Notes to the financial statements for the year ended 30 June 2023

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. These annual financial statements were authorised for issue by the accountable authority of Main Roads on 30 August 2023.

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 (**TIs**)
3) Australian Accounting Standards including applicable interpretations
4) where appropriate, those Australian Accounting Standards paragraphs applicable for not-for-profit entities have been modified.

The FMA and the TIs take precedence over Australian Accounting Standards. Several Australian Accounting Standards are modified by the TIs to vary application, disclosure format and wording. Where modification is required and has 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.

Accounting for Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except that the:

(a) amount of GST incurred by Main Roads as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition or as part of an item of expense; and

(b) receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of cash flows on a gross basis. However, the GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Contributed equity

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 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 will be credited directly to Contributed equity.

Notes to the Financial Statements
for the year ended 30 June 2023 *continued*

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.

	Notes
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 State 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.

Schedule of Income and Expenses by Service for 2021-22 and 2022-23 (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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
COST OF SERVICES																
Expenses																
Employee benefits expense	9,292	8,440	119,625	102,732	24,965	23,645	3,012	2,014	31,696	18,228	7,682	7,200	(92,727)	(84,097)	103,545	78,162
Supplies and services	306,306	300,653	92,464	85,075	1,090,384	834,395	74,695	53,867	568,864	467,960	412,875	427,261	(1,904,074)	(1,583,104)	641,513	586,106
Depreciation of infrastructure assets	0	0	0	0	0	0	0	0	525,956	443,089	0	0	0	0	525,956	443,089
Depreciation and amortisation of other non-current assets	2,839	2,911	1,576	1,379	9,088	7,021	1,810	1,260	6,151	4,958	3,759	3,781	(17,370)	(14,184)	7,854	7,125
Finance Costs	0	0	133	90	39	3	28	1	210	179	60	11	0	0	471	283
Grants and subsidies	38,004	60,016	3,358	2,666	13,854	35,117	150,872	101,872	167,863	142,051	46,792	45,082	(5,636)	(2,527)	415,106	384,278
Infrastructure assets retired or replaced	0	0	0	0	0	0	0	0	0	0	0	0	45,298	65,853	45,298	65,853
Total cost of services	**356,441**	**372,020**	**217,156**	**191,942**	**1,138,330**	**900,180**	**230,417**	**159,015**	**1,300,740**	**1,076,464**	**471,168**	**483,334**	**(1,974,509)**	**(1,618,059)**	**1,739,743**	**1,564,895**
Income																
Revenue																
Sale of goods and services	0	0	1,678	2,105	494	77	355	23	2,653	4,190	763	251	0	0	5,943	6,646
Commonwealth grants and contributions	190,445	224,089	0	0	554,181	507,897	5	17,000	312,878	57,378	85,907	134,543	0	0	1,143,417	940,907
Contributions to roadworks	2,461	1,670	6	38	19,654	12,871	8,536	7,092	474	1,827	38,224	38,783	0	0	69,355	62,281
Grants from other bodies	1,612	9,303	895	4,408	5,161	22,435	1,027	4,026	3,492	15,842	2,134	12,082	0	0	14,321	68,097
Interest revenue	68	15	38	7	218	36	43	6	148	25	90	19	0	0	605	108
Other revenue	2,051	2,346	1,138	1,111	6,566	5,656	1,307	1,015	4,444	3,994	2,716	3,046	0	0	18,223	17,169
Total revenue	**196,638**	**237,422**	**3,756**	**7,670**	**586,274**	**548,973**	**11,275**	**29,162**	**324,088**	**83,257**	**129,834**	**188,725**	**0**	**0**	**1,251,864**	**1,095,208**
Gains																
Gain on disposal of non-current assets	(3)	91	(2)	(37)	(10)	219	(2)	39	(7)	155	(4)	(412)	0	0	(28)	55
Total gains	**(3)**	**91**	**(2)**	**(37)**	**(10)**	**219**	**(2)**	**39**	**(7)**	**155**	**(4)**	**(412)**	**0**	**0**	**(28)**	**55**
Total income other than income from State Government	**196,634**	**237,512**	**3,754**	**7,633**	**586,264**	**549,191**	**11,273**	**29,201**	**324,081**	**83,412**	**129,830**	**188,313**	**0**	**0**	**1,251,836**	**1,095,263**
NET COST OF SERVICES	**159,807**	**134,508**	**213,402**	**184,309**	**552,065**	**350,989**	**219,144**	**129,813**	**976,659**	**993,052**	**341,338**	**295,021**	**(1,974,509)**	**(1,618,059)**	**487,907**	**469,632**
INCOME FROM STATE GOVERNMENT																
Service appropriation	54,358	74,672	260,504	271,930	112,882	27,816	221,111	172,185	606,892	630,477	109,880	67,169	0	0	1,365,628	1,244,248
Resources received free of charge	221	265	123	125	709	638	141	115	480	451	293	344	0	0	1,967	1,937
Other State Government Funds	26,911	24,752	0	0	181	17,879	0	5,015	113,824	7,260	0	0	0	0	140,916	54,904
Capital contribution	85,907	88,565	317	1,811	291,590	230,886	10,868	23,918	117,342	80,863	112,612	64,664	(618,636)	(490,707)	0	0
Revenue from Other Government Agencies	6,162	5,689	15	130	49,215	43,863	21,375	24,166	1,187	6,226	95,715	132,165	0	0	173,669	212,240
Total income from State Government	**173,559**	**193,942**	**260,959**	**273,996**	**454,576**	**321,082**	**253,496**	**225,399**	**839,725**	**725,276**	**318,500**	**264,341**	**(618,636)**	**(490,707)**	**1,682,180**	**1,513,330**
SURPLUS/DEFICIT FOR THE PERIOD	**13,752**	**59,434**	**47,557**	**89,688**	**(97,489)**	**(29,907)**	**34,352**	**95,585**	**(136,934)**	**(267,775)**	**(22,839)**	**(30,680)**	**1,355,873**	**1,127,352**	**1,194,273**	**1,043,698**

The schedule of income and expenses should be read in conjunction with accompanying notes

Notes to the financial statements for the year ended 30 June 2023 *continued*

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	2023 $000	2022 $000
Employee benefits expenses	3.1(a)	103,545	78,162
Employee related provisions	3.1(b)	47,838	43,441
Grants and subsidies	3.2	460,276	384,277
Other expenditure	3.3	641,641	651,959

3.1(a) EMPLOYEE BENEFITS EXPENSES

	2023 $000	2022 $000
Employee benefits	178,509	148,142
Termination benefits	41	49
Superannuation – defined contribution plans	17,800	14,124
Total employee benefits expenses	**196,350**	**162,315**
Add: AASB 16 Non-monetary benefits (not included in employee benefits expense)	183	174
Less: Employee Contributions (per the statement of comprehensive income)	(261)	(230)
Net employee benefits		
Less: capitalised to infrastructure	(92,727)	(84,097)
	103,545	**78,162**

Employee benefits include wages, salaries and social contributions, accrued and paid annual leave entitlements and paid sick leave; and non-monetary benefits recognised under accounting standards other than AASB 16 (such as medical care, housing, cars and free or subsidised goods or services) for employees.

Termination benefits are 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 is the amount recognised in profit or loss of the Statement of comprehensive income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, other GESB schemes or other superannuation funds.

Capitalisation to infrastructure is where applicable employee benefit expenses are capitalised to the infrastructure assets.

AASB 16 non-monetary benefits are non-monetary employee benefits predominantly relating to the provision of vehicle and housing benefits that are recognised under AASB 16 which are excluded from the employee benefits expense.

Employee contributions are contributions made to Main Roads by employees towards employee benefits that have been provided by Main Roads. This includes both AASB 16 and non-AASB 16 employee contributions.

3.1(b) EMPLOYEE RELATED PROVISIONS

	2023 $000	2022 $000
Current		
Employee benefits provisions		
Annual leave	20,427	18,969
Long service leave	20,260	18,612
	40,687	37,581
Other provisions		
Employment on-costs	(26)	(157)
Total current employee related provisions	40,661	37,424
Non-current		
Employee benefits provisions		
Long service leave	7,182	6,042
Other provisions		
Employment on-costs	(5)	(25)
Total non-current employee related provisions	7,177	6,017
Total employee related provisions	**47,838**	**43,441**

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.

Annual leave liabilities are 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:

	2023 $000	2022 $000
Within 12 months of the end of the reporting period	13,979	11,890
More than 12 months after the end of the reporting period	6,448	7,079
	20,427	**18,969**

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.

Long service leave liabilities are unconditional long service leave provisions and 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:

	2023 $000	2022 $000
Within 12 months of the end of the reporting period	4,562	3,542
More than 12 months after the end of the reporting period	22,880	21,112
	27,442	**24,654**

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.

Notes to the financial statements for the year ended 30 June 2023 *continued*

3.1(b) EMPLOYEE RELATED PROVISIONS continued

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 premiums, 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'. This year the provision was negative due to refund of overpayments in the previous years. The related liability offset is included in 'Employment on-costs provision'.

	2023 $000	2022 $000
Employment on-costs provision		
Carrying amount at start of period	(182)	(191)
Additional/(reversal of) provisions recognised	151	9
Carrying amount at end of period	**(31)**	**(182)**

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

	2023 $000	2022 $000
Recurrent		
Grants and subsidies to local government and other bodies [a]	243,912	258,179
Capital		
Grants and subsidies to local government and other bodies [b]	201,983	122,427
Grants of non-current assets to local government and other bodies	14,381	3,671
Total grants and subsidies	**460,276**	**384,277**

(a) Include payments made to Department of Transport. Refer to Note 9.5.

(b) Include payments made to Public Transport Authority. Refer to Note 9.5.

Transferred infrastructure assets at fair value to Local Government and other bodies based on formal proclamation. The transferred assets during the year ended 30 June 2023 include Knock Place (City of Cockburn).

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 and subsidies expenses'. Grants and subsidies can either be operating or capital in nature. These payments or transfers are recognised at fair value at the time of the transaction and are recognised in the reporting period in which they are paid. 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

	2023 $000	2022 $000
Supplies and services		
Insurance	3,099	2,996
Accommodation, plant and equipment hire costs [(a)]	7,351	9,097
Electricity, gas and water	11,742	11,173
Building maintenance and equipment	8,447	7,373
Advertising	328	321
Communications	5,924	4,810
Consultants and contractors [(b)]	520,815	519,684
Consumables	3,149	2,385
Materials	2,668	1,038
Expected credit losses/(reversal)	112	(247)
Licences, fees and registration	16,591	13,975
Other	16,117	13,500
Total supplies and services expenses	**596,343**	**586,105**

(a) Include payments to Department of Finance. Refer to Note 9.5.

(b) Include payments made to Department of Transport. Refer to Note 9.5.

	2023 $000	2022 $000
Other expenses		
Non-current assets retired/replaced	45,532	66,009
Write-down of non-current assets classified as held for sale	(234)	(331)
Write-(back)/down of infrastructure works in progress	–	176
Total other expenses	**45,298**	**65,854**
Total other expenditure	**641,641**	**651,959**

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:

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

Office rental is expensed as incurred as Memorandum of Understanding Agreements between Main Roads and the Department of Finance for the leasing of office accommodation contain significant substitution rights.

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 recognised for movement in allowance for impairment of trade receivables. Please refer to note 6.1.1 Receivables for more details.

Other expenses
Non-current assets replaced or retired: Non-current assets replaced or retired during the year have been expensed at their carrying amount. Projects include Great Northern Highway Bindoon Bypass project, Bussell Highway second carriageway between Capel and Ludlow, Armadale Road Bridge over Kwinana Freeway project and various bridge replacements and roads reseal program.

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.

Notes to the financial statements for the year ended 30 June 2023 *continued*

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	2023 $000	2022 $000
Income from State Government	4.1	1,682,180	1,513,330
Sale of goods and services	4.2	5,943	6,646
Commonwealth grants	4.3	1,143,417	940,907
Contributions to roadworks	4.4	69,355	62,281
Grants from other bodies	4.5	14,321	68,097
Interest income	4.6	605	108
Other income	4.7	18,223	17,169
Gain/(loss) on disposal	4.8	(28)	55

4.1 INCOME FROM STATE GOVERNMENT

	2023 $000	2022 $000
Appropriation received during the period:		
Motor vehicle licence fees [(a)]	883,629	829,327
Untied funds [(b)]	470,223	404,042
Motor vehicle permit fees [(c)]	11,349	10,453
Salaries and Allowances Act 1975	427	426
	1,365,628	1,244,248
Resources received free of charge from other public sector entities during the period [(d)]:		
WA Land Information Authority (Landgate)	482	40
Department of Justice (State Solicitor's Office)	1,370	1,845
WA Police Force (Road Safety Commission)	57	–
Department of Finance	40	45
Other	18	7
Total service appropriation received	1,967	1,937
Income from other public sector entities		
Road Trauma Trust Fund [(e)]	26,911	24,752
Natural disaster funds [(f)]	33,471	2,353
Royalties for Regions Fund [(g)]	80,534	27,800
Contributions to roadworks [(h)]	173,669	212,240
Total other funds	314,585	267,145
Total Income from other public sector entities	**1,682,180**	**1,513,330**

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. Main Roads gains control of appropriated funds at the time those funds are deposited in the bank account or credited to the holding account held at Treasury.

(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 2022-23 was $1,204.715 million (2021-22: $1,120.355 million). An amount of $883.629 million (2021-22: $829.327 million) was received as a service appropriation and the balance of $321.086 million (2021-22: $291.028 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 2022-23 was $750.574 million (2021-22: $543.029 million). This includes a service appropriation of $470.223 million (2021-22: $404.042 million) and a capital contribution of $280.351 million (2021-22: $138.987 million). The service appropriation includes $62.585 million cash component (2021-22: $36.322) and a $407.638 million (2021-22: $367.720 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 certain types of vehicles. Main Roads charges a fee to issue the permits in accordance with the regulations.

(d) Resources received free of charge from other public sector entities
Resources received free of charge from other public sector entities is recognised as income equivalent to the fair value of assets received or the fair value of services that can be reliably determined and which would have been 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 National Emergency Management Agency 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.

(h) Contributions to roadworks
This revenue represents contributions by public entities 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.

Summary of consolidated account appropriations
for the year ended 30 June 2023

	2023 Budget Estimate $000	2023 Supplementary Funding $000	2023 Revised Budget $000	2023 Actual $000	2023 Variance $000
Delivery of Services					
Item 84 Net amount appropriated to deliver services	444,704	25,519	470,223	470,223	–
Amount Authorised by Other Statutes					
– *Road Traffic Act 2008*	771,717	123,261	894,978	894,978	–
– *Salaries and Allowances Act 1975*	427	–	427	427	–
Total appropriations provided to deliver services	**1,216,848**	**148,780**	**1,365,628**	**1,365,628**	**–**
Capital					
Item 145 capital appropriation	78,053	202,298	280,351	280,351	–
Amount Authorised by Other Statutes					
– *Road Traffic Act 2008*	405,010	(83,924)	321,086	321,086	–
GRAND TOTAL	**1,699,911**	**267,154**	**1,967,065**	**1,967,065**	**–**

Notes to the financial statements for the year ended 30 June 2023 *continued*

4.2 SALE OF GOODS AND SERVICES

	2023 $000	2022 $000
Sale of goods and services	5,943	6,646

This amount represents works undertaken for other private bodies and includes the recovery of expenditure from the Commonwealth Department of Infrastructure, Transport, Regional Development, Communications and the Arts under service delivery arrangements with the Shires of Christmas Island and Cocos (Keeling) Island. The amounts expended or set aside for expenditure during 2022-23 are summarised at note 9.12 'Indian Ocean Territories'.

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.

4.3 COMMONWEALTH GRANTS

	2023 $000	2022 $000
Commonwealth grants		
– Land Transport Infrastructure Projects	1,143,417	940,907
	1,143,417	**940,907**

Commonwealth grants
Income from grants to construct a recognisable non-financial asset to be controlled by Main Roads is recognised when Main Roads satisfies its obligations under the transfer. Main Roads satisfies the obligations under the transfer to construct assets over time as the non-financial assets are being constructed. Main Roads typically satisfies the obligations under the transfer when it achieves milestones specified in the grant agreement or spends the grants in constructing the asset. Amounts received in advance of obligation satisfaction are reported at note 6.8.

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.

4.4 CONTRIBUTIONS TO ROADWORKS

	2023 $000	2022 $000
Contributions to roadworks	69,355	62,281

This revenue represents contributions by 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.

4.5 GRANTS FROM OTHER BODIES

	2023 $000	2022 $000
Grants from local government authorities and other bodies		
Transferred infrastructure assets at fair value [(a)]	7,836	35,855
Local Government contribution to traffic signal construction	1,260	573
Developers contribution to roadworks [(b)]	5,225	31,669
	14,321	**68,097**

(a) Transferred infrastructure assets at fair value are transfers from Local Government to State Government based on formal proclamation. Transferred assets during the year ended 30 June 2023 include Marriott Road (Shire of Harvey).

(b) The developers contribution to roadworks relate to construction costs met by private developers on roads owned by Main Roads. The roadworks include Cockburn Road and Quill Way (Development WA grant), North West Coastal Highway and Cockburn Mineral Sands intersection (Strandline Resources grant) and Great Northern Highway and Miners Pass Road intersection (Westgold Mining grant).

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

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

4.6 INTEREST INCOME

	2023 $000	2022 $000
Land Transport Infrastructure Projects interest revenue	414	89
Other interest revenue	191	19
	605	**108**

Revenue is recognised as the interest accrues.

4.7 OTHER INCOME

	2023 $000	2022 $000
Rental income	3,825	3,183
Traffic escort services	8,811	12,016
Assets not previously recognised	2,727	–
Other	2,860	1,970
	18,223	**17,169**

Other revenues are mainly recognised at fair value when rent is accrued or Main Roads obtains control over the assets or performance obligations are achieved.

4.8 GAIN/(LOSS) ON DISPOSAL

	2023 $000	2022 $000
Net proceeds from disposal of non-current assets		
Land acquired for roadworks	(27)	2,026
Land and buildings	–	–
Plant, equipment and vehicles	8	88
	(19)	2,114
Carrying amount of non-current assets disposed		
Land acquired for roadworks	–	1,959
Land and buildings	–	81
Plant, equipment and vehicles	10	19
Right-of-use asset	(1)	–
	9	2,059
Net gain/(loss)	**(28)**	**55**

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 insurable events are treated as other expenses (write-off of assets destroyed by fire/storm/earthquake etc.). The subsequent insurance recovery is treated as other income when it is received or receivable.

Notes to the financial statements for the year ended 30 June 2023 *continued*

5 KEY ASSETS

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

	Notes	2023 $000	2022 $000
Property, plant and equipment	5.1	588,975	448,163
Infrastructure	5.2	61,038,569	54,657,705
Intangible assets	5.3	7,861	6,602
Right-of-use assets	5.4	7,990	7,547
Total key assets		**61,643,395**	**55,120,017**

5.1 PROPERTY, PLANT AND EQUIPMENT

	2023 $000	2022 $000
Land		
At fair value	88,657	72,838
	88,657	72,838
Buildings		
At fair value	128,844	116,081
Accumulated depreciation	(70)	(63)
	128,774	116,018
Buildings under construction		
Construction costs	18,228	9,144
	18,228	9,144
Plant, equipment and vehicles		
At cost	64,656	53,353
Accumulated depreciation	(43,586)	(37,736)
	21,070	15,617
Surplus assets		
At fair value	77,283	71,168
Accumulated depreciation	–	–
	77,283	71,168
Land acquired for roadworks		
At fair value	254,963	163,378
	254,963	163,378
Total property, plant and equipment	**588,975**	**448,163**

Information on fair value measurements is provided in note 8.3.

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

Year ended 30 June 2023	Land $000	Buildings $000	Buildings under construction $000	Plant, equipment and vehicles $000	Surplus assets $000	Land acquired for roadworks $000	Total $000
Carrying amount at 1 July 2022	**72,838**	**116,018**	**9,144**	**15,617**	**71,168**	**163,378**	**448,163**
Additions [(a)]	–	2,201	10,546	9,962	–	54,910	77,619
Disposals	(24)	–	–	(10)	–	–	(34)
Classified as held for sale	29	–	–	–	752	801	1,582
Transfers	434	1,028	(1,462)	–	–	–	–
Transfer (to)/from infrastructure	(44)	–	–	–	(516)	(1,052)	(1,612)
Equity contribution/(distribution)	(345)	–	–	–	(19)	–	(364)
Revaluation increments/(decrements)	15,867	20,901	–	–	6,050	36,926	79,744
Assets not previously recognised/Grants	(98)	–	–	2,727	–	–	2,629
Depreciation	–	(11,374)	–	(7,226)	(152)	–	(18,752)
Carrying amount at 30 June 2023	**88,657**	**128,774**	**18,228**	**21,070**	**77,283**	**254,963**	**588,975**

(a) Include payments made to Department of Finance and Department of Justice (State Solicitor's Office). Refer to Note 9.5.

Year ended 30 June 2022	Land $000	Buildings $000	Buildings under construction $000	Plant, equipment and vehicles $000	Surplus assets $000	Land acquired for roadworks $000	Total $000
Carrying amount at 1 July 2021	**65,955**	**96,357**	**14,861**	**14,741**	**67,633**	**149,414**	**408,961**
Additions [(a)]	522	–	15,851	4,803	–	955	22,131
Disposals	–	(761)	–	(19)	(82)	–	(862)
Classified as held for sale	(50)	(105)	–	–	(1,849)	6,752	4,748
Transfers	2,421	19,147	(21,568)	–	–	–	–
Transfer (to)/from infrastructure	(22)	–	–	–	(2,500)	(2,440)	(4,962)
Equity contribution/(distribution)	(126)	–	–	–	(452)	(558)	(1,136)
Revaluation increments/(decrements)	4,237	10,980	–	–	8,692	9,325	33,234
Impairment losses	–	–	–	–	–	–	–
Assets not previously recognised	(99)	–	–	–	(93)	(70)	(262)
Depreciation	–	(9,600)	–	(3,908)	(181)	–	(13,689)
Carrying amount at 30 June 2022	**72,838**	**116,018**	**9,144**	**15,617**	**71,168**	**163,378**	**448,163**

(a) Include payments made to Department of Justice (State Solicitor's Office). Refer to Note 9.5.

Notes to the financial statements for the year ended 30 June 2023 *continued*

5.2 INFRASTRUCTURE

	Notes	2023 $000	2022 $000
Roads and principal shared paths			
Earthworks at fair value		17,369,826	16,575,910
Accumulated depreciation		(3,737,497)	(3,588,111)
		13,632,329	12,987,799
Pavement at fair value		10,777,197	12,266,511
Accumulated depreciation		(6,186,818)	(7,061,722)
		4,590,379	5,204,789
Drainage at fair value		3,967,270	–
Accumulated depreciation		(1,871,352)	–
	9.2	2,095,918	–
Seals at fair value		2,489,539	2,120,437
Accumulated depreciation		(1,431,749)	(1,157,685)
		1,057,790	962,752
Land under roads			
At fair value		29,099,512	26,834,231
		29,099,512	26,834,231
Bridges			
At fair value		9,027,334	7,560,872
Accumulated depreciation		(2,819,399)	(2,308,926)
		6,207,935	5,251,946
Road furniture			
At fair value		979,884	989,432
Accumulated depreciation		(464,889)	(422,569)
		514,995	566,863
Infrastructure work in progress			
At cost		3,839,711	2,849,325
		3,839,711	2,849,325
TOTAL INFRASTRUCTURE		**61,038,569**	**54,657,705**

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

Year ended 30 June 2023	Roads and principal shared paths $000	Road Drainage $000	Land under roads $000	Bridges $000	Road furniture $000	Work in progress $000	Total $000
Carrying amount at 1 July 2022	19,155,340	–	26,834,231	5,251,946	566,863	2,849,325	54,657,705
Additions [(a)]	–	–	–	–	–	2,019,805	2,019,805
Retirements	(37,238)	(107)	–	(2,712)	(5,469)	–	(45,526)
Transfers [(b)]	(140,184)	925,565	53,129	146,835	44,074	(1,029,419)	–
Transfer (to)/from land acquired for roadworks	–	–	1,612	–	–	–	1,612
Revaluation increments/(decrements)	686,536	1,185,212	2,215,801	892,804	(49,708)	–	4,930,645
Highways and main roads reclassified as local roads	(8,500)	–	(5,782)	–	–	–	(14,282)
Local roads classified as highways and main roads	11,333	–	521	812	1,655	–	14,321
Equity contribution/(distribution)	240	–	–	–	5	–	245
Assets not previously recognised	–	–	–	–	–	–	–
Write-down of infrastructure work in progress	–	–	–	–	–	–	–
Depreciation	(387,029)	(14,752)	–	(81,750)	(42,425)	–	(525,956)
Carrying amount at 30 June 2023	**19,280,498**	**2,095,918**	**29,099,512**	**6,207,935**	**514,995**	**3,839,711**	**61,038,569**

(a) Include payments to Department of Justice (State Solicitor's Office) and Department of Biodiversity Conservation & Attractions. Refer to Note 9.5.

(b) Include $894 million transferred to a newly created Road Drainage asset category on 31 March 2023. Refer to Note 9.2.

Year ended 30 June 2022	Roads and principal shared paths $000	Road Drainage $000	Land under roads $000	Bridges $000	Road furniture $000	Work in progress $000	Total $000
Carrying amount at 1 July 2021	16,910,506	–	25,293,358	4,662,706	466,481	2,177,600	49,510,651
Additions [(a)]	–	–	–	–	–	1,683,613	1,683,613
Retirements	(47,938)	–	–	(8,809)	(1,943)	–	(58,690)
Transfers	730,757	–	35,999	152,051	92,906	(1,011,712)	–
Transfer (to)/from land acquired for roadworks	–	–	4,962	–	–	–	4,962
Revaluation increments/(decrements)	1,861,645	–	1,465,923	518,794	52,984	–	3,899,346
Highways and main roads reclassified as local roads	(3,365)	–	(6)	(38)	–	–	(3,409)
Local roads classified as highways and main roads	30,513	–	33,995	77	3,512	–	68,097
Equity contribution/(distribution)	4,529	–	–	–	(8,131)	–	(3,602)
Assets not previously recognised	–	–	–	–	–	–	–
Write-back of infrastructure work in progress	–	–	–	–	–	(176)	(176)
Depreciation	(331,307)	–	–	(72,835)	(38,946)	–	(443,088)
Carrying amount at 30 June 2022	**19,155,340**	**–**	**26,834,231**	**5,251,946**	**566,863**	**2,849,325**	**54,657,704**

(a) Include payments to Department of Justice (State Solicitor's Office) and Western Power. Refer to Note 9.5.

Notes to the financial statements

for the year ended 30 June 2023 *continued*

5.2 INFRASTRUCTURE continued

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 (Landgate) 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 2022 by the Western Australian Land Information Authority (Landgate) in conjunction with estimations by Main Roads' management. The valuations were performed during the year ended 30 June 2023 and recognised at 30 June 2023.

Significant assumptions and judgements:

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 Landgate for the period 1 July 2021 to 1 July 2022. These properties have been valued based on the average percentage increase for the Metro and Rural areas respectively over the period 1 July 2021 to 1 July 2022. The average percentage increases have been determined by calculating the movement in the value of Main Roads' Metro and Rural properties where Landgate have provided a value. The effective date of the valuations is 1 July 2022. In undertaking the revaluation, fair value was determined by reference to market values of Freehold land $66.734 million (2021-22: $64.736) and Buildings $84.115 million (2021-22: $101.339). 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 professional estimators specialising in road infrastructure works) to ensure the carrying values do not materially differ from fair value. The value of bridges at 30 June 2023 is based on the current replacement cost determined at 30 June 2023 calculated using construction unit rates provided by professional estimators 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 roads and principal shared paths (earthworks, drainage, pavements and seals), bridges and 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 professional estimators 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 2023 is based on the current replacement cost determined at 30 June 2023. This was calculated as at 30 June 2023 using construction unit rates determined by professional estimators 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 2023. The revaluation process resulted in a gain as at 30 June 2023.

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 (Landgate) 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	2023 $000	2022 $000
Depreciation		
Plant, equipment and vehicles	7,309	3,908
Buildings	11,443	9,781
Total depreciation for the period	18,752	13,689
Less: depreciation capitalised to infrastructure	(12,878)	(9,016)
	5,874	**4,673**

As at 30 June 2023 there were no indications of impairment to property, plant and equipment.

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

Notes to the financial statements for the year ended 30 June 2023 *continued*

5.2.1 DEPRECIATION AND IMPAIRMENT EXPENSES OF INFRASTRUCTURE ASSETS

	2023 $000	2022 $000
Charge for the period		
Roads – earthworks	539	493
Roads – pavements	247,612	216,926
Roads – drainage	14,752	–
Roads – seal	138,878	113,889
Bridges	81,750	72,834
Road furniture	42,425	38,947
Total depreciation for the period	**525,956**	**443,089**

There were 278 road seal assets, 2 bridges and one pavement asset on the road network which had their useful lives reduced as part of the annual assessment of property, plant and equipment, infrastructure and intangible assets at 30 June 2023. These road seal and pavement assets and bridges are planned to be fully or partially retired during next financial year.

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:	
Gravel roads	12 years
Metropolitan asphalt roads	40 years
Rural sealed roads	50 years
Drainage	50 to 80 years
Seals	7 to 19 years
Bridges	60 to 100 years
Road furniture	5 to 50 years
Property, Plant & Equipment:	
Buildings (includes Surplus buildings)	25 to 40 years
Plant and vehicles	5 to 10 years
Equipment and furniture	5 to 10 years
Computer hardware and software [(a)]	3 to 5 years

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

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

Road earthworks generally have an infinite life. The small percentage of earthworks that are depreciated, have been assessed to be substandard in terms of horizontal alignment and therefore impacted by technical obsolescence. An engineering review is completed annually to identify these segments in accordance with UIG Interpretation 1055 *'Accounting for Road Earthworks'*.

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

Impairment of assets

Non-financial assets, including items of property, plant and equipment and infrastructure assets are tested for impairment whenever there is an indication that the asset may be impaired. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised.

Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised through profit or loss.

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

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

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

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

5.3 INTANGIBLE ASSETS

	2023 $000	2022 $000
Computer software and licences		
At cost	40,917	36,930
Accumulated amortisation	(33,065)	(30,337)
	7,852	6,593
Drainage easements		
At cost	9	9
	9	9
Total intangible assets	**7,861**	**6,602**
Reconciliations:		
Computer software and licences		
Carrying amount at start of period	6,593	13,661
Additions	3,987	3,664
Disposals	–	(6,827)
Transfers	–	–
Amortisation expense	(2,728)	(3,905)
Carrying amount at end of period	**7,852**	**6,593**

Initial recognition
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.

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 *Intangible Assets* (as noted below), are capitalised.

Costs incurred below these thresholds are immediately expensed directly to the Statement of comprehensive income.

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; and

(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 assets, requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Notes to the financial statements for the year ended 30 June 2023 *continued*

5.3.1 AMORTISATION AND IMPAIRMENT EXPENSE OF INTANGIBLE ASSETS

	2023 $000	2022 $000
Amortisation		
Intangible assets	2,728	3,904
Total amortisation for the period	2,728	3,904
Less: amortisation capitalised to infrastructure	(1,987)	(2,635)
	741	**1,269**

As at 30 June 2023 one software asset is impaired by reducing useful life.

Main Roads held no goodwill assets 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 [a] 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.

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

	2023 $000	2022 $000
Building and office accommodation		
At cost	6,462	6,134
Accumulated depreciation	(3,847)	(2,805)
	2,615	3,329
State Fleet vehicles		
At cost	12,375	9,411
Accumulated depreciation	(7,000)	(5,193)
	5,375	4,218
Total right-of-use assets	**7,990**	**7,547**

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 2023	State Fleet vehicles $000	Buildings and office accommodations $000	Total $000
Carrying amount at 1 July 2022	4,217	3,329	7,546
Additions (a)	3,270	328	3,598
Adjustments	615	–	615
Disposals	(24)	–	(24)
Impairment losses	–	–	–
Depreciation	(2,703)	(1,042)	(3,745)
Carrying amount at 30 June 2023	**5,375**	**2,615**	**7,990**

(a) Include payments made to Department of Finance (State fleet)

Year ended 30 June 2022	State Fleet vehicles $000	Buildings and office accommodations $000	Total $000
Carrying amount at 1 July 2021	4,222	4,133	8,355
Additions (a)	2,034	257	2,291
Adjustments	659	–	659
Disposals	(43)	–	(43)
Impairment losses	–	–	–
Depreciation	(2,655)	(1,061)	(3,716)
Carrying amount at 30 June 2022	**4,217**	**3,329**	**7,546**

a) Include payments made to Department of Finance (State Fleet)

Initial recognition
At the commencement date of the lease, Main Roads recognises right-of-use assets are measured at cost comprising of:

(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*.

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

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].

Notes to the financial statements for the year ended 30 June 2023 *continued*

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

	2023 $000	2022 $000
State Fleet vehicles	2,701	2,655
Building and accommodation	1,042	1,061
Total depreciation for the period	**3,743**	**3,716**
Less: amortisation capitalised to infrastructure	(2,504)	(2,533)
	1,239	**1,183**

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

Impairment of right-of-use assets
As at 30 June 2023 no right-of-use asset is impaired.

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

	2023 $000	2022 $000
Lease interest expense (included in Finance cost)	333	283
Depreciation expense of right-of-use assets	1,239	1,183
Short-term leases (included in Other Expenditure)	754	588
Gains or losses from right-of-use assets	(1)	–
Total amount recognised in the statement of comprehensive income	**2,325**	**2,054**

The total cash outflow for leases in 2022-23 was $4.164 million (2021-22: $3.947 million). As at 30 June 2023 there were no indications of impairment to right-of-use-assets.

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 Memorandum of Understanding Agreements 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.

Main Roads 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	2023 $000	2022 $000
Receivables	6.1	421,193	284,252
Amounts receivable for services (Holding Account)	6.2	4,286,661	3,879,023
Inventories	6.3	9,954	8,784
Prepayments	6.4	80,501	78,848
Payables	6.5	388,406	391,865
Other provisions	6.6	94	94
Contract liabilities	6.7	3,873	6,685
Grant liabilities	6.8	165,509	240,231
Amounts due to the Treasurer	6.9	107,220	–

6.1 RECEIVABLES

	2023 $000	2022 $000
Current		
Trade receivables	21,968	23,087
Other debtors	172	31
Allowance for impairment of trade receivables	(238)	(126)
Trade debtors – unbilled receivables	31,944	30,626
GST receivable	58,675	56,597
Accrued revenue	308,452	173,811
Total current	420,973	284,026
Non-current		
Trade receivables	220	226
Total non-current	220	226
Total receivables	**421,193**	**284,252**

Trade receivables are initially recognised at their transaction price or, for those receivables that contain a significant financing component (if applicable), at fair value. Main Roads holds the receivables with the objective to collect the contractual cash flows and therefore subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Main Roads recognises a loss allowance for expected credit losses (ECLs) on a receivable not held at fair value through profit or loss. The ECLs based on the difference between the contractual cash flows and the cash flows that the entity expects to receive. Individual receivables are written off when Main Roads has no reasonable expectations of recovering the contractual cash flows.

For trade receivables, Main Roads recognises an allowance for ECLs measured at the lifetime expected credit losses at each reporting date. Main Roads has established a provision matrix that is based on analysing the aged debtor report to identify the trade receivables not expected to receive based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Please refer to note 3.3 for the amount of ECLs expensed in this financial year.

Accrued revenue is recognised when work is delivered under partnership agreement with the Commonwealth or third party but fund is not yet received. Accrued revenue is recognised at the cost of the delivery.

Main Roads is currently liaising with the Department of Fire and Emergency Services in relation to future claims under the Disaster Recovery Funding Arrangements Western Australia, as a result of damage to the State Road Network caused by ex-Tropical Cyclone Ellie. This has been declared a Natural Disaster under Federal guidelines and occurred over December 2022 and January 2023. At reporting date, no receivables have been recognised as future claims and amounts are uncertain.

6.1.1 MOVEMENT IN THE ALLOWANCE FOR IMPAIRMENT OF TRADE RECEIVABLES

	2023 $000	2022 $000
Reconciliation of changes in the allowance for impairment of trade receivables:		
Balance at start of period	126	373
Expected credit losses expense	216	1
Amounts written off during the year	(51)	(56)
Expected credit losses reversed during the period	(53)	(192)
Allowance for impairment at end of period	**238**	**126**

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.

Notes to the financial statements for the year ended 30 June 2023 *continued*

6.2 AMOUNTS RECEIVABLE FOR SERVICES (HOLDING ACCOUNT)

	2023 $000	2022 $000
Non-current	4,286,661	3,879,023
Total amounts receivable for services at end of period	**4,286,661**	**3,879,023**

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

The amounts receivable for services are financial assets at amortised cost, and are not considered to be impaired (i.e. there is no expected credit loss of the holding accounts).

6.3 INVENTORIES

	2023 $000	2022 $000
Current		
Inventories held for distribution:		
– Construction and maintenance materials	2,739	2,479
Total current	2,739	2,479
Non-current		
Inventories held for distribution:		
– Construction and maintenance materials	7,215	6,305
Total non-current	7,215	6,305
Total inventories at end of period	**9,954**	**8,784**

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

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

6.4 PREPAYMENTS

	2023 $000	2022 $000
Current		
Contractors' advance	61,967	62,456
Prepaid insurance	8,212	7,353
Total current	70,179	69,809
Non-current		
Prepaid environmental offset	5,795	5,795
Prepaid insurance	4,527	3,244
Total non-current	10,322	9,039
Total prepayments at end of period	**80,501**	**78,848**

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.

Prepaid environmental offset was paid in advance to the Department of Biodiversity, Conservation and Attractions under the *Environment Protection Act 1986* to counterbalance the residual impacts on environment from the delivery of infrastructure projects. The balance will be utilised for future road projects.

6.5 PAYABLES

	2023 $000	2022 $000
Current		
Trade payables	12,673	7,392
Major contracts and services [(a)]	294,145	294,553
Property acquisitions liability [(b)]	64,526	78,584
Contractors' retention	8,869	5,877
Performance bonds/surety	4,046	2,615
Accrued salaries and wages [(c)]	4,147	2,844
Total current	388,406	391,865
Total payables at end of period	**388,406**	**391,865**

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 for Main Roads is generally within 15-30 days.

(a) Major contracts and services liability represents the work performed or services delivered under major contracts but invoice not been paid at the end of the reporting period. The liability is mostly settled within a month of the reporting period end.

(b) 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.

(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

	2023 $000	2022 $000
Non-current		
Make-good provisions	94	94
Total non-current	94	94
Total other provisions at end of period	**94**	**94**

6.6.1 RESTORATION (MAKE GOOD) 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 restoration 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

	2023 $000	2022 $000
Make-good provisions		
Carrying amount at start of period	94	94
Carrying amount at end of period	**94**	**94**

Notes to the financial statements for the year ended 30 June 2023 *continued*

6.7 CONTRACT LIABILITIES

	2023 $000	2022 $000
Current contract liabilities	3,873	6,685
Total contract liabilities at end of period	**3,873**	**6,685**

6.7.1 MOVEMENT IN CONTRACT LIABILITIES

	2023 $000	2022 $000
Reconciliation of contract liabilities		
Opening balance	6,685	12,270
Additions	42,443	32,084
Revenue recognised in the reporting period	(45,255)	(37,669)
Total contract liabilities at end of period	**3,873**	**6,685**

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

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

6.8 GRANT LIABILITIES

	2023 $000	2022 $000
Current grant liabilities	165,509	240,231
Total grant liabilities at end of period	**165,509**	**240,231**

Grant liabilities represent payments received from the Commonwealth for agreed future works under the National Partnership on Infrastructure Projects in Western Australia. Main Roads recognises a grant liability for the excess of the initial carrying amount of a financial asset received in a transfer to enable the entity to construct a recognisable non-financial asset that is to be controlled by Main Roads.

When the obligations of the grant liability are satisfied in accordance with the policy, Main Roads recognises income in Statement of comprehensive income. Information on the Main Roads' obligations can be found in note 4.3.

6.8.1 MOVEMENT IN GRANT LIABILITIES

	2023 $000	2022 $000
Reconciliation of grant liabilities		
Opening balance	240,231	231,758
Additions	1,246,500	1,182,984
Income recognised in the reporting period	(1,321,222)	(1,174,511)
Total grant liabilities at end of period	**165,509**	**240,231**

6.8.2 EXPECTED SATISFACTION OF GRANT LIABILITIES

	2023 $000	2022 $000
Income recognition		
1 year	165,509	240,231
	165,509	**240,231**

6.9 AMOUNTS DUE TO THE TREASURER

	2023 $000	2022 $000
Current	107,220	–

The **amount due to the Treasurer** is in respect of a Treasurer's Advance. This amount is payable within 12 months after the reporting period. Although no interest is charged on the outstanding amount, the carrying amount is equivalent to fair value.

7 FINANCING

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

	Notes
Cash and cash equivalents	7.1
Lease liabilities	7.2
Borrowings	7.3
Finance costs	7.4
Capital commitments	7.5

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:

	Notes	2023 $000	2022 $000
Cash and cash equivalents		76,482	64,581
Restricted cash and cash equivalents		190,069	211,741
Total cash and cash equivalents at end of period		**266,551**	**276,322**
Restricted cash and cash equivalents			
Contractors' deposits [(a)]		8,869	5,877
Land Transport Infrastructure Projects [(b)]		15,879	16,237
Commonwealth Paid Parental Leave Scheme [(c)]		10	10
Future maintenance – Concessional loading [(d)]		50,599	54,212
Metronet SPA [(e)]	9.7	84,413	108,732
Royalties for Regions Fund [(f)]		30,299	26,673
Total restricted cash and cash equivalents at end of period		**190,069**	**211,741**

(a) Contractors' 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. Balance remaining represents interest earned from funds received.

(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.

Notes to the financial statements for the year ended 30 June 2023 *continued*

7.1.2 RECONCILIATION OF NET COST OF SERVICES TO NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES

	Notes	2023 $000	2022 $000
Net cost of services		(487,907)	(469,632)
Non-cash items			
Depreciation expense – infrastructure	5.2.1	525,956	443,089
Depreciation and amortisation expense – other assets	5.1.1, 5.3.1	6,615	5,942
Depreciation expense – right-of-use assets	5.4.1	1,239	1,183
Finance cost	7.4	471	283
Grants to other bodies	3.2	14,381	3,671
Grants received from other bodies	4.5	(14,321)	(68,097)
Resources received free of charge	4.1	1,967	1,937
Infrastructure assets retired/replaced	3.3	45,298	65,854
Assets not previously recognised		(2,727)	–
Right-of-use asset related non-cash items		(108)	(1)
Net (gain)/loss on sale of property, plant and equipment	4.8	28	(55)
(Increase)/decrease in assets:			
Receivables [(a)]		(115,364)	18,175
Inventories		(1,170)	(2,145)
Prepayments		(1,653)	(25,643)
Increase/(decrease) in liabilities:			
Payables [(a)]		(9,375)	50,368
Grants and contract liabilities		(77,534)	2,888
Provisions		4,397	1,443
Net GST receipts/(payments) [(b)]		283,502	222,519
Change in GST in receivables/payables [(c)]		(285,580)	(229,352)
Net cash provided by/(used in) operating activities		**(111,885)**	**22,427**

(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

	2023 $000	2022 $000
Current	3,068	2,603
Non-current	5,316	5,534
	8,384	**8,137**

Initial measurement
At the commencement date of the lease, Main Roads recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, Main Roads 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 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 BORROWINGS

	2023 $000	2022 $000
Current		
Western Australian Treasury Corporation loans	130,000	–
Total current	**130,000**	**–**

Borrowings refer to interest bearing liabilities mainly raised through Western Australian Treasury Corporation.

Main Roads borrowed the fund to deliver the road projects due to delays in approval of Project Proposal Reports (PPR) by the Commonwealth Government.

Interest bearing financial liabilities are classified at amortised cost are initially recognised at fair value of the consideration received less directly attributable transactions costs.

Subsequent to initial recognition the borrowings are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

Main Roads designates the financial instruments at fair value through profit or loss upon initial recognition when the designation eliminates, or significantly reduces, measurement or recognition inconsistency that would otherwise arise.

Main Roads has not designated any financial liabilities as at fair value through profit or loss.

The changes in fair value of financial liabilities designated at fair value through profit or loss are recognised in profit or loss with movements in fair value due to changes in the Agency's own credit risk recognised in other comprehensive income.

Notes to the financial statements for the year ended 30 June 2023 *continued*

7.4 FINANCE COSTS

	2023 $000	2022 $000
Finance costs		
Interest expense	138	–
Lease interest expense	333	283
Total finance costs expensed	**471**	**283**

Finance costs include the costs incurred in connection with the borrowing of funds and interest on long term borrowings and the interest component of lease liability payments.

7.5 CAPITAL COMMITMENTS

	2023 $000	2022 $000
Within 1 year	1,248,835	1,007,168
Later than 1 year and not later than 5 years	292,684	669,464
Later than 5 years	–	–
	1,541,519	**1,676,632**

The total presented for capital commitments are GST inclusive.

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, Western Australian Treasury Corporation (WATC) borrowings, lease liabilities, and Treasurer's advances. 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. Main Roads' exposure to market risk for changes in interest rates relate primarily to the long-term debt obligations.

All borrowings are due to the WATC and are repayable at fixed rates with varying maturities. Other than as detailed in the interest rate sensitivity analysis table at note 8.1(e), Main Roads is not exposed to interest rate risk because the majority of cash and cash equivalents and restricted cash are non-interest bearing and it has no borrowings other than the Treasurer's advance (non-interest bearing) and WATC borrowings (fixed interest rate).

(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:

	2023 $000	2022 $000
Financial assets		
Cash and cash equivalents	76,482	64,581
Restricted cash and cash equivalents	190,069	211,741
Financial assets at amortised cost [(a)]	4,649,179	4,106,678
Total financial assets	**4,915,730**	**4,383,000**
Financial liabilities		
Financial liabilities at amortised cost [(a)]	388,406	391,865
Lease liabilities	8,384	8,137
Borrowings	130,000	–
Amounts due to the Treasurer	107,220	–
Total financial liability	**634,010**	**400,002**

(a) The amount of financial assets and liabilities at amortised cost excludes GST recoverable from or payable to ATO.

(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
30 June 2023						
Expected credit loss rate		0%	0%	0%	0%	7.81%
Estimated total gross carrying amount at default	22,188	13,109	2,733	3,227	71	3,048
Expected credit losses	(238)	–	–	–	–	(238)
	21,950	**13,109**	**2,733**	**3,227**	**71**	**2,810**
30 June 2022						
Expected credit loss rate		0%	2%	0%	0%	25.09%
Estimated total gross carrying amount at default	23,313	18,709	673	3,644	–	287
Expected credit losses	(126)	(38)	(16)	–	–	(72)
	23,187	**18,671**	**657**	**3,644**	**–**	**215**

8.1 FINANCIAL RISK MANAGEMENT continued

(d) Liquidity risk and interest rate exposure

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

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

			Interest rate exposure				Maturity date				
2023	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
Financial Assets											
Cash and cash equivalents	–	76,482	–	–	76,482	76,482	76,482	–	–	–	–
Restricted cash and cash equivalents	2.68	190,069	–	190,069	–	190,069	190,069	–	–	–	–
Receivables [(a)]	–	362,518	–	–	362,518	362,518	362,518	–	–	–	–
Amounts receivable for services	–	4,286,661	–	–	4,286,661	4,286,661	–	–	–	–	4,286,661
		4,915,730	**–**	**190,069**	**4,725,661**	**4,915,730**	**629,069**	**–**	**–**	**–**	**4,286,661**
Financial Liabilities											
Payables	–	388,406	–	–	388,406	388,406	388,406	–	–	–	–
Lease liabilities [(b)]	–	8,384	–	–	8,384	8,384	319	581	2,511	4,915	58
Amounts due to the Treasurer	–	107,220	–	–	107,220	107,220	–	–	107,000	–	–
Borrowings	4.76	130,000	130,000	–	–	130,000	–	–	130,000	–	–
		634,010	**130,000**	**–**	**504,010**	**634,010**	**388,725**	**581**	**239,511**	**4,915**	**58**

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

(b) The amount of lease liabilities includes $2.844 million from leased buildings and $5.540 million from leased vehicles.

			Interest rate exposure				Maturity date				
2022	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
Financial Assets											
Cash and cash equivalents	–	64,581	–	–	64,581	64,581	64,581	–	–	–	–
Restricted cash and cash equivalents	0.50	211,741	–	211,741	–	211,741	211,741	–	–	–	–
Receivables [(a)]	–	227,655	–	–	227,655	227,655	227,655	–	–	–	–
Amounts receivable for services	–	3,879,023	–	–	3,879,023	3,879,023	–	–	–	–	3,879,023
		4,383,000	**–**	**211,741**	**4,171,259**	**4,383,000**	**503,977**	**–**	**–**	**–**	**3,879,023**
Financial Liabilities											
Payables	–	391,865	–	–	391,865	391,865	391,865	–	–	–	–
Lease liabilities [(b)]	–	8,137	–	–	8,137	8,137	165	319	1,331	2,764	3,558
		400,002	**–**	**–**	**400,002**	**400,002**	**392,030**	**319**	**1,331**	**2,764**	**3,558**

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

(b) The amount of lease liabilities includes $3.712 million from leased buildings and $4.425 million from leased vehicles.

(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 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

		-100 basis points		+100 basis points	
2023	**Carrying amount $000**	**Surplus $000**	**Equity $000**	**Surplus $000**	**Equity $000**
Financial Assets					
Restricted cash and cash equivalents	190,069	(1,901)	(1,901)	1,901	1,901
Total Increase/(Decrease)		**(1,901)**	**(1,901)**	**1,901**	**1,901**

		-75 basis points		+75 basis points	
2022	**Carrying amount $000**	**Surplus $000**	**Equity $000**	**Surplus $000**	**Equity $000**
Financial Assets					
Restricted cash and cash equivalents	211,741	(1,588)	(1,588)	1,588	1,588
Total Increase/(Decrease)		**(1,588)**	**(1,588)**	**1,588**	**1,588**

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:

	2023 $000	2022 $000
Remediation for diesel spill	5,148	4,522
Contract claims in dispute	–	433
	5,148	**4,955**

Remediation for diesel spill
Main Roads is seeking to recover the cost for a diesel spill caused by third parties.

Contract claims in dispute
Claims have been submitted by contractors in relation to services provided under roadwork contracts. The contingent asset is mainly the amounts recoverable from works undertaken by Main Roads.

8.2.2 CONTINGENT LIABILITIES

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

	2023 $000	2022 $000
Contract claims in dispute	22,931	24,234
Resumption claims in dispute	247,250	339,721
	270,181	**363,955**

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

Resumption claims in dispute
Claims have been lodged by owners of property acquired for road construction purposes. The contingent liability is the difference between the owner's claim and the estimated settlement price determined and recognised by Main Roads (under note 6.5 as property acquisition liability) in accordance with an independent valuation.

Notes to the financial statements for the year ended 30 June 2023 *continued*

8.2.2 CONTINGENT LIABILITIES continued

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

8.3 FAIR VALUE MEASUREMENTS

Assets measured at fair value:	Level 1 $000	Level 2 $000	Level 3 $000	Fair value at end of period $000
2023				
Non-current assets classified as held for sale (Note 9.8)	–	155	–	155
Land (Note 5.1)	–	66,734	21,923	88,657
Buildings (Note 5.1)	–	84,115	44,659	128,774
Surplus assets (Note 5.1)	–	49,446	27,837	77,283
Land acquired for roadworks (Note 5.1)	–	220,095	34,868	254,963
Infrastructure (Note 5.2)	–	–	57,198,858	57,198,858
	–	**420,545**	**57,328,145**	**57,748,690**

Assets measured at fair value:	Level 1 $000	Level 2 $000	Level 3 $000	Fair value at end of period $000
2022				
Non-current assets classified as held for sale (Note 9.8)	–	1,495	–	1,495
Land (Note 5.1)	–	64,736	8,102	72,838
Buildings (Note 5.1)	–	101,339	14,679	116,018
Surplus assets (Note 5.1)	–	45,722	25,446	71,168
Land acquired for roadworks (Note 5.1)	–	131,215	32,163	163,378
Infrastructure (Note 5.2)	–	–	51,808,380	51,808,380
	–	**344,507**	**51,888,770**	**52,233,277**

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 sale prices of comparable assets.

Fair value measurements using significant unobservable inputs (Level 3)

2023	Non-current asset held for sale $000	Land $000	Buildings $000	Surplus assets $000	Land acquired for roadworks $000	Infrastructure $000
Fair value at start of period	–	8,101	14,678	25,446	32,163	51,808,380
Additions	–	4,628	90	103	1,299	1,045,597
Revaluation increments/(decrements) recognised in Other Comprehensive Income	–	2,289	10,717	1,813	1,916	4,930,645
Transfers from/(to) Level 2/Level 3	–	8,044	22,818	844	(510)	–
Disposals	–	(1,139)	–	(298)	–	(59,808)
Depreciation expense	–	–	(3,644)	(71)	–	(525,956)
Fair value at end of period		**21,923**	**44,659**	**27,837**	**34,868**	**57,198,858**
Total gains or losses for the period included in profit or loss	**–**	**–**	**–**	**–**	**–**	**–**

2022	Non-current asset held for sale $000	Land $000	Buildings $000	Surplus assets $000	Land acquired for roadworks $000	Infrastructure $000
Fair value at start of period	–	7,088	14,206	27,449	31,395	47,333,051
Additions	–	352	–	–	3,976	1,081,170
Revaluation increments/(decrements) recognised in Other Comprehensive Income	–	643	1,201	1,087	(1,294)	3,899,346
Transfers from/(to) Level 2/Level 3	–	18	–	244	(184)	–
Disposals	–	–	–	(3,302)	(1,731)	(62,099)
Depreciation expense	–	–	(728)	(31)	–	(443,088)
Fair value at end of period	**–**	**8,102**	**14,679**	**25,446**	**32,163**	**51,808,380**
Total gains or losses for the period included in profit or loss	**–**	**–**	**–**	**–**	**–**	**–**

Valuation processes
There were no changes in valuation techniques during the period. However, the valuation processes have been significantly impacted by the COVID-19 pandemic.

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 (Landgate) 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.

Notes to the financial statements for the year ended 30 June 2023 *continued*

8.3 FAIR VALUE MEASUREMENTS continued

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 from 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 (Landgate).

Historical cost per square metre floor area (m^2)
The cost of constructing specialised buildings with similar utility area extracted from financial reports of Main Roads, then indexed by movements in CPI.

Consumed economic benefit/obsolescence of asset
These are estimated by the Western Australian Land Information Authority (Landgate).

Historical cost per cubic metre (m^3)
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 (Landgate).

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

Description	Fair value 2023 $000	Fair value 2022 $000	Valuation technique(s)	Unobservable inputs
Land, Surplus assets and Land acquired for roadworks	84,628	65,711	Market approach	Selection of land with similar approximate utility
Buildings	44,659	14,679	Current replacement cost	Historical cost per square metre floor area (m^2)
				Consumed economic benefit/ obsolescence of asset
Infrastructure (Earthworks)	13,632,329	12,987,799	Current replacement cost	Historical cost per cubic metre (m^3)
Infrastructure (Pavements, drainage and seals)	7,744,087	6,167,541	Current replacement cost	Historical cost per cubic metre (m^3)
Infrastructure (Bridges)	6,207,935	5,251,946	Current replacement cost	Historical cost per cubic metre (m^3)
Infrastructure (Road furniture)	514,995	566,863	Current replacement cost	Consumed economic benefit/ obsolescence of asset
Infrastructure (Land under roads)	29,099,512	26,834,231	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
Changes in accounting estimates	9.2
Future impact of Australian Accounting Standards issued not yet operative	9.3
Key management personnel	9.4
Related party transactions	9.5
Remuneration of auditors	9.6
Special purpose accounts	9.7
Non-current assets classified as held for sale	9.8
Equity	9.9
Supplementary financial information	9.10
Services provided free of charge	9.11
Indian Ocean Territories	9.12

9.1 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

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

9.2 CHANGES IN ACCOUNTING ESTIMATE

Main Roads has undertaken a review of its road infrastructure asset components, specifically relating to road drainage. Previously Main Roads has valued the road pavement and drainage as a combined asset component. After reviewing the developments in data capture, systems and delivery arrangements for roadworks, it was concluded that Main Roads was in a position to enhance its financial reporting by categorising road drainage and road pavements as separate asset components. Road drainage was deemed to have useful lives that were distinctly different from the pavement. Business improvements over the years have made it possible to independently value and account for different kinds of road drainage on an ongoing basis. As a result, Main Roads has started to report road drainage as a discrete asset component with effective from 31 March 2023 to better define and capture road drainage replacement expenditure and separately depreciate them.

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

The isolation of road drainage assets will enhance the quality of the valuation of infrastructure through the inclusion of better estimates for depreciated replacement cost of road drainage. This will make the financial statements more reliable and relevant and better reflect the consumption of the assets economic benefits. The change will improve the relevance of the financial statements for asset management decision making as well as enhancing compliance with AASB 116 *Property, Plant and Equipment*.

The change in accounting estimate has been applied from 31 March 2023 and has not been applied retrospectively as it was impractical to do so. The effects of the estimate change on previous years are not determinable. Prior to 31 March 2023, sufficient data was not collected as specified under the changed estimate to allow for the calculation of prior year opening balances. The estimate change includes prescriptive definitions to isolate road drainage expenditure and this information was not sought or is not available for prior years.

Notes to the financial statements for the year ended 30 June 2023 *continued*

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 1 January 2023		**Operative for reporting periods beginning on/after**
AASB 2021-2	*Amendments to Australian Accounting Standards- Disclosure of Accounting Policies and Definition of Accounting Estimates* This Standards amends: (a) AASB 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements; (b) AASB 101, to require entities to disclose their material accounting policy information rather than their significant accounting policies ; (c) AASB 108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates; (d) AASB 134, to identify material accounting policy information as a component of a complete set of financial statements; and (e) AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures. There is no financial impact.	1 Jan 2023
AASB 2021-6	*Amendments to Australian Accounting Standards- Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards* This standard amends: (a) AASB 1049, to require entities to disclose their material accounting policy information rather than their significant accounting policies; (b) AASB 1054 to reflect the updated accounting policy terminology used in AASB 101 Presentation of Financial Statements; and (c) AASB 1060 to required entities to disclose their material accounting policy information rather than their significant accounting policy and to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements. There is no financial impact.	1 Jan 2023
AASB 2022-7	*Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards* This Standard makes editorial corrections to various Australian Accounting Standards and AASB Practice Statement 2 Making Materiality Judgements. There is no financial impact.	1 Jan 2023
AASB 2022-8	*Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments* This Standard amends: (a) AASB 1; (b) AASB 3; (c) AASB 5; (d) AASB 7; (e) AASB 9; (f) AASB 15; (g) AASB 17; (h) AASB 119; (i) AASB 132; (j) AASB 136; (k) AASB 137; (l) AASB 138; (m) AASB 1057; and (n) AASB 1058, to permit public sector entities to continue applying AASB 4 and AASB 1023 to annual periods beginning on or after 1 January 2023 but before 1 July 2026. There is no financial impact.	1 Jan 2023
Operative for reporting periods beginning on/after 1 January 2024		
AASB 2020-1	*Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. There is no financial impact.	1 Jan 2024
AASB 2022-5	*Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* This Standard amends AASB 16 to add measurement requirements for sale and leaseback transactions that satisfy the requirements in AASB 15 to be accounted for as a sale. There is no financial impact.	1 Jan 2024

AASB 2022-6	*Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* This Standard amends AASB 101 to improve the information an enti-ty provides in its financial statements about liabilities arising from loan arrangements for which the entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement. The Standard also amends an example in Practice Statement 2 regarding assessing whether information about covenants is material for disclosure. There is no financial impact.	1 Jan 2024
AASB 2022-10	*Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities.* This Standard amends AASB 13 including adding authoritative implementation guidance and providing related illustrative examples, for fair value measurements of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows. Main Roads has not assessed the impact of the Standard.	1 Jan 2024

Operative for reporting periods beginning on/after 1 January 2025

AASB 17	*Insurance Contracts* This Standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. It was amended by AASB 2022-8 to take effect for Not-For-Profit insurance contracts from 1 July 2026. Main Roads has not assessed the impact of the Standard.	1 Jan 2026
AASB 2021-7C	*Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* This Standard further defers (to 1 January 2025) the amendments to AASB 10 and AASB 128 relating to the sale or contribution of assets between an investor and its associate or joint venture. The standard also includes editorial corrections. Main Roads has not assessed the impact of the Standard.	1 Jan 2025
AASB 2022-9	*Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector* This Standard amends AASB 17 and AASB 1050 to include modifications with respect to the application of AASB 17 by public sector entities. This Standard also amends the following Standards to remove the temporary consequential amendments set out in AASB 2022-8 since AASB 4 and AASB 1023 do not apply to public sector entities for periods beginning on or after 1 July 2026: (a) AASB 1; (b) AASB 3; (c) AASB 5; (d) AASB 7; (e) AASB 9; (f) AASB 15; (g) AASB 119; (h) AASB 132; (i) AASB 136; (j) AASB 137; (k) AASB 138; (l) AASB 1057; and (m) AASB 1058. There is no financial impact.	1 Jan 2026

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

0 – 10,000	2	2

Compensation of senior officers

Compensation Band ($)	**2023**	**2022**
350,001 – 400,000	2	–
300,001 – 350,000	–	1
250,001 – 300,000	4	6
200,001 – 250,000	6	4

	2023 $000	**2022 $000**
Short term employee benefits	2,792	2,204
Post-employment benefits	354	521
Other long term benefits	67	106
The total compensation of senior officers	**3,213**	**2,831**

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.

Notes to the financial statements for the year ended 30 June 2023 *continued*

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)
- Capital appropriation (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)
- contributions to roadworks (Notes 4.1)
- superannuation payments to GESB (Note 3.1(a))
- remuneration for services provided by the Auditor General (Note 9.6)
- contribution from Department of Transport for Westport (Note 9.9)
- payments mainly for road construction and Metronet to Public Transport Authority amounting $199.3 million (Notes 3.2 and 3.3)
- payments mainly for property construction, management and fleet leasing to Department of Finance amounting $11.2 million (Notes 3.3 and 5.1)
- payments mainly for Bicycle network and Customer Information Centre service to Department of Transport amounting $44.1 million (Notes 3.2 and 3.3)
- payments mainly for property acquisition used for road construction to State Solicitor's Office amounting $84.9 million (Notes 5.1 and 5.2)
- payments mainly for property acquisition used for conservation purposes and road construction maintenance to Department of Biodiversity, Conservation and Attractions amounting $5 million (Notes 3.2, 3.3 and 5.2)

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

9.6 REMUNERATION OF AUDITORS

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

	2023 $000	2022 $000
Auditing the accounts, financial statements, controls and key performance indicators	448	400
	448	**400**

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 and Westport road-related transport infrastructure works including all associated costs.

	Notes	2023 $000	2022 $000
Balance at start of period		108,732	105,787
Receipts – Contribution from Motor Vehicle License fees		177,369	125,303
Payments		(201,688)	(122,358)
Balance at end of period	7.1	**84,413**	**108,732**

9.8 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

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

	2023 $000	2022 $000
Freehold land and buildings		
Opening balance	1,495	7,869
Assets reclassified as held for sale	–	1,323
Assets removed from current disposal program	(1,582)	(6,070)
Assets sold	–	(1,959)
Write-down of assets from carrying value to fair value less selling costs	242	332
Total non-current assets classified as assets held for sale at end of period	**155**	**1,495**

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. Fair value is provided by the Western Australian Land Information Authority (Landgate) annually.

Notes to the financial statements for the year ended 30 June 2023 *continued*

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.

	2023 $000	2022 $000
CONTRIBUTED EQUITY		
Balance at start of period	6,659,989	6,175,565
Contributions by owners		
Capital contributions	601,437	430,015
Other contributions by owners		
Royalties for Regions Fund – Regional Infrastructure and Headwork Account	17,199	60,692
Transfer of net assets from other agencies		
Public Transport Authority	246	5,033
Westport – Department of Transport	62,346	–
Perth City Deal – Department of Transport	15,000	–
Department of Lands	–	–
Total contributions by owners	**696,228**	**495,740**
Distributions to owners		
Transfer of net assets to other agencies		
Public Transport Authority	–	(9,192)
Department of Planning, Land and Heritage	(19)	(545)
Department of Treasury	(1,728)	(1,546)
Other	(345)	(33)
Total distributions to owners	(2,092)	(11,316)
TOTAL CONTRIBUTED EQUITY AT END OF PERIOD	**7,354,125**	**6,659,989**
RESERVES		
Asset revaluation surplus		
Balance at start of period	33,219,543	29,286,962
Net revaluation increments/(decrements)		
Earthworks, Drainage, Pavements and Seals	1,871,748	1,861,647
Bridges	892,804	518,794
Land under roads	2,215,801	1,465,923
Road Furniture	(49,708)	52,984
Land and Buildings	79,744	33,233
TOTAL ASSET REVALUATION SURPLUS AT END OF PERIOD	**38,229,932**	**33,219,543**
ACCUMULATED SURPLUS		
Balance at start of period	19,078,756	18,035,058
Result for the period	1,194,273	1,043,698
Balance at end of period	**20,273,029**	**19,078,756**
TOTAL EQUITY AT END OF PERIOD	**65,857,086**	**58,958,288**

9.10 SUPPLEMENTARY FINANCIAL INFORMATION

(a) Write-offs
During the financial year following assets were written off Main Roads' asset register (2022: $138,000) under the authority of:

	2023 $000	2022 $000
The accountable authority	107	138
	107	**138**

(b) Losses through theft, defaults and other causes

	2023 $000	2022 $000
Fixed asset stocktake discrepancies	–	2
	–	**2**

(c) Gifts of public property

	2023 $000	2022 $000
Gifts of public property provided by Main Roads	19	–
	19	**–**

(d) Forgiveness of debt

	2023 $000	2022 $000
Forgiveness of debt by Main Roads	–	–
	–	**–**

(e) Restricted Access Vehicle permits [(a)]

	2023 $000	2022 $000
Regulatory fees	11,351	10,470
Transfer payments	11,388	10,489
Cash held in lieu of transfer	39	37

(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

	2023 $000	2022 $000
Department of Transport – accommodation and traffic modelling	304	16
Department of Planning, Lands and Heritage – traffic modelling	–	178
Department of Biodiversity, Conservation & Attractions – consultation	12	542
Public Transport Authority – accommodation and professional services	145	44
Department of Water and Environmental Regulation – consultation	191	151
Western Australian Police – incident management	3	393
Services provided free of charge to other agencies	84	6
	739	**1,330**

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 2022-23 are summarised below:

	2023 $000	2022 $000
Amount brought forward for recovery	(58)	(57)
Amount received during the period	–	(32)
	(58)	(89)
Expenditure during the year	49	31
Amount carried forward for recovery	**(9)**	**(58)**

Notes to the financial statements for the year ended 30 June 2023 *continued*

10 EXPLANATORY STATEMENTS

This section explains variations in the financial performance of Main Roads.

This explanatory section explains variations in the financial performance of Main Roads undertaking transactions under its own control, as represented by the primary financial statements.

All variances between annual estimates (original budget) and actual results for 2023, and between the actual results for 2023 and 2022 are shown below. Narratives are provided for key major variances which vary more than 10% from their comparative or estimate and that the variation is more than 1% of the:

- Total Cost of Services for the previous year for the Statements of comprehensive income and Statement of cash flows ($15.65 million), and
- Total Assets for the previous year for the Statement of financial position ($596.49 million)

10.1 STATEMENT OF COMPREHENSIVE INCOME VARIANCES

	Variance Note	Original Budget 2023 $000	Actual 2023 $000	Actual 2022 $000	Variance between estimate and actual $000	Variance between actual results for 2023 and 2022 $000
Expenses						
Employee benefits expenses	A	88,889	103,545	78,162	14,656	25,383
Supplies and services		576,813	596,343	586,105	19,530	10,238
Depreciation and impairment expenses of infrastructure assets	B	478,581	525,956	443,089	47,375	82,867
Depreciation, amortisation and impairment expenses – other		4,149	6,615	5,942	2,466	673
Depreciation and impairment expenses – right-of-use assets		4,463	1,239	1,183	(3,224)	56
Finance costs		301	471	283	170	188
Grants and subsidies	C	449,318	460,276	384,277	10,958	75,999
Other expenses	1, D	111,047	45,298	65,854	(65,749)	(20,556)
Total cost of services		1,713,561	1,739,743	1,564,895	26,182	174,848
Income						
Sale of goods and services		–	5,943	6,646	5,943	(703)
Commonwealth grants	2, E	1,344,061	1,143,417	940,907	(200,644)	202,510
Contributions to roadworks		76,388	69,355	62,281	(7,033)	7,074
Grants from other bodies	F	11,219	14,321	68,097	3,102	(53,776)
Interest income		1,500	605	108	(895)	497
Other income		11,426	18,223	17,169	6,797	1,054
Total income		1,444,594	1,251,864	1,095,208	(192,730)	156,656
Gains						
Gain/(loss) on disposal of non-current assets		–	(28)	55	(28)	(83)
Total gains		–	(28)	55	(28)	(83)
Total income other than income from State Government		1,444,594	1,251,836	1,095,263	(192,758)	156,573
NET COST OF SERVICES		**268,967**	**487,907**	**469,632**	**218,940**	**18,275**
Income from State Government						
Service appropriation	3	1,216,848	1,365,628	1,244,248	148,780	121,380
Resources received free of charge		2,700	1,967	1,937	(733)	30
Income from other public sector entities	4, G	189,769	314,585	267,145	124,816	47,440
Total income from State Government		1,409,317	1,682,180	1,513,330	272,863	168,850
SURPLUS/(DEFICIT) FOR THE PERIOD		**1,140,350**	**1,194,273**	**1,043,698**	**53,923**	**150,575**
OTHER COMPREHENSIVE INCOME						
Items not reclassified subsequently to profit or loss						
Changes in asset revaluation surplus		–	5,010,389	3,932,581	5,010,389	1,077,808
Total other comprehensive income		–	5,010,389	3,932,581	5,010,389	1,077,808
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,140,350**	**6,204,662**	**4,976,279**	**5,064,312**	**1,228,383**

10.2 STATEMENT OF FINANCIAL POSITION VARIANCES

	Variance Note	Original Budget 2023 $000	Actual 2023 $000	Actual 2022 $000	Variance between estimate and actual $000	Variance between actual results for 2023 and 2022 $000
ASSETS						
Current Assets						
Cash and cash equivalents		223,250	76,482	64,581	(146,768)	11,901
Restricted cash and cash equivalents		111,596	190,069	211,741	78,473	(21,672)
Receivables		305,870	420,973	284,026	115,103	136,947
Amounts receivable for services		–	–	–	–	–
Inventories		2,252	2,739	2,479	487	260
Prepayments		44,756	70,179	69,809	25,423	370
Non-current assets classified as held for sale		7,869	155	1,495	(7,714)	(1,340)
Total Current Assets		**695,593**	**760,597**	**634,131**	**65,004**	**126,466**
Non-Current Assets						
Receivables		66	220	226	154	(6)
Amounts receivable for services		4,297,245	4,286,661	3,879,023	(10,584)	407,638
Inventories		4,387	7,215	6,305	2,828	910
Prepayments		8,449	10,322	9,039	1,873	1,283
Property, plant and equipment		424,264	588,975	448,163	164,711	140,812
Infrastructure	5, H	54,548,624	61,038,569	54,657,705	6,489,945	6,380,864
Intangible assets		14,125	7,861	6,602	(6,264)	1,259
Right-of-use assets		7,895	7,990	7,547	95	443
Total Non-Current Assets		59,305,055	65,947,813	59,014,610	6,642,758	6,933,203
TOTAL ASSETS		**60,000,648**	**66,708,410**	**59,648,741**	**6,707,762**	**7,059,669**
LIABILITIES						
Current Liabilities						
Payables		662,111	388,406	391,865	(273,705)	(3,459)
Lease liabilities		3,152	3,068	2,603	(84)	465
Contract liabilities		–	3,873	6,685	3,873	(2,812)
Grants liabilities		–	165,509	240,231	165,509	(74,722)
Borrowings		–	130,000	–	130,000	130,000
Amounts due to the Treasurer		–	107,220	–	107,220	107,220
Employee related provisions		44,194	40,661	37,424	(3,533)	3,237
Other provisions		–	–	–	–	–
Total Current Liabilities		**709,457**	**838,737**	**678,808**	**129,280**	**159,929**
Non-Current Liabilities						
Payables		–	–	–	–	–
Lease liabilities		5,248	5,316	5,534	68	(218)
Employee related provisions		8,446	7,177	6,017	(1,269)	1,160
Other provisions		–	94	94	94	–
Total Non-Current Liabilities		13,694	12,587	11,645	(1,107)	942
TOTAL LIABILITIES		**723,151**	**851,324**	**690,453**	**128,173**	**160,871**
NET ASSETS		**59,277,497**	**65,857,086**	**58,958,288**	**6,579,589**	**6,898,798**
EQUITY						
Contributed equity		7,269,826	7,354,125	6,659,989	84,299	694,136
Reserves		31,693,192	38,229,932	33,219,543	6,536,740	5,010,389
Accumulated surplus		20,314,479	20,273,029	19,078,756	(41,450)	1,194,273
TOTAL EQUITY		**59,277,497**	**65,857,086**	**58,958,288**	**6,579,589**	**6,898,798**

Notes to the financial statements for the year ended 30 June 2023 *continued*

10.3 STATEMENT OF CASH FLOWS VARIANCES

	Variance Note	Original Budget 2023 $000	Actual 2023 $000	Actual 2022 $000	Variance between estimate and actual $000	Variance between actual results for 2023 and 2022 $000
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriation	6	809,430	957,990	876,527	148,560	81,463
Capital appropriation	7, I	483,063	677,056	428,469	193,993	248,587
Holding account drawdown		–	–	–	–	–
Contributions to roadworks	9, K	119,424	173,496	228,522	54,072	(55,026)
Road Trauma Trust Fund		39,400	29,088	26,211	(10,312)	2,877
Natural disaster funds		5,662	11,694	539	6,032	11,155
Royalties for Regions Fund		89,296	97,733	88,492	8,437	9,241
Net cash provided by State Government		**1,546,275**	**1, 947, 057**	**1,648,760**	**400,782**	**298,297**
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee benefits	10, L	(80,532)	(98,319)	(77,008)	(17,787)	(21,311)
Supplies and services		(593,215)	(592,031)	(601,760)	1,184	9,729
Grants and subsidies	M	(445,212)	(460,835)	(358,672)	(15,623)	(102,163)
GST payments on purchases	11, N	(147,054)	(324,510)	(252,406)	(177,456)	(72,104)
Finance costs		(301)	–	–	301	–
Receipts						
Sale of goods and services		73,757	72,194	60,858	(1,563)	11,336
Commonwealth grants	12	1,344,061	958,771	979,528	(385,290)	(20,757)
Interest received		1,500	457	79	(1,043)	378
GST receipts on sales	13	11,808	32,883	31,568	21,075	1,315
GST receipts from taxation authority	14, O	135,000	283,502	222,519	148,502	60,983
Other receipts		10,907	12,300	14,525	1,393	(2,225)
Rent received		3,200	3,703	3,196	503	507
Net cash provided by/(used in) operating activities		**313,919**	**(111,885)**	**22,427**	**(425,804)**	**(134,312)**
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments						
Purchase of non-current assets	15, P	(41,036)	(81,466)	(25,633)	(40,430)	(55,833)
Purchase of infrastructure assets	Q	(1,980,612)	(1,996,733)	(1,744,495)	(16,121)	(252,238)
Receipts						
Proceeds from sale of non-current assets		–	200	2,114	200	(1,914)
Net cash provided by/(used in) investing activities		**(2,021,648)**	**(2,077,999)**	**(1,768,014)**	**(56,351)**	**(309,985)**
CASH FLOWS FROM FINANCING ACTIVITIES						
Payments						
Principal elements of lease payments		(3,048)	(4,164)	(3,947)	(1,116)	(217)
Receipts						
Amounts due to the Treasurer	8, J	–	107,220	–	107,220	107,220
Proceeds from borrowing		–	130,000	–	130,000	130,000
Net cash provided by/(used in) financing activities		**(3,048)**	**233,056**	**(3,947)**	**236,104**	**237,003**
Net increase/(decrease) in cash and cash equivalents		(164,502)	(9,771)	(100,774)	154,731	91,003
Cash balance transferred in		31,571	–	–	–	–
Cash and cash equivalents at the beginning of the period		467,777	276,322	377,096	(191,455)	(100,774)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**334,846**	**266,551**	**276,322**	**(36,724)**	**(9,771)**

Major estimate and actual (2023) variance narratives:

1 Other expenses is lower than anticipated by $65.7 million (59.2%) due to less road assets retired compared to last year as a result of project delays.

2 Commonwealth grants revenue is lower than anticipated by $200.6 million (14.9%) due to rescheduling of Commonwealth grant receipts after the review of Commonwealth funded programs.

3 Service appropriation is higher than anticipated by $148.8 million (12.2%) due to increased level of Motor Vehicle Licensing Fees in 2022-23 year compared to 2021-22.

4 Income from other public sector entities is higher than anticipated by $124.8 million (65.8%) mainly due to disaster recovery funds received from Department of Fire and Emergency Services and Royalties for Regions to re-instate the roads after Tropical Cyclone Ellie.

5 Infrastructure assets is higher than anticipated by $6.4 billion (11.9%) mainly due to revaluation of infrastructure assets using construction unit rates provided by professional estimators.

6 Service appropriation is higher than anticipated by $148.6 million (18.4%) mainly due to increased level of Motor Vehicle Licensing Fees in 2022-23 year compared to 2021-22.

7 Capital appropriation is higher than anticipated by $194.0 million (40.2%) mainly due to the reallocation of $80.0 million additional appropriation to facilitate the emergency works required following Tropical Cyclone Ellie. In addition, State provided supplementary funds due to delays in receipt of funds for Commonwealth projects.

8 Amounts due to the Treasurer is higher than anticipated by $107.2 million due to delays in receipt of funds from Commonwealth for the Regional Road Safety Program.

9 Contributions to roadworks is higher than anticipated by $54.1 million (45.3%) due to additional works undertaken for third parties. Projects include Buttweld Road realignment and road over rail bridge and Stirling station bus interchange.

10 Employee benefits is higher than anticipated by $17.8 million (22.1%) due to transition of road maintenance function in-house for the Mid West Gascoyne and Wheatbelt regions.

11 GST payments on purchases is higher than anticipated by $177.5 million (120.7%) due to higher than estimated purchases.

12 Commonwealth grants is lower than anticipated by $385.3 million (28.7%) mainly due to delays in approval of Project Proposal Reports (PPR) by the Commonwealth Government. As a result, the timing of Commonwealth grants receipts for capital works projects was delayed.

13 GST receipts on sales is higher than anticipated by $21.1 million (178.5%) due to higher payments received from customers.

14 GST receipts from taxation authority is higher than anticipated by $148.5 million (110%) due to higher amount of GST paid on purchases.

15 Purchase of non-current assets is higher than anticipated by $40.4 million (98.5%) mainly due to land acquisitions for the Westport project.

Major actual (2023) and comparative (2022) variance narratives

A Employee benefits expenses increased by $25.4 million (32.5%) due to transition of road maintenance function in-house for the Mid West Gascoyne and Wheatbelt regions.

B Depreciation and impairment expenses of infrastructure assets is higher by $82.9 million (18.7%) due to the increase in monthly depreciation contributed by the capitalisation of Karel Avenue, Wanneroo Road and Joondalup Interchange and a significant increase of the infrastructure asset base from the prior year revaluation.

C Grants and subsidies is higher by $76.0 million (31.2%) due to increased payments for Metronet related works including Thornlie Cockburn link, Yanchep rail extension and Bayswater station.

D Other expenses reduced by $20.6 million (31.2%) due to less infrastructure asset retirement this financial year.

E Commonwealth grants increased by $202.5 million (21.5%) due to more infrastructure projects going into peak construction phase of the project life cycle. Projects include Bunbury Outer Ring Road, Tonkin Gap Project and Associated Works, Mitchell Freeway Extension – Hester Avenue to Romeo Road and Albany Ring Road Stage 2 & 3.

F Grants from other bodies has reduced by $53.8 million (79%) due to decrease in value of infrastructure assets transferred from local governments and private entities to MRWA. Assets received from local governments this year include Marriot Road from Shire of Harvey.

G Income from other public sector entities has increased by $47.4 million (17.8%) mainly due to disaster recovery funds received from Department of Fire and Emergency Services and Royalties for Regions to re-instate the roads after Tropical Cyclone Ellie.

H Infrastructure assets has increased by $6.4 billion (11.7%) compared to previous year mainly due to revaluation of infrastructure assets using construction unit rates provided by professional estimators.

I Capital appropriation increased by $248.6 million (58%) due to the reallocation of $80 million additional appropriation to facilitate emergency works required following Tropical Cyclone Ellie. In addition, State provided supplementary funds due to delays in receipt of funds for Commonwealth projects.

J Amounts due to the Treasurer is higher by $107.2 million due to delays in receipt of funds from Commonwealth for the Regional Road Safety Program.

K Contribution to Road decreased by $55.0 million (24.1%) due to low level contribution receipts from other public sector agencies compared to previous year. Previous year's projects included Tonkin Gap and Byford Rail Extension – Thomas Road Level Crossing Removal and Bridge Construction.

L Employee benefits is higher by $21.3 million (27.7%) due to transition of road maintenance function in-house for the Mid West Gascoyne and Wheatbelt regions.

M Grants and subsidies is higher by $102.2 million (28.5%) due to increased payments for Metronet related works including Thornlie Cockburn link, Yanchep rail extension and Bayswater station.

N GST payment has increased by $72.1 million (28.6%) mainly due to an increase in payments to suppliers.

O GST receipts from taxation authority has increased by $61.0 million (27.4%) due to higher amount of GST paid on purchases.

P Purchase of non-current assets is higher by $55.8 million (217.8%) mainly due to land acquisitions for the Westport project.

Q Purchase of infrastructure assets is higher by $252.2 million (14.5%) due to increased work on the infrastructure projects delivered during the financial year. Major projects include Bunbury Outer Ring Road, Tonkin Gap Project and Associated Works, Mitchell Freeway extension – Hester Avenue to Romeo Road and Albany Ring Road Stage 2 & 3.