

# Financial Statements and Notes

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## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2020

	Note	2020 \$000	2019 \$000
<b>COST OF SERVICES</b>			
<b>Expenses</b>			
Employee benefits expense	3.1(a)	66,031	64,536
Supplies and services	3.3	446,986	431,321
Depreciation and impairment expenses of infrastructure assets	5.2.1	391,864	373,475
Depreciation, amortisation and impairment expenses – other	5.1.1, 5.3.1	3,576	4,606
Depreciation and impairment expenses – right-of-use assets	5.4.1	739	–
Finance cost	7.3	194	–
Grants and subsidies	3.2	232,275	332,610
Other expenses	3.3	100,840	91,387
<b>Total cost of services</b>		<b>1,242,505</b>	<b>1,297,935</b>
<b>Income</b>			
<i>Revenue</i>			
Sale of goods and services	4.2	12,833	10,577
Commonwealth grants	4.3	667,089	622,697
Contributions to roadworks	4.4	128,222	70,510
Grants from other bodies	4.5	31,798	116,297
Interest revenue	4.6	1,221	4,287
Other revenue	4.7	16,290	11,883
<b>Total revenue</b>		<b>857,453</b>	<b>836,251</b>
<i>Gains</i>			
Gain/(loss) on disposal of non-current assets	4.8	(1)	(1,599)
<b>Total gains</b>		<b>(1)</b>	<b>(1,599)</b>
<b>Total income other than income from State Government</b>		<b>857,452</b>	<b>834,652</b>
<b>NET COST OF SERVICES</b>		<b>385,053</b>	<b>463,283</b>
<b>Income from State Government</b>			
Service appropriation	4.1	1,096,107	979,697
Services received free of charge		2,154	2,530
Other funds received from State Government		104,905	204,015
<b>Total income from State Government</b>		<b>1,203,166</b>	<b>1,186,242</b>
<b>SURPLUS FOR THE PERIOD</b>		<b>818,113</b>	<b>722,959</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items not reclassified subsequently to profit or loss</b>			
Changes in asset revaluation surplus	9.9	489,736	(381,883)
<b>Total other comprehensive income</b>		<b>489,736</b>	<b>(381,883)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>1,307,849</b>	<b>341,076</b>

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

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

## STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

	Note	2020 \$000	2019 \$000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7.1	91,221	196,875
Restricted cash and cash equivalents	7.1	214,194	188,888
Receivables	6.1	149,027	208,714
Amounts receivable for services	6.2	–	31,065
Inventories	6.3	1,551	914
Prepayments	6.4	11,780	14,640
Non-current assets classified as held for sale	9.8	4,717	6,787
<b>Total Current Assets</b>		<b>472,490</b>	<b>647,883</b>
<b>Non-Current Assets</b>			
Receivables	6.1	189	234
Amounts receivable for services	6.2	3,142,901	2,794,812
Inventories	6.3	6,202	6,619
Prepayments	6.4	1,258	386
Property, plant and equipment	5.1	401,688	405,237
Infrastructure	5.2	45,648,131	44,396,721
Intangible assets	5.3	15,789	13,668
Right-of-use assets	5.4	9,540	–
<b>Total Non-Current Assets</b>		<b>49,225,698</b>	<b>47,617,677</b>
<b>TOTAL ASSETS</b>		<b>49,698,188</b>	<b>48,265,560</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	6.5	264,556	315,323
Lease liabilities	7.2	2,561	–
Contract liabilities	6.7	2,403	–
Grants liabilities	6.8	197,075	–
Employee related provisions	3.1(b)	32,247	30,534
Other provisions	6.6	1,959	2,208
<b>Total Current Liabilities</b>		<b>500,801</b>	<b>348,065</b>
<b>Non-Current Liabilities</b>			
Payables	6.5	–	56,345
Lease liabilities	7.2	7,337	–
Employee related provisions	3.1(b)	5,426	4,937
Other provisions	6.6	52	–
<b>Total Non-Current Liabilities</b>		<b>12,815</b>	<b>61,282</b>
<b>TOTAL LIABILITIES</b>		<b>513,616</b>	<b>409,347</b>
<b>NET ASSETS</b>		<b>49,184,572</b>	<b>47,856,213</b>
<b>EQUITY</b>			
Contributed equity	9.9	5,730,848	5,452,489
Reserves		27,744,154	27,254,418
Accumulated surplus		15,709,570	15,149,306
<b>TOTAL EQUITY</b>		<b>49,184,572</b>	<b>47,856,213</b>

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

## STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2020

	Note	Contributed Equity \$000	Reserves \$000	Accumulated surplus/ (deficit) \$000	Total Equity \$000
<b>Balance at 1 July 2018</b>	9.9	5,052,392	27,636,301	14,426,495	47,115,188
Changes in accounting policy		–	–	(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
<b>Balance at 30 June 2019</b>		<b>5,452,489</b>	<b>27,254,418</b>	<b>15,149,306</b>	<b>47,856,213</b>
<b>Balance at 1 July 2019</b>		5,452,489	27,254,418	15,149,306	47,856,213
Initial application of AASB 16	6.6	–	–	(52)	(52)
Initial application of AASB 15	6.7	–	–	41,477	41,477
Initial application of AASB 1058	6.8	–	–	(299,274)	(299,274)
<b>Restated balance at 1 July 2019</b>		5,452,489	27,254,418	14,891,457	47,598,364
– Surplus		–	–	818,113	818,113
– Other comprehensive income		–	489,736	–	489,736
Total comprehensive income for the period		–	489,736	818,113	1,307,849
Transactions with owners in their capacity as owners:					
– Capital appropriations		258,509	–	–	258,509
– Other contributions by owners		28,207	–	–	28,207
– Distributions to owners		(8,357)	–	–	(8,357)
Total		278,359	–	–	278,359
<b>Balance at 30 June 2020</b>		<b>5,730,848</b>	<b>27,744,154</b>	<b>15,709,570</b>	<b>49,184,572</b>

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

## STATEMENT OF CASH FLOWS

for the year ended 30 June 2020

	Note	2020 \$000	2019 \$000
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Service appropriation		748,018	656,678
Capital appropriation		257,396	287,916
Holding account drawdown		31,065	38,936
Road Trauma Trust Fund		42,940	42,883
Natural disaster funds		166,167	53,650
Royalties for Regions Fund		43,889	69,114
<b>Net cash provided by State Government</b>		<b>1,289,475</b>	<b>1,149,177</b>
Utilised as follows:			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee benefits		(61,883)	(63,373)
Supplies and services		(432,067)	(427,669)
Grants and subsidies		(237,880)	(289,890)
GST payments on purchases		(169,826)	(170,451)
<b>Receipts</b>			
Sale of goods and services		100,391	117,818
Commonwealth grants		498,525	622,698
Interest received		1,937	4,782
GST receipts on sales		16,820	16,290
GST receipts from taxation authority		149,752	153,175
Other receipts		14,242	9,357
Rent received		3,477	3,788
<b>Net cash provided by/(used in) operating activities</b>	7.1.2	<b>(116,512)</b>	<b>(23,475)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Payments</b>			
Purchase of non-current assets		(20,626)	(16,652)
Purchase of infrastructure assets		(1,235,398)	(1,264,488)
<b>Receipts</b>			
Proceeds from sale of non-current assets		5,830	6,400
<b>Net cash provided by/(used in) investing activities</b>		<b>(1,250,194)</b>	<b>(1,274,740)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Payments</b>			
Principal elements of lease (AASB 16) payments		(3,145)	-
<b>Net cash provided by/(used in) financing activities</b>		<b>(3,145)</b>	<b>-</b>
Net increase/(decrease) in cash and cash equivalents		(80,348)	(149,038)
Cash and cash equivalents at the beginning of the period		385,763	534,801
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	7.1.1	<b>305,415</b>	<b>385,763</b>

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

## SUMMARY OF CONSOLIDATED ACCOUNT APPROPRIATIONS

for the year ended 30 June 2020

	2020 Budget Estimate \$000	2020 Supple- mentary Funding \$000	2020 Revised Budget \$000	2020 Actual \$000	2020 Variance \$000
<u>Delivery of Services</u>					
Item 81 Net amount appropriated to deliver services	349,411	-	349,411	348,089	(1,322)
Section 25 Transfer of service appropriation					-
Amount Authorised by Other Statutes					
– Road Traffic Act 1974	748,093	-	748,093	747,593	(500)
– Salaries and Allowances Act 1975	425	-	425	425	-
<b>Total appropriations provided to deliver services</b>	<b>1,097,929</b>	<b>-</b>	<b>1,097,929</b>	<b>1,096,107</b>	<b>(1,822)</b>
<u>Capital</u>					
Capital appropriation					
– Road Traffic Act 1974	239,451	-	239,451	258,509	19,058
<b>GRAND TOTAL</b>	<b>1,337,380</b>	<b>-</b>	<b>1,337,380</b>	<b>1,354,616</b>	<b>17,236</b>

No supplementary income was received by Main Roads

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

### 1 Basis of preparation

The Commissioner of Main Roads (Main Roads) is a WA Government entity, 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 are prepared in accordance with:

- 1) The *Financial Management Act 2006 (FMA)*
- 2) The *Treasurer's Instructions (the Instructions or TIs)*
- 3) *Australian Accounting Standards (AASs)* 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* take precedence over AASs. Several AASs 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.

Significant judgements and estimates have been made to meet the requirements of the new standards AASB 16, AASB 15 and AASB 1058.

##### AASB 16:

Key judgements include identifying leases within contracts, determining whether there is reasonable certainty around exercising extension and termination options, identifying whether payments are variable or fixed in substance and determining the stand-alone selling prices for lease and non-lease components.

Estimating uncertainty that may arise is the estimation of the lease term, determination of the appropriate discount rate to discount the lease payments and assessing whether the right-of-use asset needs to be impaired.

##### AASB 15:

Key judgements include determining the timing of revenue from contracts with customers in terms of timing of satisfaction of performance obligations and determining the transaction price and the amounts allocated to performance obligations.

Estimating uncertainty includes determining the transaction prices (estimating variable consideration, adjusting the consideration for the time value of money and measuring non-cash considerations), allocating the transaction price, including estimating stand-alone selling prices and allocating discounts and variable consideration.

##### AASB 1058:

Key judgements include determining the timing in the satisfaction of performance obligations and judgements used in determining whether funds are restricted.

Refer to Note 9.2 for the impact of the initial adoption and the practical expedients applied in the initial recognition.

##### 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.

## 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 objectives	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 for 2018-19 and 2019-20 (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		
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	
<b>COST OF SERVICES</b>																	
<b>Expenses</b>																	
Employee benefits expense	8,297	8,421	95,029	63,252	16,876	18,910	929	2,220	15,828	25,931	10,813	19,676	(81,741)	(73,872)	66,031	64,537	
Supplies and services	144,904	131,242	76,099	62,205	510,801	381,230	13,353	38,581	410,244	420,152	414,085	593,971	(1,122,496)	(1,195,516)	446,988	431,865	
Depreciation of infrastructure assets	0	0	0	0	0	0	0	0	391,864	373,475	0	0	0	0	391,864	373,475	
Depreciation and amortisation of other non-current assets	1,427	1,023	1,311	954	4,607	2,647	290	330	4,666	4,631	3,787	3,997	(11,774)	(8,976)	4,315	4,606	
Finance Costs	1	0	35	0	21	0	2	0	132	0	4	0	0	0	194	0	
Grants and subsidies	20,497	18,678	1,698	1,713	31,047	8,582	21,278	10,704	141,618	284,117	21,762	1,131	(5,625)	7,139	232,275	332,063	
Infrastructure assets retired or replaced	0	0	0	0	0	0	0	0	0	0	10,979	0	89,861	91,387	100,840	91,387	
<b>Total cost of services</b>	<b>175,125</b>	<b>159,363</b>	<b>174,171</b>	<b>128,123</b>	<b>563,352</b>	<b>411,369</b>	<b>35,852</b>	<b>51,835</b>	<b>964,351</b>	<b>1,108,306</b>	<b>461,430</b>	<b>618,775</b>	<b>(1,131,775)</b>	<b>(1,179,838)</b>	<b>1,242,505</b>	<b>1,297,935</b>	
<b>Income</b>																	
<b>Revenue</b>																	
Sale of goods and services	51	0	2,324	2,284	1,370	1,532	103	172	8,716	6,360	269	229	0	0	12,833	10,577	
Commonwealth grants and contributions	32,939	36,342	0	0	261,079	256,493	20,871	3,000	55,308	51,136	296,892	275,727	0	0	667,089	622,698	
Contributions to roadworks	4,219	5,424	573	118	27,523	24,083	21,478	10,801	20,535	9,999	53,894	20,083	0	0	128,222	70,510	
Grants from other bodies	2,821	8,763	2,590	8,167	9,105	22,666	574	2,828	9,221	39,652	7,487	34,221	0	0	31,798	116,297	
Interest revenue	108	323	99	301	350	836	22	104	354	1,462	287	1,262	0	0	1,221	4,287	
Other revenue	1,445	895	1,327	834	4,667	2,316	294	289	4,726	4,051	3,831	3,496	0	0	16,291	11,882	
<b>Total revenue</b>	<b>41,583</b>	<b>51,748</b>	<b>6,913</b>	<b>11,705</b>	<b>304,094</b>	<b>307,926</b>	<b>43,342</b>	<b>17,194</b>	<b>98,859</b>	<b>112,660</b>	<b>362,660</b>	<b>335,018</b>	<b>0</b>	<b>0</b>	<b>857,453</b>	<b>836,251</b>	
<b>Gains</b>																	
Gain on disposal of non-current assets	0	(121)	0	(112)	0	(312)	0	(39)	0	(545)	0	(471)	0	0	(1)	(1,599)	
<b>Total gains</b>	<b>0</b>	<b>(121)</b>	<b>0</b>	<b>(112)</b>	<b>0</b>	<b>(312)</b>	<b>0</b>	<b>(39)</b>	<b>0</b>	<b>(545)</b>	<b>0</b>	<b>(471)</b>	<b>0</b>	<b>0</b>	<b>(1)</b>	<b>(1,599)</b>	
<b>Total income other than income from State Government</b>	<b>41,583</b>	<b>51,627</b>	<b>6,913</b>	<b>11,593</b>	<b>304,094</b>	<b>307,614</b>	<b>43,342</b>	<b>17,155</b>	<b>98,859</b>	<b>112,115</b>	<b>362,660</b>	<b>334,547</b>	<b>0</b>	<b>0</b>	<b>857,452</b>	<b>834,652</b>	
<b>NET COST OF SERVICES</b>	<b>133,542</b>	<b>107,736</b>	<b>167,258</b>	<b>116,531</b>	<b>259,258</b>	<b>103,754</b>	<b>(7,490)</b>	<b>34,679</b>	<b>865,492</b>	<b>996,191</b>	<b>98,770</b>	<b>284,228</b>	<b>(1,131,775)</b>	<b>(1,179,838)</b>	<b>385,053</b>	<b>463,283</b>	
<b>INCOME FROM STATE GOVERNMENT</b>																	
Service appropriation	58,777	30,607	235,612	185,872	102,439	51,190	37,308	45,076	633,875	666,715	28,096	238	0	0	1,096,107	979,697	
Resources received free of charge	191	191	175	178	617	493	39	62	625	863	507	745	0	0	2,154	2,530	
Other State Government Funds	47,865	45,413	830	325	10,444	2,224	1,208	14,545	44,558	141,508	0	0	0	0	104,905	204,015	
Capital contribution	39,670	44,632	3,198	331	117,640	116,636	4,470	5,352	10,717	20,250	111,021	162,694	(286,716)	(349,895)	0	0	
<b>Total income from State Government</b>	<b>146,503</b>	<b>120,843</b>	<b>239,815</b>	<b>186,706</b>	<b>231,140</b>	<b>170,542</b>	<b>43,025</b>	<b>65,034</b>	<b>689,775</b>	<b>829,336</b>	<b>139,624</b>	<b>163,677</b>	<b>(286,716)</b>	<b>(349,895)</b>	<b>1,203,166</b>	<b>1,186,242</b>	
<b>SURPLUS/DEFICIT FOR THE PERIOD</b>	<b>12,961</b>	<b>13,107</b>	<b>72,557</b>	<b>70,175</b>	<b>(28,118)</b>	<b>66,788</b>	<b>50,515</b>	<b>30,355</b>	<b>(175,717)</b>	<b>(166,855)</b>	<b>40,854</b>	<b>(120,551)</b>	<b>845,058</b>	<b>829,944</b>	<b>818,113</b>	<b>722,959</b>	

The schedule of income and expenses should be read in conjunction with 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	2020 \$000	2019 \$000
Employee benefits expense	3.1(a)	66,031	64,536
Employee related provisions	3.1(b)	37,673	35,471
Grants and subsidies	3.2	232,275	332,610
Other expenditure	3.3	547,826	522,708

#### 3.1(a) Employee benefits expense

	2020 \$000	2019 \$000
Employee benefits	134,384	125,444
Termination benefits	–	261
Superannuation – defined contribution plans	13,326	12,703
<b>Total employee benefits expenses</b>	<b>147,710</b>	<b>138,408</b>
Add: AASB 16 Non-monetary benefits	278	–
Less: Employee Contributions	(216)	–
<b>Net employee benefits</b>		
Less: capitalised to infrastructure	(81,741)	(73,872)
	<b>66,031</b>	<b>64,536</b>

**Employee benefits:** Include wages, salaries and social contributions, accrued and paid annual leave entitlements and paid sick leave; and non-monetary benefits (such as housing, cars and free or subsidised goods or services) for employees.

**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 terminating 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.

**Capitalisation to infrastructure:** Where applicable employee benefit expenses are capitalised to the infrastructure assets.

**AASB 16 Non-monetary benefits:** Employee benefits in the form of non-monetary benefits, such as the provision of motor vehicles or housing, are measured at the cost.

**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.

	2020 \$000	2019 \$000
<b>Current</b>		
<i>Employee benefits provisions</i>		
Annual leave <sup>(a)</sup>	15,365	13,652
Long service leave <sup>(b)</sup>	16,867	16,598
	32,232	30,250
<i>Other provisions</i>		
Employment on-costs <sup>(c)</sup>	15	284
<b>Total current employee related provisions</b>	32,247	30,534
<b>Non-current</b>		
<i>Employee benefits provisions</i>		
Long service leave <sup>(b)</sup>	5,424	4,891
<i>Other provisions</i>		
Employment on-costs <sup>(c)</sup>	2	46
<b>Total non-current employee related provisions</b>	5,426	4,937
<b>Total employee related provisions</b>	<b>37,673</b>	<b>35,471</b>

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

	2020 \$000	2019 \$000
Within 12 months of the end of the reporting period	11,072	10,731
More than 12 months after the end of the reporting period	4,293	2,921
	15,365	13,652

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:

	2020 \$000	2019 \$000
Within 12 months of the end of the reporting period	3,813	4,042
More than 12 months after the end of the reporting period	18,478	17,447
	22,291	21,489

The provision for long service leave is 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'.

	2020 \$000	2019 \$000
<b>Employment on-costs provision</b>		
Carrying amount at start of period	330	391
Additional/(reversal of) provisions recognised	(313)	(61)
<b>Carrying amount at end of period</b>	<b>17</b>	<b>330</b>

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

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

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

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

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

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

### 3.2 Grants and subsidies

	2020 \$000	2019 \$000
<b>Recurrent</b>		
Grants and subsidies to local government and other bodies <sup>(a)</sup>	218,590	296,629
<b>Capital</b>		
Grants of non-current assets to other bodies	13,685	35,981
<b>Total grants and subsidies</b>	<b>232,275</b>	<b>332,610</b>

(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 2020: Bussell Highway (Shire of Augusta Margaret River), Great Northern Highway – New Norcia Bypass (Shire of Victoria Plains).

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, other transfer payments made to public sector agencies, local government, non-government schools, and community groups.

### 3.3 Other expenditure

	2020 \$000	2019 \$000
<b>Supplies and services</b>		
Insurance <sup>(a)</sup>	3,572	3,997
Accommodation, plant and equipment hire costs <sup>(b) (c)</sup>	9,624	9,578
Electricity, gas and water	10,197	9,713
Building maintenance and equipment <sup>(d)</sup>	6,224	6,555
Advertising	138	141
Communications	5,439	5,183
Consultants and contractors <sup>(e)</sup>	390,754	370,309
Consumables	2,227	2,318
Materials	1,613	1,875
Expected credit losses expense	68	(10)
Licences, fees and registration	9,281	12,498
Other	7,849	9,164
<b>Total supplies and services expenses</b>	<b>446,986</b>	<b>431,321</b>

(a) Include payments to RiskCover.

(b) Include payments to Department of Finance.

(c) Included within rental costs are variable lease payments and low value leases of up to \$5,000. This excludes leases with another wholly owned public sector entity lessor agency. Refer to Note 9.2 for variable lease payment and low value leases expense.

(d) Include payments to Department of Finance.

(e) Include payments to Department of Transport.

	2020 \$000	2019 \$000
<u>Other</u>		
Non-current assets retired/replaced	89,459	86,576
Write-down of non-current assets classified as held for sale	410	264
Write-(back)/down of infrastructure works in progress	10,971	4,547
<b>Total other expenses</b>	<b>100,840</b>	<b>91,387</b>
<b>Total other expenditure</b>	<b>547,826</b>	<b>522,708</b>

### Supplies and services

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

Accommodation, plant and equipment hire costs include:

- i) Short-term leases with a lease term of 12 months or less;
- ii) Low-value leases with an underlying value of \$5,000 or less; and
- iii) Variable lease payments, recognised in the period in which the event or condition that triggers those payments occurs.

**Building maintenance and equipment** costs are recognised as expenses as incurred, except where they relate to the replacement of a significant component of an asset. In that case, the costs are capitalised and depreciated.

**Expected credit losses** is an allowance of trade receivables, 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 Onslow Road Upgrade and Northlink section 2 from Benara Road to Maralla 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 Roe Highway Extension – Bibra Drive to Stock Road.

## 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	2020 \$000	2019 \$000
Income from State Government	4.1	1,203,166	1,186,242
Sale of goods and services	4.2	12,833	10,577
Commonwealth grants	4.3	667,089	622,697
Contributions to roadworks	4.4	128,222	70,510
Grants from other bodies	4.5	31,798	116,297
Interest revenue	4.6	1,221	4,287
Other revenue	4.7	16,290	11,883
Gain/(loss) on disposal	4.8	(1)	(1,599)

## 4.1 Income from State Government

	2020 \$000	2019 \$000
Appropriation received during the period:		
Motor vehicle licence fees <sup>(a)</sup>	738,673	648,255
Untied funds <sup>(b)</sup>	348,089	323,019
Motor vehicle permit fees <sup>(c)</sup>	8,920	7,998
Salaries and Allowances Act 1975	425	425
	1,096,107	979,697
Services received free of charge from other State government agencies during the period <sup>(d)</sup> :		
WA Land Information Authority (Landgate)	220	1,034
Department of Justice (State Solicitor's Office)	1,801	1,394
WA Police Services (Road Safety Commission)	51	62
Department of Finance	26	–
Other	56	40
<b>Total services received</b>	2,154	2,530
Other funds received from State Government		
Road Trauma Trust Fund <sup>(e)</sup>	44,665	42,809
Natural disaster funds <sup>(f)</sup>	44,558	141,408
Royalties for Regions Fund <sup>(g)</sup>	15,682	19,798
<b>Total other funds</b>	104,905	204,015
<b>Total Income from State Government</b>	<b>1,203,166</b>	<b>1,186,242</b>

**Service appropriations**

Service appropriations are recognised as income at the fair value of consideration received in the period in which Main Roads gains control of the appropriated funds. The Agency 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).

*(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 2019-20 was \$997.182 million (2018-19: \$948.833 million). An amount of \$738.673 million (2018-19: \$648.255 million) was received as a service appropriation and the balance of \$258.509 million (2018-19: \$300.578 million) appropriated as a capital contribution by owners and included under 'Contributed Equity' (Note 9.9) 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 2019-20 was \$348.089 million (2018-19: \$323.019 million). This includes a service appropriation of \$348.089 million (2018-19: \$323.019 million) and no capital contribution (2018-19: nil). The service appropriation includes no cash component (2018-19: nil) and a \$348.089 million (2018-19: \$323.019 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 and are recognised as income when Main Roads receives the funds. Main Roads obtains control of the funds at the time the funds are deposited into Main Roads' bank account. Main Roads has assessed Royalties for Regions agreements and concludes that they are not within the scope of AASB 15, as they do not meet the 'sufficiently specific' criterion.

The application of AASB 15 and AASB 1058 from 1 July 2019 has had no impact on the treatment of income from State Government.

**4.2 Sale of goods and services**

	2020 \$000	2019 \$000
Sale of goods and services <sup>(a)</sup>	12,833	10,577

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 2019-20 are summarised at Note 9.12 'Indian Ocean Territories'.

Until 30 June 2019, revenue was recognised and measured at the fair value of consideration received or receivable.

From 1 July 2019, the revenue is recognised in line with AASB 15 and AASB 1058. 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 performance obligations are met and can be measured reliably.

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

**4.3 Commonwealth grants**

	2020 \$000	2019 \$000
<b>Commonwealth grants</b>		
– Land Transport Infrastructure Projects	667,089	622,436
– Interstate Road Transport Act 1985	–	261
	<b>667,089</b>	<b>622,697</b>

**Commonwealth grants**

Capital grants are recognised as income when Main Roads achieves milestones specified in the grant agreement. Commonwealth grants and contributions income is disaggregated by Land Transport Infrastructure Projects and Interstate Road Transport Act 1985.

Until 30 June 2019

Income from Commonwealth grants was recognised at fair value when the grant was receivable.

From 1 July 2019

Current grants are recognised as income when the grants are receivable.

Land Transport Infrastructure Projects

Specific purpose grants are received from the Commonwealth Government through the *National Land Transport Act 2014*. The objective of this Act is to assist national and regional economic and social development by improving the performance of land transport infrastructure. Programs funded under this arrangement include the Heavy Vehicle Safety and Productivity and the Black Spot Program along with funding for the National Road Projects.

Interstate Road Transport Act 1985

A charge is levied under the Act on interstate commercial vehicles that are exempt from State charges and the revenue raised is distributed in accordance with the damage attributed to interstate vehicles in each State. The revenue is non-reciprocal in nature and recognised at fair value when Main Roads obtains control over the assets comprising the contributions, usually when cash is received. Main Roads did not receive any grant under Interstate Road Transport Act 1985 during 2019-20 financial year.

**4.4 Contributions to roadworks**

	2020 \$000	2019 \$000
Contributions to roadworks <sup>(a)</sup>	128,222	70,510

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**

	2020 \$000	2019 \$000
<b>Grants from local government authorities and other bodies</b>		
Transferred infrastructure assets at fair value <sup>(a)</sup>	27,602	546
Local Government contribution to traffic signal construction	–	1,069
Developers contribution to roadworks <sup>(b)</sup>	4,196	114,682
	<b>31,798</b>	<b>116,297</b>

(a) Transferred infrastructure assets at fair value are transfers from Local Government and other bodies to State Government based on formal proclamation. Transferred assets during the year ended 30 June 2020 include Kwinana Beach and Rockingham Road upgrade – City of Kwinana and City of Rockingham Grant.

(b) The developers contribution to roadworks relate to construction costs met by private developers on roads owned by Main Roads. The roadworks include Canning Highway and Leach Highway upgrades, Nanutarra Munjina Road, Pinjarra Road and Stratford Road intersection.

Until 30 June 2019

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

From 1 July 2019

Capital grants are recognised as income when Main Roads achieves milestones specified in the grant agreement.

**4.6 Interest revenue**

	2020 \$000	2019 \$000
Land Transport Infrastructure Projects interest revenue	1,206	4,273
Other interest revenue	15	14
	<b>1,221</b>	<b>4,287</b>

Revenue is recognised as the interest accrues.

#### 4.7 Other revenue

	2020 \$000	2019 \$000
Rental income	3,524	3,797
Traffic escort services	9,815	7,020
Assets not previously recognised	–	207
Other	2,951	859
	<b>16,290</b>	<b>11,883</b>

Other revenues are mainly recognised at fair value when Main Roads obtains control over the assets or performance obligations are achieved. Other revenue includes fees from Concessional Loading arrangements with private companies.

#### 4.8 Gain/(loss) on disposal

	2020 \$000	2019 \$000
<u>Net proceeds from disposal of non-current assets</u>		
Land acquired for roadworks	5,224	2,654
Land and buildings	387	3,634
Plant, equipment and vehicles	211	159
	5,822	6,447
<u>Carrying amount of non-current assets disposed</u>		
Land acquired for roadworks	5,352	3,121
Land and buildings	362	4,757
Plant, equipment and vehicles	30	–
Right-of-use asset	79	168
	5,823	8,046
<b>Net gain/(loss)</b>	<b>(1)</b>	<b>(1,599)</b>

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

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

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

Insured non-current assets written-off as a result of an insurable event 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

### Assets the Agency utilises for economic benefit or service potential

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	2020 \$000	2019 \$000
Property, plant and equipment	5.1	401,688	405,237
Infrastructure	5.2	45,648,131	44,396,721
Intangible assets	5.3	15,789	13,668
Right-of-use assets	5.4	9,540	–
<b>Total key assets</b>		<b>46,065,608</b>	<b>44,815,626</b>

### 5.1 Property, plant and equipment

	2020 \$000	2019 \$000
<u>Land</u>		
At fair value	63,912	64,307
	63,912	64,307
<u>Buildings</u>		
At fair value	93,789	88,726
Accumulated depreciation	(31)	(11)
	93,758	88,715
<u>Buildings under construction</u>		
Construction costs	3,777	2,611
	3,777	2,611
<u>Plant, equipment and vehicles</u>		
At cost	46,200	42,850
Accumulated depreciation	(32,260)	(31,700)
	13,940	11,150
<u>Surplus assets</u>		
At fair value	69,102	71,722
Accumulated depreciation	(3)	–
	69,099	71,722
<u>Land acquired for roadworks</u>		
At fair value	157,202	166,732
	157,202	166,732
<b>Total property, plant and equipment</b>	<b>401,688</b>	<b>405,237</b>

Information on fair value measurements is provided in Note 8.3.

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

<b>Year ended 30 June 2020</b>	<b>Land \$000</b>	<b>Buildings \$000</b>	<b>Buildings under const- ruction \$000</b>	<b>Plant, equipment and vehicles \$000</b>	<b>Surplus assets \$000</b>	<b>Land acquired for roadworks \$000</b>	<b>Total \$000</b>
<b>Carrying amount at 1 July 2019</b>	64,307	88,715	2,611	11,150	71,722	166,732	405,237
Additions <sup>(a)</sup>	669	-	9,310	5,610	224	-	15,813
Disposals	-	(150)	-	(30)	(725)	(531)	(1,436)
Classified as held for sale	(240)	(315)	-	-	(1,462)	(2,037)	(4,054)
Transfers		7,624	(8,144)	-	-	520	-
Transfer (to) / from infrastructure	-	-	-	-	(107)	(235)	(342)
Equity contribution / (distribution)	-	-	-	-	(340)	(372)	(712)
Revaluation increments / (decrements)	(335)	4,497		-	(49)	(6,317)	(2,204)
Impairment losses <sup>(b)</sup>	-	-	-	-	-	-	-
Assets not previously recognised / Grants	(489)	-	-	-	-	(558)	(1,047)
Depreciation	-	(6,613)	-	(2,790)	(164)	-	(9,567)
<b>Carrying amount at 30 June 2020</b>	63,912	93,758	3,777	13,940	69,099	157,202	401,688

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

(b) Impairment losses are recognised in the Statement of Comprehensive Income. 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 recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income. Information on fair value measurements is provided in Note 8.3.

<b>Year ended 30 June 2019</b>	<b>Land \$000</b>	<b>Buildings \$000</b>	<b>Buildings under const- ruction \$000</b>	<b>Plant, equipment and vehicles \$000</b>	<b>Surplus assets \$000</b>	<b>Land acquired for roadworks \$000</b>	<b>Total \$000</b>
<b>Carrying amount at 1 July 2018</b>	64,995	86,518	2,117	11,991	82,345	178,507	426,473
Additions	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)
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)
<b>Carrying amount at 30 June 2019</b>	64,307	88,715	2,611	11,150	71,722	166,732	405,237

## 5.2 Infrastructure

	2020 \$000	2019 \$000
<u>Roads and principal shared paths</u>		
Earthworks at fair value	14,256,316	13,062,954
Accumulated depreciation	(3,196,713)	(2,969,006)
	11,059,603	10,093,948
<u>Pavement and drainage at fair value</u>		
Pavement and drainage at fair value	10,033,250	9,353,166
Accumulated depreciation	(5,865,761)	(5,539,078)
	4,167,489	3,814,088
<u>Seals at fair value</u>		
Seals at fair value	1,621,259	1,496,681
Accumulated depreciation	(941,750)	(879,801)
	679,509	616,880
<u>Land under roads</u>		
At fair value	22,863,929	23,176,529
	22,863,929	23,176,529
<u>Bridges</u>		
At fair value	6,187,286	5,939,720
Accumulated depreciation	(1,868,129)	(1,774,235)
	4,319,157	4,165,485
<u>Road furniture</u>		
At fair value	738,255	666,019
Accumulated depreciation	(312,221)	(258,668)
	426,034	407,351
<u>Infrastructure work in progress</u>		
At cost	2,132,410	2,122,440
	2,132,410	2,122,440
<b>Total Infrastructure</b>	<b>45,648,131</b>	<b>44,396,721</b>

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

	Roads and principal shared paths \$000	Land under roads \$000	Bridges \$000	Road furniture \$000	Work in progress \$000	Total \$000
<b>Year ended 30 June 2020</b>						
<b>Carrying amount at 1 July 2019</b>	14,524,916	23,176,529	4,165,485	407,351	2,122,440	44,396,721
Additions <sup>(a)</sup>	-	-	-	-	1,232,593	1,232,593
Retirements	(84,534)	-	(1,530)	(2,519)	-	(88,583)
Transfers	971,799	18,657	175,722	45,473	(1,211,651)	-
Transfer (to) / from land acquired for roadworks	-	354	-	-	-	354
Revaluation increments/(decrements)	792,409	(353,453)	47,492	5,494	-	491,942
Highways and main roads reclassified as local roads	(11,838)	(395)	(403)	-	-	(12,636)
Local roads classified as highways and main roads	8,583	22,237	-	976	-	31,796
Equity contribution / (distribution)	(1,221)	-	-	-	-	(1,221)
Assets not previously recognised	-	-	-	-	-	-
Write-down of infrastructure work in progress	-	-	-	-	(10,972)	(10,972)
Depreciation	(293,513)	-	(67,609)	(30,741)	-	(391,863)
<b>Carrying amount at 30 June 2020</b>	<b>15,906,601</b>	<b>22,863,929</b>	<b>4,319,157</b>	<b>426,034</b>	<b>2,132,410</b>	<b>45,648,131</b>

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

(b) Impairment losses are recognised in the Statement of Comprehensive Income. 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 recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income. Information on fair value measurements is provided in Note 8.3.

	Roads and principal shared paths \$000	Land under roads \$000	Bridges \$000	Road furniture \$000	Work in progress \$000	Total \$000
<b>Year ended 30 June 2019</b>						
<b>Carrying amount at 1 July 2018</b>	14,317,611	23,540,388	3,929,079	383,017	1,632,456	43,802,551
Additions	-	-	-	-	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-back of infrastructure work in progress	-	-	-	-	(4,546)	(4,546)
Depreciation	(279,346)	-	(65,078)	(29,051)	-	(373,475)
<b>Carrying amount at 30 June 2019</b>	<b>14,524,916</b>	<b>23,176,529</b>	<b>4,165,485</b>	<b>407,351</b>	<b>2,122,440</b>	<b>44,396,721</b>

Information on fair value measurements is provided in Note 8.3.

### **Property, plant and equipment and infrastructure**

#### Initial recognition

Items of property, plant and equipment and infrastructure, costing \$5,000 or more are measured initially at cost. Where an asset is acquired for no cost or significantly less than fair value, 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 2019 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 2020 and recognised at 30 June 2020.

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 2018 to 1 July 2019. These properties have been valued based on the average percentage increase for the Metro and Rural areas respectively over the period 1 July 2018 to 1 July 2019. 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 2019. In undertaking the revaluation, fair value was determined by reference to market values of Freehold land \$56.833 million (2018-19: \$57.902) and Buildings \$79.518 million (2018-19: \$73.755). 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 2020 is based on the current replacement cost determined at 30 June 2020 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 2020 is based on the current replacement cost determined at 30 June 2020. This was calculated as at 30 June 2020 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 2020. The revaluation process resulted in gain as at 30 June 2020.

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 assets****Charge for the period**

	2020 \$000	2019 \$000
<u>Depreciation</u>		
Plant, equipment and vehicles	2,790	3,816
Buildings	6,778	5,829
<b>Total depreciation for the period</b>	<b>9,568</b>	<b>9,645</b>
Less: depreciation capitalised to infrastructure	(6,720)	(6,653)
	<b>2,848</b>	<b>2,992</b>

As at 30 June 2020, there were no indications of impairment to property, plant and equipment.

**Capitalisation to infrastructure:** Where applicable depreciation expenses are capitalised to the infrastructure assets.

**5.2.1 Depreciation and impairment expenses of infrastructure assets****Charge for the period**

	2020 \$000	2019 \$000
Roads – earthworks	486	805
Roads – pavements and drainage	196,565	186,818
Roads – seal	96,462	91,723
Bridges	67,609	65,078
Road furniture	30,742	29,051
<b>Total depreciation for the period</b>	<b>391,864</b>	<b>373,475</b>

A fraction of road seal on the road network and a bridge was impaired as part of the impairment assessment of property, plant and equipment, infrastructure and intangible assets at 30 June 2020.

Road Seal

There were 238 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

Lloyds Crossing Bridge is impaired reducing the useful life by 43 years. The bridge is planned to be replaced as part of the Toodyay Road improvement works.

**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 <sup>(a)</sup>	3 to 5 years

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

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

**Commitments:**

Main Roads has contractual commitments of \$703 million for the acquisition and construction of non-current assets which includes Infrastructure, Property and Plant & Equipment.

**5.3 Intangible assets**

	2020 \$000	2019 \$000
<u>Computer software and licences</u>		
At cost	39,369	33,681
Accumulated amortisation	(23,589)	(20,022)
	15,780	13,659
<u>Drainage easements</u>		
At cost	9	9
	9	9
<b>Total intangible assets</b>	<b>15,789</b>	<b>13,668</b>
Reconciliations:		
<u>Computer software and licences</u>		
Carrying amount at start of period	13,659	14,819
Additions	5,688	2,778
Amortisation expense	(3,567)	(3,938)
<b>Carrying amount at end of period</b>	<b>15,780</b>	<b>13,659</b>

**Intangible assets**Initial recognition

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

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

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

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

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

**Subsequent measurement**

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

### 5.3.1 Amortisation and impairment expense of intangible assets

	2020 \$000	2019 \$000
<u>Amortisation</u>		
Intangible assets	3,567	3,937
<b>Total amortisation for the period</b>	3,567	3,937
Less: amortisation capitalised to infrastructure	(2,839)	(2,323)
	<b>728</b>	<b>1,614</b>

As at 30 June 2020, one software asset is impaired by reducing useful life.

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 estimated useful lives for each class of intangible asset are:

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

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

**Capitalisation to infrastructure:** Where applicable amortisation expenses are capitalised to the infrastructure assets.

#### 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 indefinite useful lives are tested for impairment annually or when an indication of impairment is identified.

#### **Commitments:**

Main Roads has contractual commitments of \$4.7 million for the acquisition and construction of Intangible assets.

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

### 5.4 Right-of-use assets (ROU)

	2020 \$000	2019 \$000
<u>Building and office accommodation</u>		
At cost	5,692	–
Accumulated depreciation	(717)	–
	4,975	–
<u>State Fleet vehicles</u>		
At cost	6,669	–
Accumulated depreciation	(2,104)	–
	4,565	–
<b>Total right-of-use assets</b>	<b>9,540</b>	<b>–</b>

Reconciliations of the carrying amounts of right-of-use assets at the beginning and end of the reporting period are set out in the table below.

Year ended 30 June 2020	Statefleet vehicles \$000	Buildings and office accom- modations \$000	Total \$000
<b>At 30 June 2019</b>			
Opening net carrying amount	–	–	–
Initial recognition of right-of-use asset under AASB 16	4,050	3,319	7,369
<b>Restated opening carrying amount</b>	4,050	3,319	7,369
<b>1 July 2019</b>	4,050	3,319	7,369
Additions <sup>(a)</sup>	2,778	2,373	5,151
Adjustments	267	–	267
Disposals	(294)	–	(294)
Impairment losses	–	–	–
Depreciation	(2,236)	(717)	(2,953)
<b>Carrying amount at 30 June 2020</b>	4,565	4,975	9,540

(a) Include payments made to Department of Finance (Statefleet)

#### Initial recognition

Right-of-use assets are measured at cost including the following:

- (a) the amount of the initial measurement of lease liability;
- (b) any lease payments made at or before the commencement date less any lease incentives received;
- (c) any initial direct costs; and
- (d) restoration costs, including dismantling and removing the underlying asset.

This includes all leased assets other than investment property right-of-use assets, which are measured in accordance with AASB 140 'Investment Property'.

Main Roads has elected not to recognise right-of-use assets and lease liabilities for short-term leases (with a lease term of 12 months or less) and low value leases (with an underlying value of \$5,000 or less). Lease payments associated with these leases are expensed over a straight-line basis over the lease term.

#### Subsequent Measurement

The cost model is applied for subsequent measurement of right-of-use assets, requiring the asset to be carried at cost less any accumulated depreciation and accumulated impairment losses and adjusted for any re-measurement of lease liability.

#### Depreciation and impairment of right-of-use assets

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

If ownership of the leased asset transfers to Main Roads at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are tested for impairment when an indication of impairment is identified. The policy in connection with testing for impairment is outlined in Notes 5.1.1 and 5.2.1.

The following amounts relating to leases have been recognised in the statement of comprehensive income:

#### 5.4.1 Depreciation and impairment expense of right-of-use assets

	2020 \$000	2019 \$000
State Fleet vehicles	2,236	–
Building and accommodation	717	–
<b>Total depreciation for the period</b>	<b>2,953</b>	<b>–</b>
Less: amortisation capitalised to infrastructure	(2,214)	
	<b>739</b>	<b>–</b>

**Capitalisation to infrastructure:** Where applicable depreciation expenses are capitalised to the infrastructure assets.

#### Impairment of right-of-use assets

As at 30 June 2020, no right-of-use asset is impaired.

	2020 \$000	2019 \$000
Lease interest expense (included in Finance cost)	194	–
Depreciation expense of right-of-use assets	739	
Short-term leases (included in Other Expenditure)	357	–
Gains or losses from right-of-use assets	78	–
<b>Total amount recognised in the statement of comprehensive income</b>	<b>1,368</b>	<b>–</b>

The total cash outflow for leases in 2019-20 was \$3.145 million.

Main Roads' leasing activities and how these are accounted for:

Main Roads has leases for vehicles, office and residential accommodations.

Main Roads has also entered into a Memorandum of Understanding Agreements (MOU) with the Department of Finance for the leasing of office accommodation. These are not recognised under AASB 16 because of substitution rights held by the Department of Finance and are accounted for as an expense as incurred.

Up to 30 June 2019, Main Roads classified lease as either finance leases or operating leases. From 1 July 2019, the Agency recognises leases as right-of-use assets and associated lease liabilities in the Statement of Financial Position.

The corresponding lease liabilities in relation to these right-of-use assets have been disclosed in Note 7.2.

## 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	2020 \$000	2019 \$000
Receivables	6.1	149,216	208,948
Amounts receivable for services (Holding Account)	6.2	3,142,901	2,825,877
Inventories	6.3	7,753	7,533
Prepayments	6.4	13,038	15,026
Payables	6.5	264,556	371,668
Other provisions	6.6	2,011	2,208
Contract liabilities	6.7	2,403	-
Grant liabilities	6.8	197,075	-

### 6.1 Receivables

	2020 \$000	2019 \$000
<u>Current</u>		
Trade receivables	36,899	148,961
Other debtors	109	810
Allowance for impairment of trade receivables	(479)	(231)
Trade debtors – unbilled receivables	36,262	14,331
GST receivable	28,778	32,573
Accrued revenue	47,458	12,270
<b>Total current</b>	<b>149,027</b>	<b>208,714</b>
<u>Non-current</u>		
Trade receivables	189	234
<b>Total non-current</b>	<b>189</b>	<b>234</b>
<b>Total receivables</b>	<b>149,216</b>	<b>208,948</b>

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****Reconciliation of changes in the allowance for impairment of trade receivables:**

	2020 \$000	2019 \$000
Balance at start of period	231	243
Remeasurement under AASB 9	–	148
Restated balance at start of period	231	391
Expected credit losses expense	308	(10)
Amounts written off during the year	–	(121)
Expected credit losses reversed during the period	(60)	(29)
<b>Balance at end of period</b>	<b>479</b>	<b>231</b>

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)**

	2020 \$000	2019 \$000
Current	–	31,065
Non-current	3,142,901	2,794,812
<b>Balance at end of period</b>	<b>3,142,901</b>	<b>2,825,877</b>

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

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**

	2020 \$000	2019 \$000
<b><u>Current</u></b>		
Inventories held for distribution:		
– Construction and maintenance materials	1,551	914
<b>Total current</b>	1,551	914
<b><u>Non-current</u></b>		
Inventories held for distribution:		
– Construction and maintenance materials	6,202	6,619
<b>Total non-current</b>	6,202	6,619
<b>Total inventories</b>	<b>7,753</b>	<b>7,533</b>

Inventories held for distribution (for roadworks) are measured at cost, adjusted when applicable for any loss of service potential. Costs are assigned on a standard, average or last known cost basis.

Inventories held for resale are valued at the lower of cost and net realisable value.

## 6.4 Prepayments

	2020 \$000	2019 \$000
<b>Current</b>		
Contractor's advance	11,228	13,920
Prepaid insurance	552	720
<b>Total current</b>	<b>11,780</b>	<b>14,640</b>
<b>Non-current</b>		
Prepaid insurance	1,258	386
<b>Total non-current</b>	<b>1,258</b>	<b>386</b>
<b>Total prepayments</b>	<b>13,038</b>	<b>15,026</b>

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

## 6.5 Payables

	2020 \$000	2019 \$000
<b>Current</b>		
Trade payables	4,876	8,220
Major contracts and services	160,289	197,800
Property acquisitions liability <sup>(a)</sup>	88,585	67,012
Contractors' retention	1,945	607
Funds received in advance <sup>(b)</sup>	441	34,319
Performance bonds / surety	1,232	2,032
Accrued salaries and wages <sup>(c)</sup>	7,188	5,333
<b>Total current</b>	<b>264,556</b>	<b>315,323</b>
<b>Non-current</b>		
Funds received in advance <sup>(b)</sup>	–	56,345
<b>Total non-current</b>	<b>–</b>	<b>56,345</b>
<b>Total Payables</b>	<b>264,556</b>	<b>371,668</b>

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

- (a) A property acquisition liability has been recognised in respect of properties for which a Notice of Resumption under the Land Administration Act 1997 has been issued and formal possession has taken place but where settlement has not been achieved at the end of the reporting period. Liabilities in such circumstances have been based on valuations and include costs of acquisition. This liability is included in Payables.
- (b) Funds received in advance represented payments for agreed future works for third parties including public and private companies. The balance comprised mainly the agreed maintenance contribution scheme by private companies. The balance was divided into current and non-current portion. From 1 July 2019, the payments are recognised as revenue under AASB 15.
- (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

	2020 \$000	2019 \$000
<b>Current</b>		
Site restoration	1,959	2,208
<b>Total Current</b>	1,959	2,208
<b>Non-current</b>		
Make-good provisions	52	–
<b>Total Non-current</b>	52	–
<b>Total other provisions</b>	<b>2,011</b>	<b>2,208</b>

### 6.6.1 Provision for remediation (site restoration)

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

A provision for remediation is recognised when:

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

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

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

### 6.6.2 Make-good (AASB 16) provisions

Some leased premises are required to be restored to their original condition at the end of their respective lease terms. A provision needs to be recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs are capitalised as part of the cost of leasehold improvements or right-of-use assets and are amortised over the shorter of the lease term and the useful life of the assets.

Under the lease agreement Main Roads has a legal or constructive obligation to restore the site.

A Make-good provision 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 make-good provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date.

### Movements in other provisions

	2020 \$000	2019 \$000
<u>Site restoration cost provision</u>		
Carrying amount at start of period	2,208	1,877
Movement in provisions	(249)	331
<b>Carrying amount at end of period</b>	<b>1,959</b>	<b>2,208</b>
<u>Make-good provisions</u>		
Movement in provisions	52	–
<b>Carrying amount at end of period</b>	<b>52</b>	<b>–</b>

**6.7 Contract liabilities**

	2020 \$000	2019 \$000
Current contract liabilities	2,403	-
<b>Total contract liabilities</b>	<b>2,403</b>	<b>-</b>

Contract liabilities primarily relate to funds received by Main Roads to construct roads and infrastructure yet to be constructed.

**6.7.1 Movement in contract liabilities**

	2020 \$000	2019 \$000
Balance at the start of the year <sup>(a)</sup>	41,477	-
Initial application of AASB 15	(41,477)	-
<b>Restated balance at 1 July 2019</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of contract liabilities</b>		
Opening balance <sup>(a)</sup>	-	-
Additions	27,011	-
Revenue recognised in the reporting period	(24,608)	-
<b>Balance at the end of the period</b>	<b>2,403</b>	<b>-</b>

(a) Equity adjustment of \$41.477 million is related to the opening balance of contract liability as a result of AASB 15 implementation.

Main Roads expects to satisfy the performance obligations at the end of the reporting period within the next 12 months.

**6.8 Grant liabilities**

	2020 \$000	2019 \$000
Current grant liabilities	197,075	-
<b>Total contract liabilities</b>	<b>197,075</b>	<b>-</b>

Grant liabilities represent payments received from the Commonwealth for agreed future works under the National Partnership on Infrastructure Projects in Western Australia.

**6.8.1 Movement in grant liabilities**

	2020 \$000	2019 \$000
<b>Reconciliation of grant liabilities</b>		
Opening balance <sup>(a)</sup>	318,088	-
Additions	577,123	-
Income recognised in the reporting period	(698,136)	-
<b>Balance at the end of the period</b>	<b>197,075</b>	<b>-</b>

(a) Equity adjustment of \$299.274 million includes grants liability of \$318.088 million and receivable of \$18.814 million.

**6.8.2 Expected satisfaction of grant liabilities**

	2020 \$000	2019 \$000
<b>Income recognition</b>		
1 year	197,075	-
1 to 5 years	-	-
over 5 years	-	-
	<b>197,075</b>	<b>-</b>

## 7 Financing

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

	Note
Cash and cash equivalents	7.1
Lease liabilities	7.2
Finance costs	7.3

### 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:

	Note	2020 \$000	2019 \$000
Cash and cash equivalents		91,221	196,875
Restricted cash and cash equivalents		214,194	188,888
		<b>305,415</b>	<b>385,763</b>
<u>Restricted cash and cash equivalents</u>			
Contractor's deposits <sup>(a)</sup>		1,752	607
Land Transport Infrastructure Projects <sup>(b)</sup>		78,477	160,432
Commonwealth Paid Parental Leave Scheme <sup>(c)</sup>		1	3
Future maintenance – Concessional loading <sup>(d)</sup>		45,976	–
Metronet SPA <sup>(e)</sup>	9.7	71,703	–
Royalties for Regions Fund <sup>(f)</sup>		16,285	27,846
		<b>214,194</b>	<b>188,888</b>

##### *(a) Contractor's deposits*

Amounts withheld from contractors payments pending satisfactory completion of works.

##### *(b) Land Transport Infrastructure Projects*

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

##### *(c) Commonwealth Paid Parental Leave Scheme*

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

##### *(d) Future maintenance – Concessional loading*

Amount withheld in the restricted cash account received from private companies to fund future maintenance on roads with accelerated damage due to heavy usage by mining companies.

##### *(e) Metronet special purpose account*

Unspent funds are committed to fund Metronet road related projects.

##### *(f) 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	2020 \$000	2019 \$000
Net cost of services		(385,053)	(463,283)
<b>Non-cash items</b>			
Depreciation expense – infrastructure	5.2.1	391,864	373,475
Depreciation and amortisation expense – other assets	5.1.1, 5.3.1	3,576	4,606
Depreciation expense – right-of-use assets	5.4.1	739	–
Finance cost	7.3	194	–
Grants to other bodies	3.2	13,685	35,981
Grants received from other bodies	4.5	(31,798)	(116,297)
Services received free of charge	4.1	2,154	2,530
Infrastructure assets retired/replaced	3.3	100,840	91,387
Assets not previously recognised		–	(207)
Right-of-use asset related non-cash items		358	–
Adjustment for other non-cash items		(257,849)	(147)
Net (gain)/loss on sale of property, plant and equipment	4.8	1	1,599
<b>(Increase)/decrease in assets:</b>			
Receivables <sup>(a)</sup>		(63,955)	(3,853)
Inventories		(220)	1,807
Prepayments		1,988	(4,944)
<b>Increase/(decrease) in liabilities:</b>			
Payables <sup>(a)</sup>		(98,563)	52,055
Grants and contract liabilities		199,478	–
Provisions		2,254	2,120
Net GST receipts/(payments) <sup>(b)</sup>		149,752	153,175
Change in GST in receivables/payables <sup>(c)</sup>		(145,957)	(153,479)
<b>Net cash provided by/(used in) operating activities</b>		<b>(116,512)</b>	<b>(23,475)</b>

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

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

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

## 7.2 Lease liabilities

	2020 \$000	2019 \$000
Current	2,561	–
Non-current	7,337	–
	<b>9,898</b>	<b>–</b>

Main Roads measures a lease liability, at the commencement date, at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Agency uses the incremental borrowing rate provided by Western Australia Treasury Corporation.

Lease payments included by Main Roads as part of the present value calculation of lease liability include:

- (a) Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date;
- (c) Amounts expected to be payable by the lessee under residual value guarantees;
- (d) The exercise price of purchase options (where these are reasonably certain to be exercised);
- (e) Payments for penalties for terminating a lease, where the lease term reflects the agency exercising an option to terminate the lease.

The interest on the lease liability is recognised in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities do not include any future changes in variable lease payments (that depend on an index or rate) until they take effect, in which case the lease liability is reassessed and adjusted against the right-of-use asset.

Periods covered by extension or termination options are only included in the lease term by the Main Roads if the lease is reasonably certain to be extended (or not terminated).

This section should be read in conjunction with Note 5.4.

### Subsequent Measurement

Lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount at amortised cost, subject to adjustments to reflect any reassessment or lease modifications.

## 7.3 Finance costs

	2020 \$000	2019 \$000
<b>Finance costs</b>		
Lease interest expense	194	–
<b>Finance costs expensed</b>	<b>194</b>	<b>–</b>

Finance costs include the interest component of lease liability repayments.

## 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, payables and lease liabilities. 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 2020.

**(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:

	2020 \$000	2019 \$000
<b>Financial assets</b>		
Cash and cash equivalents	91,221	196,875
Restricted cash and cash equivalents	214,194	188,888
Financial assets at amortised cost <sup>(a)</sup>	3,263,339	3,002,252
<b>Total financial assets</b>	<b>3,568,754</b>	<b>3,388,015</b>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	264,556	330,191
Lease liabilities	9,898	-
<b>Total financial liability</b>	<b>274,454</b>	<b>330,191</b>

(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 Main Roads' 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
<b>30 June 2020</b>						
Expected credit loss rate		0%	0%	0%	0%	31.15%
Estimated total gross carrying amount at default	37,088	26,185	9,465	76	4	1,358
Expected credit losses	(479)	(56)	-	-	-	(423)
	36,609	26,129	9,465	76	4	935
<b>1 July 2019 (Remeasurement)</b>						
Expected credit loss rate		0%	0%	0%	0%	0.47%
Estimated total gross carrying amount at default	149,192	18,493	28,487	204	20,068	81,943
Expected credit losses	(231)	-	-	-	-	(381)
	148,961	18,493	28,487	204	20,068	81,562

**(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														
2020	Financial Assets	Weighted Average Effective Interest Rate %	Carrying Amount \$000	Fixed interest rate \$000	Variable interest rate \$000	Non-interest bearing \$000	Nominal Amount \$000	Maturity date						
								Up to 1 month \$000	1-3 months \$000	3 months to 1 year \$000	1-5 years \$000	More than 5 years \$000		
	Cash and cash equivalents	-	91,221	-	-	91,221	91,221	-	-	-	-	-	-	-
	Restricted cash and cash equivalents	0.99	214,194	-	214,194	-	214,194	214,194	-	-	-	-	-	-
	Receivables <sup>(a)</sup>	-	120,438	-	-	120,438	120,438	120,438	-	-	-	-	-	-
	Amounts receivable for services	-	3,142,901	-	-	3,142,901	3,142,901	-	-	-	-	-	-	3,142,901
	<b>Financial Liabilities</b>		<b>3,568,754</b>	<b>-</b>	<b>214,194</b>	<b>3,354,560</b>	<b>3,568,754</b>	<b>425,853</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,142,901</b>
	Payables	-	264,556	-	-	264,556	264,556	264,556	-	-	-	-	-	-
	Lease liabilities <sup>(b)</sup>	-	9,898	-	-	9,898	9,898	298	504	1,987	6,265	844	844	
			<b>274,454</b>	<b>-</b>	<b>-</b>	<b>274,454</b>	<b>274,454</b>	<b>264,854</b>	<b>504</b>	<b>1,987</b>	<b>6,265</b>	<b>844</b>	<b>844</b>	

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

(b) The amount of lease liabilities includes \$5,109 million from leased buildings and \$4,789 million from leased vehicles.

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	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	
Financial Liabilities	3,388,015	-	188,888	3,199,127	3,388,015	566,468	7,576	19,159	-	2,794,812	
Payables	330,191	-	-	330,191	330,191	330,191	-	-	-	-	
	330,191	-	-	330,191	330,191	330,191	-	-	-	-	

(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.

	-25 basis points			+25 basis points	
	Carrying amount \$000	Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
<b>2020</b>					
<u>Financial Assets</u>					
Restricted cash and cash equivalents	214,194	(535)	(535)	535	535
<b>Total Increase/(Decrease)</b>		(535)	(535)	535	535

	-25 basis points			+25 basis points	
	Carrying amount \$000	Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
<b>2019</b>					
<u>Financial Assets</u>					
Restricted cash and cash equivalents	188,888	(472)	(472)	472	472
<b>Total Increase/(Decrease)</b>		(472)	(472)	472	472

**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:

	2020 \$000	2019 \$000
Contract claims in dispute	3,580	1,493
	<b>3,580</b>	<b>1,493</b>

**8.2.2 Contingent liabilities**

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

	2020 \$000	2019 \$000
Contract claims in dispute	27,636	44,482
Resumption claims in dispute	203,158	249,664
	<b>230,794</b>	<b>294,146</b>

*Contract claims in dispute*

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

*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 (under Note 6.5 as property acquisition liability) 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. Four sites were classified as awaiting classification, one site was classified as contaminated – remediation required and three sites were classified as possibly contaminated – investigation required. Main Roads is unable to assess the likely outcome of the classification process, and accordingly, it is not practicable to estimate the potential financial effect or to identify the uncertainties relating to the amount or timing of any outflows. Whilst there is no possibility of reimbursement of any future expenses that may be incurred in the remediation of these sites, Main Roads may apply for funding from the Contaminated Sites Management Account to undertake further investigative work or to meet remediation costs that may be required.

**8.3 Fair value measurements**

<b>Assets measured at fair value:</b>				<b>Fair value at end of period</b>
<b>2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>\$000</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Non-current assets classified as held for sale (Note 9.8)	–	4,298	419	4,717
Land (Note 5.1)	–	56,833	7,079	63,912
Buildings (Note 5.1)	–	79,518	14,240	93,758
Surplus assets (Note 5.1)	–	39,967	29,132	69,099
Land acquired for roadworks (Note 5.1)	–	118,232	38,970	157,202
Infrastructure (Note 5.2)	–	–	43,515,721	43,515,721
	–	<b>298,848</b>	<b>43,605,561</b>	<b>43,904,409</b>

<b>Assets measured at fair value:</b>				<b>Fair value at end of period</b>
<b>2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>\$000</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Non-current assets classified as held for sale (Note 9.8)	–	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
	–	<b>306,628</b>	<b>42,365,916</b>	<b>42,672,544</b>

**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)

2020	Non-current asset held for sale \$000	Land \$000	Buildings \$000	Surplus assets \$000	Land acquired for roadworks \$000	Infra-structure \$000
Fair value at start of period	1,031	6,405	14,960	29,639	39,600	42,274,281
Additions	–	293	–	15	–	1,242,580
Revaluation increments/(decrements) recognised in Profit or Loss	–	–	–	–	–	–
Revaluation increments/(decrements) recognised in Other Comprehensive Income	–	54	(41)	(184)	239	491,942
Transfers from/(to) Level 2/Level 3	419	327	10	(205)	(419)	–
Disposals	(1,031)	–	–	(109)	(450)	(101,219)
Depreciation expense	–	–	(689)	(24)	–	(391,863)
<b>Fair value at end of period</b>	<b>419</b>	<b>7,079</b>	<b>14,240</b>	<b>29,132</b>	<b>38,970</b>	<b>43,515,721</b>
Total gains or losses for the period included in profit or loss, under 'Other Gains'	–	–	–	–	–	–

2019	Non-current asset held for sale \$000	Land \$000	Buildings \$000	Surplus assets \$000	Land acquired for roadworks \$000	Infra-structure \$000
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)
<b>Fair value at end of period</b>	<b>1,031</b>	<b>6,405</b>	<b>14,960</b>	<b>29,639</b>	<b>39,600</b>	<b>42,274,281</b>
Total gains or losses for the period included in profit or loss, under 'Other Gains'	–	–	–	–	–	–

Valuation processes

There were no changes in valuation techniques during the period.

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

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

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

### **Buildings (Level 3 fair values)**

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

### **Infrastructure (Level 3 fair values)**

Fair value for infrastructure assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the current replacement cost. Current replacement cost is current cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, or obsolescence, and optimisation (where applicable) of the asset. Current replacement cost is determined every third year by reference to the cost of a new asset and adjusted in the intervening years by reference to a cost index (ABS Road and Bridge Construction Cost Index or rates obtained by professional estimators specialising in road infrastructure works) to ensure asset carrying values do not materially differ from fair value.

### **Basis of Valuation**

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

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

#### Selection of land with restricted utility

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

#### Historical cost per square metre floor area (m<sup>2</sup>)

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

#### Consumed economic benefit/obsolescence of asset

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

#### Historical cost per cubic metre (m<sup>3</sup>)

The fair value of road infrastructure comprising of earthworks, pavements (including drainage and seals), bridges and road furniture is calculated using construction unit rates determined by a professional 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 2020 \$000	Fair value 2019 \$000	Valuation technique(s)	Unobservable inputs
Land, Surplus asset and Land acquired for roadworks	75,181	75,644	Market approach	Selection of land with similar approximate utility
Buildings	14,240	14,960	Current replacement cost	Historical cost per square metre floor area (m <sup>2</sup> ) Consumed economic benefit/obsolescence of asset
Infrastructure (Earthworks)	11,059,603	10,093,948	Current replacement cost	Historical cost per cubic metre (m <sup>3</sup> )
Infrastructure (Pavements including drainage and seals)	4,846,998	4,430,968	Current replacement cost	Historical cost per cubic metre (m <sup>3</sup> )
Infrastructure (Bridges)	4,319,157	4,165,485	Current replacement cost	Historical cost per cubic metre (m <sup>3</sup> )
Infrastructure (Road furniture)	426,034	407,351	Current replacement cost	Consumed economic benefit/obsolescence of asset
Infrastructure (Land under roads)	22,863,929	23,176,529	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 Accounting Standards issued not yet operative	9.3
Key management personnel	9.4
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Special purpose accounts	9.7
Non-current assets classified as held for sale	9.8
Equity	9.9
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### 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 in these financial statements.

### 9.2 Initial application of Australian Accounting Standards

#### (a) AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities

AASB 15 *Revenue from Contracts with Customers* replaces AASB 118 Revenue and AASB 111 *Construction Contracts* for annual reporting periods on or after 1 January 2019. Under the new model, Main Roads shall recognise revenue when it satisfies a performance obligation by transferring a promised good or service and is based upon the transfer of control rather than transfer of risks and rewards.

AASB15 focuses on providing sufficient information to the users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the contracts with customers. Revenue is recognised by applying the following five steps:

- 1) Identifying contracts with customers;
- 2) Identifying separate performance obligations;
- 3) Determining the transaction price of the contract;
- 4) Allocating the transaction price to each of the performance obligations; and
- 5) Recognising revenue as each performance obligation is satisfied.

Revenue is recognised either over time or at a point in time. Any distinct goods or services are separately identified and any discounts or rebates in the contract price are allocated to the separate elements.

In addition, income other than from contracts with customers are subject to AASB 1058 Income of Not-for-Profit Entities. Income recognition under AASB 1058 depends on whether such a transaction gives rise to liabilities or a contribution by owners related to an asset (such as cash or another asset) recognised by Main Roads.

Main Roads adopts the modified retrospective approach on transition to AASB 15 and AASB 1058. No comparative information will be restated under this approach, and the agency will recognise the cumulative effect of initially applying the standards as an adjustment to the opening balance of accumulated surplus/(deficit) at the date of initial application (1 July 2019).

Under this transition method, Main Roads applies the standards retrospectively only to contracts that were not completed at the date of initial application.

Refer to Notes 4.1, 4.2, 4.3 and 4.4 for the revenue and income accounting policies adopted from 1 July 2019.

The effect of adopting AASB 15 and AASB 1058 as at 1 July 2019 are as follows:

	30 June 2020 \$000	Adjustments \$000	30 June 2020 under AASB 118 and 1004 \$000
Sale of goods and services	12,833	–	12,833
Grants from other bodies	31,798	–	31,798
Other revenue	16,290	–	16,290
Contributions to roadworks	128,222	7,025	121,197
Commonwealth grants	667,089	168,567	498,522
<b>Net Result</b>	<b>856,232</b>	<b>175,592</b>	<b>680,640</b>
Impact on financial position statement			
Trade Receivables	(12,265)	(6,549)	(18,814)
Current contract liabilities	2,403	7,025	9,428
Current grants liabilities	197,075	175,116	372,191
<b>Net Result</b>	<b>187,213</b>	<b>175,592</b>	<b>362,805</b>

**(b) AASB 16 Leases**

AASB 16 Leases supersedes AASB 117 Leases and related Interpretations. AASB 16 primarily affects lessee accounting and provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors.

Main Roads applies AASB 16 Leases from 1 July 2019 using the modified retrospective approach. As permitted under the specific transition provisions, comparatives are not restated. The cumulative effect of initially applying this Standard is recognised as an adjustment to the opening balance of accumulated surplus/(deficit).

The main changes introduced by this Standard include identification of lease within a contract and a new lease accounting model for lessees that require lessees to recognise all leases (operating and finance leases) on the Statement of Financial Position as right-of-use assets and lease liabilities, except for short term leases (lease terms of 12 months or less at commencement date) and low-value assets (where the underlying asset is valued less than \$5,000). The operating lease and finance lease distinction for lessees no longer exists.

Under AASB 16 Main Roads takes into consideration all operating leases that were off balance sheet under AASB 117 and recognises:

- a) right-of-use assets and lease liabilities in the Statement of Financial Position, initially measured at the present value of future lease payments, discounted using the incremental borrowing rate.
- b) depreciation of right-of-use assets and interest on lease liabilities in the Statement of Comprehensive Income.
- c) the total amount of cash paid as principal amount, which is presented in the cash flows from financing activities in the Statement of Cash Flows.

In relation to leased vehicles that were previously classified as finance leases, their carrying amount before transition is used as the carrying amount of the right-of-use assets and the lease liabilities as of 1 July 2019.

Main Roads measures concessionary leases that are of low value terms and conditions at cost at inception.

The right-of-use assets are assessed for impairment at the date of transition and has not identified any impairments to the right-of-use assets.

On transition, Main Roads has elected to apply the following practical expedients in the assessment of their leases that were previously classified as operating leases under AASB 117:

- (a) A single discount rate has been applied to a portfolio of leases with reasonably similar characteristics;
- (b) Main Roads has relied on its assessment of whether existing leases were onerous in applying AASB 137 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review. Main Roads has adjusted the right-of-use asset at 1 July 2019 by the amount of any provisions included for onerous leases recognised in the statement of financial position at 30 June 2019;
- (c) Where the lease term at initial application ended within 12 months, Main Roads has accounted for these as short-term leases;
- (d) Initial direct costs have been excluded from the measurement of the right-of-use asset;
- (e) Hindsight has been used to determine if the contracts contained options to extend or terminate the lease.

Main Roads has not reassessed whether existing contracts are, or contained a lease at 1 July 2019. The requirements of paragraphs 9-11 of AASB 16 are applied to contracts that came into existence post 1 July 2019.

	<b>\$000</b>
<b>Measurement of lease liabilities</b>	
Operating Lease Commitments disclosed as at 30 June 2019	24,118
(Less): Government Office Accommodation (GOA) leases	-15,475
<b>Adjusted lease liability at 30 June 2019</b>	<b>8,643</b>
(Less): Short term leases not recognised as liability	-269
(Less): Low value leases not recognised as liability	-1
<b>Initial lease liability under AASB 16 as at 1 July 2019</b>	<b>8,373</b>
<b>Discounted using incremental borrowing rate at date of initial application <sup>(1)</sup></b>	<b>7,436</b>
Current lease liabilities	874
Non-current lease liabilities	6,562

(1) The WATC incremental borrowing rate was used for the purposes of calculating the lease transition opening balance.

### 9.3 Future impact of Australian Accounting 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
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.	
<i>Impact</i>	Main Roads does not manage any public private partnership that is within the scope of the Standard.	
AASB 2018-6	<i>Amendments to Australian Accounting Standards – Definition of a Business</i>	1 Jan 2020
<i>Nature of Change</i>	The Standard amends AASB 3 to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.	
<i>Impact</i>	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>	The Standard principally amends AASB 101 and AASB 108. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material.	
<i>Impact</i>	There is no financial impact.	
AASB 2019-1	<i>Amendments to Australian Accounting Standards – References to the Conceptual Framework</i>	1 Jan 2020
<i>Nature of Change</i>	This Standard sets out amendments to Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB.	
<i>Impact</i>	There is no financial impact.	
AASB 2019-2	<i>Amendments to Australian Accounting Standards – Implementation of AASB 1059</i>	1 Jan 2020
<i>Nature of Change</i>	This Standard makes amendments to AASB 16 and AASB 1059 to: (a) amend the modified retrospective method set out in paragraph C4 of AASB 1059; (b) modify AASB 16 to provide a practical expedient to grantors of service concession arrangements so that AASB 16 would not need to be applied to assets that would be recognised as service concession assets under AASB 1059; and (c) include editorial amendments to the application guidance and implementation guidance accompanying AASB 1059.	
<i>Impact</i>	Main Roads does not maintain any public private partnership that is within the scope of the Standard.	
AASB 2020-1	<i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i>	1 Jan 2022
<i>Nature of Change</i>	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.	
<i>Impact</i>	There is no financial impact.	

#### 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 (\$)	2020	2019
0 – 10,000	1	1

##### Compensation of senior officers

Compensation Band (\$)	2020	2019
400,001 – 410,000	–	1
310,001 – 320,000	1	–
270,001 – 280,000	2	1
260,001 – 270,000	1	–
250,001 – 260,000	1	–
240,001 – 250,000	1	3
230,001 – 240,000	1	2
220,001 – 230,000	1	–
210,001 – 220,000	1	1
200,001 – 210,000	1	–
180,001 – 190,000	–	1
40,001 – 50,000	–	1

	2020 \$000	2019 \$000
Short term employee benefits	1,969	1,930
Post-employment benefits	461	375
Other long term benefits	73	23
<b>The total compensation of senior officers</b>	<b>2,503</b>	<b>2,328</b>

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

#### 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 9.9)
- 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 9.9)
- superannuation payments to GESB (Note 3.1(a))
- remuneration for services provided by the Auditor General (Note 9.6)
- payments made to Department of Biodiversity Conservation & Attractions mainly for vegetation clearing permits required for road construction amounting \$2.5 million (Note 5.2)
- payments mainly for road construction and Metronet to Public Transport Authority amounting \$31.7 million (Notes 3.2 and 3.3)
- payments for property construction, management and fleet leasing to the Department of Finance amounting \$8.4 million (Notes 3.3 and 5.1)
- payments mainly for road maintenance to Department of Biodiversity Conservation & Attractions amounting \$2.3 million (Note 3.2)
- payments mainly for Bicycle Boulevard Program to Department of Transport and Customer Information Centre service amounting \$7.5 million (Notes 3.2 and 3.3)
- payments mainly for property acquisition used for road construction to State Solicitor’s Office amounting \$36.3 million (Notes 5.1 and 5.2)
- payments mainly for land acquisition used for road construction to Western Australian Planning Commission amounting \$4.0 million (Notes 5.2)
- payments mainly for land acquisition to Department of Communities amounting \$4.1 million (Note 5.1)
- payments mainly for service relocation enabling road construction to Western Power amounting \$5.3 million (Note 5.2)
- payments mainly for service relocation enabling road construction to Water Corporation amounting \$2.7 million (Note 5.2)
- insurance payments of \$1.9 million to RiskCover fund (Note 3.3)
- payments mainly received as contribution to roadworks from Public Transport Authority amounting \$14.6 million (Notes 4.2 and 4.4)
- payments mainly received from Department of Transport as contribution to roadworks amounting \$22.8 million (Notes 4.2 and 4.4)
- payments mainly received from Department of Jobs Tourism Science and Innovation as contribution to roadworks amounting \$30.4 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:

	2020 \$000	2019 \$000
Auditing the accounts, financial statements, controls and key performance indicators	350	253
Other audits	37	59
	<b>387</b>	<b>312</b>

### 9.7 Special purpose accounts

Established under section 16(1)(d) of the FMA. The purpose of the account is to provide a source of funding for the delivery of METRONET road-related transport infrastructure works including all associated costs.

	Note	2020 \$000	2019 \$000
<b>Balance at start of period</b>			
Receipts – Contribution from Motor Vehicle License fees		101,273	–
Payments		(29,570)	–
<b>Balance at end of period</b>	7.1	<b>71,703</b>	<b>–</b>

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

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

	2020 \$000	2019 \$000
<b>Freehold land and buildings:</b>		
Opening balance	6,787	11,620
Assets reclassified as held for sale	4,565	3,606
Assets removed from current disposal program	(510)	(404)
Assets sold	(5,715)	(7,771)
Write-down of assets from carrying value to fair value less selling costs	(410)	(264)
<b>Closing balance</b>	<b>4,717</b>	<b>6,787</b>

Information on fair value measurements is provided in Note 8.3.

Main Roads disposes freehold land and buildings where they are no longer required for road construction, falls outside the defined road plan or no longer required for operations. These properties are then offered to sale in public auction or through tender process. If the properties remain unsold after auction and tender process, the properties may then be sold under private treaties. 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.

## 9.9 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.

	2020 \$000	2019 \$000
<b>Contributed equity</b>		
Balance at start of period	5,452,489	5,052,392
<u>Contributions by owners</u>		
Capital contributions	258,509	300,579
<u>Other contributions by owners</u>		
Royalties for Regions Fund – Regional Infrastructure and Headwork Account	28,207	49,316
<u>Transfer of net assets from other agencies</u>		
Public Transport Authority	–	92,336
Western Australian Planning Commission	–	2,093
Department of Lands	–	55
<b>Total contributions by owners</b>	<b>286,716</b>	<b>444,379</b>
<u>Distributions to owners</u>		
Transfer of net assets to other agencies		
Public Transport Authority	(1,594)	(31,620)
Department of Primary Industries and Regional Development	–	(4,525)
Department of Treasury	(6,423)	(8,137)
Other	(340)	–
<b>Total distributions to owners</b>	<b>(8,357)</b>	<b>(44,282)</b>
<b>Balance at end of period</b>	<b>5,730,848</b>	<b>5,452,489</b>
<b>Reserves</b>		
<u>Asset revaluation surplus</u>		
Balance at start of period	27,254,418	27,636,301
Net revaluation increments/(decrements)		
Earthworks, Drainage, Pavements and Seals	792,408	13,683
Bridges	47,493	–
Land under roads	(353,454)	(385,942)
Road Furniture	5,493	(216)
Land and Buildings	(2,204)	(9,408)
<b>Balance at end of period</b>	<b>27,744,154</b>	<b>27,254,418</b>
<b>Accumulated surplus</b>		
Balance at start of period	15,149,306	14,426,495
Initial application of AASB 15, 16 and 1058	(257,849)	(148)
Result for the period	818,113	722,959
Income and expense recognised directly in equity	–	–
<b>Balance at end of period</b>	<b>15,709,570</b>	<b>15,149,306</b>
<b>Total Equity at end of period</b>	<b>49,184,572</b>	<b>47,856,213</b>

**9.10 Supplementary financial information**(a) Write-offs

During the financial year no asset was written off the Main Roads' asset register (2019: \$121,000) under the authority of:

	2020 \$000	2019 \$000
The accountable authority	–	121
	–	121

(b) Losses through theft, defaults and other causes

	2020 \$000	2019 \$000
Fixed asset stocktake discrepancies	–	–
	–	–

(c) Gifts of public property

	2020 \$000	2019 \$000
Gifts of public property provided by Main Roads	24	19
	24	19

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

	2020 \$000	2019 \$000
Regulatory fees	8,914	8,009
Transfer payments	8,920	8,032
Cash held in lieu of transfer	28	34

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

**9.11 Services provided free of charge**

	2020 \$000	2019 \$000
Department of Transport – accommodation costs and provision of traffic modelling services	405	388
Department of Planning, Lands and Heritage – traffic modelling	168	170
Venues West	230	392
Department of Biodiversity, Conservation & Attractions	265	–
Public Transport Authority – provision of professional services	103	353
Department of Water and Environmental Regulation	250	231
Services provided free of charge to other agencies	32	10
	<b>1,453</b>	<b>1,544</b>

**9.12 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 2019-20 are summarised below:

	2020 \$000	2019 \$000
Amount brought forward for recovery	(39)	(27)
Amount received during the period	(34)	(45)
	(73)	(72)
Expenditure during the year	43	33
<b>Amount carried forward for recovery</b>	<b>(30)</b>	<b>(39)</b>

**9.13 Explanatory statement (Controlled Operations)**

All variances between annual estimates (original budget) and actual results for 2020 and between the actual results for 2020 and 2019 are shown below. Narratives are provided for key variations selected from observed major variances, which are greater than:

- 10% and \$1.0 million for the Statements of Comprehensive Income, Cash Flows and Statement of Financial Position

	Variance Note	Original Budget 2020 \$000	Actual 2020 \$000	Actual 2019 \$000	Variance between estimate and actual \$000	Variance between actual results for 2020 and 2019 \$000
<b>9.13.1 Statement of Comprehensive Income Variances</b>						
<b>Expenses</b>						
Employee benefits expense		66,686	66,031	64,536	(655)	1,495
Supplies and services	1	663,917	446,986	431,321	(216,931)	15,665
Depreciation and impairment expenses of infrastructure assets		398,274	391,864	373,475	(6,410)	18,389
Depreciation, amortisation and impairment expenses – other	A	4,149	3,576	4,606	(573)	(1,030)
Depreciation and impairment expenses – right-of-use assets	2	4,463	739	–	(3,724)	739
Finance cost		932	194	–	(738)	194
Grants and subsidies	3 B	267,781	232,275	332,610	(35,506)	(100,335)
Other expenses	4 C	83,733	100,840	91,387	17,107	9,453
<b>Total cost of services</b>		<b>1,489,935</b>	<b>1,242,505</b>	<b>1,297,935</b>	<b>(247,430)</b>	<b>(55,430)</b>
<b>Income</b>						
<i>Revenue</i>						
Sale of goods and services	5 D	–	12,833	10,577	12,833	2,256
Commonwealth grants		723,746	667,089	622,697	(56,657)	44,392
Contributions to roadworks	6 E	77,202	128,222	70,510	51,020	57,712
Grants from other bodies	7 F	–	31,798	116,297	31,798	(84,499)
Interest revenue	8 G	10	1,221	4,287	1,211	(3,066)
Other revenue	9 H	14,107	16,290	11,883	2,183	4,407
<b>Total revenue</b>		<b>815,065</b>	<b>857,453</b>	<b>836,251</b>	<b>42,388</b>	<b>21,202</b>
<i>Gains</i>						
Gain/(loss) on disposal of non-current assets	I	–	(1)	(1,599)	(1)	1,598
<b>Total gains</b>		<b>–</b>	<b>(1)</b>	<b>(1,599)</b>	<b>(1)</b>	<b>1,598</b>
<b>Total income other than income from State Government</b>		<b>815,065</b>	<b>857,452</b>	<b>834,652</b>	<b>42,387</b>	<b>22,800</b>
<b>NET COST OF SERVICES</b>		<b>674,870</b>	<b>385,053</b>	<b>463,283</b>	<b>(289,817)</b>	<b>(78,230)</b>
<b>Income from State Government</b>						
Service appropriation	J	1,097,929	1,096,107	979,697	(1,822)	116,410
Services received free of charge		2,700	2,154	2,530	(546)	(376)
Other funds received from State Government	10 K	200,472	104,905	204,015	(95,567)	(99,110)
<b>Total income from State Government</b>		<b>1,301,101</b>	<b>1,203,166</b>	<b>1,186,242</b>	<b>(97,935)</b>	<b>16,924</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>626,231</b>	<b>818,113</b>	<b>722,959</b>	<b>191,882</b>	<b>95,154</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
<b>Items not reclassified subsequently to profit or loss</b>						
Changes in asset revaluation surplus		–	489,736	(381,883)	489,736	871,619
<b>Total other comprehensive income</b>		<b>–</b>	<b>489,736</b>	<b>(381,883)</b>	<b>489,736</b>	<b>871,619</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>626,231</b>	<b>1,307,849</b>	<b>341,076</b>	<b>681,618</b>	<b>966,773</b>

	Variance Note	Original Budget 2020 \$000	Actual 2020 \$000	Actual 2019 \$000	Variance between estimate and actual \$000	Variance between actual results for 2020 and 2019 Changed \$000
<b>9.13.2 Statement of Financial Position Variances</b>						
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents		106,236	91,221	196,875	(15,015)	(105,654)
Restricted cash and cash equivalents		68,673	214,194	188,888	145,521	25,306
Receivables		65,740	149,027	208,714	83,287	(59,687)
Amounts receivable for services		–	–	31,065	–	(31,065)
Inventories	11	3,932	1,551	914	(2,381)	637
Prepayments	12 L	9,715	11,780	14,640	2,065	(2,860)
Non-current assets classified as held for sale	13 M	11,621	4,717	6,787	(6,904)	(2,070)
<b>Total Current Assets</b>		<b>265,917</b>	<b>472,490</b>	<b>647,883</b>	<b>206,573</b>	<b>(175,393)</b>
<b>Non-Current Assets</b>						
Receivables		238	189	234	(49)	(45)
Amounts receivable for services		3,139,757	3,142,901	2,794,812	3,144	348,089
Inventories		5,408	6,202	6,619	794	(417)
Prepayments		367	1,258	386	891	872
Property, plant and equipment		438,069	401,688	405,237	(36,381)	(3,549)
Infrastructure		46,736,214	45,648,131	44,396,721	(1,088,083)	1,251,410
Intangible assets	14 N	10,816	15,789	13,668	4,973	2,121
Right-of-use assets	15 O	19,179	9,540	–	(9,639)	9,540
<b>Total Non-Current Assets</b>		<b>50,350,048</b>	<b>49,225,698</b>	<b>47,617,677</b>	<b>1,124,350</b>	<b>1,608,021</b>
<b>TOTAL ASSETS</b>		<b>50,615,965</b>	<b>49,698,188</b>	<b>48,265,560</b>	<b>917,777</b>	<b>1,432,628</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Payables		343,110	264,556	315,323	(78,554)	(50,767)
Lease liabilities	16 P	–	2,561	–	2,561	2,561
Contract liabilities	17 Q	–	2,403	–	2,403	2,403
Grants liabilities	18 R	–	197,075	–	197,075	197,075
Employee related provisions		30,303	32,247	30,534	1,944	1,713
Other provisions	19	–	1,959	2,208	1,959	(249)
<b>Total Current Liabilities</b>		<b>373,413</b>	<b>500,801</b>	<b>348,065</b>	<b>127,388</b>	<b>152,736</b>
<b>Non-Current Liabilities</b>						
Payables		–	–	56,345	–	(56,345)
Lease liabilities	20	19,479	7,337	–	(12,142)	7,337
Employee related provisions		4,925	5,426	4,937	501	489
Other provisions		–	52	–	52	52
<b>Total Non-Current Liabilities</b>		<b>24,404</b>	<b>12,815</b>	<b>61,282</b>	<b>(11,589)</b>	<b>(48,467)</b>
<b>TOTAL LIABILITIES</b>		<b>397,817</b>	<b>513,616</b>	<b>409,347</b>	<b>115,799</b>	<b>104,269</b>
<b>NET ASSETS</b>		<b>50,218,148</b>	<b>49,184,572</b>	<b>47,856,213</b>	<b>(1,033,576)</b>	<b>1,328,359</b>
<b>EQUITY</b>						
Contributed equity		5,668,380	5,730,848	5,452,489	62,468	278,359
Reserves		29,018,525	27,744,154	27,254,418	(1,274,371)	489,736
Accumulated surplus		15,531,243	15,709,570	15,149,306	178,327	560,264
<b>TOTAL EQUITY</b>		<b>50,218,148</b>	<b>49,184,572</b>	<b>47,856,213</b>	<b>(1,033,576)</b>	<b>1,328,359</b>

	Variance Note	Original Budget 2020 \$000	Actual 2020 \$000	Actual 2019 \$000	Variance between estimate and actual \$000	Variance between actual results for 2020 and 2019 \$000
<b>9.13.3 Statement of Cash Flows Variances</b>						
<b>CASH FLOWS FROM STATE GOVERNMENT</b>						
Service appropriation	S	748,518	748,018	656,678	(500)	91,340
Capital appropriation	T	239,451	257,396	287,916	17,945	(30,520)
Holding account drawdown	U	31,065	31,065	38,936	-	(7,871)
Road Trauma Trust Fund	21	63,104	42,940	42,883	(20,164)	57
Natural disaster funds	22 V	232,066	166,167	53,650	(65,899)	112,517
Royalties for Regions Fund	23 W	74,994	43,889	69,114	(31,105)	(25,225)
<b>Net cash provided by State Government</b>		<b>1,389,198</b>	<b>1,289,475</b>	<b>1,149,177</b>	<b>(99,723)</b>	<b>140,298</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee benefits		(66,686)	(61,883)	(63,373)	4,803	1,490
Supplies and services	24	(658,319)	(432,067)	(427,669)	226,252	(4,398)
Grants and subsidies	25 X	(267,781)	(237,880)	(289,890)	29,901	52,010
GST payments on purchases	26	(147,054)	(169,826)	(170,451)	(22,772)	625
Finance costs		(932)	-	-	932	-
<b>Receipts</b>						
Sale of goods and services	27 Y	84,644	100,391	117,818	15,747	(17,427)
Commonwealth grants	28 Z	619,346	498,525	622,698	(120,821)	(124,173)
Interest received	29 AA	10	1,937	4,782	1,927	(2,845)
GST receipts on sales	30	11,808	16,820	16,290	5,012	530
GST receipts from taxation authority	31	135,000	149,752	153,175	14,752	(3,423)
Other receipts	32 AB	10,907	14,242	9,357	3,335	4,885
Rent received		3,200	3,477	3,788	277	(311)
<b>Net cash provided by/(used in) operating activities</b>		<b>(275,857)</b>	<b>(116,512)</b>	<b>(23,475)</b>	<b>159,345</b>	<b>(93,037)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>Payments</b>						
Purchase of non-current assets	AC	(18,963)	(20,626)	(16,652)	(1,663)	(3,974)
Purchase of infrastructure assets		(1,246,148)	(1,235,398)	(1,264,488)	10,750	29,090
<b>Receipts</b>						
Proceeds from sale of non-current assets	33	-	5,830	6,400	5,830	(570)
<b>Net cash provided by/(used in) investing activities</b>		<b>(1,265,111)</b>	<b>(1,250,194)</b>	<b>(1,274,740)</b>	<b>14,917</b>	<b>24,546</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<b>Payments</b>						
Principal elements of lease (AASB 16) payments	34 AD	(4,163)	(3,145)	-	1,018	(3,145)
<b>Net cash provided by/(used in) financing activities</b>		<b>(4,163)</b>	<b>(3,145)</b>	<b>-</b>	<b>1,018</b>	<b>(3,145)</b>
Net increase/(decrease) in cash and cash equivalents		(155,933)	(80,348)	(149,038)	75,585	68,690
Cash and cash equivalents at the beginning of the period		330,842	385,763	534,801	54,921	(149,038)
Cash balance transferred to Other State Agencies		-	-	-	-	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>174,909</b>	<b>305,415</b>	<b>385,763</b>	<b>130,506</b>	<b>(80,348)</b>

**Major Estimate and Actual (2020) Variance Narratives**

- 1 Supplies and services underspent by \$216.9 million (32.7%) mainly due to \$112 million more capitalised than anticipated. This amount is reported under infrastructure and fixed asset within the balance sheet. Moreover, the underspend on Local Roads and WANDRRA reimbursements (e.g. WANDRRA, Outback Way and Tanami Road) is also a major reason for payments being lower than the budget.
- 2 Depreciation for right-of-use assets is overestimated by \$3.7 million (83.4%) due to the exclusion of leases under the Government Office Accommodation arrangements.
- 3 Grants and subsidies is lower than budgeted by \$35.50 million (13.3%) due to an underspend within the Local Government managed program (Road Project Grants) and an underspend for natural disaster events under the WA Natural Disaster Relief and Recovery Arrangements.
- 4 Other expenses is higher than budgeted by \$17.1 million (20.4%) mainly due to the write down of costs relating to preconstruction activities for the Roe Highway extension from Bibra Drive to Stock Road.
- 5 No budget was allocated to the sales of goods and services as this is incorporated in contribution to roadworks budget.
- 6 The contribution to roadworks was higher than budgeted by \$51.0 million (66.0%) mainly due to more works undertaken than anticipated and recognition of Road Maintenance Contribution scheme as revenue resulting from the implementation of AASB 15. These funds were recognised as liability during previous financial year.
- 7 No transfer was anticipated this financial year. The variance is mainly due to the transfer of Kwinana Beach and Rockingham Roads to Main Roads from local government.
- 8 Interest revenue was underestimated by \$1.2 million due to the interest earned on funds invested for Land Transport Infrastructure Projects not in the budget.
- 9 Other revenue is higher than budgeted by \$2.2 million (15.5%) mainly due to more traffic escort services provided for oversize road trains than anticipated.
- 10 Other funds received from State Government was lower than budgeted by \$95.6 million (47.7%) mainly due reduction in WANDRRA reimbursements from Department of Fire and Emergency Services (DFES).
- 11 Inventories is lower than budgeted by \$2.3 million (60.6%) due to higher than anticipated gravel and other road material usage on roadwork projects.
- 12 Prepayments were under budgeted by \$2.1 million (21.3%) as the insurance premium was not appropriately estimated.
- 13 Non-current asset held for sale is lower than budgeted by \$6.9 million (59.4%) as lower number of property assets are approved for sale.
- 14 Intangible assets is higher than budgeted by 5.0 million (46.0%) mainly due to greater works undertaken on Project Management Office systems and the implementation of Oracle Applications Cloud.
- 15 Right-of-use assets is lower than budgeted by \$9.6 million (50.3%) due to the exclusion of leases from Government Office Accommodations arrangements.
- 16 Lease liabilities is higher than budgeted by \$2.6 million mainly due to implementation of AASB 16 Leases. This is a newly added item with limited historical detail for budget base.
- 17 Contract liabilities are higher than budget by \$2.4 million mainly due to implementation of AASB 15 Contract Revenue. This is a newly added item with limited historical detail for budget base.
- 18 Grants liabilities are higher than budget by \$197.1 million mainly due to implementation of AASB 1058 Grants Revenue. The baseline budget is incorporated within payables (\$343.1 million).
- 19 No budget was allocated for rehabilitation of environment where projects did not proceed.
- 20 Lease liabilities is lower than budgeted by \$12.1 million (62.3%) due to the exclusion of leases from the Government Office Accommodations arrangements.
- 21 Road Trauma Trust Fund related receipts remained below budget by \$20.2 million (32.0%) due to delayed delivery of Metro Intersection program (\$2.8 million) and Run-off road treatment program (\$14.5 million). The budget is carried forward into next financial year.
- 22 Natural disaster funds was overestimated by \$65.9 million (28.4%) due to reduction in Local Government WANDRRA claims.
- 23 Royalties for regions was overestimated by \$31.1 million (41.5%) due to COVID-19 delays in regional projects.
- 24 Supplies and Services payments remained below budget by \$226.3 million (34.4%) mainly due to \$112 million worth of works budgeted under this item are capitalised and related cashflows are under investing activities. Moreover, the underspend on Local Roads and WANDRRA reimbursements (e.g. WANDRRA, Outback Way and Tanami Road) is also a major reason for payments being lower than the budget.
- 25 Grants and subsidies payment is lower than budget by \$29.9 million (11.2%) due to underspend within the Local Roads program – Road Project Grants.
- 26 GST payments on purchases is underestimated by \$22.8 million (15.5%) due to higher than anticipated input tax credit claims.
- 27 Sale of goods and services is underestimated by \$15.7 million (18.6%) mainly due to third party works being higher than expected.

- 28 Commonwealth grant receipt is lower than budget by \$120.8 million (19.5%) mainly due to reduction in works undertaken. Northlink WA Project receiving \$49.8 million this year compared to \$188 million in the previous financial year.
- 29 Interest received was underestimated by \$1.9 million due to the interest earned on funds invested for Land Transport Infrastructure Projects not in the budget.
- 30 GST receipts on sales is underestimated by \$5.0 million (42.4%) resulting from higher than anticipated GST collected from services provided to third parties.
- 31 GST receipts from taxation authority is underestimated by \$14.8 million (10.9%) due to higher than anticipated input tax credit claims.
- 32 Other receipts is underestimated by \$3.3 million (30.6%) due to higher than anticipated road maintenance contribution received during this financial year.
- 33 Proceeds from sale of non-current assets is higher by \$5.8 million (100%) as no sale was anticipated during the year.
- 34 Principal elements of lease payments is overestimated by \$1.0 million (24.5%) is due to the exclusion of the leases under the Government Office Accommodation arrangements.

**Major Actual (2020) and Comparative (2019) Variance Narratives**

- A Depreciation expense of other assets decreased by \$1.0 million (22.4%) mainly due to higher depreciation expense capitalised to the infrastructure assets.
- B Grants and subsidies decreased by \$100.3 million (30.2%) mainly due to an underspend within the Local Government managed program (Road Project Grants) and an underspend for natural disaster events under the WA Natural Disaster Relief and Recovery Arrangements.
- C Other expenses increased by \$9.5 million (10.3%) mainly due to the write down of costs relating to preconstruction activities for the Roe Highway extension from Bibra Drive to Stock Road.
- D Sale of goods and services revenue increased by \$2.3 million (21.3%) mainly due to more services provided to Department of Transport for Commercial Vehicle Surveys and West Port works.
- E Contribution to roadworks revenue increased by \$57.7 million (81.8%) mainly due to contributions for the Onslow Road Upgrade project and the Hamersley Iron Koodaideri Road Over Rail Bridge Project.
- F Grants from other bodies decreased by \$84.5 million (72.7%) due to lower value of assets received compared to the previous year. Warrida road and Marble Bar road realignment, which were received in the last financial year, had much higher values compared to the assets received in the current year.
- G Interest revenue decreased by \$3.1 million (71.5%) mainly due to the utilisation of funds received for the Land Transport Infrastructure Projects.
- H Other revenue increased by \$4.4 million (37.0%) mainly due to more traffic escort services provided for oversize road trains compared to previous year.
- I Loss on disposal decreased by \$1.6 million (99.0%) due to the consideration received for the assets sold was close to the assets' carrying amount.
- J Service appropriation increased by \$116.4 million (11.9%) mainly due to additional funding for local government road works (e.g. Broome Cape Leveque, Outback Way and Stephenson Avenue).
- K Other funds received from State Government decreased by \$99.1 million (48.6%) mainly due to reduction in WANDRRA reimbursements from Department of Fire and Emergency Services (DFES).
- L The prepayments decreased by the \$2.8 million (19.5%) mainly due to \$8.0 million utilised for Metropolitan Road Improvement Alliance and Smart Freeways – Kwinana Fwy Northbound (Farrington to Narrows Bridge).
- M Non-current assets held for sale decreased by \$2.1 million (30.5%) as lower number of assets were approved for sale compared to the previous year.
- N Intangible assets increased by \$2.1 million (15.5%) mainly due to greater works undertaken on Project Management Office systems and the implementation of Oracle Applications Cloud.
- O This is a new asset category created as a result of new accounting standard implementation (AASB 16 Leases).
- P This is a new liability category created since previous year as a result of new accounting standard implementation (AASB 16 Leases).
- Q This is a new liability category created since previous year as a result of new accounting standard implementation (AASB 15 Contract Revenue).
- R This is a new liability category created since previous year as a result of new accounting standard implementation (AASB 1058 Grants Revenue).
- S Service appropriation increased by \$91.3 million (13.9%) mainly due to additional funding for local road works (e.g. Broome Cape Leveque, Outback Way and Stephenson Avenue).
- T Capital appropriation decreased by \$30.5 million (10.6%) mainly due to lower allocation of Capital Appropriation from Motor Vehicle License fees compared to previous financial year.
- U Holding account drawdown decreased by \$7.9 million (20.2%) mainly due to lower amount approved for drawdown compared to the previous financial year.
- V Natural disaster funds increased by \$112.5 million (209.7%) mainly due to the recovery of WANDRRA reimbursements to local governments from Department of Fire and Emergency Services.
- W Royalties for regions decreased by \$25.2 million (36.5%) mainly due to reduced number of projects completed compared to the previous financial year.
- X Grants and subsidies decreased by \$52.0 million (17.9%) due to underspend within the Local Roads program – Road Project Grants.
- Y Sales of goods and services decreased by \$17.4 million (14.8%) mainly due to lower volume of works compared to previous financial year.
- Z Commonwealth grants and contributions decreased by \$124.2 million (19.9%) mainly due to Northlink WA Project receiving \$49.8 million this year compared to \$188 million in the previous financial year.
- AA Interest receipt decreased by \$2.8 million (59.5%) mainly due to the utilisation of funds received for the Land Transport Infrastructure Projects.
- AB Other receipts increased by \$4.9 million (52.2%) due to higher road maintenance contribution received during this financial year.
- AC The payment increased by \$3.9 million (23.9%) mainly due to the development of new software applications.
- AD Principal element of lease payments increased by \$3.1 million due to payments previously recognised as operating lease payments under Supplies and services.