset life and minimising whole of life costs.

#### *Service 5: Road Safety*

The objective of this program is to reduce the road fatality rate to be the lowest in Australia, minimise road factors contributing to road trauma and reduce the serious crash injury rate.

#### *Service 6: Infrastructure for Community Access*

The objective of this program is to provide infrastructure that will improve personal mobility and community access, including increasing the quality of access where appropriate, providing levels of access commensurate with community expectations and meeting minimal levels of appropriate access.

## 2.2 Schedule of income and expenses by service Schedule of Income and Expenses by Service for 2016-17 and 2017-18 (All amounts in \$'000)

	ROAD SAFETY		ROAD SYSTEM MANAGEMENT		ROAD EFFICIENCY IMPROVEMENTS		INFRASTRUCTURE FOR COMMUNITY ACCESS		ROAD NETWORK MAINTENANCE		INFRASTRUCTURE FOR STATE DEVELOPMENT		Roadworks Capitalised/ Expenses not allocated to Outputs		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>COST OF SERVICES</b>																
<b>Expenses</b>																
Employee benefits expense	4,462	5,360	64,509	57,289	9,136	9,273	1,617	1,215	9,155	8,811	5,812	5,273	(22,609)	(19,665)	72,081	67,556
Supplies and services	129,527	215,278	69,685	64,476	305,836	333,550	113,622	41,729	482,151	390,761	459,320	353,915	(1,041,047)	(927,018)	519,093	472,690
Depreciation of infrastructure assets	0	0	0	0	0	0	0	0	343,782	363,669	0	0	0	0	343,782	363,669
Depreciation and amortisation of other non-current assets	446	800	411	435	879	1,052	372	138	1,923	1,655	1,265	1,060	0	0	5,296	5,140
Grants and subsidies	28,223	61,426	1,621	1,850	14,367	14,662	20,970	4,273	206,630	198,676	1,000	(47)	(1,632)	(4,917)	271,178	275,923
Infrastructure assets retired / replaced	0	0	0	0	0	0	0	0	0	0	0	0	51,427	143,486	51,427	143,486
<b>Total cost of services</b>	<b>162,658</b>	<b>282,865</b>	<b>136,226</b>	<b>124,051</b>	<b>330,217</b>	<b>358,537</b>	<b>136,581</b>	<b>47,355</b>	<b>1,043,641</b>	<b>963,571</b>	<b>467,396</b>	<b>360,201</b>	<b>(1,013,861)</b>	<b>(808,115)</b>	<b>1,262,858</b>	<b>1,328,464</b>
<b>Income</b>																
<b>Revenue</b>																
Sale of goods and services	60	178	2,446	2,316	932	10	152	222	7,340	8,453	41	55	0	0	10,970	11,234
Commonwealth grants and contributions	28,927	16,819	0	4,505	364,721	65,705	6,463	0	54,529	46,424	318,000	130,020	0	0	772,639	263,474
Contributions to roadworks	12,365	10,910	0	157	8,956	32,627	57,280	29,697	21,021	13,624	8,718	6,075	0	0	108,341	93,090
Grants from other bodies	819	2,967	755	1,301	1,616	3,760	684	497	3,533	10,106	2,324	3,778	0	0	9,731	22,409
Interest revenue	505	690	466	302	997	874	422	115	2,180	2,350	1,434	878	0	0	6,004	5,210
Other revenue	951	1,448	877	635	1,876	1,836	795	242	4,103	4,933	2,698	1,844	0	0	11,300	10,939
<b>Total revenue</b>	<b>43,626</b>	<b>33,011</b>	<b>4,545</b>	<b>9,217</b>	<b>379,098</b>	<b>104,813</b>	<b>65,796</b>	<b>30,774</b>	<b>92,706</b>	<b>85,890</b>	<b>333,215</b>	<b>142,651</b>	<b>0</b>	<b>0</b>	<b>918,985</b>	<b>406,356</b>
<b>Gains</b>																
Gain on disposal of non-current assets	(60)	(431)	(55)	(189)	(117)	(547)	(50)	(72)	(257)	(1,469)	(169)	(549)	0	0	(708)	(3,257)
<b>Total gains</b>	<b>(60)</b>	<b>(431)</b>	<b>(55)</b>	<b>(189)</b>	<b>(117)</b>	<b>(547)</b>	<b>(50)</b>	<b>(72)</b>	<b>(257)</b>	<b>(1,469)</b>	<b>(169)</b>	<b>(549)</b>	<b>0</b>	<b>0</b>	<b>(708)</b>	<b>(3,257)</b>
<b>Total income other than income from State Government</b>	<b>43,567</b>	<b>32,580</b>	<b>4,490</b>	<b>9,028</b>	<b>378,980</b>	<b>104,266</b>	<b>65,746</b>	<b>30,702</b>	<b>92,449</b>	<b>84,421</b>	<b>333,046</b>	<b>142,102</b>	<b>0</b>	<b>0</b>	<b>918,277</b>	<b>403,099</b>
<b>NET COST OF SERVICES</b>	<b>119,091</b>	<b>250,285</b>	<b>131,736</b>	<b>115,023</b>	<b>(48,763)</b>	<b>254,270</b>	<b>70,835</b>	<b>16,653</b>	<b>951,192</b>	<b>879,150</b>	<b>134,350</b>	<b>218,099</b>	<b>(1,013,861)</b>	<b>(808,115)</b>	<b>344,581</b>	<b>925,365</b>
<b>INCOME FROM STATE GOVERNMENT</b>																
Service appropriation	64,535	82,653	86,499	108,769	55,434	158,606	79,065	27,339	602,655	451,939	9,604	94,604	0	0	897,792	923,910
Services received free of charge	141	244	130	107	278	310	118	41	607	832	399	311	0	0	1,672	1,846
Other State Government Funds	53,223	90,393	0	0	0	0	3,081	0	124,189	60,456	2,844	0	0	0	183,337	150,849
Capital contribution	67,000	54,756	942	452	132,646	52,397	3,954	3,758	53,785	25,392	216,547	96,269	(474,875)	(233,024)	0	0
<b>Total income from State Government</b>	<b>184,899</b>	<b>228,047</b>	<b>87,571</b>	<b>109,328</b>	<b>188,357</b>	<b>211,312</b>	<b>86,218</b>	<b>31,139</b>	<b>781,236</b>	<b>538,620</b>	<b>229,394</b>	<b>191,184</b>	<b>(474,875)</b>	<b>(233,024)</b>	<b>1,082,801</b>	<b>1,076,605</b>
<b>SURPLUS/DEFICIT FOR THE PERIOD</b>	<b>65,808</b>	<b>(22,238)</b>	<b>(44,165)</b>	<b>(5,694)</b>	<b>237,120</b>	<b>(42,958)</b>	<b>15,383</b>	<b>14,486</b>	<b>(169,956)</b>	<b>(340,530)</b>	<b>95,044</b>	<b>(26,915)</b>	<b>538,986</b>	<b>575,091</b>	<b>738,220</b>	<b>151,240</b>

The Schedule of Income and Expenses by Service should be read in conjunction with the accompanying notes.



### 3 Use of our funding

#### Expenses incurred in the delivery of services

This section provides additional information about how Main Roads' funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by Main Roads in achieving its objectives and the relevant notes are:

	Notes	2018 \$000	2017 \$000
Employee benefits expenses	3.1(a)	72,081	67,556
Employee related provisions	3.1(b)	33,351	32,467
Grants and subsidies	3.2	271,179	275,923
Other expenditure	3.3	570,520	616,176

#### 3.1(a) Employee benefits expenses

	2018 \$000	2017 \$000
Wages and salaries	122,408	118,200
Termination benefits	4,137	–
Superannuation – defined contribution plans <sup>(a)</sup>	12,512	12,160
	<b>139,057</b>	<b>130,360</b>
Less: capitalised to infrastructure	(66,976)	(62,804)
	<b>72,081</b>	<b>67,556</b>

(a) Defined contribution plans include West State Superannuation Scheme (WSS), Gold State Superannuation Scheme (GSS), Government Employee Superannuation Board Scheme (GESBs) and other eligible funds.

*Wages and salaries:* Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax and leave entitlements.

*Termination Benefit:* Payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the agency is demonstrably committed to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

*Superannuation:* The amount recognised in profit or loss of the Statement of Comprehensive Income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBs, or other superannuation funds. The employer contribution paid to the Government Employees Superannuation Board (GESB) in respect of the GSS is paid back into the Consolidated Account by the GESB.

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

Main Roads does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. 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 the Main Roads to the GESB.

The GESB and other fund 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.

### 3.1(b) Employee related provisions

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

	2018 \$000	2017 \$000
<u>Current</u>		
<i>Employee benefits provisions</i>		
Annual leave <sup>(a)</sup>	12,783	12,445
Long service leave <sup>(b)</sup>	15,310	14,726
	28,093	27,171
<i>Other provisions</i>		
Employment on-costs <sup>(c)</sup>	333	262
<b>Total current employee related provisions</b>	<b>28,426</b>	<b>27,433</b>
<u>Non-current</u>		
<i>Employee benefits provisions</i>		
Long service leave <sup>(b)</sup>	4,867	4,986
<i>Other provisions</i>		
Employment on-costs <sup>(c)</sup>	58	48
<b>Total non-current employee related provisions</b>	<b>4,925</b>	<b>5,034</b>
<b>Total employee related provisions</b>	<b>33,351</b>	<b>32,467</b>

(a) Annual leave liabilities: 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:

	2018 \$000	2017 \$000
Within 12 months of the end of the reporting period	10,274	9,345
More than 12 months after the end of the reporting period	2,509	3,100
	12,783	12,445

The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

(b) Long service leave liabilities: 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.

Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	<b>2018 \$000</b>	<b>2017 \$000</b>
Within 12 months of the end of the reporting period	4,225	3,869
More than 12 months after the end of the reporting period	15,952	15,843
	<b>20,177</b>	<b>19,712</b>

The long service leave liabilities are calculated at present value as Main Roads does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, employee retention rates and 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.

- (c) Employment on-costs: 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.

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, Note 3.3, and are not included as part of Main Roads' 'employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

	<b>2018 \$000</b>	<b>2017 \$000</b>
<u>Employment on-costs provision</u>		
Carrying amount at start of period	310	163
Additional provisions recognised	81	147
<b>Carrying amount at end of period</b>	<b>391</b>	<b>310</b>

#### Key sources of estimation uncertainty – long service leave

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.

Several estimates and assumptions are used in calculating Main Roads' long service leave provision. These include:

- Expected future salary rates
- Discount rates
- Employee retention rates; and
- Expected future payments

Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

Any gain or loss following revaluation of the present value of long service leave liabilities is recognised as employee benefits expense.

### 3.2 Grants and subsidies

	2018 \$000	2017 \$000
<u>Recurrent</u>		
Grants and subsidies to local government and other bodies <sup>(a)</sup>	266,082	204,928
<u>Capital</u>		
Grants and subsidies to local government and other bodies <sup>(a)</sup>	500	–
Grants of non-current assets to other bodies	4,597	70,995
<b>Total grants and subsidies</b>	<b>271,179</b>	<b>275,923</b>

Transferred infrastructure assets at fair value to Local Government and other bodies based on formal proclamation. The following assets were transferred during 30 June 2018: Bussell Highway (Shire of Busselton) and Marble Bar Road Diversion (Roy Hill Mining).

Transactions in which the agency provides goods, services, assets (or extinguishes a liability) or labour to another party without receiving approximately equal value in return are categorised as 'Grant expenses'. Grants can either be operating or capital in nature.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies, personal benefit payments made in cash to individuals, other transfer payments made to public sector agencies, local government, non-government schools, and community groups.

### 3.3 Other expenditure

	2018 \$000	2017 \$000
<u>Supplies and services</u>		
Insurance <sup>(a)</sup>	4,177	4,386
Accommodation, lease and plant hire charges <sup>(b)</sup>	5,914	5,508
Electricity, gas and water	9,098	8,428
Building maintenance and equipment <sup>(c)</sup>	6,809	7,416
Advertising	127	328
Communications	5,282	4,890
Consultants and contractors	465,153	419,841
Consumables	2,626	1,674
Materials	3,813	4,297
Other	16,094	15,922
<b>Total supplies and services expenses</b>	<b>519,093</b>	<b>472,690</b>

(a) Include payments to Risk Cover

(b) Include payments to Department of Finance

(c) Include payments to Department of Finance

	2018 \$000	2017 \$000
<u>Other</u>		
Non-current assets retired/replaced	51,073	55,422
Write-down of non-current assets classified as held for sale	1,831	796
Write-(back)/down of infrastructure works in progress	(1,477)	87,268
<b>Total other expenses</b>	<b>51,427</b>	<b>143,486</b>
<b>Total other expenditure</b>	<b>570,520</b>	<b>616,176</b>

#### Supplies and services

Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any materials held for distribution are expensed when the materials are distributed.

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.

Repairs, maintenance and cleaning costs are recognised as expenses as incurred.

#### Other

*Non-current assets replaced or retired:* Non-current assets replaced or retired during the year have been expensed at their carrying amount.

*Write-down of non-current assets classified as held for sale:* Non-current assets held for sale measured at lower of carrying amount and fair value less selling costs.

*Write-(back)/down of infrastructure works in progress:* This amount represents the net of following items –

- (a) A further \$5.267 million write down of additional contract bid costs relating to the cancelled Roe Highway Extension Stage 8 and Stage 9
- (b) An environmental credit offset of \$6.744 million with Department of Water and Environmental Regulation as a result of final assessment of the cancelled Roe Highway Extension Stage 8 and Stage 9. This credit will be utilised for future projects.

## 4 Main Roads' funding sources

This section provides additional information about how Main Roads obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by Main Roads and the relevant notes are:

	Notes	2018 \$000	2017 \$000
Income from State Government	4.1	1,082,801	1,076,605
Sale of goods and services	4.2	10,970	11,234
Commonwealth grants and contributions	4.3	772,639	263,474
Contributions to roadworks	4.4	108,341	93,090
Grants from other bodies	4.5	9,731	22,409
Interest revenue	4.6	6,004	5,210
Other revenue	4.7	11,300	10,939
Gain/(loss)	4.8	(708)	(3,257)

#### 4.1 Income from State Government

	2018 \$000	2017 \$000
Appropriation received during the period:		
Motor vehicle licence fees <sup>(a)</sup>	557,889	596,065
Untied funds <sup>(b)</sup>	332,019	321,199
Motor vehicle permit fees <sup>(c)</sup>	7,459	6,221
Salaries and Allowances Act 1975	425	425
	897,792	923,910
Services received free of charge from other State government agencies during the period <sup>(d)</sup> :		
WA Land Information Authority (Landgate)	333	618
Department of Justice (State Solicitor's Office)	1,141	1,083
WA Police Services (Road Safety Commission)	98	66
Department of Mines, Industry Regulations and Safety	71	79
Other	29	-
<b>Total services received</b>	1,672	1,846
Other funds received from State Government		
Road Trauma Trust Fund <sup>(e)</sup>	53,020	90,393
Natural disaster funds <sup>(f)</sup>	124,189	60,180
Royalties for Regions Fund <sup>(g)</sup>	6,128	276
<b>Total other funds</b>	183,337	150,849
<b>Total Income from State Government</b>	<b>1,082,801</b>	<b>1,076,605</b>

##### 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 in the bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury.

Service appropriations fund the net cost of services delivered (as set out in note 2.2). Appropriation revenue comprises the following:

- Cash component; and
- A receivable (asset).

The receivable (holding account – note 6.2) comprises the following:

- The budgeted depreciation expense for the year; and
- Any agreed increase in leave liabilities during the year.

##### *(a) 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 2017-18 was \$894.445 million (2016-17: \$842.741 million). An amount of \$557.889 million (2016-17: \$596.065 million) was received as a service appropriation and the balance of \$336.556 million (2016-17: \$246.676 million) appropriated as a capital contribution by owners and included under 'Contributed Equity' in the Statement of Financial Position.

##### *(b) Untied funds*

Untied funds are appropriations from the Consolidated Fund. The total appropriation from the Consolidated Fund in 2017-18 was \$332.019 million (2016-17: \$382.244 million). This includes a service appropriation of \$332.019 million (2016-17: \$321.199 million) and no capital contribution (2016-17: \$61.045 million). The service appropriation includes a cash component of \$3.159 million (2016-17: \$3.211 million) and a \$328.860 million (2016-17: \$317.988 million) non cash component.

*(c) 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. Main Roads charges a fee to issue the permits in accordance with the regulations.

*(d) Services received free of charge (Non-reciprocal contributions)*

Non-reciprocal contributions including Services Received Free of Charge 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.

Other funds received from State Government*(e) Road Trauma Trust Fund*

Funds provided by Road Safety Commission to undertake road projects improving road safety in Western Australia. Revenue is recognised by reference to the stage of completion of the transaction.

*(f) Natural disaster funds*

Funds provided by the Office of Emergency Management for re-opening and re-instatement of roads damaged by declared natural disasters. Revenue is recognised when a claim is made to Department of Fire and Emergency Services.

*(g) Royalties for Regions Fund*

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

**4.2 Sale of goods and services**

	<b>2018 \$000</b>	<b>2017 \$000</b>
Sale of goods and services <sup>(a)</sup>	10,970	11,234

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 2017-18 are summarised at note 9.11 'Indian Ocean Territories'.

Revenue from for minor works project is recognised based on percentage completed. However, revenue from the sale of goods and disposal of other assets is recognised when the significant risks and rewards of ownership transfer to the purchaser and can be measured reliably.

(a) Includes payments received from Department of Transport and Public Transport Authority.

**4.3 Commonwealth grants and contributions**

	<b>2018 \$000</b>	<b>2017 \$000</b>
Land Transport Infrastructure Projects	769,596	260,755
Interstate Road Transport Act 1985	3,043	2,719
	<b>772,639</b>	<b>263,474</b>

Land Transport Infrastructure Projects

Non-reciprocal 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.

At 30 June 2018, \$206.427 million of the National Land Transport Act 2014 grants recognised as revenue remained unspent on approved projects (at 30 June 2017 the amount was \$40.442 million). The unspent amount is non-restricted in nature and disclosed under note 7.1.1 'Cash and cash equivalents'.

At 30 June 2018, \$233.852 million of the National Partnership on Infrastructure Projects in WA grants recognised as revenue remained unspent on approved projects (at 30 June 2017 the amount was \$181.672 million). The unspent amount is restricted in nature and disclosed under note 7.1.1 'Restricted cash and cash equivalents'.

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. The revenue is non-reciprocal in nature.

For **non-reciprocal grants**, revenue is recognised at fair value when Main Roads obtains control over the assets comprising the contributions, usually when cash is received.

**4.4 Contributions to roadworks**

	<b>2018 \$000</b>	<b>2017 \$000</b>
Contributions to roadworks <sup>(a)</sup>	108,341	93,090

This revenue represents contributions by both public and private bodies towards the cost of works performed on highways and main roads. Revenue is mainly recognised by reference to the stage of completion of the transaction.

(a) Includes payments received from Public Transport Authority.

**4.5 Grants from other bodies**

	<b>2018 \$000</b>	<b>2017 \$000</b>
<b>Grants from local government authorities and other bodies</b>		
Transferred infrastructure assets at fair value <sup>(a)</sup>	426	8,420
Local Government contribution to traffic signal construction	258	967
Developers contribution to roadworks <sup>(b)</sup>	9,047	13,022
	<b>9,731</b>	<b>22,409</b>

(a) Transferred infrastructure assets at fair value are transfers from Local Government and other bodies to State Government based on formal proclamation. Transferred assets during 30 June 2018 includes O'Neill Road and Albany Highway intersection upgrade – Shire of Plantagenet.

(b) The developers contribution to roadworks relate to construction costs met by private developers on roads owned by Main Roads. Roadworks include: Forrest Highway Ramps, Great Northern Highway New Airport Access Road and Pinjarra South Yunderup Road.

Revenue is recognised at fair value when Main Roads obtains control over the assets.

**4.6 Interest revenue**

	<b>2018 \$000</b>	<b>2017 \$000</b>
Land Transport Infrastructure Projects interest revenue	5,988	5,192
Other interest revenue	16	18
	<b>6,004</b>	<b>5,210</b>

Revenue is recognised as the interest accrues.



#### 4.7 Other revenue

	2018 \$000	2017 \$000
Rental income	3,566	3,705
Assets not previously recognised	443	–
Other	7,291	7,234
	<b>11,300</b>	<b>10,939</b>

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

#### 4.8 Gain/(loss)

	2018 \$000	2017 \$000
<u>Net proceeds from disposal of non-current assets</u>		
Land acquired for roadworks	1,209	9,482
Land and buildings	2,143	2,758
Plant, equipment and vehicles	74	23
	3,426	12,263
<u>Carrying amount of non-current assets disposed</u>		
Land acquired for roadworks	1,579	12,099
Land and buildings	2,542	3,413
Plant, equipment and vehicles	13	8
	4,134	15,520
<b>Net gain/(loss)</b>	<b>(708)</b>	<b>(3,257)</b>

**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.

Gains and losses on the disposal of non-current assets are presented by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses. Gains and losses are recognised in profit or loss in the statement of comprehensive income (from the proceeds of sale).

Selling expenses (e.g. sales commissions netted from agency receipts) are ordinarily immaterial. Where the amounts are material, additional disclosure is warranted.

Insured non-current assets written-off as a result of an insurable event should be treated as other expenses (write-off of assets destroyed by fire/storm/earthquake etc.). The subsequent insurance recovery is to be treated as other income when it is received or receivable.

## 5 Key assets

This section includes information regarding the key assets Main Roads utilises to gain economic benefits or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets:

	Notes	2018 \$000	2017 \$000
Property, plant and equipment	5.1	426,473	477,030
Infrastructure	5.2	43,802,551	43,126,425
Intangible assets	5.3	14,828	13,498
<b>Total key assets</b>		<b>44,243,852</b>	<b>43,616,953</b>

### 5.1 Property, plant and equipment

	2018 \$000	2017 \$000
<u>Land</u>		
At fair value	64,995	73,348
	64,995	73,348
<u>Buildings</u>		
At fair value	86,526	89,133
Accumulated depreciation	(8)	(80)
	86,518	89,053
<u>Buildings under construction</u>		
Construction costs	2,117	4,953
	2,117	4,953
<u>Plant, equipment and vehicles</u>		
At cost	42,076	40,634
Accumulated depreciation	(30,085)	(26,921)
	11,991	13,713
<u>Surplus assets</u>		
At fair value	82,345	98,383
	82,345	98,383
<u>Land acquired for roadworks</u>		
At fair value	178,507	197,580
	178,507	197,580
<b>Total property, plant and equipment</b>	<b>426,473</b>	<b>477,030</b>

Information on fair value measurements is provided in Note 8.3.

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.

Year ended 30 June 2018	Land \$000	Buildings \$000	Buildings under construc- tion \$000	Plant, equip- ment and vehicles \$000	Surplus assets \$000	Land acquired for road- works \$000	Total \$000
<b>Carrying amount at 1 July 2017</b>	73,348	89,053	4,953	13,713	98,383	197,580	477,030
Additions <sup>(a)</sup>	409	–	5,957	3,055	35	309	9,765
Disposals	–	–	–	(21)	–	–	(21)
Classified as held for sale	(1,698)	(2,648)	–	–	(8,147)	(3,500)	(15,993)
Transfers	(1,586)	8,694	(8,793)	–	109	1,576	–
Transfer (to) / from infrastructure	–	–	–	–	(4,355)	(6,657)	(11,012)
Equity contribution / (distribution)	(61)	(36)	–	–	(736)	–	(833)
Revaluation increments / (decrements)	(5,417)	(3,039)	–	–	(2,901)	(10,801)	(22,158)
Impairment losses	–	–	–	–	–	–	–
Depreciation	–	(5,506)	–	(4,756)	(43)	–	(10,305)
<b>Carrying amount at 30 June 2018</b>	64,995	86,518	2,117	11,991	82,345	178,507	426,473

(a) Include payments made to Department of Finance and Department of Justice (State Solicitor's Office)

Year ended 30 June 2017	Land \$000	Buildings \$000	Buildings under construc- tion \$000	Plant, equip- ment and vehicles \$000	Surplus assets \$000	Land acquired for road- works \$000	Total \$000
<b>Carrying amount at 1 July 2016</b>	93,082	101,419	7,352	15,950	112,649	217,012	547,464
Additions	1,283	–	15,272	2,801	(95)	1,003	20,264
Disposals	–	(599)	–	(8)	(3)	–	(610)
Classified as held for sale	(1,396)	(1,733)	–	121	(7,272)	(168)	(10,448)
Held for sale removed from disposal program	–	–	–	–	–	–	–
Transfers	412	17,259	(17,671)	–	–	–	–
Transfer (to) / from infrastructure	(9,834)	–	–	–	5,077	(177)	(4,934)
Equity contribution / (distribution)	71	(167)	–	(2)	–	–	(98)
Revaluation increments / (decrements)	(10,270)	(20,178)	–	–	(11,943)	(20,090)	(62,481)
Impairment losses	–	–	–	–	–	–	–
Depreciation	–	(6,948)	–	(5,149)	(30)	–	(12,127)
<b>Carrying amount at 30 June 2017</b>	73,348	89,053	4,953	13,713	98,383	197,580	477,030

## 5.2 Infrastructure

	2018 \$000	2017 \$000
<u>Roads and principal shared paths</u>		
Earthworks at fair value	12,978,704	12,669,429
Accumulated depreciation	(2,987,397)	(2,943,369)
	9,991,307	9,726,060
<u>Pavement and drainage at fair value</u>		
Pavement and drainage at fair value	9,169,546	8,856,036
Accumulated depreciation	(5,405,575)	(5,166,385)
	3,763,971	3,689,651
<u>Seals at fair value</u>		
Seals at fair value	1,428,076	1,392,851
Accumulated depreciation	(865,743)	(820,634)
	562,333	572,217
<u>Land under roads</u>		
At fair value	23,540,388	23,820,634
	23,540,388	23,820,634
<u>Bridges</u>		
At fair value	5,654,159	5,459,264
Accumulated depreciation	(1,725,080)	(1,640,727)
	3,929,079	3,818,537
<u>Road furniture</u>		
At fair value	618,018	555,434
Accumulated depreciation	(235,001)	(206,510)
	383,017	348,924
<u>Infrastructure work in progress</u>		
At cost	1,632,456	1,150,402
	1,632,456	1,150,402
<b>Total Infrastructure</b>	<b>43,802,551</b>	<b>43,126,425</b>

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

Year ended 30 June 2018	Roads and principal shared paths \$000	Land under roads \$000	Bridges \$000	Road furniture \$000	Work in progress \$000	Total \$000
<b>Carrying amount at 1 July 2017</b>	13,987,928	23,820,634	3,818,537	348,924	1,150,402	43,126,425
Additions <sup>(a)</sup>	–	–	–	–	1,058,541	1,058,541
Retirements	(47,099)	–	(3,057)	(910)	–	(51,066)
Transfers	405,660	18,688	97,546	57,009	(578,903)	–
Transfer (to) / from land acquired for roadworks	–	11,012	–	–	–	11,012
Revaluation increments / (decrements)	236,209	(310,186)	57,005	4,964	–	(12,008)
Highways and main roads reclassified as local roads	(4,034)	(109)	(454)	–	–	(4,597)
Local roads classified as highways and main roads	7,576	–	–	1,944	–	9,520
Equity contribution / (distribution)	(8,578)	349	17,772	(3,453)	939	7,029
Write-back of infrastructure work in progress	–	–	–	–	1,477	1,477
Depreciation	(260,051)	–	(58,270)	(25,461)	–	(343,782)
<b>Carrying amount at 30 June 2018</b>	<b>14,317,611</b>	<b>23,540,388</b>	<b>3,929,079</b>	<b>383,017</b>	<b>1,632,456</b>	<b>43,802,551</b>

(a) Include payments to Department of Biodiversity Conservation & Attractions, Department of Justice (State Solicitor's Office) and Western Power

Year ended 30 June 2017	Roads and principal shared paths \$000	Land under roads \$000	Bridges \$000	Road furniture \$000	Work in progress \$000	Total \$000
<b>Carrying amount at 1 July 2016</b>	14,960,168	24,382,292	3,926,451	364,642	955,849	44,589,402
Additions	–	–	–	–	943,596	943,596
Retirements	(37,563)	–	(16,118)	(1,139)	–	(54,820)
Transfers	455,013	19,151	130,097	63,235	(667,496)	–
Transfer (to) / from land acquired for roadworks	–	(4,900)	–	–	9,834	4,934
Revaluation increments / (decrements)	(1,110,605)	(562,205)	(132,669)	(48,285)	–	(1,853,764)
Highways and main roads reclassified as local roads	(17,747)	(10,024)	(43,224)	–	–	(70,995)
Local roads classified as highways and main roads	11,588	30	8,259	2,532	–	22,409
Equity contribution / (distribution)	7,386	(3,710)	4,350	(7,313)	(4,114)	(3,401)
Write-down of infrastructure work in progress	–	–	–	–	(87,267)	(87,267)
Depreciation	(280,312)	–	(58,609)	(24,748)	–	(363,669)
<b>Carrying amount at 30 June 2017</b>	<b>13,987,928</b>	<b>23,820,634</b>	<b>3,818,537</b>	<b>348,924</b>	<b>1,150,402</b>	<b>43,126,425</b>

Information on fair value measurements is provided in Note 8.3.

### Property, plant and equipment and infrastructure

#### Initial recognition

Items of property, plant and equipment and infrastructure, costing \$5,000 or more are measured initially at cost. Where an asset is acquired for no or nominal cost, the cost is valued at its fair value at the date of acquisition. 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).

#### Subsequent measurement

Subsequent to initial recognition of an asset, the revaluation model is used for the measurement of land, buildings and infrastructure.

Land is carried at fair value. Buildings and infrastructure are carried at fair value less accumulated depreciation and accumulated impairment losses. All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

#### Land and buildings

Land and buildings are independently valued annually by the Western Australian Land Information Authority (Valuations and Property Analytics) 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.

Land, buildings, surplus assets and land acquired for roadworks were revalued as at 1 July 2017 by the Western Australian Land Information Authority (Valuations and Property Analytics) in conjunction with estimations by Main Roads' management. The valuations were performed during the year ended 30 June 2018 and recognised at 30 June 2018.

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 2016 to 1 July 2017. These properties have been valued based on the average percentage increase for the Metro and Rural areas respectively over the period 1 July 2016 to 1 July 2017. 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 2017. In undertaking the revaluation, fair value was determined by reference to market values of Freehold land \$58.631 million (2016-17: \$67.221) and Buildings \$72.136 million (2016-17: \$74.948). For the remaining balance, fair value of buildings was determined on the basis of current replacement cost and fair value of land was determined on the basis of comparison with market evidence for land with low level utility (high restricted use land) Please refer to note 8.3 Fair value measurement for the remaining balance.

#### Infrastructure

Infrastructure is independently valued every 3 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 2018 is based on the current replacement cost determined at 30 June 2018 calculated using construction unit rates provided 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.

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 current replacement cost. 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, adjusted for obsolescence and optimisation (where applicable). Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence.

#### Subsequent transfer

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.

#### Revaluation model for land and buildings

##### *Fair Value 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.

##### *Fair value in the absence of market-based evidence:*

*Buildings are specialised or where land is restricted:* Fair value of land and buildings is determined on the basis of existing use.

*Existing use buildings:* Fair value is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the current replacement cost. Where the fair value of buildings is determined on the current replacement cost basis, the asset cost is adjusted for consumed economic benefit. Accumulated depreciation is eliminated against the gross carrying amount of the asset and the net carrying amount restated to the revalued amount.

*Restricted use land:* Fair value 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).

#### Revaluation model for infrastructure assets

Fair value of infrastructure, other than land under roads, has been determined by reference to the current 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 third year 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 2018 is based on the current replacement cost determined at 30 June 2018 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.

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

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.

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.

#### 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.

#### 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

#### **5.1.1 Depreciation and impairment expense of property, plant and equipment asset**

	2018 \$000	2017 \$000
<b>Charge for the period</b>		
Plant, equipment and vehicles	4,756	5,149
Buildings	5,549	6,978
<b>Total depreciation for the period</b>	10,305	12,127
Less: depreciation capitalised to infrastructure	(6,360)	(7,945)
	<b>3,945</b>	<b>4,182</b>

As at 30 June 2018 there were no indications of impairment to property, plant and equipment or infrastructure.



### 5.2.1 Depreciation and impairment expense of infrastructure assets

	2018 \$000	2017 \$000
<b>Charge for the period</b>		
Roads – earthworks	803	809
Roads – pavements and drainage	176,513	180,869
Roads – seal	82,735	98,634
Bridges	58,270	58,609
Road furniture	25,461	24,748
<b>Total depreciation for the period</b>	<b>343,782</b>	<b>363,669</b>

A fraction of road seal on the road network and a bridge was impaired as part of the impairment assessment of property, plant and equipment, infrastructure and intangible assets at 30 June 2018.

#### Road Seal

There were 388 road seal assets impaired by reducing useful life. These road seal assets are planned to be fully or partially retired during next financial year.

#### Bridge

Koondinee Creek Bridge is impaired reducing the useful life by 16 years. The bridge has a low headroom and about to be replaced by a culvert. This will result in additional depreciation expenditure over the bridge's remaining useful life.

#### **Finite useful lives**

All infrastructure, property, plant and equipment 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. The exceptions to this rule include assets held for sale and land.

Depreciation is generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

#### *Road Infrastructure:*

##### Pavement and drainage:

Gravel roads	12 years
Metropolitan asphalt roads	40 years
Rural sealed roads	50 years
Seals	7 to 19 years
Bridges	60 to 100 years
Road furniture	5 to 50 years

#### *Property, Plant & Equipment:*

Buildings	25 to 40 years
Plant and vehicles	5 to 10 years
Equipment and furniture	5 to 10 years
Computer hardware and software <sup>(a)</sup>	3 to 5 years

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments should be made where appropriate.

Road earthworks generally have an infinite life. 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 in accordance with UIG Interpretation 1055 'Accounting for Road Earthworks'.

Land has infinite life and is not depreciated. Depreciation is not recognised in respect of land because the service potential has not, in any material sense, been consumed during the reporting period.

### Impairment of assets

Non-financial assets, including items of property, plant and equipment and infrastructure assets are tested for impairment whenever there is an indication that the asset may be impaired. 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 through profit or loss.

Where a previously revalued asset is written down to its recoverable amount, the loss is recognised as a revaluation decrement through other comprehensive income.

As Main Roads is a not-for-profit agency, the recoverable amount of regularly revalued specialised assets is anticipated to be materially the same as fair value.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

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 declining replacement costs.

### 5.3 Intangible assets

	2018 \$000	2017 \$000
<u>Computer software and licences</u>		
At cost	30,903	27,989
Accumulated amortisation	(16,084)	(14,500)
	14,819	13,489
<u>Drainage easements</u>		
At cost	9	9
	9	9
<b>Total intangible assets</b>	<b>14,828</b>	<b>13,498</b>
Reconciliations:		
<u>Computer software and licences</u>		
Carrying amount at start of period	13,489	14,472
Additions	4,523	1,835
Amortisation expense	(3,193)	(2,818)
<b>Carrying amount at end of period</b>	<b>14,819</b>	<b>13,489</b>

### Intangible assets

#### Initial recognition

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$250,000 or more that comply with the recognition criteria as per AASB 138.57 (as noted below), are capitalised. The cost of utilising the assets is expensed (amortised) over their useful lives. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

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

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- (a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) An intention to complete the intangible asset and use or sell it;
- (c) The ability to use or sell the intangible asset;
- (d) The intangible asset will generate probable future economic benefit;
- (e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- (f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Costs incurred in the research phase of a project are immediately expensed.

#### Subsequent measurement

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

### **5.3.1 Amortisation and impairment expense of intangible assets**

	<b>2018 \$000</b>	<b>2017 \$000</b>
<u>Amortisation</u>		
Intangible assets	3,193	2,818
<b>Total amortisation</b>	<b>3,193</b>	<b>2,818</b>
Less: amortisation capitalised to infrastructure	(1,842)	(1,860)
	<b>1,351</b>	<b>958</b>

As at 30 June 2018 there were no indications of impairment to intangible assets.

Main Roads held no goodwill asset with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use.

Amortisation of finite life intangible assets is calculated on a straight line basis at rates that allocate the asset's value over its estimated useful life. All intangible assets controlled by Main Roads, except drainage easements, have a finite useful life and zero residual value. Estimated useful lives are reviewed annually.

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

Computer software <sup>(a)</sup> and licences 3 to 10 years

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

#### Computer software and licences

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

#### Drainage easements

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

### **Impairment of intangible assets**

Intangible assets with finite useful lives are tested for impairment annually or when an indication of impairment is identified. One software asset is impaired by reducing useful life during this financial year.

The policy in connection with testing for impairment is outlined in note 5.1.1 and 5.2.1.

## 6 Other assets and liabilities

This section sets out those assets and liabilities that arose from Main Roads' controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations:

	Notes	2018 \$000	2017 \$000
Receivables	6.1	117,060	98,736
Amounts receivable for services (Holding Account)	6.2	2,541,794	2,245,234
Inventories	6.3	9,340	5,291
Prepayments	6.4	10,082	15,051
Payables	6.5	318,133	283,493
Other provisions	6.6	1,877	5,744

### 6.1 Receivables

	2018 \$000	2017 \$000
<u>Current</u>		
Trade debtors	47,990	23,754
Other debtors	1,321	2,719
Allowance for impairment of receivables	(243)	(2,205)
Trade debtors – unbilled receivables	24,244	26,511
GST receivable	32,269	30,824
Accrued revenue	11,241	15,986
<b>Total current</b>	<b>116,822</b>	<b>97,589</b>
<u>Non-current</u>		
Trade debtors	238	1,147
<b>Total non-current</b>	<b>238</b>	<b>1,147</b>
<b>Total receivables</b>	<b>117,060</b>	<b>98,736</b>

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

Receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

#### 6.1.1 Movement of the allowance for impairment of receivables

	2018 \$000	2017 \$000
<b>Reconciliation of changes in the allowance for impairment of receivables:</b>		
Balance at start of period	2,205	2,247
Doubtful debts expense	102	127
Amounts written off during the year	(2,064)	–
Impairment losses reversed during the period	–	(169)
<b>Balance at end of period</b>	<b>243</b>	<b>2,205</b>

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.

## 6.2 Amounts receivable for services (Holding Account)

	2018 \$000	2017 \$000
Current	38,936	30,303
Non-current	2,502,858	2,214,931
<b>Balance at end of period</b>	<b>2,541,794</b>	<b>2,245,234</b>

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

Main Roads receives funding on an accrual basis. The appropriations are paid partly in cash and partly as an asset (holding account receivable). The accrued amount receivable is accessible on the emergence of the cash funding requirement to cover leave entitlements and asset replacement.

## 6.3 Inventories

	2018 \$000	2017 \$000
<u>Current</u>		
Inventories held for distribution:		
– Construction and maintenance materials	1,177	212
– Electrical Stores	2,755	3,167
<b>Total current</b>	<b>3,932</b>	<b>3,379</b>
<u>Non-current</u>		
Inventories held for distribution:		
– Construction and maintenance materials	5,408	1,912
<b>Total non-current</b>	<b>5,408</b>	<b>1,912</b>
<b>Total inventories</b>	<b>9,340</b>	<b>5,291</b>

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.

## 6.4 Prepayments

	2018 \$000	2017 \$000
<u>Current</u>		
Contractor's advance	8,854	12,578
Prepaid insurance	861	1,316
<b>Total current</b>	<b>9,715</b>	<b>13,894</b>
<u>Non-current</u>		
Prepaid insurance	367	1,157
<b>Total non-current</b>	<b>367</b>	<b>1,157</b>
<b>Total prepayments</b>	<b>10,082</b>	<b>15,051</b>

Prepayments represent payments in advance of receipt of goods or services and that part of expenditure made in one accounting period covering a term extending beyond that period.

## 6.5 Payables

	2018 \$000	2017 \$000
<u>Current</u>		
Trade creditors	6,600	7,174
Major contracts and services	196,655	193,631
Property acquisitions liability <sup>(a)</sup>	57,083	33,527
Contractors' retention	623	641
Funds received in advance	50,648	43,091
Performance bonds / surety	971	319
Accrued salaries <sup>(b)</sup>	5,553	5,110
<b>Total current</b>	<b>318,133</b>	<b>283,493</b>
<u>Non-current</u>		
Trade creditors	–	–
<b>Total current</b>	–	–
<b>Total Payables</b>	<b>318,133</b>	<b>283,493</b>

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.

- (a) A property acquisition 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.
- (b) Accrued salaries represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight of the reporting period end. Main Roads considers the carrying amount of accrued salaries to be equivalent to its fair value.

## 6.6 Other provisions

	2018 \$000	2017 \$000
<u>Current</u>		
Site restoration	1,877	5,744
Total Current	1,877	5,744
<b>Total other provisions</b>	<b>1,877</b>	<b>5,744</b>

### 6.6.1 Provision for restoration

Main Roads has a legal obligation to restore the site cleared for the purposes of constructing Roe Highway Extension (Stage 8). The associated expense is disclosed in Note 5.2 Infrastructure Work In Progress.

A provision for remediation is recognised when:

- 1) there is a present obligation as a result of development activities undertaken,
- 2) it is probable that an outflow of economic benefits will be required to settle the obligation, and
- 3) the amount of the provision can be measured reliably.

The estimated future obligations include the costs of restoring the affected areas.

The provision for future remediation costs is the best estimate of the present value of the expenditure required to settle the remediation obligation at the reporting date, based on contractor's professional judgement. Future remediation costs are reviewed annually and any changes in the estimate are reflected in the present value of the remediation provision at each reporting date.

**Movements in other provisions**

	<b>2018 \$000</b>	<b>2017 \$000</b>
<u>Site restoration cost provision</u>		
Carrying amount at start of period	5,744	–
Movement in provisions	(3,867)	5,744
<b>Carrying amount at end of period</b>	<b>1,877</b>	<b>5,744</b>

**7 Financing**

This section sets out the material balances and disclosures associated with the financing and cashflows of Main Roads.

	<b>Notes</b>
Cash and cash equivalents	7.1
Commitments	7.2

**7.1 Cash and cash equivalents****7.1.1 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:

	<b>2018 \$000</b>	<b>2017 \$000</b>
Cash and cash equivalents	283,742	91,984
Restricted cash and cash equivalents	251,059	183,136
	<b>534,801</b>	<b>275,120</b>

Restricted cash and cash equivalents

Contractor's deposits <sup>(a)</sup>	623	1,363
Land Transport Infrastructure Projects <sup>(b)</sup>	233,852	181,672
Commonwealth Paid Parental Leave Scheme <sup>(c)</sup>	11	4
Royalties for Regions Fund <sup>(d)</sup>	16,573	97
	<b>251,059</b>	<b>183,136</b>

*(a) Contractor's deposits*

Amounts withheld from contractors payments pending satisfactory completion of works.

*(b) Land Transport Infrastructure Projects*

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

*(c) 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.

*(d) Royalties for Regions Fund*

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

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.

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

	Note	2018 \$000	2017 \$000
Net cost of services		(344,581)	(925,365)
<i>Non-cash items:</i>			
Depreciation expense – infrastructure	5.2.1	343,782	363,669
Depreciation and amortisation expense – other assets	5.1.1, 5.3.1	5,296	5,140
Grants to other bodies	3.2	4,597	70,995
Grants received from other bodies	4.5	(9,731)	(22,409)
Services received free of charge	4.1	1,672	1,846
Infrastructure assets retired/replaced	3.3	51,427	143,486
Assets not previously recognised		(443)	–
Adjustment for other non-cash items		–	–
Net (gain)/loss on sale of property, plant and equipment	4.8	708	3,257
<i>(Increase)/decrease in assets:</i>			
Receivables <sup>(a)</sup>		5,681	(97)
Inventories		(3,606)	787
Prepayments		4,969	(4,108)
<i>Increase/(decrease) in liabilities:</i>			
Payables <sup>(a)</sup>		20,402	20,522
Provisions		884	345
Net GST receipts/(payments) <sup>(b)</sup>		137,882	120,977
Change in GST in receivables/payables <sup>(c)</sup>		(139,327)	(119,788)
<b>Net cash provided by/(used in) operating activities</b>		<b>79,612</b>	<b>(340,743)</b>

(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.

The mandatory application of AASB 2016-2 Amendments to *Australian Accounting Standards* – Disclosure Initiative: Amendments to AASB 107 imposed disclosure impacts only. Main Roads is not exposed to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.



## 7.2 Commitments

### 7.2.1 Non-cancellable operating lease commitments

	2018 \$000	2017 \$000
Commitments for minimum lease payments are payable as follows:		
Within 1 year	4,671	3,421
Later than 1 year and not later than 5 years	12,643	2,405
Later than 5 years	9,034	–
	<b>26,348</b>	<b>5,826</b>

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.

Main Roads has entered into a number of non-cancellable leases for buildings with various terms. Annual lease payments may increase based on CPI or rate specified in the agreements.

### 7.2.2 Capital commitments

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

	2018 \$000	2017 \$000
Within 1 year	524,133	589,636
Later than 1 year and not later than 5 years	127,762	490,048
Later than 5 years	–	–
	<b>651,895</b>	<b>1,079,684</b>

The total presented for capital commitments are GST inclusive.

### 7.2.3 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:

	2018 \$000	2017 \$000
Within 1 year	218,847	351,462
Later than 1 year and not later than 5 years	346,996	45,991
Later than 5 years	487	–
	<b>566,330</b>	<b>397,453</b>

The total presented for other expenditure commitments are GST inclusive.

#### Judgements made by management in applying accounting policies – operating lease commitments

Main Roads has entered into a number of leases for buildings for branch office accommodation. Some of these leases relate to buildings of a temporary nature and it has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, these leases have been classified as operating leases.

## 8 Risks and Contingencies

This note sets out the key risk management policies and measurement techniques of Main Roads.

	<b>Notes</b>
Financial risk management	8.1
Contingent assets	8.2.1
Contingent liabilities	8.2.2
Fair value measurements	8.3

### 8.1 Financial risk management

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

#### (a) Summary of risks and risk management

##### 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 8.1(c) 'Ageing analysis of financial assets' and note 6.1 '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.

Other than as detailed in the interest rate sensitivity analysis table at note 8.1(e), Main Roads is not exposed to the interest rate risk. Majority of cash and cash equivalents are non-interest bearing and restricted cash and cash equivalents are interest bearing. Main Roads has no borrowings as at 30 June 2018.

#### (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:

	<b>2018 \$000</b>	<b>2017 \$000</b>
<u>Financial assets</u>		
Cash and cash equivalents	283,742	91,984
Restricted cash and cash equivalents	251,059	183,136
Loans and receivables <sup>(a)</sup>	2,626,585	2,313,146
<b>Total financial assets</b>	<b>3,161,386</b>	<b>2,588,266</b>
<u>Financial liabilities</u>		
Financial liabilities measured at amortised cost	318,133	283,493
<b>Total financial liability</b>	<b>318,133</b>	<b>283,493</b>

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

**(c) Ageing analysis of financial assets**

	Carrying Amount \$000	Not past due and not impaired \$000	Past due but not impaired					Impaired financial assets \$000
			Up to 1 month \$000	1-3 months \$000	3 months to 1 year \$000	1-5 years \$000	More than 5 years \$000	
2018								
Cash and cash equivalents	283,742	283,742	-	-	-	-	-	-
Restricted cash and cash equivalents	251,059	251,059	-	-	-	-	-	-
Receivables <sup>(a)</sup>	84,791	52,020	31,789	457	201	81	-	243
Amounts receivable for services	2,541,794	2,541,794	-	-	-	-	-	-
	3,161,386	3,128,615	31,789	457	201	81	-	243
2017								
Cash and cash equivalents	91,984	91,984	-	-	-	-	-	-
Restricted cash and cash equivalents	183,136	183,136	-	-	-	-	-	-
Receivables <sup>(a)</sup>	67,912	48,704	7,083	9,834	86	-	-	2,205
Amounts receivable for services	2,245,234	2,245,234	-	-	-	-	-	-
	2,588,266	2,569,058	7,083	9,834	86	-	-	2,205

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

**(d) 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.

<b>Interest rate exposures and maturity analysis of financial assets and financial liabilities</b>											
	Weighted Average Effective Interest Rate %	Carrying Amount \$000	Interest rate exposure				Maturity date				
			Fixed interest rate \$000	Variable interest rate \$000	Non- interest bearing \$000	Nominal Amount \$000	Up to 1 month \$000	1-3 months \$000	3 months to 1 year \$000	1-5 years \$000	More than 5 years \$000
2018											
<u>Financial Assets</u>											
Cash and cash equivalents	-	283,742	-	-	283,742	283,742	283,742	-	-	-	-
Restricted cash and cash equivalents	1.97	251,059	-	251,059	-	251,059	251,059	-	-	-	-
Receivables <sup>(a)</sup>	-	84,791	-	-	84,791	84,791	84,791	-	-	-	-
Amounts receivable for services	-	2,541,794	-	-	2,541,794	2,541,794	4,330	7,576	27,030	263,918	2,238,940
		3,161,386	-	251,059	2,910,327	3,161,386	623,922	7,576	27,030	263,918	2,238,940
<u>Financial Liabilities</u>											
Payables	-	318,133	-	-	318,133	318,133	318,133	-	-	-	-
		318,133	-	-	318,133	318,133	318,133	-	-	-	-

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

Interest rate exposures and maturity analysis of financial assets and financial liabilities											
Weighted Average Effective Interest Rate %	Carrying Amount \$000	Interest rate exposure				Maturity date					
		Fixed interest rate \$000	Variable interest rate \$000	Non-interest bearing \$000	Nominal Amount \$000	Up to 1 month \$000	1-3 months \$000	3 months to 1 year \$000	1-5 years \$000	More than 5 years \$000	
2017											
<u>Financial Assets</u>											
Cash and cash equivalents	-	91,984	-	-	91,984	91,984	91,984	-	-	-	-
Restricted cash and cash equivalents	1.98	183,136	-	183,136	-	183,136	183,136	-	-	-	-
Receivables (a)	-	67,912	-	-	67,912	67,912	67,912	-	-	-	-
Amounts receivable for services	-	2,245,234	-	-	2,245,234	2,245,234	5,635	11,269	50,712	351,417	1,826,201
		2,588,266	-	183,136	2,405,130	2,588,266	348,667	11,269	50,712	351,417	1,826,201
<u>Financial Liabilities</u>											
Payables	-	283,493	-	-	283,493	283,493	283,493	-	-	-	-
		283,493	-	-	283,493	283,493	283,493	-	-	-	-

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

#### (e) 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 \$000	-25 basis points		+25 basis points	
		Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
<b>2018</b>					
<u>Financial Assets</u>					
Restricted cash and cash equivalents	251,059	(628)	(628)	628	628
<b>Total Increase/(Decrease)</b>		(628)	(628)	628	628
<b>2017</b>					
<u>Financial Assets</u>					
Restricted cash and cash equivalents	183,136	(458)	(458)	458	458
<b>Total Increase/(Decrease)</b>		(458)	(458)	458	458

## 8.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

### 8.2.1 Contingent assets

There was no contingent asset as at 30 June 2018.

### 8.2.2 Contingent liabilities

The following contingent liabilities are excluded from the liabilities included in the financial statements:

	2018 \$000	2017 \$000
Contract claims in dispute	5,560	9,310
Resumption claims in dispute	244,885	249,411
	<b>250,445</b>	<b>258,721</b>

#### *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.

#### *Contaminated sites*

Under the Contaminated Sites Act 2003, Main Roads is required to report known and suspected contaminated sites to the Department of Water and Environmental Regulation (DWER). In accordance with the Act, DWER 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 sixteen suspected contaminated sites to DWER. Two sites were classified as contaminated – remediation required, four were classified as possibly contaminated – investigation required, two were awaiting classification and eight 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.

## 8.3 Fair value measurements

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Fair value at end of period \$000
<b>Assets measured at fair value:</b>				
<b>2018</b>				
Non-current assets classified as held for sale (Note 9.7)	–	10,912	708	11,620
Land (Note 5.1)	–	58,631	6,364	64,995
Buildings (Note 5.1)	–	72,136	14,382	86,518
Surplus assets (Note 5.1)	–	49,773	32,572	82,345
Land acquired for roadworks (Note 5.1)	–	136,793	41,714	178,507
Infrastructure (Note 5.2)	–	–	42,170,095	42,170,095
	–	<b>328,245</b>	<b>42,265,835</b>	<b>42,594,080</b>



	Non-current asset held for sale \$000	Land \$000	Buildings \$000	Surplus assets \$000	Land acquired for roadworks \$000	Infra-structure \$000
<b>2017</b>						
Fair value at start of period	–	5,901	16,021	42,158	48,087	43,633,553
Additions	–	–	23	931	201	685,718
Revaluation increments/ (decrements) recognised in Profit or Loss	–	–	–	–	–	–
Revaluation increments/ (decrements) recognised in Other Comprehensive Income	–	162	(888)	(4,750)	(5,139)	(1,853,764)
Transfers from/(to) Level 2/ Level 3	–	64	(63)	(3,321)	2,330	–
Disposals	–	–	(138)	(4)	–	(125,815)
Depreciation expense	–	–	(850)	(27)	–	(363,669)
<b>Fair value at end of period</b>	<b>–</b>	<b>6,127</b>	<b>14,105</b>	<b>34,987</b>	<b>45,479</b>	<b>41,976,023</b>
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.

### 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 current replacement cost. Current replacement cost is the current 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 adjusted for obsolescence. Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence.

### 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 current replacement cost. Current replacement cost is current 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 third year 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 carrying values do not materially differ from fair value.



## 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.

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 (m<sup>2</sup>)

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 (m<sup>3</sup>)

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.

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).

## Information about significant unobservable inputs (Level 3) in fair value measurements

Description	Fair value 2018 \$000	Fair value 2017 \$000	Valuation technique(s)	Unobservable inputs
Land, Surplus asset and Land acquired for roadworks	80,650	86,593	Market approach	Selection of land with similar approximate utility
Buildings	14,382	14,105	Current replacement cost	Historical cost per square metre floor area (m <sup>2</sup> ) Consumed economic benefit/obsolescence of asset
Infrastructure (Earthworks)	9,991,307	9,726,060	Current replacement cost	Historical cost per cubic metre (m <sup>3</sup> )
Infrastructure (Pavements including drainage and seals)	4,326,304	4,261,868	Current replacement cost	Historical cost per cubic metre (m <sup>3</sup> )
Infrastructure (Bridges)	3,929,079	3,818,537	Current replacement cost	Historical cost per cubic metre (m <sup>3</sup> )
Infrastructure (Road furniture)	383,017	348,924	Current replacement cost	Consumed economic benefit/obsolescence of asset
Infrastructure (Land under roads)	23,540,388	23,820,634	Market approach	Selection of land adjoining road reserve

Reconciliations of the opening and closing balances are provided in Notes 5.1 and 5.2.

### Amendments to AASB 136

Mandatory application of AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities* has no financial impact on Main Roads as Main Roads is classified as not-for-profit and regularly revalues specialised infrastructure, property, plant and equipment assets. Therefore, the recoverable amount of such assets is expected to be materially the same as fair value.

## 9 Other disclosures

This section includes additional material disclosures required by accounting standards or other pronouncements, for the understanding of this financial report.

	<b>Notes</b>
Events occurring after the end of the reporting period	9.1
Correction of prior period errors	9.2
Future impact of Australian standards issued not yet operative	9.3
Key management personnel	9.4
Related parties	9.5
Remuneration of auditor	9.6
Non-current assets classified as held for sale	9.7
Equity	9.8
Supplementary financial information	9.9
Services provided free of charge	9.10
Indian Ocean Territories	9.11
Explanatory statement (Controlled Operations)	9.12

### 9.1 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.

### 9.2 Correction of prior period errors

\$2.826 million deficit related to Road Safety Commission which was incorrectly recognised as 'Contributed Equity' during 2016-17. The deficit is reclassified as 'Accumulated Deficit' during 2017-18.

### 9.3 Future impact of Australian standards issued 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'* or by an exemption from TI 1101. Where applicable, Main Roads plans to apply the following Australian Accounting Standards from their application date.

		<b>Operative for reporting periods beginning on/after</b>
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>Main Roads has not assessed that recognition of expected credit losses yet which may increase the amount of impairment losses recognised as Other expenses in the Statement of Comprehensive Income, and thus have an adverse impact on the agency's Surplus/(Deficit) for the period.</p>	1 Jan 2018

		<b>Operative for reporting periods beginning on/after</b>
AASB 15	<p data-bbox="304 427 1310 465"><i>Revenue from Contracts with Customers</i></p> <p data-bbox="304 465 1310 622">This Standard establishes the principles that the agency 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. The mandatory application date of this Standard is currently 1 January 2019 after being amended by AASB 2016-7.</p> <p data-bbox="304 622 1310 824">Main Roads income is principally derived from appropriations which will be measured under AASB 1058 and will be unaffected by this change. However, Main Roads has not yet determined the potential impact of the Standard on Commonwealth grants to deliver infrastructure. The terms and conditions attached to these revenues may defer revenue recognition until Main Roads has discharged its performance obligations</p>	1 Jan 2019
AASB 16	<p data-bbox="304 831 1310 869"><i>Leases</i></p> <p data-bbox="304 869 1310 987">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> <p data-bbox="304 987 1310 1160">Whilst the impact of AASB 16 has not yet been quantified, the entity currently has operating lease commitments for \$26,348k. The worth of non-cancellable operating leases which Main Roads anticipates most of this amount will be brought onto the statement of financial position. Interest and amortisation expense will increase and rental expense will decrease.</p>	1 Jan 2019
AASB 1058	<p data-bbox="304 1167 1310 1205"><i>Income of Not-for-Profit Entities</i></p> <p data-bbox="304 1205 1310 1451">This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability, or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by Main Roads. Main Roads anticipates that the application will not materially impact appropriation or untied grant revenues.</p>	1 Jan 2019
AASB 1059	<p data-bbox="304 1458 1310 1496"><i>Service Concession Arrangements: Grantors</i></p> <p data-bbox="304 1496 1310 1742">This Standard addresses the accounting for a service concession arrangement (a type of public private partnership) by a grantor that is a public sector agency by prescribing the accounting for the arrangement from the grantor's perspective. Timing and measurement for the recognition of a specific asset class occurs on commencement of the arrangement and the accounting for associated liabilities is determined by whether the grantee is paid by the grantor or users of the public service provided. Main Roads has not identified any public private partnerships within scope of the Standard.</p>	1 Jan 2019
AASB 2010-7	<p data-bbox="304 1749 1310 1854"><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 &amp; 1038 and Int 2, 5, 10, 12, 19 &amp; 127]</i></p> <p data-bbox="304 1854 1310 1944">This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.</p> <p data-bbox="304 1944 1310 2069">The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. Other than the exposures to AASB 9 noted above, Main Roads is only insignificantly impacted by the application of the Standard.</p>	1 Jan 2018

		<b>Operative for reporting periods beginning on/after</b>
AASB 2014-1	<i>Amendments to Australian Accounting Standards</i> Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. These changes have no impact as Appendix E has been superseded and Main Roads was not permitted to early adopt AASB 9.	1 Jan 2018
AASB 2014-5	<i>Amendments to Australian Accounting Standards arising from AASB 15</i> 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.	1 Jan 2018
AASB 2014-7	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i> 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.	1 Jan 2018
AASB 2015-8	<i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> This Standard amends the mandatory application date of AASB 15 to 1 January 2018 (instead of 1 January 2017). It also defers the consequential amendments that were originally set out in AASB 2014-5. There is no financial impact arising from this Standard.	1 Jan 2018
AASB 2016-3	<i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i> 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 when the deferred AASB 15 becomes effective from 1 January 2019.	1 Jan 2018
AASB 2016-7	<i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i> This Standard defers, for not-for-profit entities, the mandatory application date of AASB 15 to 1 January 2019, and the consequential amendments that were originally set out in AASB 2014-5. There is no financial impact arising from this standard.	1 Jan 2018
AASB 2016-8	<i>Amendments to Australian Accounting Standards Australian Implementation Guidance for Not for Profit Entities</i> This Standard inserts Australian requirements and authoritative implementation guidance for not for profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact.	1 Jan 2019

#### 9.4 Key management personnel

Main Roads has determined key management personnel to include cabinet ministers and senior officers of Main Roads. Main Roads does not incur expenditures to compensate Ministers and those disclosures may be found in the Annual Report on State Finances. The remuneration of the incumbent Commissioner of Main Roads is met by the Department of Transport.

The total fees, salaries, superannuation, non-monetary benefits and other benefits for senior officers of Main Roads for the reporting period are presented within the following bands:

##### Compensation of members of the accountable authority

<b>Compensation Band (\$)</b>	<b>2018</b>	<b>2017</b>
0 – 10,000	2	2

##### Compensation of senior officers

<b>Compensation Band (\$)</b>	<b>2018</b>	<b>2017</b>
360,001 – 370,000	1	–
330,001 – 340,000	–	1
260,001 – 270,000	–	1
250,001 – 260,000	2	–
240,001 – 250,000	1	–
230,001 – 240,000	2	2
220,001 – 230,000	1	2
210,001 – 220,000	1	1
200,001 – 210,000	1	1
190,001 – 200,000	1	1
160,001 – 170,000	–	1
20,001 – 30,000	–	–
10,001 – 20,000	–	1

	<b>2018 \$000</b>	<b>2017 \$000</b>
Short term employee benefits	1,915	2,029
Post-employment benefits	248	264
Other long term benefits	62	10
Termination benefits	206	–
<b>The total compensation of senior officers</b>	<b>2,431</b>	<b>2,303</b>

Total compensation includes the superannuation expense incurred by Main Roads in respect of senior officers. The change in bands comparing to previous year is mainly due to acting arrangements.

#### 9.5 Related parties

Main Roads is a wholly owned public sector entity that is controlled by of the State of Western Australia.

Related parties of Main Roads include:

- all cabinet ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other departments and statutory authorities, including related bodies, that are included in the whole of government consolidated financial statements (i.e. wholly-owned public sector entities);
- associates and joint ventures, of a wholly-owned public sector entity; and
- the Government Employees Superannuation Board (GESB)

#### Significant transactions with government related entities

In conducting its activities, Main Roads is required to transact with the State and entities related to the State. These transactions are generally based on the standard terms and conditions that apply to all agencies. Such transactions include:

- income from State Government (Note 4.1)
- contributed equity (Note 9.8)
- services received free of charge from other government agencies (Note 4.1)
- income from Road Trauma Trust Fund (Note 4.1)
- income from Natural disaster fund (Note 4.1)
- income from Royalties for Regions Fund (Notes 4.1 and 9.8)
- superannuation payments to GESB (Note 3.1(a))
- remuneration for services provided by the Auditor General (Note 9.6)
- payments mainly for vegetation clearing permits required for road construction to Department of Biodiversity Conservation & Attractions amounting \$3.5 million (Note 5.2)
- payments for property management expenses and fleet leasing to the Department of Finance amounting \$13.8 million (Notes 3.3 and 5.1)
- commitments of \$26.3 million future lease payments to the Department of Finance (Note 7.2)
- payments mainly for road maintenance to Department of Biodiversity Conservation & Attractions amounting \$1.0 million (Note 3.2)
- payments mainly for land acquisition used for road construction to State Solicitor's Office amounting \$29.2 million (Notes 5.1 and 5.2)
- payments mainly for service relocation enabling road construction to Western Power amounting \$21.2 million (Note 5.2)
- insurance payments of \$2.6 million to Risk cover fund (Note 3.3)
- payments mainly received as contribution to roadworks from Public Transport Authority amounting \$81.2 million (Note 4.2 and 4.4)
- payments mainly received from Department of Transport by providing service and as contribution to roadworks amounting \$14.6 million (Note 4.2)

#### Material transactions with other related parties

Outside of normal citizen type transactions with Main Roads, there were no other related party transactions that involved key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

#### **9.6 Remuneration of auditor**

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

	<b>2018 \$000</b>	<b>2017 \$000</b>
Auditing the accounts, financial statements and key performance indicators	239	229
Other audits	30	25
	<b>269</b>	<b>254</b>

### 9.7 Non-current assets classified as held for sale

The following table represents a summary of assets held for sale:

	2018 \$000	2017 \$000
<u>Freehold land and buildings</u>		
Opening balance	1,579	7,439
Assets reclassified as held for sale	15,993	11,448
Assets removed from current disposal program	-	(1,000)
Assets sold	(4,120)	(15,512)
Write-down of assets from carrying value to fair value less selling costs	(1,832)	(796)
<b>Closing balance</b>	<b>11,620</b>	<b>1,579</b>

Information on fair value measurements is provided in Note 8.3.

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.

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.

Mandatory application of AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle requires disclosure changes and no financial impact. Main Roads has no interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5.

## 9.8 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.

	Notes	2018 \$000	2017 \$000
<b>Contributed equity</b>			
Balance at start of period		4,574,692	4,258,913
Correction of errors in prior period	9.2	2,826	-
<u>Contributions by owners</u>			
Capital contributions		336,556	307,721
<u>Other contributions by owners</u>			
Royalties for Regions Fund – Regional Infrastructure and Headwork Account		132,122	11,556
<u>Transfer of net assets from other agencies</u>			
Public Transport Authority		24,303	19,932
Western Australian Planning Commission		52	-
Department of Planning, Lands and Heritage		61	120
<b>Total contributions by owners</b>		<b>493,094</b>	<b>339,329</b>
<u>Distributions to owners</u>			
Transfer of net assets to other agencies			
Public Transport Authority		(17,326)	(23,332)
Department of Planning, Lands and Heritage		(894)	(216)
Road Safety Commission		-	(2)
<b>Total distributions to owners</b>		<b>(18,220)</b>	<b>(23,550)</b>
<b>Balance at end of period</b>		<b>5,052,392</b>	<b>4,574,692</b>
<b>Reserves</b>			
<u>Asset revaluation surplus</u>			
Balance at start of period		27,670,467	29,586,632
Net revaluation increments/(decrements)			
Earthworks, Drainage, Pavements and Seals		236,209	(1,110,605)
Bridges		57,005	(132,669)
Land under roads		(310,186)	(562,205)
Road Furniture		4,964	(48,285)
Land and Buildings		(22,158)	(62,401)
<b>Balance at end of period</b>		<b>27,636,301</b>	<b>27,670,467</b>
<b>Accumulated surplus</b>			
Balance at start of period		13,691,101	13,539,861
Correction of errors in prior period		(2,826)	-
Result for the period		738,220	151,240
Income and expense recognised directly in equity		-	-
<b>Balance at end of period</b>		<b>14,426,495</b>	<b>13,691,101</b>
<b>Total Equity at end of period</b>		<b>47,115,188</b>	<b>45,936,260</b>



## 9.9 Supplementary financial information

### (a) Write-offs

During the financial year \$2,064k (2017: \$9k) was written off the Main Roads' asset register under the authority of:

	2018 \$000	2017 \$000
The accountable authority	81	9
The Minister	197	–
Executive Council	1,786	–
	<b>2,064</b>	<b>9</b>

### (b) Losses through theft, defaults and other causes

	2018 \$000	2017 \$000
Fixed asset stocktake discrepancies	8	–
Damage to public property	–	–
Inventory – stocktake discrepancies and obsolete/contaminated materials	–	–
	<b>8</b>	<b>–</b>

### (c) Gifts of public property

	2018 \$000	2017 \$000
Gifts of public property provided by Main Roads	21	33
	<b>21</b>	<b>33</b>

### (d) Restricted Access Vehicle permits <sup>(a)</sup>

	2018 \$000	2017 \$000
Regulatory fees	7,447	6,236
Transfer payments	7,458	6,221
Cash held in lieu of transfer	23	34

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

### 9.10 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:

	2018 \$000	2017 \$000
Department of Transport – accommodation costs and provision of traffic modelling services	112	31
Department of Planning, Lands and Heritage – traffic modelling services	49	68
Public Transport Authority – provision of professional services	218	186
Department of Water and Environmental Regulation – provision of professional services	138	
Services provided free of charge to other agencies	39	3
	<b>556</b>	<b>288</b>

### 9.11 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 2017-18 are summarised below:

	2018 \$000	2017 \$000
Amount brought forward for recovery	5	(25)
Amount received during the period	(68)	(30)
	(63)	(55)
Expenditure during the year	36	60
<b>Amount carried forward for recovery</b>	<b>(27)</b>	<b>5</b>

### 9.12 Explanatory statement (Controlled Operations)

All variances between estimates (original budget) and actual results for 2018 and between the actual results for 2018 and 2017 are shown below. Narratives are provided for key variations selected from observed major variances, which are generally greater than:

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

	Variance Note	Original Budget	Actual	Actual	Variance between estimate and actual	Variance between actual results for 2018 and 2017
		2018 \$000	2018 \$000	2017 \$000	\$000	\$000
<b>9.12.1 Statement of Comprehensive Income Variances</b>						
<b>Expenses</b>						
Employee benefits expenses		75,867	72,081	67,556	(3,786)	4,525
Supplies and services	1A	549,492	519,093	472,690	(30,399)	46,403
Depreciation and impairment expense of infrastructure assets	2	382,186	343,782	363,669	(38,404)	(19,887)
Depreciation, amortisation and impairment expense – other		2,525	5,296	5,140	2,771	156
Grants and subsidies	3	222,605	271,179	275,923	48,574	(4,744)
Other expenses	B	41,709	51,427	143,486	9,718	(92,059)
<b>Total cost of services</b>		<b>1,274,384</b>	<b>1,262,858</b>	<b>1,328,464</b>	<b>(11,526)</b>	<b>(65,606)</b>
<b>Income</b>						
<i>Revenue</i>						
Sale of goods and services		–	10,970	11,234	10,970	(264)
Commonwealth grants and contributions	4C	1,037,285	772,639	263,474	(264,646)	509,165
Contributions to roadworks		115,866	108,341	93,090	(7,525)	15,251
Grants from other bodies		–	9,731	22,409	9,731	(12,678)
Interest revenue		10,179	6,004	5,210	(4,175)	794
Other revenue		13,936	11,300	10,939	(2,636)	361
<b>Total revenue</b>		<b>1,177,266</b>	<b>918,985</b>	<b>406,356</b>	<b>(258,281)</b>	<b>512,629</b>
<i>Gains</i>						
Gain/(loss) on disposal of non-current assets		200	(708)	(3,257)	(908)	2,549
<b>Total gains</b>		<b>200</b>	<b>(708)</b>	<b>(3,257)</b>	<b>(908)</b>	<b>2,549</b>
<b>Total income other than income from State Government</b>		<b>1,177,466</b>	<b>918,277</b>	<b>403,099</b>	<b>(259,189)</b>	<b>515,178</b>
<b>NET COST OF SERVICES</b>		<b>96,918</b>	<b>344,581</b>	<b>925,365</b>	<b>247,663</b>	<b>(580,784)</b>
<b>Income from State Government</b>						
Income from State Government		896,877	897,792	923,910	915	(26,118)
Services received free of charge		2,700	1,672	1,846	(1,028)	(174)
Other funds received from State Government	D	169,474	183,337	150,849	13,863	32,488
<b>Total income from State Government</b>		<b>1,069,051</b>	<b>1,082,801</b>	<b>1,076,605</b>	<b>13,750</b>	<b>6,196</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>972,133</b>	<b>738,220</b>	<b>151,240</b>	<b>(233,913)</b>	<b>586,980</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
<b>Items not reclassified subsequently to profit or loss</b>						
Changes in asset revaluation surplus		–	(34,166)	(1,916,165)	(34,166)	1,881,999
<b>Total other comprehensive income</b>		<b>–</b>	<b>(34,166)</b>	<b>(1,916,165)</b>	<b>(34,166)</b>	<b>1,881,999</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>972,133</b>	<b>704,054</b>	<b>(1,764,925)</b>	<b>(268,079)</b>	<b>2,468,979</b>

	Variance Note	Original Budget 2018 \$000	Actual 2018 \$000	Actual 2017 \$000	Variance between estimate and actual \$000	Variance between actual results for 2018 and 2017 \$000
<b>9.12.2 Statement of Financial Position Variances</b>						
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents		151,991	283,742	91,984	131,751	191,758
Restricted cash and cash equivalents		233,107	251,059	183,136	17,952	67,923
Receivables		80,694	116,822	97,589	36,128	19,233
Amounts receivable for services		75,054	38,936	30,303	(36,118)	8,633
Inventories		3,863	3,932	3,379	69	553
Prepayments		10,507	9,715	13,894	(792)	(4,179)
Non-current assets classified as held for sale		7,439	11,620	1,579	4,181	10,041
<b>Total Current Assets</b>		<b>562,655</b>	<b>715,826</b>	<b>421,864</b>	<b>153,171</b>	<b>293,962</b>
<b>Non-Current Assets</b>						
Receivables		3,873	238	1,147	(3,635)	(909)
Amounts receivable for services		2,431,423	2,502,858	2,214,931	71,435	287,927
Inventories		2,215	5,408	1,912	3,193	3,496
Prepayments		436	367	1,157	(69)	(790)
Property, plant and equipment	5 E	570,713	426,473	477,030	(144,240)	(50,557)
Infrastructure	6	47,548,575	43,802,551	43,126,425	(3,746,024)	676,126
Intangible assets		9,263	14,828	13,498	5,565	1,330
<b>Total Non-Current Assets</b>		<b>50,566,498</b>	<b>46,752,723</b>	<b>45,836,100</b>	<b>(3,813,775)</b>	<b>916,623</b>
<b>TOTAL ASSETS</b>		<b>51,129,153</b>	<b>47,468,549</b>	<b>46,257,964</b>	<b>(3,660,604)</b>	<b>1,210,585</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Payables		298,145	318,133	283,493	19,988	34,640
Employee related provisions		27,236	28,426	27,433	1,190	993
Other provisions		–	1,877	5,744	1,877	(3,867)
<b>Total Current Liabilities</b>		<b>325,381</b>	<b>348,436</b>	<b>316,670</b>	<b>23,055</b>	<b>31,766</b>
<b>Non-Current Liabilities</b>						
Employee related provisions		4,886	4,925	5,034	39	(109)
Other provisions		–	–	–	–	–
<b>Total Non-Current Liabilities</b>		<b>4,886</b>	<b>4,925</b>	<b>5,034</b>	<b>39</b>	<b>(109)</b>
<b>TOTAL LIABILITIES</b>		<b>330,267</b>	<b>353,361</b>	<b>321,704</b>	<b>23,094</b>	<b>31,657</b>
<b>NET ASSETS</b>		<b>50,798,886</b>	<b>47,115,188</b>	<b>45,936,260</b>	<b>(3,683,698)</b>	<b>1,178,928</b>
<b>EQUITY</b>						
Contributed equity		4,981,677	5,052,392	4,574,692	70,715	477,700
Reserves	7	31,140,818	27,636,301	27,670,467	(3,504,517)	(34,166)
Accumulated surplus		14,676,391	14,426,495	13,691,101	(249,896)	735,394
<b>TOTAL EQUITY</b>		<b>50,798,886</b>	<b>47,115,188</b>	<b>45,936,260</b>	<b>(3,683,698)</b>	<b>1,178,928</b>

	Variance Note	Original Budget	Actual	Actual	Variance between estimate and actual	Variance between actual results for 2018 and 2017
		2018 \$000	2018 \$000	2017 \$000	\$000	\$000
<b>9.12.3 Statement of Cash Flows Variances</b>						
<b>CASH FLOWS FROM STATE GOVERNMENT</b>						
Service appropriation	F	568,017	568,932	605,922	915	(36,990)
Capital appropriation	G	316,371	336,556	307,721	20,185	28,835
Holding account drawdown	8 H	67,617	32,300	60,606	(35,317)	(28,306)
Road Trauma Trust Fund	I	53,020	57,671	87,158	4,651	(29,487)
Natural disaster funds	J	102,145	97,017	50,681	(5,128)	46,336
Royalties for Regions Fund	K	137,319	138,250	11,832	931	126,418
<b>Net cash provided by State Government</b>		<b>1,244,489</b>	<b>1,230,726</b>	<b>1,123,920</b>	<b>(13,763)</b>	<b>106,806</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee benefits		(75,867)	(71,793)	(67,884)	4,074	(3,909)
Supplies and services	L	(543,894)	(519,639)	(461,970)	24,255	(57,669)
Grants and subsidies	9 M	(222,605)	(251,228)	(209,667)	(28,623)	(41,561)
GST payments on purchases		(147,054)	(149,346)	(145,679)	(2,292)	(3,667)
<b>Receipts</b>						
Sale of goods and services		116,808	128,704	119,364	11,896	9,340
Commonwealth grants and contributions	10 N	1,037,285	772,639	263,475	(264,646)	509,164
Interest received		10,179	5,630	6,685	(4,549)	(1,055)
GST receipts on sales		11,808	20,225	22,562	8,417	(2,337)
GST receipts from taxation authority		135,000	128,100	120,671	(6,900)	7,429
Other receipts		10,736	12,745	7,948	2,009	4,797
Rent received		3,200	3,575	3,752	375	(177)
<b>Net cash provided by/(used in) operating activities</b>		<b>335,596</b>	<b>79,612</b>	<b>(340,743)</b>	<b>(255,984)</b>	<b>420,355</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>Payments</b>						
Purchase of non-current assets		(17,342)	(15,225)	(21,272)	2,117	6,047
Purchase of infrastructure assets	11 O	(1,450,163)	(1,038,819)	(958,064)	411,344	(80,755)
<b>Receipts</b>						
Proceeds from sale of non-current assets		2,000	3,387	11,815	1,387	(8,428)
<b>Net cash provided by/(used in) investing activities</b>		<b>(1,465,505)</b>	<b>(1,050,657)</b>	<b>(967,521)</b>	<b>414,848</b>	<b>(83,136)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<b>Payments</b>						
Repayment of borrowings		-	-	-	-	-
<b>Net cash provided by/(used in) financing activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net increase/(decrease) in cash and cash equivalents		114,580	259,681	(184,344)	145,101	444,025
Cash and cash equivalents at the beginning of the period		270,518	275,120	460,207	4,602	(185,087)
Cash balance transferred to Other State Agencies		-	-	(743)	-	743
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>385,098</b>	<b>534,801</b>	<b>275,120</b>	<b>149,703</b>	<b>259,681</b>

### Major Estimate and Actual (2018) Variance Narratives

- 1 Supplies and services expense was less than anticipated by \$30.4 million (5.5%) mainly due to reallocation of a proportion of supplies and services cost to various capital projects.
- 2 Depreciation expense was less than anticipated by \$38.4 million (10.0%) due to the large decrease in value of the infrastructure assets under the revaluation process.
- 3 Grant and subsidies expense was higher than anticipated by \$48.6 million (21.8%) mainly due to additional funding provided to Local Governments for WA Natural Disaster Relief and Recovery Arrangement.
- 4 Commonwealth grants and contributions was less than anticipated by \$264.6 million (25.5%) mainly due to delays in projects and amended Commonwealth milestones.
- 5 Property, plant and equipment was \$144.2 million (25.3%) lower than budgeted amount due to falling property values assessed by the Land Information Authority (Landgate).
- 6 Infrastructure was overestimated by \$3.7 billion (7.9%) mainly because 2017-18 initial budget was established on higher 2016-17 estimated actual figures. The 2016-17 actual figure decreased due to the comprehensive revaluation of infrastructure assets resulting a fall in current replacement values.
- 7 Reserves was overestimated by \$3.5 billion (11.3%) mainly because 2017-18 initial budget was established on higher 2016-17 estimated actual figures for infrastructure. The 2016-17 actual figure decreased due to the comprehensive revaluation of infrastructure assets resulting a fall in current replacement values.
- 8 The Holding account drawdown was \$35.3 million (52.2%) less than anticipated due to a revised budget during the mid-year review process.
- 9 Grant and subsidies payments exceeded estimate by \$28.6 million (12.9%) mainly due to additional funding provided to Local Governments for WA Natural Disaster Relief and Recovery Arrangement.
- 10 Commonwealth grants and contributions was \$264.6 million (25.5%) less than anticipated mainly due to delays in projects and amended Commonwealth milestones.
- 11 Purchase of infrastructure assets was underspent by \$411.3 million (28.4%) mainly due to a number of Capital Works projects being delayed which included Great Northern Highway Muchea-Wubin (\$140.0 million) and Northlink WA (\$202.0 million).

### Major Actual (2018) and Comparative (2017) Variance Narratives

- A Supplies and services expense increased by \$46.4 million (9.8%) mainly due to payments made to contractors for additional maintenance works on the roads.
- B Other expenses is \$92.1 million (64.2%) lower than 2016/17 financial year due to Perth Freight Link project being written off during 2016/17 and resulted in higher than expected expense.
- C Commonwealth grants and contributions increased by \$509.2 million (193.2%) mainly due to increased milestone payments (\$278.6 million) received from the Commonwealth as more projects met milestones compared to last year. The increase was also due to the one off National Partnership payment (\$226.0 million) made to support road infrastructure projects including the Murdoch Drive Extension to Roe Highway, Reid Highway Duplication (Altone Road to West Swan Road), Roe Highway Kalamunda Road Interchange, Wanneroo Road (Joondalup Drive to Hall Road), Karel Avenue Duplication and Wanneroo Road Joondalup Drive Interchange.
- D Other funds received from State Government increased by \$32.5 million (21.5%) mainly due to additional grant funding from WA Natural Disaster Relief and Recovery Arrangements and Road Trauma Trust Account.
- E Property, plant and equipment decreased by \$50.6 million (10.6%) due to falling property values assessed by the Land Information Authority (Landgate).
- F The decrease of recurrent service appropriation by \$37.0 million (6.1%) is mainly due to higher allocation of capital appropriation to fund capital projects from motor vehicle license fees during the financial year.
- G The increase of capital appropriation by \$28.8 million (9.4%) is mainly due to lower allocation of recurrent appropriation from motor vehicle license fees during the financial year.

- H The decrease of \$28.3 million (46.7%) in Holding account drawdown was due to the approved amount being revised since previous year.
- I Road Trauma Trust Fund receipts decreased by \$29.5 million (33.8%) mainly due to reduced number of funded projects compared to previous year.
- J Natural disaster funds receipts increased by \$46.3 million (91.4%) mainly due to higher number of claims paid compared to previous year.
- K The increase of \$126.4 million (91.4%) was due to higher revenue received from Department of Primary Industries and Regional Development for 15 additional Royalties for Regions projects. Major projects include: Great Northern Highway – Muchea to Wubin, Margaret River Parameter Road and Great Eastern Highway Passing Lanes.
- L Supplies and services payments increased by \$57.7 million (12.5%) mainly due to additional payments made to contractors for additional maintenance works on the roads.
- M Grant and subsidies payments increased by \$41.6 million (19.8%) mainly due to additional funding provided to Local Governments for WA Natural Disaster Relief and Recovery Arrangement.
- N Commonwealth grants and contributions increased by \$509.2 million (193.2%) mainly due to increased Milestone Payments (\$278.6 million) received from the Commonwealth as more major projects met the milestones. The increase is also due to the one off National Partnership payment (\$226.0 million) made to support road infrastructure projects including the Murdoch Drive Extension to Roe Highway, Reid Highway Duplication (Altone Road to West Swan Road), Roe Highway Kalamunda Road Interchange, Wanneroo Road (Joondalup Drive to Hall Road), Karel Avenue Duplication and Wanneroo Road Joondalup Drive Interchange.
- O Purchase of infrastructure assets increased by \$80.8 million (8.4%) as more Commonwealth funded projects undertaken during this year compared to last year. Commonwealth funded projects include Northlink WA and Armadale Road Duplication.