

Financial Statements and Notes

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STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2019

	Note	2019 \$000	2018 \$000
COST OF SERVICES			
Expenses			
Employee benefits expenses	3.1(a)	64,536	72,081
Supplies and services	3.3	431,321	521,297
Depreciation and impairment expense of infrastructure assets	5.2.1	373,475	343,782
Depreciation, amortisation and impairment expense – other	5.1.1, 5.3.1	4,606	5,296
Grants and subsidies	3.2	332,610	268,975
Other expenses	3.3	91,387	51,427
Total cost of services		1,297,935	1,262,858
Income			
<i>Revenue</i>			
Sale of goods and services	4.2	10,577	10,970
Commonwealth grants and contributions	4.3	622,697	772,639
Contributions to roadworks	4.4	70,510	108,341
Grants from other bodies	4.5	116,297	9,731
Interest revenue	4.6	4,287	6,004
Other revenue	4.7	11,883	11,300
Total revenue		836,251	918,985
<i>Gains</i>			
Gain/(loss) on disposal of non-current assets	4.8	(1,599)	(708)
Total gains		(1,599)	(708)
Total income other than income from State Government		834,652	918,277
NET COST OF SERVICES		463,283	344,581
Income from State Government			
Income from State Government	4.1	979,697	897,792
Services received free of charge		2,530	1,672
Other funds received from State Government		204,015	183,337
Total income from State Government		1,186,242	1,082,801
SURPLUS FOR THE PERIOD		722,959	738,220
OTHER COMPREHENSIVE INCOME			
Items not reclassified subsequently to profit or loss			
Changes in asset revaluation surplus	9.8	(381,883)	(34,166)
Total other comprehensive income		(381,883)	(34,166)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		341,076	704,054

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 2019

	Note	2019 \$000	2018 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	7.1	196,875	283,742
Restricted cash and cash equivalents	7.1	188,888	251,059
Receivables	6.1	208,714	116,822
Amounts receivable for services	6.2	31,065	38,936
Inventories	6.3	914	3,932
Prepayments	6.4	14,640	9,715
Non-current assets classified as held for sale	9.7	6,787	11,620
Total Current Assets		647,883	715,826
Non-Current Assets			
Receivables	6.1	234	238
Amounts receivable for services	6.2	2,794,812	2,502,858
Inventories	6.3	6,619	5,408
Prepayments	6.4	386	367
Property, plant and equipment	5.1	405,237	426,473
Infrastructure	5.2	44,396,721	43,802,551
Intangible assets	5.3	13,668	14,828
Total Non-Current Assets		47,617,677	46,752,723
TOTAL ASSETS		48,265,560	47,468,549
LIABILITIES			
Current Liabilities			
Payables	6.5	315,323	277,315
Employee related provisions	3.1(b)	30,534	28,426
Other provisions	6.6	2,208	1,877
Total Current Liabilities		348,065	307,618
Non-Current Liabilities			
Payables	6.5	56,345	40,818
Employee related provisions	3.1(b)	4,937	4,925
Total Non-Current Liabilities		61,282	45,743
TOTAL LIABILITIES		409,347	353,361
NET ASSETS		47,856,213	47,115,188
EQUITY			
	9.8		
Contributed equity		5,452,489	5,052,392
Reserves		27,254,418	27,636,301
Accumulated surplus		15,149,306	14,426,495
TOTAL EQUITY		47,856,213	47,115,188

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 2019

	Note	Contributed Equity \$000	Reserves \$000	Accumulated surplus/ (deficit) \$000	Total Equity \$000
Balance at 1 July 2017	9.8	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
Balance at 30 June 2018		5,052,392	27,636,301	14,426,495	47,115,188
Balance at 1 July 2018		5,052,392	27,636,301	14,426,495	47,115,188
Changes in accounting policy	9.2	-	-	(148)	(148)
- Surplus		-	-	722,959	722,959
- Other comprehensive income		-	(381,883)	-	(381,883)
Total comprehensive income for the period		-	(381,883)	722,811	340,928
Transactions with owners in their capacity as owners:					
- Capital appropriations		300,579	-	-	300,579
- Other contributions by owners		143,800	-	-	143,800
- Distributions to owners		(44,282)	-	-	(44,282)
Total		400,097	-	-	400,097
Balance at 30 June 2019		5,452,489	27,254,418	15,149,306	47,856,213

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 2019

	Note	2019 \$000	2018 \$000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		656,678	568,932
Capital appropriation		287,916	336,556
Holding account drawdown		38,936	32,300
Road Trauma Trust Fund		42,883	57,671
Natural disaster funds		53,650	97,017
Royalties for Regions Fund		69,114	138,250
Net cash provided by State Government		1,149,177	1,230,726
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(63,373)	(71,793)
Supplies and services		(427,669)	(519,639)
Grants and subsidies		(289,890)	(251,228)
GST payments on purchases		(170,451)	(149,346)
Receipts			
Sale of goods and services		117,818	128,704
Commonwealth grants and contributions		622,698	772,639
Interest received		4,782	5,630
GST receipts on sales		16,290	20,225
GST receipts from taxation authority		153,175	128,100
Other receipts		9,357	12,745
Rent received		3,788	3,575
Net cash provided by/(used in) operating activities	7.1.2	(23,475)	79,612
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current assets		(16,652)	(15,225)
Purchase of infrastructure assets		(1,264,488)	(1,038,819)
Receipts			
Proceeds from sale of non-current assets		6,400	3,387
Net cash provided by/(used in) investing activities		(1,274,740)	(1,050,657)
Net increase/(decrease) in cash and cash equivalents			
		(149,038)	259,681
Cash and cash equivalents at the beginning of the period			
		534,801	275,120
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7.1.1	385,763	534,801

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 2019

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.

	Note
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 2017-18 and 2018-19 (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	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
COST OF SERVICES																
Expenses																
Employee benefits expense	4,718	4,462	59,801	64,509	9,334	9,136	1,025	1,617	9,178	9,155	5,218	5,812	(24,738)	(22,609)	64,536	72,081
Supplies and services	135,621	129,527	66,287	69,685	392,556	305,836	39,995	113,622	439,966	482,151	611,071	459,320	(1,253,627)	(1,041,047)	431,868	519,093
Depreciation of infrastructure assets	0	0	0	0	0	0	0	0	373,475	343,782	0	0	0	0	373,475	343,782
Depreciation and amortisation of other non-current assets	347	446	323	411	898	879	112	372	1,571	1,923	1,355	1,265	0	0	4,606	5,296
Grants and subsidies	18,677	28,223	1,712	1,621	8,581	14,367	10,703	20,970	284,116	206,630	1,130	1,000	7,143	(1,632)	332,063	271,178
Infrastructure assets retired / replaced	0	0	0	0	0	0	0	0	0	0	0	0	91,387	51,427	91,387	51,427
Total cost of services	159,363	162,658	128,123	136,226	411,369	330,217	51,835	136,581	1,108,306	1,043,641	618,775	467,396	(1,179,836)	(1,013,861)	1,297,935	1,262,858
Income																
Revenue																
Sale of goods and services	0	60	2,284	2,446	1,532	932	172	152	6,360	7,340	229	41	0	0	10,577	10,970
Commonwealth grants and contributions	36,342	28,927	0	0	256,493	364,721	3,000	6,463	51,136	54,529	275,726	318,000	0	0	622,697	772,639
Contributions to roadworks	5,424	12,365	118	0	24,083	8,956	10,801	57,280	9,999	21,021	20,083	8,718	0	0	70,510	108,341
Grants from other bodies	8,763	819	8,167	755	22,666	1,616	2,828	684	39,652	3,533	34,221	2,324	0	0	116,297	9,731
Interest revenue	323	505	301	466	836	997	104	422	1,462	2,180	1,262	1,434	0	0	4,287	6,004
Other revenue	895	951	834	877	2,316	1,876	289	795	4,051	4,103	3,497	2,698	0	0	11,883	11,300
Total revenue	51,748	43,626	11,705	4,545	307,926	379,098	17,194	65,796	112,660	92,706	335,018	333,215	0	0	836,251	918,985
Gains																
Gain on disposal of non-current assets	(121)	(60)	(112)	(55)	(312)	(117)	(39)	(50)	(545)	(257)	(471)	(169)	0	0	(1,599)	(708)
Total gains	(121)	(60)	(112)	(55)	(312)	(117)	(39)	(50)	(545)	(257)	(471)	(169)	0	0	(1,599)	(708)
Total income other than income from State Government	51,627	43,567	11,593	4,490	307,614	378,980	17,155	65,746	112,115	92,449	334,547	333,046	0	0	834,652	918,277
NET COST OF SERVICES	107,736	119,091	116,531	131,736	103,754	(48,763)	34,679	70,835	996,191	951,192	284,228	134,350	(1,179,836)	(1,013,861)	463,283	344,581
INCOME FROM STATE GOVERNMENT																
Service appropriation	30,607	64,535	185,872	86,499	51,190	55,434	45,076	79,065	666,715	602,655	238	9,604	0	0	979,697	897,792
Services received free of charge	191	141	178	130	493	278	62	118	863	607	745	399	0	0	2,530	1,672
Other State Government Funds	45,413	53,223	325	0	2,224	0	14,545	3,081	141,508	124,189	0	2,844	0	0	204,015	183,337
Capital contribution	44,632	67,000	331	942	116,636	132,646	5,352	3,954	20,250	53,785	162,694	216,547	(349,895)	(474,875)	0	0
Total income from State Government	120,843	184,899	186,706	87,571	170,542	188,357	65,034	86,218	829,336	781,236	163,677	229,394	(349,895)	(474,875)	1,186,242	1,082,801
SURPLUS/DEFICIT FOR THE PERIOD	13,107	65,808	70,175	(44,165)	66,788	237,120	30,355	15,383	(166,855)	(169,956)	(120,551)	95,044	829,941	538,986	722,959	738,220

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	2019 \$000	2018 \$000
Employee benefits expenses	3.1(a)	64,536	72,081
Employee related provisions	3.1(b)	35,471	33,351
Grants and subsidies	3.2	332,610	268,975
Other expenditure	3.3	522,708	572,724

3.1(a) Employee benefits expenses

	2019 \$000	2018 \$000
Wages and salaries	125,444	122,408
Termination benefits	261	4,137
Superannuation – defined contribution plans ^(a)	12,703	12,512
	138,408	139,057
Less: capitalised to infrastructure	(73,872)	(66,976)
	64,536	72,081

(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 Benefits: 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 Main Roads 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.

	2019 \$000	2018 \$000
Current		
<i>Employee benefits provisions</i>		
Annual leave ^(a)	13,652	12,783
Long service leave ^(b)	16,598	15,310
	30,250	28,093
<i>Other provisions</i>		
Employment on-costs ^(c)	284	333
Total current employee related provisions	30,534	28,426
Non-current		
<i>Employee benefits provisions</i>		
Long service leave ^(b)	4,891	4,867
<i>Other provisions</i>		
Employment on-costs ^(c)	46	58
Total non-current employee related provisions	4,937	4,925
Total employee related provisions	35,471	33,351

(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:

	2019 \$000	2018 \$000
Within 12 months of the end of the reporting period	10,731	10,274
More than 12 months after the end of the reporting period	2,921	2,509
	13,652	12,783

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:

	2019 \$000	2018 \$000
Within 12 months of the end of the reporting period	4,042	4,225
More than 12 months after the end of the reporting period	17,447	15,952
	21,489	20,177

The provision for long service leave 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'.

Employment on-costs provision	2019 \$000	2018 \$000
Carrying amount at start of period	391	310
Additional/(reversals of) provisions recognised	(61)	81
Carrying amount at end of period	330	391

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

	2019 \$000	2018 \$000
<u>Recurrent</u>		
Grants and subsidies to local government and other bodies ^(a)	296,629	263,878
<u>Capital</u>		
Grants and subsidies to local government and other bodies	-	500
Grants of non-current assets to other bodies	35,981	4,597
Total grants and subsidies	332,610	268,975

(a) Include payments made to Public Transport Authority and Department of Biodiversity Conservation & Attractions

Transferred infrastructure assets at fair value to Local Government and other bodies based on formal proclamation. The following assets were transferred during the year ended 30 June 2019: Margaret River Perimeter Road – John Archibald Drive and Bridge (Augusta Margaret River Shire), Matagarup Bridge principal shared path and lighting (City of Perth & Town of Vic Park), Bridge over Avon River (Town of Northam), Lloyd Street (City of Swan), Bridge over Mayfield Drain (Shire of Waroona) and Marble Bar Road Realignment (Roy Hill Mining).

Transactions in which Main Roads 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

	2019 \$000	2018 \$000
Supplies and services		
Insurance ^(a)	3,997	4,177
Accommodation, lease and plant hire charges ^(b)	9,578	5,914
Electricity, gas and water	9,713	9,098
Building maintenance and equipment ^(c)	6,555	6,809
Advertising	141	127
Communications	5,183	5,282
Consultants and contractors	370,309	467,357
Consumables	2,318	2,626
Materials	1,875	3,813
Doubtful debt expense	-	102
Expected credit losses expense ^(d)	(10)	-
Other	21,662	15,992
Total supplies and services expenses	431,321	521,297

(a) Include payments to RiskCover

(b) Include payments to Department of Finance

(c) Include payments to Department of Finance

(d) Expected credit losses were not required to be measured in 2017/18

<u>Other</u>		
Non-current assets retired/replaced	86,576	51,073
Write-down of non-current assets classified as held for sale	264	1,831
Write-(back)/down of infrastructure works in progress	4,547	(1,477)
Total other expenses	91,387	51,427
Total other expenditure	522,708	572,724

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.

Doubtful debts expense was recognised as the movement in the allowance for doubtful debts. From 2018-19, expected credit losses expense is recognised as the movement in the allowance for expected credit losses. The allowance for expected credit losses of trade receivables is measured at the lifetime expected credit losses at each reporting date. Main Roads has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Refer to note 6.1.1 Movement in the allowance for impairment of receivables.

Other

Non-current assets replaced or retired: Non-current assets replaced or retired during the year have been expensed at their carrying amount. Projects include Great Northern Highway – Wyndham Spur and Maggie's Jump Up and Onslow Road.

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-down of infrastructure works in progress: This amount mainly represents the infrastructure work in progress written down relating to the Government decision to discontinue work on Ellenbrook Bus Rapid Transit project.

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	2019 \$000	2018 \$000
Income from State Government	4.1	1,186,242	1,082,801
Sale of goods and services	4.2	10,577	10,970
Commonwealth grants and contributions	4.3	622,697	772,639
Contributions to roadworks	4.4	70,510	108,341
Grants from other bodies	4.5	116,297	9,731
Interest revenue	4.6	4,287	6,004
Other revenue	4.7	11,883	11,300
Gain/(loss)	4.8	(1,599)	(708)

4.1 Income from State Government

	2019 \$000	2018 \$000
Appropriation received during the period:		
Motor vehicle licence fees ^(a)	648,255	557,889
Untied funds ^(b)	323,019	332,019
Motor vehicle permit fees ^(c)	7,998	7,459
Salaries and Allowances Act 1975	425	425
	979,697	897,792
Services received free of charge from other State government agencies during the period ^(d) :		
WA Land Information Authority (Landgate)	1,034	333
Department of Justice (State Solicitor's Office)	1,394	1,141
WA Police Services (Road Safety Commission)	62	98
Department of Mines, Industry Regulations and Safety	-	71
Other	40	29
Total services received	2,530	1,672
Other funds received from State Government		
Road Trauma Trust Fund ^(e)	42,809	53,020
Natural disaster funds ^(f)	141,408	124,189
Royalties for Regions Fund ^(g)	19,798	6,128
Total other funds	204,015	183,337
Total Income from State Government	1,186,242	1,082,801

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 2018-19 was \$948.833 million (2017-18: \$894.445 million). An amount of \$648.255 million (2017-18: \$557.889 million) was received as a service appropriation and the balance of \$300.578 million (2017-18: \$336.556 million) appropriated as a capital contribution by owners and included under 'Contributed Equity (note 9.8)' 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 2018-19 was \$323.019 million (2017-18: \$332.019 million). This includes a service appropriation of \$323.019 million (2017-18: \$332.019 million) and no capital contribution (2017-18: nil). The service appropriation includes no cash component (2017-18: \$3.159 million) and a \$323.019 million (2017-18: \$328.860 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

	2019 \$000	2018 \$000
Sale of goods and services ^(a)	10,577	10,970

This amount represents works undertaken for other public and private bodies and includes the recovery of expenditure from the Commonwealth Department of Infrastructure, Transport, Cities 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 2018-19 are summarised at note 9.11 'Indian Ocean Territories'.

Revenue from 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

	2019 \$000	2018 \$000
Land Transport Infrastructure Projects	622,436	769,596
Interstate Road Transport Act 1985	261	3,043
	622,697	772,639

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 2019, \$157.655 million of the National Land Transport Act 2014 grants recognised as revenue remained unspent on approved projects (at 30 June 2018 the amount was \$206.427 million). The unspent amount is non-restricted in nature and disclosed under note 7.1.1 'Cash and cash equivalents'.

At 30 June 2019, \$160.433 million of the National Partnership on Infrastructure Projects in WA grants recognised as revenue remained unspent on approved projects (at 30 June 2018 the amount was \$233.852 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

	2019 \$000	2018 \$000
Contributions to roadworks ^(a)	70,510	108,341

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 Department of Jobs Tourism Science and Innovation, Department of Transport and Public Transport Authority

4.5 Grants from other bodies

	2019 \$000	2018 \$000
Grants from local government authorities and other bodies		
Transferred infrastructure assets at fair value ^(a)	546	426
Local Government contribution to traffic signal construction	1,069	258
Developers contribution to roadworks ^(b)	114,682	9,047
	116,297	9,731

(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 the year ended 30 June 2019 include Mottram Perup and Graphite intersections upgrade – Shire of Manjimup Grant.

(b) The developers contribution to roadworks relate to construction costs met by private developers on roads owned by Main Roads. The roadworks include Warrida Road, Marble Bar Road realignment, Great Eastern Highway – Burswood Intersection, Great Northern Highway and Wodgina East Road.

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

4.6 Interest revenue

	2019 \$000	2018 \$000
Land Transport Infrastructure Projects interest revenue	4,273	5,988
Other interest revenue	14	16
	4,287	6,004

Revenue is recognised as the interest accrues.

4.7 Other revenue

	2019 \$000	2018 \$000
Rental income	3,797	3,566
Traffic escort services	7,020	6,200
Assets not previously recognised	207	443
Other	859	1,091
	11,883	11,300

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

4.8 Gain/(loss)

	2019 \$000	2018 \$000
<u>Net proceeds from disposal of non-current assets</u>		
Land acquired for roadworks	2,654	1,209
Land and buildings	3,634	2,143
Plant, equipment and vehicles	159	74
	6,447	3,426
<u>Carrying amount of non-current assets disposed</u>		
Land acquired for roadworks	3,121	1,579
Land and buildings	4,757	2,542
Plant, equipment and vehicles	168	13
	8,046	4,134
Net gain/(loss)	(1,599)	(708)

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 events are treated as other expenses (write-off of assets destroyed by fire/storm/earthquake etc.). The subsequent insurance recovery is 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	2019 \$000	2018 \$000
Property, plant and equipment	5.1	405,237	426,473
Infrastructure	5.2	44,396,721	43,802,551
Intangible assets	5.3	13,668	14,828
Total key assets		44,815,626	44,243,852

5.1 Property, plant and equipment

	2019 \$000	2018 \$000
<u>Land</u>		
At fair value	64,307	64,995
	64,307	64,995
<u>Buildings</u>		
At fair value	88,726	86,526
Accumulated depreciation	(11)	(8)
	88,715	86,518
<u>Buildings under construction</u>		
Construction costs	2,611	2,117
	2,611	2,117
<u>Plant, equipment and vehicles</u>		
At cost	42,850	42,076
Accumulated depreciation	(31,700)	(30,085)
	11,150	11,991
<u>Surplus assets</u>		
At fair value	71,722	82,345
Accumulated depreciation	-	-
	71,722	82,345
<u>Land acquired for roadworks</u>		
At fair value	166,732	178,507
	166,732	178,507
Total property, plant and equipment	405,237	426,473

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 2019	Land \$000	Buildings \$000	Buildings under construct- ion \$000	Plant, equip- ment and vehicles \$000	Surplus assets \$000	Land acquired for road- works \$000	Total \$000
Carrying amount at 1 July 2018	64,995	86,518	2,117	11,991	82,345	178,507	426,473
Additions ^(a)	241	154	4,721	3,145	275	4,852	13,388
Disposals	-	(202)	-	(169)	-	-	(371)
Classified as held for sale	(254)	(423)	-	-	(2,309)	(216)	(3,202)
Held for sale removed from disposal program	-	-	-	-	-	-	-
Transfers	507	3,720	(4,227)	-	-	-	-
Transfer (to) / from infrastructure	-	-	-	-	(1,284)	(9,405)	(10,689)
Equity contribution / (distribution)	55	-	-	-	(1,560)	-	(1,505)
Revaluation increments / (decrements)	(1,433)	4,639	-	-	(5,608)	(7,006)	(9,408)
Impairment losses	(11)	-	-	-	-	-	(11)
Assets not previously recognised	207	-	-	-	-	-	207
Depreciation	-	(5,691)	-	(3,817)	(137)	-	(9,645)
Carrying amount at 30 June 2019	64,307	88,715	2,611	11,150	71,722	166,732	405,237

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

Year ended 30 June 2018	Land \$000	Buildings \$000	Buildings under construct- ion \$000	Plant, equip- ment and vehicles \$000	Surplus assets \$000	Land acquired for road- works \$000	Total \$000
Carrying amount at 1 July 2017	73,348	89,053	4,953	13,713	98,383	197,580	477,030
Additions	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)
Held for sale removed from disposal program	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-
Assets not previously recognised	-	-	-	-	-	-	-
Depreciation	-	(5,506)	-	(4,756)	(43)	-	(10,305)
Carrying amount at 30 June 2018	64,995	86,518	2,117	11,991	82,345	178,507	426,473

5.2 Infrastructure

	2019 \$000	2018 \$000
<u>Roads and principal shared paths</u>		
Earthworks at fair value	13,062,954	12,978,704
Accumulated depreciation	(2,969,006)	(2,987,397)
	10,093,948	9,991,307
<u>Pavement and drainage at fair value</u>		
Accumulated depreciation	9,353,166	9,169,546
	(5,539,078)	(5,405,575)
	3,814,088	3,763,971
<u>Seals at fair value</u>		
Accumulated depreciation	1,496,681	1,428,076
	(879,801)	(865,743)
	616,880	562,333
<u>Land under roads</u>		
At fair value	23,176,529	23,540,388
	23,176,529	23,540,388
<u>Bridges</u>		
At fair value	5,939,720	5,654,159
Accumulated depreciation	(1,774,235)	(1,725,080)
	4,165,485	3,929,079
<u>Road furniture</u>		
At fair value	666,019	618,018
Accumulated depreciation	(258,668)	(235,001)
	407,351	383,017
<u>Infrastructure work in progress</u>		
At cost	2,122,440	1,632,456
	2,122,440	1,632,456
Total Infrastructure	44,396,721	43,802,551

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 2019	Roads and principal shared paths \$000	Land under roads \$000	Bridges \$000	Road furniture \$000	Work in progress \$000	Total \$000
Carrying amount at 1 July 2018	14,317,611	23,540,388	3,929,079	383,017	1,632,456	43,802,551
Additions ^(a)	-	-	-	-	1,276,784	1,276,784
Retirements	(78,535)	-	(4,596)	(3,349)	-	(86,480)
Transfers	501,409	11,459	300,808	60,322	(873,998)	-
Transfer (to) / from land acquired for roadworks	-	10,689	-	-	-	10,689
Revaluation increments / (decrements)	13,740	(386,000)	-	(216)	-	(372,476)
Highways and main roads reclassified as local roads	(21,458)	(7)	(12,337)	(2,179)	-	(35,981)
Local roads classified as highways and main roads	84,344	-	28,194	2,747	-	115,285
Equity contribution / (distribution)	(12,849)	-	(10,585)	(3,940)	91,744	64,370
Assets not previously recognised	-	-	-	-	-	-
Write-down of infrastructure work in progress	-	-	-	-	(4,546)	(4,546)
Depreciation	(279,346)	-	(65,078)	(29,051)	-	(373,475)
Carrying amount at 30 June 2019	14,524,916	23,176,529	4,165,485	407,351	2,122,440	44,396,721

(a) Include payments to Department of Biodiversity Conservation & Attractions, Department of Water and Environmental Regulation, Department of Justice (State Solicitor's Office), WA Planning Commission, Water Corporation and Western Power

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
Carrying amount at 1 July 2017	13,987,928	23,820,634	3,818,537	348,924	1,150,402	43,126,425
Additions	-	-	-	-	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
Assets not previously recognised	-	-	-	-	-	-
Write-back of infrastructure work in progress	-	-	-	-	1,477	1,477
Depreciation	(260,051)	-	(58,270)	(25,461)	-	(343,782)
Carrying amount at 30 June 2018	14,317,611	23,540,388	3,929,079	383,017	1,632,456	43,802,551

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 2018 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 2019 and recognised at 30 June 2019.

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 2017 to 1 July 2018. These properties have been valued based on the average percentage increase for the Metro and Rural areas respectively over the period 1 July 2017 to 1 July 2018. 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 2018. In undertaking the revaluation, fair value was determined by reference to market values of Freehold land \$57.902 million (2017-18: \$58.631) and Buildings \$73.755 million (2017-18: \$72.136). 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 from a professional estimator specialising in road infrastructure works) to ensure the carrying 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 2019 is based on the current replacement cost determined at 30 June 2019 calculated using construction unit rates provided by a professional estimator and multiplying these by the units of relevant categories 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

(a) 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.

(b) 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 restate the net carrying amount 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 from a professional estimator specialising in road infrastructure works) to ensure the carrying values do not materially differ from fair value. A cost index (ABS Road and Bridge Construction Cost Index) is applied to principal shared paths and certain road furniture assets to ensure the carrying 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 2019 is based on the current replacement cost determined at 30 June 2019. This was calculated as at 30 June 2017 using construction unit rates determined by a professional estimator and multiplying these by the units of multiple categories that form the infrastructure asset. A cost index (ABS Road and Bridge Construction Cost Index or rates obtained by professional estimators) was used at 30 June 2019. There was no material change in the cost indices to require a change at 30 June 2019. The existing 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 sought 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

	2019 \$000	2018 \$000
Charge for the period		
<u>Depreciation</u>		
Plant, equipment and vehicles	3,816	4,756
Buildings	5,829	5,549
Total depreciation for the period	9,645	10,305
Less: depreciation capitalised to infrastructure	(6,653)	(6,360)
	2,992	3,945

As at 30 June 2019 there were no indications of impairment to property, plant and equipment or infrastructure.

5.2.1 Depreciation and impairment expense of infrastructure assets

	2019 \$000	2018 \$000
Charge for the period		
Roads – earthworks	805	803
Roads – pavements and drainage	186,818	176,513
Roads – seal	91,723	82,735
Bridges	65,078	58,270
Road furniture	29,051	25,461
Total depreciation for the period	373,475	343,782

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 2019.

Road Seal

There were 311 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 (includes Surplus buildings)	25 to 40 years
Plant and vehicles	5 to 10 years
Equipment and furniture	5 to 10 years
Computer hardware and software ^(a)	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 are 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

	2019 \$000	2018 \$000
<u>Computer software and licences</u>		
At cost	33,681	30,903
Accumulated amortisation	(20,022)	(16,084)
	13,659	14,819
<u>Drainage easements</u>		
At cost	9	9
	9	9
Total intangible assets	13,668	14,828
Reconciliations:		
<u>Computer software and licences</u>		
Carrying amount at start of period	14,819	13,489
Additions	2,778	4,523
Disposals	-	-
Transfers	-	-
Amortisation expense	(3,938)	(3,193)
Carrying amount at end of period	13,659	14,819

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

	2019 \$000	2018 \$000
<u>Amortisation</u>		
Intangible assets	3,937	3,193
Total amortisation	3,937	3,193
Less: amortisation capitalised to infrastructure	(2,323)	(1,842)
	1,614	1,351

As at 30 June 2019 there was one indication 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 ^(a) and licences 3 to 10 years

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

Computer software and licences

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

Drainage easements

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

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	2019 \$000	2018 \$000
Receivables	6.1	208,948	117,060
Amounts receivable for services (Holding Account)	6.2	2,825,877	2,541,794
Inventories	6.3	7,533	9,340
Prepayments	6.4	15,026	10,082
Payables	6.5	371,668	318,133
Other provisions	6.6	2,208	1,877

6.1 Receivables

	2019 \$000	2018 \$000
<u>Current</u>		
Trade receivables	148,961	47,990
Other debtors	810	1,321
Allowance for impairment of trade receivables	(231)	(243)
Trade debtors – unbilled receivables	14,331	24,244
GST receivable	32,573	32,269
Accrued revenue	12,270	11,241
Total current	208,714	116,822
<u>Non-current</u>		
Trade receivables	234	238
Total non-current	234	238
Total receivables	208,948	117,060

Trade 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 in the allowance for impairment of trade receivables

	2019 \$000	2018 \$000
Reconciliation of changes in the allowance for impairment of trade receivables:		
Balance at start of period	243	2,205
Remeasurement under AASB 9 (note 9.2)	148	-
Restated balance at start of period	391	2,205
Doubtful debts expense	-	102
Expected credit losses expense	(10)	-
Amounts written off during the year	(121)	(2,064)
Expected credit losses reversed during the period	(29)	-
Balance at end of period	231	243

The maximum exposure to credit risk at the end of the reporting period for trade receivables is the carrying amount of the asset inclusive of any allowance for impairment as shown in the table at Note 8.1(c) 'Financial instruments disclosures'.

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

6.2 Amounts receivable for services (Holding Account)

	2019 \$000	2018 \$000
Current	31,065	38,936
Non-current	2,794,812	2,502,858
Balance at end of period	2,825,877	2,541,794

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.

Amounts receivable for services are not considered to be impaired (i.e. there is no expected credit loss of the holding accounts).

6.3 Inventories

	2019 \$000	2018 \$000
Current		
Inventories held for distribution:		
- Construction and maintenance materials	914	1,177
- Electrical Stores	-	2,755
Total current	914	3,932
Non-current		
Inventories held for distribution:		
- Construction and maintenance materials	6,619	5,408
Total non-current	6,619	5,408
Total inventories	7,533	9,340

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

	2019 \$000	2018 \$000
Current		
Contractor's advance	13,920	8,854
Prepaid insurance	720	861
Total current	14,640	9,715
Non-current		
Contractor's advance	-	-
Prepaid insurance	386	367
Total non-current	386	367
Total prepayments	15,026	10,082

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

	2019 \$000	2018 \$000
Current		
Trade creditors	8,220	6,600
Major contracts and services	197,800	196,655
Property acquisitions liability ^(a)	67,012	57,083
Contractors' retention	607	623
Funds received in advance ^(b)	34,319	9,830
Performance bonds / surety	2,032	971
Accrued salaries ^(c)	5,333	5,553
Total current	315,323	277,315
Non-current		
Funds received in advance ^(b)	56,345	40,818
Total non-current	56,345	40,818
Total Payables	371,668	318,133

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) Funds received in advance represents payments for agreed future works for third parties including public and private companies. The balance comprises mainly the agreed maintenance contribution scheme by private companies. The balance is divided into current and non-current portion. The comparative is also adjusted accordingly.
- (c) 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

	2019 \$000	2018 \$000
Current		
Site restoration	2,208	1,877
Total Current	2,208	1,877
Non-current		
Site restoration	-	-
Total Non-current	-	-
Total other provisions	2,208	1,877

6.6.1 Provision for remediation

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

	2019 \$000	2018 \$000
Site restoration cost provision		
Carrying amount at start of period	1,877	5,744
Movement in provisions	331	(3,867)
Carrying amount at end of period	2,208	1,877

7 Financing

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

	Notes
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:

	2019 \$000	2018 \$000
Cash and cash equivalents	196,875	283,742
Restricted cash and cash equivalents	188,888	251,059
	385,763	534,801
Restricted cash and cash equivalents		
Contractor's deposits ^(a)	607	623
Land Transport Infrastructure Projects ^(b)	160,432	233,852
Commonwealth Paid Parental Leave Scheme ^(c)	3	11
Royalties for Regions Fund ^(d)	27,846	16,573
	188,888	251,059

(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	2019 \$000	2018 \$000
Net cost of services		(463,283)	(344,581)
Non-cash items			
Depreciation expense - infrastructure	5.2.1	373,475	343,782
Depreciation and amortisation expense - other assets	5.1.1, 5.3.1	4,606	5,296
Grants to other bodies	3.2	35,981	4,597
Grants received from other bodies	4.5	(116,297)	(9,731)
Services received free of charge	4.1	2,530	1,672
Infrastructure assets retired/replaced	3.3	91,387	51,427
Assets not previously recognised		(207)	(443)
Adjustment for other non-cash items		(147)	-
Net (gain)/loss on sale of property, plant and equipment	4.8	1,599	708
(Increase)/decrease in assets:			
Receivables ^(a)		(3,853)	5,681
Inventories		1,807	(3,606)
Prepayments		(4,944)	4,969
Increase/(decrease) in liabilities:			
Payables ^(a)		52,055	20,402
Provisions		2,120	884
Net GST receipts/(payments) ^(b)		153,175	137,882
Change in GST in receivables/payables ^(c)		(153,479)	(139,327)
Net cash provided by/(used in) operating activities		(23,475)	79,612

(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.

7.2 Commitments**7.2.1 Non-cancellable operating lease commitments**

	2019 \$000	2018 \$000
Commitments for minimum lease payments are payable as follows:		
Within 1 year	4,523	4,671
Later than 1 year and not later than 5 years	12,842	12,643
Later than 5 years	6,753	9,034
	24,118	26,348

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:

	2019 \$000	2018 \$000
Within 1 year	523,647	524,133
Later than 1 year and not later than 5 years	191,917	127,762
Later than 5 years	-	-
	715,564	651,895

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:

	2019 \$000	2018 \$000
Within 1 year	430,761	218,847
Later than 1 year and not later than 5 years	648,099	346,996
Later than 5 years	155	487
	1,079,015	566,330

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.

	Notes
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, 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.

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. Debt will be written-off against the allowance account when it is improbable or uneconomical to recover the debt. 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 2019.

(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:

	2019 \$000	2018 \$000
<u>Financial assets</u>		
Cash and cash equivalents	196,875	283,742
Restricted cash and cash equivalents	188,888	251,059
Loans and receivables ^(a)	-	2,626,585
Financial assets at amortised cost ^(a)	3,002,252	-
Total financial assets	3,388,015	3,161,386
<u>Financial liabilities</u>		
Financial liabilities measured at amortised cost	371,668	318,133
Total financial liability	371,668	318,133

(a) The amount of Loans and receivables/Financial assets at amortised cost excludes GST recoverable from the ATO (statutory receivable).

(c) Credit risk exposure

The following table details the credit risk exposure on the Agency's trade receivables using a provision matrix.

	Days past due					
	Total \$000	Current \$000	1-30 Days \$000	31-60 Days \$000	61-90 Days \$000	>91 days \$000
30 June 2019						
Expected credit loss rate		0%	0%	0%	0%	0.47%
Estimated total gross carrying amount at default	149,195	18,493	28,487	204	20,068	81,943
Expected credit losses	(381)	-	-	-	-	(381)
	148,814	18,493	28,487	204	20,068	81,562
1 July 2018 (Remeasurement)						
Expected credit loss rate		0%	0%	0%	0%	24.22%
Estimated total gross carrying amount at default	48,228	14,364	31,789	371	89	1,616
Expected credit losses	(391)	-	-	-	-	(391)
	47,837	14,364	31,789	371	89	1,225

(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.

		Interest rate exposures and maturity analysis of financial assets and financial liabilities									
		Interest rate exposure				Maturity date					
	Weighted Average Effective Interest Rate %	Carrying Amount \$000	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
2019											
Financial Assets											
Cash and cash equivalents	-	196,875	-	-	196,875	196,875	196,875	-	-	-	-
Restricted cash and cash equivalents	2.17	188,888	-	188,888	-	188,888	188,888	-	-	-	-
Receivables ^(a)	-	176,375	-	-	176,375	176,375	176,375	-	-	-	-
Amounts receivable for services	-	2,825,877	-	-	2,825,877	2,825,877	4,330	7,576	19,159	-	2,794,812
		3,388,015	-	188,888	3,199,127	3,388,015	566,468	7,576	19,159	-	2,794,812
Financial Liabilities											
Payables	-	371,668	-	-	371,668	371,668	371,668	-	-	-	-
		371,668	-	-	371,668	371,668	371,668	-	-	-	-

(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										
Interest rate exposure										
2018	Weighted Average Effective Interest Rate %	Interest rate exposure				Maturity date				
		Carrying Amount \$000	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
Financial Assets										
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 ^(a)	-	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
		3,161,386	-	251,059	2,910,327	3,161,386	623,922	7,576	27,030	263,918
Financial Liabilities										
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).

(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
2019					
<i>Financial Assets</i>					
Restricted cash and cash equivalents	188,888	(472)	(472)	472	472
Total Increase/(Decrease)		(472)	(472)	472	472

	Carrying amount \$000	-25 basis points		+25 basis points	
		Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
2018					
<i>Financial Assets</i>					
Restricted cash and cash equivalents	251,059	(628)	(628)	628	628
Total Increase/(Decrease)		(628)	(628)	628	628

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 the best estimate.

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

8.2.1 Contingent assets

The following contingent assets are excluded from the assets within the financial statements:

	2019 \$000	2018 \$000
Contract claims in dispute	1,493	-
	1,493	-

8.2.2 Contingent liabilities

The following contingent liabilities are excluded from the liabilities within the financial statements:

	2019 \$000	2018 \$000
Contract claims in dispute	44,482	5,560
Resumption claims in dispute	249,664	244,885
	294,146	250,445

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 eight suspected contaminated sites to DWER. Three sites were classified as possibly contaminated – investigation required and five were classified as remediated for restricted use. Main Roads is unable to assess 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

Assets measured at fair value:	Level 1 \$000	Level 2 \$000	Level 3 \$000	Fair value at end of period \$000
2019				
Non-current assets classified as held for sale (Note 9.7)	-	5,756	1,031	6,787
Land (Note 5.1)	-	57,902	6,405	64,307
Buildings (Note 5.1)	-	73,755	14,960	88,715
Surplus assets (Note 5.1)	-	42,083	29,639	71,722
Land acquired for roadworks (Note 5.1)	-	127,132	39,600	166,732
Infrastructure (Note 5.2)	-	-	42,274,281	42,274,281
	-	306,628	42,365,916	42,672,544

Assets measured at fair value:	Level 1 \$000	Level 2 \$000	Level 3 \$000	Fair value at end of period \$000
2018				
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
	-	328,245	42,265,835	42,594,080

Valuation techniques to derive Level 2 fair values

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

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

Fair value measurements using significant unobservable inputs (Level 3)

	Non-current asset held for sale \$000	Land \$000	Buildings \$000	Surplus assets \$000	Land acquired for roadworks \$000	Infrastructure \$000
2019						
Fair value at start of period	708	6,364	14,382	32,572	41,714	42,170,095
Additions	-	262	389	105	4,384	972,598
Revaluation increments/(decrements) recognised in Profit or Loss	-	-	-	-	-	-
Revaluation increments/(decrements) recognised in Other Comprehensive Income	-	(228)	361	(2,114)	(14,799)	(372,476)
Transfers from/(to) Level 2/Level 3	323	7	472	(87)	11,090	-
Disposals	-	-	-	(813)	(2,789)	(122,461)
Depreciation expense	-	-	(644)	(24)	-	(373,475)
Fair value at end of period	1,031	6,405	14,960	29,639	39,600	42,274,281
Total gains or losses for the period included in profit or loss, under 'Other Gains'	-	-	-	-	-	-

	Non-current asset held for sale \$000	Land \$000	Buildings \$000	Surplus assets \$000	Land acquired for roadworks \$000	Infrastructure \$000
2018						
Fair value at start of period	-	6,127	14,105	34,987	45,479	41,976,023
Additions	-	64	-	342	1,479	605,525
Revaluation increments/(decrements) recognised in Profit or Loss	-	-	-	-	-	-
Revaluation increments/(decrements) recognised in Other Comprehensive Income	-	(92)	(146)	(722)	(2,543)	(12,008)
Transfers from/(to) Level 2/Level 3	708	265	1,025	972	23	-
Disposals	-	-	-	(2,979)	(2,724)	(55,663)
Depreciation expense	-	-	(602)	(28)	-	(343,782)
Fair value at end of period	708	6,364	14,382	32,572	41,714	42,170,095
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 (m²)

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

Consumed economic benefit/obsolescence of asset

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

Historical cost per cubic metre (m³)

The fair value of road infrastructure comprising of earthworks, pavements (including drainage and seals), bridges and road furniture is calculated using construction unit rates determined by a professional estimator and multiplying these by the units of relevant categories 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 2019 \$000	Fair value 2018 \$000	Valuation technique(s)	Unobservable inputs
Land, Surplus asset and Land acquired for roadworks	75,644	80,650	Market approach	Selection of land with similar approximate utility
Buildings	14,960	14,382	Current replacement cost	Historical cost per square metre floor area (m ²) Consumed economic benefit/obsolescence of asset
Infrastructure (Earthworks)	10,093,948	9,991,307	Current replacement cost	Historical cost per cubic metre (m ³)
Infrastructure (Pavements including drainage and seals)	4,430,968	4,326,304	Current replacement cost	Historical cost per cubic metre (m ³)
Infrastructure (Bridges)	4,165,485	3,929,079	Current replacement cost	Historical cost per cubic metre (m ³)
Infrastructure (Road furniture)	407,351	383,017	Current replacement cost	Consumed economic benefit/obsolescence of asset
Infrastructure (Land under roads)	23,176,529	23,540,388	Market approach	Selection of land adjoining road reserve

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

9 Other disclosures

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

	Notes
Events occurring after the end of the reporting period	9.1
Initial application of Australian Accounting Standards	9.2
Future impact of Australian standards issued not yet operative	9.3
Key management personnel	9.4
Related party transactions	9.5
Remuneration of auditors	9.6
Non-current assets classified as held for sale	9.7
Equity	9.8
Supplementary financial information	9.9
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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 Initial application of Australian Accounting Standards**AASB 9 Financial instruments**

AASB 9 Financial instruments replaces AASB 139 Financial instruments: Recognition and Measurements for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Main Roads applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, Main Roads has not restated the comparative information which continues to be reported under AASB 139. Differences arising from adoption have been recognised directly in Accumulated surplus/(deficit).

The effect of adopting AASB 9 as at 1 July 2018 was, as follows:

	Adjustments	1 July 2018 \$000
Assets		
Trade receivables	(a), (b)	(148)
Loans and advances	(a)	-
Total Assets		(148)
Total adjustments on Equity		
Accumulated surplus/(deficit)	(a), (b)	(148)
		(148)

The nature of these adjustments are described below:

(a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: Main Roads' business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of Main Roads business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances at the time of initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact on Main Roads. The following are the changes in the classification of Main Roads' financial assets:

- Trade receivables and Loans and advances (i.e. Other debtors) classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.
- Main Roads did not designate any financial assets as at fair value through P/L.

In summary, upon the adoption of AASB 9, Main Roads had the following reclassifications as at 1 July 2018:

	\$000	AASB 9 category		
		Amortised cost \$000	Fair value through OCI \$000	Fair value through P/L \$000
AASB 139 category	\$000			
Loans and receivables				
Trade receivables*	47,985	47,837	-	-
Receivables - other	36,806	36,806		
Amounts receivable for services (Holding Account)	2,541,794	2,541,794		
Loans and advances	-	-	-	-
		2,626,437	-	-

* The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment below.

(b) Impairment

The adoption of AASB 9 has fundamentally changed Main Roads' accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires Main Roads to recognise an allowance for ECLs for all financial assets not held at fair value through P/L.

Upon adoption of AASB 9, Main Roads recognised an additional impairment on the Main Roads' Trade receivables of \$148,250.83 which resulted in a decrease in accumulated surplus/(deficit) of \$148,250.83 as at 1 July 2018.

Set out below is the reconciliation of the ending impairment allowances in accordance with AASB 139 to the opening loss allowances determined in accordance with AASB 9:

	Impairment under AASB 139 as at 30 June 2018 \$000	Remeasure- ment \$000	ECL under AASB 9 as at 1 July 2018 \$000
Loans and receivables under AASB 139 /Financial assets at amortised cost under AASB 9 (note 6.1.1)	243	148	391
	-	-	-
	243	148	391

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.

		Operative for reporting periods beginning on/after
<i>AASB 15</i>	<i>Revenue from Contracts with Customers</i>	1 Jan 2019
<i>Nature of Change</i>	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 contracts with customers. The mandatory effective date of this Standard is currently 1 January 2019 after being amended by AASB 2016-17.	
<i>Impact</i>	Main Roads income is primarily derived from appropriations which will be measured under AASB 1058. Main Roads also derives funds from the Commonwealth to deliver Road Infrastructure Projects. Main Roads will defer income from the Commonwealth until services are provided or performance obligations are met.	
<i>Transition</i>	Main Roads will adopt the modified retrospective approach on transition to AASB 15. No comparative information will be restated under this approach, and the agency will recognise the cumulative effect of initially applying the Standard as an adjustment to the opening balance of accumulated surplus/(deficit) at the date of initial application.	

		Operative for reporting periods beginning on/after
<i>AASB 16</i>	<i>Leases</i>	1 Jan 2019
<i>Nature of Change</i>	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.	
<i>Impact</i>	<p>The recognition of additional assets and liabilities, mainly from operating leases, will increase the Main Road's total assets by \$24.118m and total liabilities by \$24.118m. This will have a nil equity impact on 1 July 2019. In addition, interest and depreciation expenses will increase, offset by a decrease in rental expense for the year ending 30 June 2020 and beyond.</p> <p>The above assessment is based on the following accounting policy positions:</p> <ul style="list-style-type: none"> • Option 2 of the modified retrospective approach on transition; • the 'low value asset' threshold set at AUD \$5,000 (unless GROH, GOA or State Fleet); • For leases classified as 'short term' (12 months or less), these are not recognised under AASB 16 (unless GROH, GOA or State Fleet); • Land, buildings and investment property ROU assets are measured under the fair value model, subsequent to initial recognition; and • Discount rates are sourced from WA Treasury Corporation (WATC). 	
<i>Transition</i>	Main Roads will adopt the modified retrospective approach on transition to AASB 16. No comparative information will be restated under this approach, and Main Roads will recognise the cumulative effect of initially applying the Standard as an adjustment to the opening balance of accumulated surplus/(deficit) at the date of initial application.	
<i>AASB 1058</i>	<i>Income of Not-for-Profit Entities</i>	1 Jan 2019
<i>Nature of Change</i>	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.	
<i>Impact</i>	AASB 1058 will have no impact on appropriations and recurrent grants received by Main Roads – they will continue to be recognised as income when funds are deposited in the bank account or credited to the holding account.	
<i>Transition</i>	Main Roads will adopt the modified retrospective approach on transition to AASB 1058. No comparative information will be restated under this approach, and Main Roads will recognise the cumulative effect of initially applying the Standard as an adjustment to the opening balance of accumulated surplus/(deficit) at the date of initial application.	

		Operative for reporting periods beginning on/after
AASB 1059	<i>Service Concession Arrangements: Grantors</i>	1 Jan 2020
<i>Nature of Change</i>	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. The mandatory effective date of this Standard is currently 1 January 2020 after being amended by AASB 2018-5.	
<i>Impact</i>	Main Roads does not manage any public private partnership that is within the scope of the Standard.	
AASB 2016-8	<i>Amendments to Australian Accounting Standards Australian Implementation Guidance for Not-for-Profit Entities</i>	1 Jan 2019
<i>Nature of Change</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.	
AASB 2018-4	<i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors</i>	1 Jan 2019
<i>Nature of Change</i>	This Standard amends AASB 15 to add requirements and authoritative implementation guidance for application by not-for-profit public sector licensors to transactions involving the issue of licences. There is no financial impact as the Main Roads does not issue licences.	
AASB 2018-5	<i>Amendments to Australian Accounting Standards – Deferral of AASB 1059</i>	1 Jan 2019
<i>Nature of Change</i>	This Standard amends the mandatory effective date of AASB 1059 so that AASB 1059 is required to be applied for annual reporting periods beginning on or after 1 January 2020 instead of 1 January 2019. There is no financial impact.	
AASB 2018-7	<i>Amendments to Australian Accounting Standards – Definition of Material</i>	1 Jan 2020
<i>Nature of Change</i>	This Standard clarifies the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. There is no financial impact.	
AASB 2018-8	<i>Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities</i>	1 Jan 2019
<i>Nature of Change</i>	This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives.	
<i>Impact</i>	Main Roads will elect to apply the option to measure right-of-use assets under peppercorn leases at cost (which is generally about \$1). As a result, the financial impact of this Standard is not material.	

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

Compensation Band (\$)	2019	2018
0 – 10,000	1	2

Compensation of senior officers

Compensation Band (\$)	2019	2018
400,001 – 410,000	1	–
360,001 – 370,000	–	1
270,001 – 280,000	1	–
250,001 – 260,000	–	2
240,001 – 250,000	3	1
230,001 – 240,000	2	2
220,001 – 230,000	–	1
210,001 – 220,000	1	1
200,001 – 210,000	–	1
190,001 – 200,000	–	1
180,001 – 190,000	1	–
40,001 – 50,000	1	–

	2019 \$000	2018 \$000
Short term employee benefits	1,930	1,915
Post-employment benefits	375	248
Other long term benefits	23	62
Termination benefits	–	206
The total compensation of senior officers	2,328	2,431

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 termination payment in previous financial year.

9.5 Related party transactions

Main Roads is a wholly owned public sector entity that is controlled by 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 \$1.1 million (Note 5.2)
- payments mainly for vegetation clearing permits required for road construction to Department of Water and Environmental Regulation amounting \$1.4 million (Note 5.2)
- payments for property management expenses and fleet leasing to the Department of Finance amounting \$10.9 million (Notes 3.3 and 5.1)
- commitments of \$24.1 million future lease payments to the Department of Finance (Note 7.2)
- payments mainly for road maintenance to Department of Biodiversity Conservation & Attractions amounting \$2.0 million (Note 3.2)
- payments mainly for Bicycle Boulevard Program to Department of Transport amounting \$3.0 million (Note 3.2)
- payments mainly for land acquisition used for road construction to State Solicitor's Office amounting \$29.8 million (Notes 5.1 and 5.2)
- payments mainly for land acquisition used for road construction to Western Australian Planning Commission amounting \$6.9 million (Notes 5.1 and 5.2)
- payments mainly for land acquisition to Department of Communities amounting \$1.9 million (Note 5.1)
- payments mainly for service relocation enabling road construction to Western Power amounting \$8.9 million (Note 5.2)
- payments mainly for service relocation enabling road construction to Water Corporation amounting \$1.5 million (Note 5.2)
- insurance payments of \$2.8 million to RiskCover fund (Note 3.3)
- payments mainly received as contribution to roadworks from Public Transport Authority amounting \$12.7 million (Note 4.2 and 4.4)
- payments mainly received from Department of Transport as contribution to roadworks amounting \$51.7 million (Note 4.2 and 4.4)
- payments mainly received from Department of Jobs Tourism Science and Innovation as contribution to roadworks amounting \$20.8 million (Note 4.4)

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 auditors

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

	2019 \$000	2018 \$000
Auditing the accounts, financial statements and key performance indicators	253	239
Other audits	59	30
	312	269

9.7 Non-current assets classified as held for sale

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

	2019 \$000	2018 \$000
<u>Freehold land and buildings</u>		
Opening balance	11,620	1,579
Assets reclassified as held for sale	3,606	15,993
Assets removed from current disposal program	(404)	-
Assets sold	(7,771)	(4,120)
Write-down of assets from carrying value to fair value less selling costs	(264)	(1,832)
Closing balance	6,787	11,620

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.

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	2019 \$000	2018 \$000
Contributed equity			
Balance at start of period		5,052,392	4,574,692
Correction of errors in prior period	9.2	-	2,826
<u>Contributions by owners</u>			
Capital contributions		300,579	336,556
<u>Other contributions by owners</u>			
Royalties for Regions Fund – Regional Infrastructure and Headwork Account		49,316	132,122
<u>Transfer of net assets from other agencies</u>			
Public Transport Authority		92,336	24,303
Western Australian Planning Commission		2,093	52
Department of Planning, Lands and Heritage		55	61
Total contributions by owners		444,379	493,094
<u>Distributions to owners</u>			
Transfer of net assets to other agencies			
Public Transport Authority		(31,620)	(17,326)
Department of Primary Industries and Regional Development		(4,525)	(894)
Department of Treasury		(8,137)	-
Total distributions to owners		(44,282)	(18,220)
Balance at end of period		5,452,489	5,052,392
Reserves			
<u>Asset revaluation surplus</u>			
Balance at start of period		27,636,301	27,670,467
Net revaluation increments/(decrements)			
Earthworks, Drainage, Pavements and Seals		13,683	236,209
Bridges		-	57,005
Land under roads		(385,942)	(310,186)
Road Furniture		(216)	4,964
Land and Buildings		(9,408)	(22,158)
Balance at end of period		27,254,418	27,636,301
<u>Accumulated surplus</u>			
Balance at start of period		14,426,495	13,691,101
Correction of errors in prior period/Changes in accounting policy		(148)	(2,826)
Result for the period		722,959	738,220
Income and expense recognised directly in equity		-	-
Balance at end of period		15,149,306	14,426,495
Total Equity at end of period		47,856,213	47,115,188

9.9 Supplementary financial information

(a) Write-offs

During the financial year \$121,000 (2018: \$2.064 million) was written off the Main Roads' asset register under the authority of:

	2019 \$000	2018 \$000
The accountable authority	121	81
The Minister	-	197
Executive Council	-	1,786
	121	2,064

(b) Losses through theft, defaults and other causes

	2019 \$000	2018 \$000
Fixed asset stocktake discrepancies	-	8
	-	8

(c) Gifts of public property

	2019 \$000	2018 \$000
Gifts of public property provided by Main Roads	19	21
	19	21

(d) Restricted Access Vehicle permits ^(a)

	2019 \$000	2018 \$000
Regulatory fees	8,009	7,447
Transfer payments	8,032	7,458
Cash held in lieu of transfer	34	23

(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:

	2019 \$000	2018 \$000
Department of Transport – accommodation costs and provision of traffic modelling services	388	112
Department of Planning, Lands and Heritage – traffic modelling	170	49
Venues West	392	–
Public Transport Authority – provision of professional services	353	218
Department of Water and Environmental Regulation – provision of professional services	231	138
Services provided free of charge to other agencies	10	39
	1,544	556

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 2018-19 are summarised below:

	2019 \$000	2018 \$000
Amount brought forward for recovery	(27)	5
Amount received during the period	(45)	(68)
	(72)	(63)
Expenditure during the year	33	36
Amount carried forward for recovery	(39)	(27)

9.12 Explanatory statement (Controlled Operations)

All variances between estimates (original budget) and actual results for 2019 and between the actual results for 2019 and 2018 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 2019 \$000	Actual 2019 \$000	Actual 2018 \$000	Variance between estimate and actual \$000	Variance between actual results for 2019 and 2018 \$000
9.12.1 Statement of Comprehensive Income Variances						
Expenses						
Employee benefits expenses		73,626	64,536	72,081	(9,090)	(7,545)
Supplies and services	1 A	557,605	431,321	521,297	(126,284)	(89,976)
Depreciation and impairment expense of infrastructure assets	B	376,346	373,475	343,782	(2,871)	29,693
Depreciation, amortisation and impairment expense – other		2,525	4,606	5,296	2,081	(690)
Grants and subsidies	2 C	237,411	332,610	268,975	95,199	63,635
Other expenses	3 D	34,431	91,387	51,427	56,956	39,960
Total cost of services		1,281,944	1,297,935	1,262,858	15,991	35,077
Income						
<i>Revenue</i>						
Sale of goods and services		-	10,577	10,970	10,577	(393)
Commonwealth grants and contributions	4 E	855,298	622,697	772,639	(232,601)	(149,942)
Contributions to roadworks	F	65,245	70,510	108,341	5,265	(37,831)
Grants from other bodies	5 G	42,216	116,297	9,731	74,081	106,566
Interest revenue		10	4,287	6,004	4,277	(1,717)
Other revenue		14,107	11,883	11,300	(2,224)	583
Total revenue		976,876	836,251	918,985	(140,625)	(82,734)
<i>Gains</i>						
Gain/(loss) on disposal of non-current assets		200	(1,599)	(708)	(1,799)	(891)
Total gains		200	(1,599)	(708)	(1,799)	(891)
Total income other than income from State Government		977,076	834,652	918,277	(142,424)	(83,625)
NET COST OF SERVICES		304,868	463,283	344,581	158,415	118,702
Income from State Government						
Income from State Government		982,697	979,697	897,792	(3,000)	81,905
Services received free of charge		2,700	2,530	1,672	(170)	858
Other funds received from State Government	6	139,463	204,015	183,337	64,552	20,678
Total income from State Government		1,124,860	1,186,242	1,082,801	61,382	103,441
SURPLUS/(DEFICIT) FOR THE PERIOD		819,992	722,959	738,220	(97,033)	(15,261)
OTHER COMPREHENSIVE INCOME						
Items not reclassified subsequently to profit or loss						
Changes in asset revaluation surplus		-	(381,883)	(34,166)	(381,883)	(347,717)
Total other comprehensive income		-	(381,883)	(34,166)	(381,883)	(347,717)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		819,992	341,076	704,054	(478,916)	(362,978)

	Variance Note	Original Budget 2019 \$000	Actual 2019 \$000	Actual 2018 \$000	Variance between estimate and actual \$000	Variance between actual results for 2019 and 2018 \$000
9.12.2 Statement of Financial Position Variances						
ASSETS						
Current Assets						
Cash and cash equivalents		272,273	196,875	283,742	(75,398)	(86,867)
Restricted cash and cash equivalents		94,540	188,888	251,059	94,348	(62,171)
Receivables		89,756	208,714	116,822	118,958	91,892
Amounts receivable for services		45,767	31,065	38,936	(14,702)	(7,871)
Inventories		3,379	914	3,932	(2,465)	(3,018)
Prepayments		13,894	14,640	9,715	746	4,925
Non-current assets classified as held for sale		1,579	6,787	11,620	5,208	(4,833)
Total Current Assets		521,188	647,883	715,826	126,695	(67,943)
Non-Current Assets						
Receivables		1,147	234	238	(913)	(4)
Amounts receivable for services		2,780,110	2,794,812	2,502,858	14,702	291,954
Inventories		1,912	6,619	5,408	4,707	1,211
Prepayments		1,157	386	367	(771)	19
Property, plant and equipment	7	509,183	405,237	426,473	(103,946)	(21,236)
Infrastructure	8	46,335,269	44,396,721	43,802,551	(1,938,548)	594,170
Intangible assets		9,147	13,668	14,828	4,521	(1,160)
Total Non-Current Assets		49,637,925	47,617,677	46,752,723	(2,020,248)	864,954
TOTAL ASSETS		50,159,113	48,265,560	47,468,549	(1,893,553)	797,011
LIABILITIES						
Current Liabilities						
Payables		289,409	315,323	277,315	25,914	38,008
Employee related provisions		27,433	30,534	28,426	3,101	2,108
Other provisions		5,744	2,208	1,877	(3,536)	331
Total Current Liabilities		322,586	348,065	307,618	25,479	40,447
Non-Current Liabilities						
Payables		-	56,345	40,818	56,345	15,527
Other provisions		5,034	4,937	4,925	(97)	12
Total Non-Current Liabilities		5,034	61,282	45,743	56,248	15,539
TOTAL LIABILITIES		327,620	409,347	353,361	81,727	55,986
NET ASSETS		49,831,493	47,856,213	47,115,188	(1,975,280)	741,025
EQUITY						
Contributed equity		5,364,313	5,452,489	5,052,392	88,176	400,097
Reserves	9	29,379,381	27,254,418	27,636,301	(2,124,963)	(381,883)
Accumulated surplus		15,087,799	15,149,306	14,426,495	61,507	722,811
TOTAL EQUITY		49,831,493	47,856,213	47,115,188	(1,975,280)	741,025

	Variance Note	Original Budget 2019 \$000	Actual 2019 \$000	Actual 2018 \$000	Variance between estimate and actual \$000	Variance between actual results for 2019 and 2018 \$000
9.12.3 Statement of Cash Flows Variances						
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriation	H	659,678	656,678	568,932	(3,000)	87,746
Capital appropriation	I	263,253	287,916	336,556	24,663	(48,640)
Holding account drawdown		38,936	38,936	32,300	-	6,636
Road Trauma Trust Fund		53,020	42,883	57,671	(10,137)	(14,788)
Natural disaster funds	J	43,930	53,650	97,017	9,720	(43,367)
Royalties for Regions Fund	10 K	100,210	69,114	138,250	(31,096)	(69,136)
Net cash provided by State Government		1,159,027	1,149,177	1,230,726	(9,850)	(81,549)
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee benefits		(73,626)	(63,373)	(71,793)	10,253	8,420
Supplies and services	11 L	(552,007)	(427,669)	(519,639)	124,338	91,970
Grants and subsidies	12 M	(213,195)	(289,890)	(251,228)	(76,695)	(38,662)
GST payments on purchases		(147,054)	(170,451)	(149,346)	(23,397)	(21,105)
Receipts						
Sale of goods and services	13	72,688	117,818	128,704	45,130	(10,886)
Commonwealth grants and contributions	14 N	855,298	622,698	772,639	(232,600)	(149,941)
Interest received		10	4,782	5,630	4,772	(848)
GST receipts on sales		11,808	16,290	20,225	4,482	(3,935)
GST receipts from taxation authority		135,000	153,175	128,100	18,175	25,075
Other receipts		10,907	9,357	12,745	(1,550)	(3,388)
Rent received		3,200	3,788	3,575	588	213
Net cash provided by/(used in) operating activities		103,029	(23,475)	79,612	(126,504)	(103,087)
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments						
Purchase of non-current assets		(17,855)	(16,652)	(15,225)	1,203	(1,427)
Purchase of infrastructure assets	O	(1,315,026)	(1,264,488)	(1,038,819)	50,538	(225,669)
Receipts						
Proceeds from sale of non-current assets		-	6,400	3,387	6,400	3,013
Net cash provided by/(used in) investing activities		(1,332,881)	(1,274,740)	(1,050,657)	58,141	(224,083)
CASH FLOWS FROM FINANCING ACTIVITIES						
Payments						
Repayment of borrowings		-	-	-	-	-
Net cash provided by/(used in) financing activities		-	-	-	-	-
Net increase/(decrease) in cash and cash equivalents		(70,825)	(149,038)	259,681	(78,213)	(408,719)
Cash and cash equivalents at the beginning of the period		437,638	534,801	275,120	97,163	259,681
Cash balance transferred to Other State Agencies		-	-	-	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		366,813	385,763	534,801	18,950	(149,038)

Major Estimate and Actual (2019) Variance Narratives

- 1 Supplies and services underspent by \$126.3 million (22.6%) due to adjustments to the progress of the Royalties for Regions program, Commonwealth's Heavy Vehicle Safety and Productivity Program, Outback Way, Broome-Cape Leveque and Stephenson Avenue works.
- 2 Funding is provided to Local Governments under the WA Natural Disaster Relief and Recovery arrangements. During 2018-19, Local Governments revised the estimated damage and actual payments increased by \$90 million (AGRN743 – Flooding in Western Australia). A new model (Determination) came into effect on 1 November 2018 to strengthen the Local Governments estimating processes.
- 3 Other expenses was underestimated by \$57.0 million (165.4%) due to the retirements of Great Northern Highway – Wyndham Spur and Maggie's Jump Up, Miling Straight, Bow River Bridge and a part of the Gibb River Road-Derby Highway to Blina.
- 4 Commonwealth grants and contribution was lower than budgeted by \$232.6 million (27.2%) mainly due to delays in Major Works projects including Great Northern Highway – Muchea to Wubin, the New Norcia Bypass, Mitchell Freeway – Hutton to Cedric Street and Reid Highway – Altone Road to West Swan Road.
- 5 Grants from other bodies was underestimated by \$74.0 million (175.5%) mainly due to the transfer of ownership of the Warrida road and the Marble Bar realignment undertaken by Roy Hill Mining.
- 6 Other funds received from State Government was above budget by \$64.6 million (46.3%) mainly due to an increase in receipts under the state's WANDRRA program (AGN743-Flooding in Western Australia).
- 7 Property, plant and equipment was overestimated by \$103.9 million (20.4%) mainly due to optimistic land and building price estimates.
- 8 Infrastructure was overestimated by \$1.9 billion (4.2%) mainly due to overestimated capital expenditure and infrastructure asset revaluation gain.
- 9 Reserves was overestimated by \$2.1 billion (7.2%) during 2018/19 which was offset by the overestimate in the infrastructure assets, mainly due to a high estimated price of infrastructure and land under roads.
- 10 Royalties for regions was overestimated by \$31.1 million (31%) due to reduced funding received as a result of a delay in works including, Local Government Commodity Freight Route, Square Kilometre Array, Albany Ring Road and on the Coolgardie-Esperance Highway.
- 11 Supplies and services was underspent by \$124.3 million (22.5%) due to slower progress of the Royalties for Regions program, Commonwealth's Heavy Vehicle Safety and Productivity Program, Outback Way, Broome-Cape Leveque and Stephenson Avenue works.
- 12 Main Roads provides funding to Local Governments under the WA Natural Disaster Relief and Recovery arrangements. During 2018-19 Local Governments revised the estimated damage and actual payments increased by \$90 million (AGRN743 – Flooding in Western Australia) above the February 2018 estimates. A new model (Determination) came into effect on 1 November 2018 to strengthen the Local Governments estimating processes.
- 13 Sale of goods and services were above expectations by \$45.1 million (62.1%) mainly due to unbudgeted third party funding of the Great Northern crossing – Iron Ore Bridge, Armadale road upgrade and Nicholson Road Rail works.
- 14 Commonwealth grants and contributions decreased by \$232.6 million (27.2%) due to delays in major infrastructure works including Great Northern Highway – Muchea to Wubin and the New Norcia Bypass, Mitchell Freeway – Hutton to Cedric Street and Reid Highway – Altone road to West Swan Road.

Major Actual (2019) and Comparative (2018) Variance Narratives

- A Supplies and services decreased by \$89.0 million (17.1%) mainly due to Main Roads' transition into the new forms of road maintenance contracts with lower comparable contract rates.
 - B Depreciation expense of infrastructure increased by \$29.7 million (8.6%) mainly due to higher value of depreciable assets capitalised in this financial year.
 - C Funding is provided to Local Governments under the WA Natural Disaster Relief and Recovery arrangements. During 2018-19 Local Governments revised the estimated damage (AGRN743 – Flooding in Western Australia) which resulted an increase in expense by \$63.6 million (23.7%).
 - D Other expenses increased by \$40.0 million (77.7%) due to retirement of old infrastructure assets which has been replaced by the new ones. New projects include Great Northern Highway Wyndham Spur and Maggie's Jump Up and Onslow Road.
 - E Commonwealth grants and contributions decreased by \$149.9 million (19.4%) due to the one off National Partnership payment (\$226m) received in 2017/18 to support road infrastructure projects.
 - F Contributions to roadworks decreased by \$37.8 million (34.9%) due to higher contribution from Public Transport Authority in 2017/18 for the construction of the Matagarup bridge.
 - G Grants from other bodies increased by \$106.6 million (1095.1%) mainly due to the transfer ownership of the Warrida road and Marble Bar road realignment undertaken by Roy Hill Mining.
 - H Service appropriation increased by \$87.7 million (15.4%) is mainly due to lower allocation of Capital Appropriation from Motor Vehicle License fees compared to previous financial year.
 - I Capital appropriation decreased by \$48.6 million (14.5%) is mainly due to lower allocation of Capital Appropriation from Motor Vehicle License fees compared to previous financial year.
 - J Natural disaster funds decreased by \$43.4 million (44.7%) mainly due to lower number of payments received from Department of Fire and Emergency Services compared to previous year.
 - K Royalties for regions decreased by \$69.1 million (50.0%) was mainly due to lower number of receipts received from Department of Primary Industries and Regional Development for the funding as some projects reached maximum funding (Margaret River Parameter Road, GEH Passing Lanes and Great Northern Highway – Muechea to Wubin).
 - L Supplies and services was decreased by \$92.0 million (17.7%) mainly due to Main Roads' transition into the new forms of road maintenance contracts with lower comparable contract rates.
 - M Funding is provided to Local Governments under the WA Natural Disaster Relief and Recovery arrangements. During 2018-19 Local Governments revised the estimated damage (AGRN743 – Flooding in Western Australia) which resulted an increase in funds received by \$38.7 million (15.4%).
 - N Commonwealth grants and contributions reduced by \$149.9 million (19.4%) mainly due to the one off National Partnership payment (\$226m) made in 2017/18 to support road infrastructure projects.
 - O Purchase of infrastructure assets increased by \$225.7 million (21.7%) as more higher value projects were undertaken during this year compared to previous financial year. The projects include NorthLink WA and Armadale Road Duplication.
-