

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2021

### 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 3 September 2021.

### 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* (**AASs**) including applicable interpretations
- 4) Where appropriate, those **AAS** paragraphs applicable for not-for-profit entities have been modified.

The *Financial Management Act 2006* and the *Treasurer's Instructions* take precedence over AASs. Several AASs are modified by the Treasurer's Instructions 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.

### 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.

## 2 Agency outputs

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

	Note
Agency objectives	2.1
Schedule of Income and Expenses by Service	2.2

### 2.1 Agency objectives

#### Mission

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

Main Roads is predominantly funded by 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.

2.2. Schedule of Income and Expenses by Service  
 Schedule of Income and Expenses by Service for 2019-20 and 2020-21 (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		
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	
<b>COST OF SERVICES</b>																	
<b>Expenses</b>																	
Employee benefits expense	10,092	8,297	103,112	95,029	19,574	16,876	2,230	929	18,858	15,828	8,470	10,813	(86,336)	(81,741)	76,001	66,031	
Supplies and services	396,632	144,904	83,927	76,099	498,704	510,801	49,298	13,353	419,715	410,244	356,984	414,085	(1,328,056)	(1,122,497)	477,204	446,987	
Depreciation of infrastructure assets	0	0	0	0	0	0	0	0	405,809	391,864	0	0	0	0	405,809	391,864	
Depreciation and amortisation of other non-current assets	3,970	1,427	1,638	1,311	5,306	4,607	912	290	5,292	4,666	3,752	3,787	(11,318)	(11,774)	9,552	4,315	
Finance Costs	29	1	56	35	27	21	2	2	168	132	0	4	0	0	282	194	
Grants and subsidies	25,235	20,497	2,318	1,698	65,955	31,047	57,524	21,278	162,312	141,618	47,049	21,762	(3,597)	(5,625)	356,795	232,275	
Infrastructure assets retired or replaced	0	0	0	0	0	0	0	0	0	0	0	10,979	47,287	89,861	48,139	100,840	
<b>Total cost of services</b>	<b>435,958</b>	<b>175,125</b>	<b>191,051</b>	<b>174,171</b>	<b>589,566</b>	<b>563,352</b>	<b>109,966</b>	<b>35,852</b>	<b>1,012,154</b>	<b>964,351</b>	<b>416,255</b>	<b>461,430</b>	<b>(1,382,019)</b>	<b>(1,131,775)</b>	<b>1,373,783</b>	<b>1,242,505</b>	
<b>Income</b>																	
<b>Revenue</b>																	
Sale of goods and services	738	51	1,407	824	682	475	49	103	4,203	4,216	0	269	0	0	7,080	5,938	
Commonwealth grants and contributions	241,588	32,939	0	0	313,077	261,079	41,441	20,871	111,170	55,308	258,548	296,892	0	0	965,825	667,089	
Contributions to roadworks	95	1,740	247	1,736	4,394	12,249	5,961	8,860	16,010	12,972	12,884	22,234	0	0	39,591	59,791	
Grants from other bodies	273,172	2,821	112,689	2,590	365,138	9,105	62,759	574	364,136	9,221	258,160	7,487	0	0	1,436,053	31,798	
Interest income	25	108	10	99	33	350	6	22	33	354	23	287	0	0	129	1,221	
Other income	2,315	1,445	955	1,327	3,094	4,667	532	294	5,608	4,726	2,188	3,831	0	0	14,692	16,291	
<b>Total income</b>	<b>517,933</b>	<b>39,104</b>	<b>115,308</b>	<b>6,576</b>	<b>686,419</b>	<b>287,925</b>	<b>110,747</b>	<b>30,724</b>	<b>501,160</b>	<b>86,796</b>	<b>531,803</b>	<b>331,000</b>	<b>0</b>	<b>0</b>	<b>2,463,370</b>	<b>782,126</b>	
<b>Gains</b>																	
Gain on disposal of non-current assets	(117)	0	(49)	0	(155)	0	(27)	0	(155)	0	(107)	0	0	0	(609)	(1)	
<b>Total gains</b>	<b>(117)</b>	<b>0</b>	<b>(49)</b>	<b>0</b>	<b>(155)</b>	<b>0</b>	<b>(27)</b>	<b>0</b>	<b>(155)</b>	<b>0</b>	<b>(107)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(609)</b>	<b>(1)</b>	
<b>Total income other than income from State Government</b>	<b>517,816</b>	<b>39,104</b>	<b>115,259</b>	<b>6,576</b>	<b>686,264</b>	<b>287,925</b>	<b>110,720</b>	<b>30,724</b>	<b>501,005</b>	<b>86,796</b>	<b>531,697</b>	<b>331,000</b>	<b>0</b>	<b>0</b>	<b>2,462,761</b>	<b>782,126</b>	
<b>NET COST OF SERVICES</b>	<b>(81,858)</b>	<b>136,021</b>	<b>75,792</b>	<b>167,595</b>	<b>(96,698)</b>	<b>275,427</b>	<b>(754)</b>	<b>5,128</b>	<b>511,149</b>	<b>877,555</b>	<b>(115,442)</b>	<b>130,430</b>	<b>(1,382,019)</b>	<b>(1,131,775)</b>	<b>(1,088,978)</b>	<b>460,380</b>	
<b>INCOME FROM STATE GOVERNMENT</b>																	
Service appropriation	55,769	58,777	226,418	235,612	114,524	102,439	38,183	37,308	606,782	633,875	26,880	28,096	0	0	1,068,556	1,096,107	
Resources received free of charge	516	191	213	175	690	617	119	39	688	625	488	507	0	0	2,712	2,154	
Other State Government Funds	53,129	47,865	0	830	19,783	10,444	316	1,208	28,280	44,558	0	0	0	0	101,508	104,905	
Capital contribution	146,440	39,670	13,194	3,198	88,498	117,640	5,577	4,470	102,949	10,717	98,824	111,021	(455,481)	(286,716)	0	0	
Revenue from Other Government Agencies	144	2,479	374	337	6,654	16,169	9,026	12,618	28,069	12,063	19,511	31,661	0	0	63,777	75,327	
<b>Total income from State Government</b>	<b>255,998</b>	<b>148,982</b>	<b>240,198</b>	<b>240,152</b>	<b>230,148</b>	<b>247,309</b>	<b>53,220</b>	<b>55,643</b>	<b>766,767</b>	<b>701,838</b>	<b>145,703</b>	<b>171,285</b>	<b>(455,481)</b>	<b>(286,716)</b>	<b>1,236,553</b>	<b>1,278,493</b>	
<b>SURPLUS/DEFICIT FOR THE PERIOD</b>	<b>337,857</b>	<b>12,961</b>	<b>164,406</b>	<b>72,557</b>	<b>326,846</b>	<b>(28,118)</b>	<b>53,974</b>	<b>50,515</b>	<b>255,618</b>	<b>(175,717)</b>	<b>261,145</b>	<b>40,854</b>	<b>926,537</b>	<b>845,058</b>	<b>2,325,531</b>	<b>818,112</b>	

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

### 3 Use of our funding

#### Expenses incurred in the delivery of services

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

	Notes	2021 \$000	2020 \$000
Employee benefits expense	3.1(a)	76,001	66,031
Employee related provisions	3.1(b)	41,998	37,673
Grants and subsidies	3.2	356,796	232,275
Other expenditure	3.3	525,344	547,826

#### 3.1(a) Employee benefits expense

	2021 \$000	2020 \$000
Employee benefits	146,978	134,384
Termination benefits	–	–
Superannuation – defined contribution plans	15,322	13,326
<b>Total employee benefits expenses</b>	<b>162,300</b>	<b>147,710</b>
Add: AASB 16 Non-monetary benefits	259	278
Less: Employee Contributions (per the statement of comprehensive income)	(222)	(216)
<b>Net employee benefits</b>		
Less: capitalised to infrastructure	(86,336)	(81,741)
	<b>76,001</b>	<b>66,031</b>

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

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

**Superannuation:** the amount recognised in profit or loss of the Statement of Comprehensive Income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBs, or other superannuation funds.

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

**AASB 16 Non-monetary benefits:** non-monetary employee benefits, that are employee benefits expenses, predominantly relate to the provision of vehicle and housing benefits are measured at the cost incurred by Main Roads.

**Employee Contributions:** 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**

	2021 \$000	2020 \$000
<b>Current</b>		
<i>Employee benefits provisions</i>		
Annual leave	17,905	15,365
Long service leave	18,549	16,867
	36,454	32,232
<i>Other provisions</i>		
Employment on-costs	(165)	15
<b>Total current employee related provisions</b>	36,289	32,247
<b>Non-current</b>		
<i>Employee benefits provisions</i>		
Long service leave	5,735	5,424
<i>Other provisions</i>		
Employment on-costs	(26)	2
<b>Total non-current employee related provisions</b>	5,709	5,426
<b>Total employee related provisions</b>	<b>41,998</b>	<b>37,673</b>

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:** 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:

	2021 \$000	2020 \$000
Within 12 months of the end of the reporting period	11,629	11,072
More than 12 months after the end of the reporting period	6,276	4,293
	17,905	15,365

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:** Unconditional long service leave provisions are classified as current liabilities as Main Roads does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because Main Roads has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

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

	2021 \$000	2020 \$000
Within 12 months of the end of the reporting period	3,805	3,813
More than 12 months after the end of the reporting period	20,479	18,478
	24,284	22,291

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.

**Employment on-costs:** The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses', Note 3.3, and are not included as part of Main Roads' 'employee benefits expense'. 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'.

	2021 \$000	2020 \$000
<b>Employment on-costs provision</b>		
Carrying amount at start of period	17	330
Additional/(reversal of) provisions recognised	(208)	(313)
<b>Carrying amount at end of period</b>	<b>(191)</b>	<b>17</b>

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

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

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

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

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

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

**3.2 Grants and subsidies**

	2021 \$000	2020 \$000
<u>Recurrent</u>		
Grants and subsidies to local government and other bodies <sup>(a)</sup>	196,806	188,108
<u>Capital</u>		
Grants and subsidies to local government and other bodies <sup>(a)</sup>	81,852	30,482
Grants of non-current assets to other bodies	78,138	13,685
<b>Total grants and subsidies</b>	<b>356,796</b>	<b>232,275</b>

(a) Include payments made to Public Transport Authority

## Performance and Financials

Transferred infrastructure assets at fair value to Local Government and other bodies based on formal proclamation. The following assets were transferred during the year ended 30 June 2021: New Lord Street and Hepburn Avenue Noisewall (City of Swan).

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

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

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

### 3.3 Other expenditure

	2021 \$000	2020 \$000
<b>Supplies and services</b>		
Insurance <sup>(a)</sup>	2,782	3,572
Accommodation, plant and equipment hire costs <sup>(b)(c)</sup>	8,371	9,624
Electricity, gas and water	10,734	10,197
Building maintenance and equipment <sup>(d)</sup>	6,876	6,224
Advertising	1,955	138
Communications	5,311	5,439
Consultants and contractors <sup>(e)</sup>	411,232	390,754
Consumables	2,334	2,227
Materials	1,940	1,613
Expected credit losses reversal	(128)	68
Licences, fees and registration	13,400	9,281
Other	12,397	7,849
<b>Total supplies and services expenses</b>	<b>477,204</b>	<b>446,986</b>

(a) Include payments to RiskCover.

(b) Include payments to Department of Finance.

(c) Included within rental costs are variable lease payments and low value leases of up to \$5,000. This excludes leases with another wholly-owned public sector entity lessor agency. Refer to Note 5.4 for variable lease payment and low value leases expense.

(d) Include payments to Department of Finance.

(e) Include payments to Department of Transport.

	2021 \$000	2020 \$000
Other expenses		
Non-current assets retired/replaced	47,732	89,459
Write-down of non-current assets classified as held for sale	382	410
Write-(back)/down of infrastructure works in progress	26	10,971
<b>Total other expenses</b>	<b>48,140</b>	<b>100,840</b>
<b>Total other expenditure</b>	<b>525,344</b>	<b>547,826</b>

**Supplies and services**

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

**Accommodation, plant and equipment hire costs include:**

- 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.

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

**Expected credit losses** is an allowance of trade receivables, measured at the lifetime expected credit losses at each reporting date. Main Roads has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Refer to note 6.1.1 Movement in the allowance for impairment of receivables.

**Other 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 Armadale Road Duplication, Gibb River Road and Koodaideri Road bridge over rail (Great Northern Highway).

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

*Write-down of infrastructure works in progress:* This amount mainly represented the infrastructure work in progress written down relating to the Government decision to discontinue work on Roe Highway Extension – Bibra Drive to Stock Road in 2019-20.

**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	2021 \$000	2020 \$000
Income from State Government	4.1	1,236,553	1,278,492
Sale of goods and services	4.2	7,080	5,938
Commonwealth grants	4.3	965,825	667,089
Contributions to roadworks	4.4	39,591	59,791
Grants from other bodies	4.5	1,436,053	31,798
Interest income	4.6	129	1,221
Other income	4.7	14,692	16,290
Gain/(loss) on disposal	4.8	(609)	(1)



**4.1 Income from State Government**

	2021 \$000	2020 \$000
Appropriation received during the period:		
Motor vehicle licence fees <sup>(a)</sup>	690,191	738,673
Untied funds <sup>(b)</sup>	368,402	348,089
Motor vehicle permit fees <sup>(c)</sup>	9,538	8,920
Salaries and Allowances Act 1975	425	425
	1,068,556	1,096,107
Resources received free of charge from other State government agencies during the period <sup>(d)</sup> :		
WA Land Information Authority (Landgate)	117	220
Department of Justice (State Solicitor's Office)	2,383	1,801
WA Police Services (Road Safety Commission)	178	51
Department of Finance	24	26
Other	10	56
<b>Total services received</b>	<b>2,712</b>	<b>2,154</b>
Income from other public sector entities		
Road Trauma Trust Fund <sup>(e)</sup>	48,965	44,665
Natural disaster funds <sup>(f)</sup>	28,280	44,558
Royalties for Regions Fund <sup>(g)</sup>	24,263	15,682
Contributions to roadworks <sup>(h)</sup>	63,777	75,326
<b>Total other funds</b>	<b>165,285</b>	<b>180,231</b>
<b>Total Income from State Government</b>	<b>1,236,553</b>	<b>1,278,492</b>

**Service appropriations**

Service appropriations are recognised as income at the fair value of consideration received in the period in which Main Roads gains control of the appropriated funds. The Agency gains control of appropriated funds at the time those funds are deposited in the bank account or credited to the 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 2020-21 was \$1,047.948 million (2019-20: \$997.182 million). An amount of \$690.191 million (2019-20: \$738.673 million) was received as a service appropriation and the balance of \$357.757 million (2019-20: \$258.509 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 2020-21 was \$440.802 million (2019-20: \$348.089 million). This includes a service appropriation of \$368.402 million (2019-20: \$348.089 million) and a capital contribution of \$72.40 million (2019-20: nil). The service appropriation includes no cash component (2019-20: nil) and a \$368.402 million (2019-20: \$348.089 million) non cash component.

*(c) Motor vehicle permit fees*

The vehicle standards for dimensions and mass are prescribed under the Road Traffic (Vehicles) Regulations 2014. Under the regulations, a permit is required to access certain parts of the WA road network for vehicles. Main Roads charges a fee to issue the permits in accordance with the regulations.

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

Non-reciprocal contributions including Resources Received Free of Charge are recognised as income (and asset or expenses) equivalent to the fair value of those 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 Office of Emergency Management for re-opening and re-instatement of roads damaged by declared natural disasters. Revenue is recognised when a claim is made to Department of Fire and Emergency Services.

*(g) Royalties for Regions Fund*

The recurrent funds are committed to projects and programs in WA regional areas and are recognised as income when Main Roads receives the funds. Main Roads obtains control of the funds at the time the funds are deposited into Main Roads' bank account. Main Roads has assessed Royalties for Regions agreements and concludes that they are not within the scope of AASB 15 as they do not meet the 'sufficiently specific' criterion.

*(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.

**4.2 Sale of goods and services**

	2021 \$000	2020 \$000
Sale of goods and services	7,080	5,938

This amount represents works undertaken for other private bodies and includes the recovery of expenditure from the Commonwealth Department of Infrastructure, Transport, Regional Development and Communications under service delivery arrangements with the Shires of Christmas Island and Cocos (Keeling) Island. The amounts expended or set aside for expenditure during 2020-21 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**

	2021 \$000	2020 \$000
<b>Commonwealth grants</b>		
– Land Transport Infrastructure Projects	965,825	667,089
	<b>965,825</b>	<b>667,089</b>

**Commonwealth grants**

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

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**

	2021 \$000	2020 \$000
Contributions to roadworks	39,591	59,791

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

	2021 \$000	2020 \$000
<b>Grants from local government authorities and other bodies</b>		
Transferred infrastructure assets at fair value <sup>(a)</sup>	1,434,628	27,602
Local Government contribution to traffic signal construction	–	–
Developers contribution to roadworks <sup>(b)</sup>	1,425	4,196
	<b>1,436,053</b>	<b>31,798</b>

(a) Transferred infrastructure assets at fair value are transfers from Local Government and other bodies to State Government based on formal proclamation. Transferred assets during the year ended 30 June 2021 include Marmion Avenue (City of Wanneroo and City of Joondalup), Curtin Avenue (City of Cottesloe) and Broome Cape Leveque Road (Shire of Broome).

(b) The developers contribution to roadworks relate to construction costs met by private developers on roads owned by Main Roads. The roadworks include Pinjarra Road and Cortland Drive intersection.

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

	2021 \$000	2020 \$000
Land Transport Infrastructure Projects interest revenue	122	1,206
Other interest revenue	7	15
	<b>129</b>	<b>1,221</b>

Revenue is recognised as the interest accrues.

#### 4.7 Other income

	2021 \$000	2020 \$000
Rental income	3,156	3,524
Traffic escort services	10,355	9,815
Assets not previously recognised	84	–
Other	1,097	2,951
	<b>14,692</b>	<b>16,290</b>

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

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

	2021 \$000	2020 \$000
<u>Net proceeds from disposal of non-current assets</u>		
Land acquired for roadworks	1,354	5,224
Land and buildings	393	387
Plant, equipment and vehicles	3	211
	1,750	5,822
<u>Carrying amount of non-current assets disposed</u>		
Land acquired for roadworks	2,161	5,352
Land and buildings	189	362
Plant, equipment and vehicles	4	30
Right-of-use asset	5	79
	2,359	5,823
<b>Net gain/(loss)</b>	<b>(609)</b>	<b>(1)</b>

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

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

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

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

## 5 Key assets

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

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

	Notes	2021 \$000	2020 \$000
Property, plant and equipment	5.1	408,961	401,688
Infrastructure	5.2	49,510,651	45,648,131
Intangible assets	5.3	13,670	15,789
Right-of-use assets	5.4	8,355	9,540
<b>Total key assets</b>		<b>49,941,637</b>	<b>46,075,148</b>

**5.1 Property, plant and equipment**

	2021 \$000	2020 \$000
<u>Land</u>		
At fair value	65,955	63,912
	65,955	63,912
<u>Buildings</u>		
At fair value	96,378	93,789
Accumulated depreciation	(21)	(31)
	96,357	93,758
<u>Buildings under construction</u>		
Construction costs	14,861	3,777
	14,861	3,777
<u>Plant, equipment and vehicles</u>		
At cost	49,465	46,200
Accumulated depreciation	(34,724)	(32,260)
	14,741	13,940
<u>Surplus assets</u>		
At fair value	67,635	69,102
Accumulated depreciation	(2)	(3)
	67,633	69,099
<u>Land acquired for roadworks</u>		
At fair value	149,414	157,202
	149,414	157,202
<b>Total property, plant and equipment</b>	<b>408,961</b>	<b>401,688</b>

Information on fair value measurements is provided in Note 8.3.

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

Year ended 30 June 2021	Land \$000	Buildings \$000	Buildings under constr- uction \$000	Plant, equipment and vehicles \$000	Surplus assets \$000	Land acquired for roadworks \$000	Total \$000
<b>Carrying amount at 1 July 2020</b>	63,912	93,758	3,777	13,940	69,099	157,202	401,688
Additions <sup>(a)</sup>	1,130	400	14,038	4,059	–	16	19,643
Disposals	(65)	–	–	(4)	–	–	(69)
Classified as held for sale	(136)	(176)	–	–	(1,020)	(4,564)	(5,896)
Transfers	–	2,954	(2,954)	–	–	–	–
Transfer (to) / from infrastructure	–	–	–	–	(678)	(2,374)	(3,052)
Equity contribution / (distribution)	–	–	–	–	–	–	–
Revaluation increments / (decrements)	675	7,026	–	–	929	(866)	7,764
Impairment losses <sup>(b)</sup>	–	–	–	–	–	–	–
Assets not previously recognised / Grants	439	(8)	–	(25)	(604)	–	(198)
Depreciation	–	(7,597)	–	(3,229)	(93)	–	(10,919)
<b>Carrying amount at 30 June 2021</b>	65,955	96,357	14,861	14,741	67,633	149,414	408,961

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

(b) Impairment losses are recognised in the Statement of Comprehensive Income. Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised through profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income.

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

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

(b) Impairment losses are recognised in the Statement of Comprehensive Income. Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised through profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income.

## 5.2 Infrastructure

	2021 \$000	2020 \$000
<u>Roads and principal shared paths</u>		
Earthworks at fair value	14,799,521	14,256,316
Accumulated depreciation	(3,238,340)	(3,196,713)
	11,561,181	11,059,603
<u>Pavement and drainage at fair value</u>		
Pavement and drainage at fair value	10,758,560	10,033,250
Accumulated depreciation	(6,170,709)	(5,865,761)
	4,587,851	4,167,489
<u>Seals at fair value</u>		
Seals at fair value	1,761,394	1,621,259
Accumulated depreciation	(999,920)	(941,750)
	761,474	679,509
<u>Land under roads</u>		
At fair value	25,293,358	22,863,929
	25,293,358	22,863,929
<u>Bridges</u>		
At fair value	6,676,742	6,187,286
Accumulated depreciation	(2,014,036)	(1,868,129)
	4,662,706	4,319,157
<u>Road furniture</u>		
At fair value	813,066	738,255
Accumulated depreciation	(346,585)	(312,221)
	466,481	426,034
<u>Infrastructure work in progress</u>		
At cost	2,177,600	2,132,410
	2,177,600	2,132,410
<b>Total Infrastructure</b>	<b>49,510,651</b>	<b>45,648,131</b>



## Performance and Financials

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

	Roads and principal shared paths \$000	Land under roads \$000	Bridges \$000	Road furniture \$000	Work in progress \$000	Total \$000
<b>Year ended 30 June 2021</b>						
<b>Carrying amount at 1 July 2020</b>	15,906,601	22,863,929	4,319,157	426,034	2,132,410	45,648,131
Additions <sup>(a)</sup>	–	–	–	–	1,430,080	1,430,080
Retirements	(42,665)	–	(2,312)	(2,755)	–	(47,732)
Transfers	978,282	95,552	236,866	76,699	(1,387,399)	–
Transfer (to) / from land acquired for roadworks	–	3,052	–	–	–	3,052
Revaluation increments / (decrements)	209,067	1,143,374	177,221	5,382	–	1,535,044
Highways and main roads reclassified as local roads	(67,118)	(7,320)	(3,418)	–	–	(77,856)
Local roads classified as highways and main roads	234,204	1,194,771	7,035	43	–	1,436,053
Equity contribution / (distribution)	(7,848)	–	–	(4,972)	2,536	(10,284)
Assets not previously recognised	–	–	–	–	–	–
Write-down of infrastructure work in progress	–	–	–	–	(27)	(27)
Depreciation	(300,017)	–	(71,843)	(33,950)	–	(405,810)
<b>Carrying amount at 30 June 2021</b>	<b>16,910,506</b>	<b>25,293,358</b>	<b>4,662,706</b>	<b>466,481</b>	<b>2,177,600</b>	<b>49,510,651</b>

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

	Roads and principal shared paths \$000	Land under roads \$000	Bridges \$000	Road furniture \$000	Work in progress \$000	Total \$000
<b>Year ended 30 June 2020</b>						
<b>Carrying amount at 1 July 2019</b>	14,524,916	23,176,529	4,165,485	407,351	2,122,440	44,396,721
Additions	–	–	–	–	1,232,593	1,232,593
Retirements	(84,534)	–	(1,530)	(2,519)	–	(88,583)
Transfers	971,799	18,657	175,722	45,473	(1,211,651)	–
Transfer (to) / from land acquired for roadworks	–	354	–	–	–	354
Revaluation increments / (decrements)	792,409	(353,453)	47,492	5,494	–	491,942
Highways and main roads reclassified as local roads	(11,838)	(395)	(403)	–	–	(12,636)
Local roads classified as highways and main roads	8,583	22,237	–	977	–	31,797
Equity contribution / (distribution)	(1,221)	–	–	–	–	(1,221)
Assets not previously recognised	–	–	–	–	–	–
Write-back of infrastructure work in progress	–	–	–	–	(10,972)	(10,972)
Depreciation	(293,513)	–	(67,609)	(30,742)	–	(391,864)
<b>Carrying amount at 30 June 2020</b>	<b>15,906,601</b>	<b>22,863,929</b>	<b>4,319,157</b>	<b>426,034</b>	<b>2,132,410</b>	<b>45,648,131</b>

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

### **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 2020 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 2021 and recognised at 30 June 2021.

#### 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 2019 to 1 July 2020. These properties have been valued based on the average percentage increase for the Metro and Rural areas respectively over the period 1 July 2019 to 1 July 2020. The average percentage increases have been determined by calculating the movement in the value of Main Roads' Metro and Rural properties where Landgate has provided a value. The effective date of the valuations is 1 July 2020. In undertaking the revaluation, fair value was determined by reference to market values of Freehold land \$58.867 million (2019-20: \$56.833) and Buildings \$82.151 million (2019-20: \$79.518). 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 2021 is based on the current replacement cost determined at 30 June 2021 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) 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 2021 is based on the current replacement cost determined at 30 June 2021. This was calculated as at 30 June 2021 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 2021. The revaluation process resulted in gain as at 30 June 2021.

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**

	2021 \$000	2020 \$000
<u>Depreciation</u>		
Plant, equipment and vehicles	3,229	2,790
Buildings	7,690	6,778
<b>Total depreciation for the period</b>	<b>10,919</b>	<b>9,568</b>
Less: depreciation capitalised to infrastructure	(7,067)	(6,720)
	<b>3,852</b>	<b>2,848</b>

As at 30 June 2021 there were no indications of impairment to property, plant and equipment.

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

**5.2.1 Depreciation and impairment expenses of infrastructure assets**

	2021 \$000	2020 \$000
<b>Charge for the period</b>		
Roads – earthworks	490	486
Roads – pavements and drainage	202,442	196,565
Roads – seal	97,085	96,462
Bridges	71,843	67,609
Road furniture	33,949	30,742
<b>Total depreciation for the period</b>	<b>405,809</b>	<b>391,864</b>

There were 310 road seal assets 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 2021. These road seal assets are planned to be fully or partially retired during next financial year.

**Finite useful lives**

All infrastructure, property, plant and equipment having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits. The exceptions to this rule include assets held for sale and land.

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

*Road Infrastructure:*

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

*Property, Plant & Equipment:*

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

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

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

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

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

### Impairment of assets

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

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

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

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

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

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

### 5.3 Intangible assets

	2021 \$000	2020 \$000
<u>Computer software and licences</u>		
At cost	43,654	39,369
Accumulated amortisation	(29,993)	(23,589)
	13,661	15,780
<u>Drainage easements</u>		
At cost	9	9
	9	9
<b>Total intangible assets</b>	<b>13,670</b>	<b>15,789</b>
Reconciliations:		
<u>Computer software and licences</u>		
Carrying amount at start of period	15,780	13,659
Additions	4,285	5,688
Amortisation expense	(6,404)	(3,567)
<b>Carrying amount at end of period</b>	<b>13,661</b>	<b>15,780</b>

## Intangible assets

### Initial recognition

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

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

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

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

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

### Subsequent measurement

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

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

	2021 \$000	2020 \$000
<u>Amortisation</u>		
Intangible assets	6,404	3,567
<b>Total amortisation for the period</b>	6,404	3,567
Less: amortisation capitalised to infrastructure	(2,204)	(2,839)
	<b>4,200</b>	<b>728</b>

As at 30 June 2021 one software asset is impaired by reducing useful life.

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

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

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

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

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

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

### Computer software and licences

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

### Drainage easements

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

**Impairment of intangible assets**

Intangible assets with indefinite useful lives are tested for impairment annually or when an indication of impairment is identified. The policy in connection with testing for impairment is outlined in Notes 5.1.1 and 5.2.1.

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

	2021 \$000	2020 \$000
<u>Building and office accommodation</u>		
At cost	5,877	5,692
Accumulated depreciation	(1,744)	(717)
	4,133	4,975
<u>State Fleet vehicles</u>		
At cost	8,179	6,669
Accumulated depreciation	(3,957)	(2,104)
	4,222	4,565
<b>Total right-of-use assets</b>	<b>8,355</b>	<b>9,540</b>

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

Year ended 30 June 2021	Statefleet vehicles \$000	Buildings and office accommodations \$000	Total \$000
<b>Carrying amount at 1 July 2020</b>	4,565	4,975	9,540
Additions <sup>(a)</sup>	1,980	–	1,980
Adjustments	250	185	435
Disposals	(48)	–	(48)
Impairment losses	–	–	–
Depreciation	(2,525)	(1,027)	(3,552)
<b>Carrying amount at 30 June 2021</b>	<b>4,222</b>	<b>4,133</b>	<b>8,355</b>

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

Year ended 30 June 2020	Statefleet vehicles \$000	Buildings and office accommodations \$000	Total \$000
<b>Carrying amount at 1 July 2019</b>	4,050	3,319	7,369
Additions <sup>(a)</sup>	2,778	2,373	5,151
Adjustments	267	–	267
Disposals	(294)	–	(294)
Impairment losses	–	–	–
Depreciation	(2,236)	(717)	(2,953)
<b>Carrying amount at 30 June 2020</b>	<b>4,565</b>	<b>4,975</b>	<b>9,540</b>

Initial recognition

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

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

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

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

Subsequent Measurement

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

Depreciation and impairment of right-of-use assets

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

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

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

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

	2021 \$000	2020 \$000
State Fleet vehicles	2,525	2,236
Building and accommodation	1,027	717
<b>Total depreciation for the period</b>	<b>3,552</b>	<b>2,953</b>
Less: amortisation capitalised to infrastructure	(2,052)	(2,214)
	<b>1,500</b>	<b>739</b>

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

**Impairment of right-of-use assets**

As at 30 June 2021 no right-of-use asset is impaired.

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

	2021 \$000	2020 \$000
Lease interest expense (included in Finance cost)	282	194
Depreciation expense of right-of-use assets	1,500	739
Short-term leases (included in Other Expenditure)	253	357
Gains or losses from right-of-use assets	5	78
<b>Total amount recognised in the statement of comprehensive income</b>	<b>2,040</b>	<b>1,368</b>

The total cash outflow for leases in 2020-21 was \$3.010 million. (2019-20: \$3.145 million).

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

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

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	2021 \$000	2020 \$000
Receivables	6.1	306,445	149,216
Amounts receivable for services (Holding Account)	6.2	3,511,303	3,142,901
Inventories	6.3	6,639	7,753
Prepayments	6.4	53,205	13,038
Payables	6.5	411,595	264,556
Other provisions	6.6	94	2,011
Contract liabilities	6.7	12,270	2,403
Grant liabilities	6.8	231,758	197,075

### 6.1 Receivables

	2021 \$000	2020 \$000
<u>Current</u>		
Trade receivables	11,985	36,899
Other debtors	–	109
Allowance for impairment of trade receivables	(373)	(479)
Trade debtors – unbilled receivables	44,263	36,262
GST receivable	49,764	28,778
Accrued revenue	200,740	47,458
<b>Total current</b>	<b>306,379</b>	<b>149,027</b>
<u>Non-current</u>		
Trade receivables	66	189
<b>Total non-current</b>	<b>66</b>	<b>189</b>
<b>Total receivables</b>	<b>306,445</b>	<b>149,216</b>

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

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.

**6.1.1 Movement in the allowance for impairment of trade receivables**

	2021 \$000	2020 \$000
<b>Reconciliation of changes in the allowance for impairment of trade receivables:</b>		
Balance at start of period	479	231
Remeasurement under AASB 9	–	–
Restated balance at start of period	479	231
Expected credit losses expense	219	308
Amounts written off during the year	–	–
Expected credit losses reversed during the period	(325)	(60)
<b>Balance at end of period</b>	<b>373</b>	<b>479</b>

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

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

**6.2 Amounts receivable for services (Holding Account)**

	2021 \$000	2020 \$000
Current	–	–
Non-current	3,511,303	3,142,901
<b>Balance at end of period</b>	<b>3,511,303</b>	<b>3,142,901</b>

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

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

**6.3 Inventories**

	2021 \$000	2020 \$000
<b>Current</b>		
Inventories held for distribution:		
– Construction and maintenance materials	2,252	1,551
<b>Total current</b>	2,252	1,551
<b>Non-current</b>		
Inventories held for distribution:		
– Construction and maintenance materials	4,387	6,202
<b>Total non-current</b>	4,387	6,202
<b>Total inventories</b>	<b>6,639</b>	<b>7,753</b>

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

## 6.4 Prepayments

	2021 \$000	2020 \$000
<b>Current</b>		
Contractor's advance	38,068	11,228
Prepaid insurance	6,688	552
<b>Total current</b>	<b>44,756</b>	<b>11,780</b>
<b>Non-current</b>		
Contractor's advance	–	–
Prepaid insurance	8,449	1,258
<b>Total non-current</b>	<b>8,449</b>	<b>1,258</b>
<b>Total prepayments</b>	<b>53,205</b>	<b>13,038</b>

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

## 6.5 Payables

	2021 \$000	2020 \$000
<b>Current</b>		
Trade payables	8,317	4,876
Major contracts and services <sup>(a)</sup>	298,952	160,289
Property acquisitions liability <sup>(b)</sup>	97,235	88,585
Contractors' retention	2,384	1,945
Funds received in advance <sup>(c)</sup>	–	441
Performance bonds / surety	2,435	1,232
Accrued salaries and wages <sup>(d)</sup>	2,272	7,188
<b>Total current</b>	<b>411,595</b>	<b>264,556</b>
<b>Total Payables</b>	<b>411,595</b>	<b>264,556</b>

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

- (a) 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) Funds received in advance represented payments for agreed future works for third parties including public and private companies. The balance comprised mainly the agreed maintenance contribution scheme by private companies. From 1 July 2019, the payments are recognised as revenue under AASB 15.
- (d) 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**

	2021 \$000	2020 \$000
<b>Current</b>		
Site restoration	–	1,959
<b>Total Current</b>	–	1,959
<b>Non-current</b>		
Make-good provisions	94	52
<b>Total Non-current</b>	94	52
<b>Total other provisions</b>	<b>94</b>	<b>2,011</b>

**6.6.1 Provision for remediation (site restoration)**

Main Roads had a legal obligation to restore the site cleared for the purposes of constructing Roe Highway Extension (Stage 8). The associated expense is disclosed in 2019-20 under note 5.2 Infrastructure Work In Progress.

A provision for remediation is recognised when:

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

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

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

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

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

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

A Make-good provision is recognised when:

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

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

**Movements in other provisions**

	2021 \$000	2020 \$000
<u>Site restoration cost provision</u>		
Carrying amount at start of period	1,959	2,208
Movement in provisions	(1,959)	(249)
<b>Carrying amount at end of period</b>	<b>–</b>	<b>1,959</b>
<u>Make-good provisions</u>		
Movement in provisions	42	52
<b>Carrying amount at end of period</b>	<b>94</b>	<b>52</b>

**6.7 Contract liabilities**

	2021 \$000	2020 \$000
Current contract liabilities	12,270	2,403
Non-current contract liabilities	–	–
<b>Total contract liabilities</b>	<b>12,270</b>	<b>2,403</b>

**6.7.1 Movement in contract liabilities**

	2021 \$000	2020 \$000
<b>Reconciliation of contract liabilities</b>		
Opening balance	2,403	–
Additions	24,811	27,011
Revenue recognised in the reporting period	(14,944)	(24,608)
<b>Balance at the end of the period</b>	<b>12,270</b>	<b>2,403</b>

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**

	2021 \$000	2020 \$000
Current grant liabilities	231,758	197,075
Non-current grant liabilities	–	–
<b>Total contract liabilities</b>	<b>231,758</b>	<b>197,075</b>

Grant liabilities represent payments received from the Commonwealth for agreed future works under the National Partnership on Infrastructure Projects in Western Australia. Income is recognised when Main Roads achieves milestones specified in the grant agreement.

**6.8.1 Movement in grant liabilities**

	2021 \$000	2020 \$000
<b>Reconciliation of grant liabilities</b>		
Opening balance	197,075	318,088
Additions	1,081,821	577,123
Income recognised in the reporting period	(1,047,138)	(698,136)
<b>Balance at the end of the period</b>	<b>231,758</b>	<b>197,075</b>

**6.8.2 Expected satisfaction of grant liabilities**

	2021 \$000	2020 \$000
<b>Income recognition</b>		
1 year	231,758	197,075
1 to 5 years	–	–
over 5 years	–	–
	<b>231,758</b>	<b>197,075</b>

## 7 Financing

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

	Notes
Cash and cash equivalents	7.1
Lease liabilities	7.2
Finance costs	7.3
Commitments	7.4

### 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:

	2021 \$000	2020 \$000
Cash and cash equivalents	190,569	91,221
Restricted cash and cash equivalents	186,527	214,194
	<b>377,096</b>	<b>305,415</b>
Restricted cash and cash equivalents		
Contractors' deposits <sup>(a)</sup>	2,384	1,752
Land Transport Infrastructure Projects <sup>(b)</sup>	19,762	78,477
Commonwealth Paid Parental Leave Scheme <sup>(c)</sup>	9	1
Future maintenance – Concessional loading <sup>(d)</sup>	46,681	45,976
Metronet SPA <sup>(e)</sup>	105,787	71,703
Royalties for Regions Fund <sup>(f)</sup>	11,904	16,285
	<b>186,527</b>	<b>214,194</b>

*(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.

*(c) Commonwealth Paid Parental Leave Scheme*

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

*(d) Future maintenance – Concessional loading*

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

*(e) Metronet special purpose account*

Unspent funds are committed to fund Metronet road related projects.

*(f) Royalties for Regions Fund*

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

For the purpose of the Statement of Cash Flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

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

	Note	2021 \$000	2020 \$000
Net cost of services		1,088,978	(460,379)
<b>Non-cash items</b>			
Depreciation expense – infrastructure	5.2.1	405,809	391,864
Depreciation and amortisation expense – other assets	5.1.1, 5.3.1	8,052	3,576
Depreciation expense – right-of-use assets	5.4.1	1,500	739
Finance cost	7.3	282	194
Grants to other bodies	3.2	78,138	13,685
Grants received from other bodies	4.5	(1,436,053)	(31,798)
Resources received free of charge	4.1	2,712	2,154
Infrastructure assets retired/replaced	3.3	48,140	100,840
Assets not previously recognised		(84)	–
Right-of-use asset related non-cash items		(643)	358
Adjustment for other non-cash items		(43)	(257,849)
Net (gain)/loss on sale of property, plant and equipment	4.8	609	1
<b>(Increase)/decrease in assets:</b>			
Receivables <sup>(a)</sup>		(113,403)	(42,537)
Inventories		1,114	(220)
Prepayments		(40,167)	1,988
<b>Increase/(decrease) in liabilities:</b>			
Payables <sup>(a)</sup>		18,515	(98,535)
Grants and contract liabilities		44,550	199,478
Provisions		4,367	2,254
Net GST receipts/(payments) <sup>(b)</sup>		156,947	149,752
Change in GST in receivables/payables <sup>(c)</sup>		(177,933)	(145,957)
<b>Net cash provided by/(used in) operating activities</b>		<b>91,387</b>	<b>(170,392)</b>

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

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

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

## 7.2 Lease liabilities

	2021 \$000	2020 \$000
Current	2,575	2,561
Non-current	6,319	7,337
	<b>8,894</b>	<b>9,898</b>

### Initial measurement

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

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

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

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

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

This section should be read in conjunction with Note 5.4.

### Subsequent Measurement

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

## 7.3 Finance costs

	2021 \$000	2020 \$000
<b>Finance costs</b>		
Lease interest expense	282	194
<b>Finance costs expensed</b>	<b>282</b>	<b>194</b>

Finance costs include the interest component of lease liability repayments.

## 7.4 Commitments

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

	2021 \$000	2020 \$000
Within 1 year	741,901	342,058
Later than 1 year and not later than 5 years	825,799	365,453
Later than 5 years	–	–
	<b>1,567,700</b>	<b>707,511</b>



## 8 Risks and Contingencies

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

Financial risk management	8.1
Contingent assets	8.2.1
Contingent liabilities	8.2.2
Fair value measurements	8.3

### 8.1 Financial risk management

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

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

##### Credit risk

Credit risk arises when there is the possibility of Main Roads' receivables defaulting on their contractual obligations resulting in financial loss to Main Roads.

Credit risk associated with Main Roads' financial assets is minimal because the main receivable is the amounts receivable for services (holding account). For receivables other than Government, Main Roads trades only with recognised, creditworthy third parties. Main Roads has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that Main Roads' exposure to bad debts is minimal. Debt will be written-off against the allowance account when it is improbable or uneconomical to recover the debt. At the end of the reporting period there were no significant concentrations of credit risk.

##### Liquidity risk

Liquidity risk arises when Main Roads is unable to meet its financial obligations as they fall due.

Main Roads is exposed to liquidity risk through its trading in the normal course of business.

Main Roads has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

##### Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect Main Roads' income or the value of its holdings of financial instruments. Main Roads does not trade in foreign currency and is not materially exposed to other price risks.

Other than as detailed in the interest rate sensitivity analysis table at note 8.1(e), Main Roads is not exposed to the interest rate risk. Majority of cash and cash equivalents are non-interest bearing and restricted cash and cash equivalents are interest bearing. Main Roads has no borrowings as at 30 June 2021.

**(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:

	2021 \$000	2020 \$000
<b>Financial assets</b>		
Cash and cash equivalents	190,569	91,221
Restricted cash and cash equivalents	186,527	214,194
Financial assets at amortised cost <sup>(a)</sup>	3,767,984	3,263,339
<b>Total financial assets</b>	<b>4,145,080</b>	<b>3,568,754</b>
<b>Financial liabilities</b>		
Financial liabilities at amortised cost <sup>(a)</sup>	411,595	264,556
Lease liabilities	8,894	9,898
<b>Total financial liability</b>	<b>420,489</b>	<b>274,454</b>

(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
<b>30 June 2021</b>						
Expected credit loss rate		0%	0%	0%	0%	28.00%
Estimated total gross carrying amount at default	12,051	10,528	202	66	14	1,241
Expected credit losses	(373)	(24)	-	-	-	(349)
	11,678	10,504	202	66	14	892
<b>30 June 2020</b>						
Expected credit loss rate		0%	0%	0%	0%	31.15%
Estimated total gross carrying amount at default	37,088	26,185	9,465	76	4	1,358
Expected credit losses	(479)	(56)	-	-	-	(423)
	36,609	26,129	9,465	76	4	935

**(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**

	2021	Weighted Average Effective Interest Rate %	Interest rate exposure					Maturity date						
			Carrying Amount \$000	Fixed interest rate \$000	Variable interest rate \$000	Non-interest bearing \$000	Nominal Amount \$000	Up to 1 month \$000	1-3 months \$000	3 months to 1 year \$000	1-5 years \$000	More than 5 years \$000		
Financial Assets														
Cash and cash equivalents		-	190,569	-	-	190,569	190,569	-	-	-	-	-	-	-
Restricted cash and cash equivalents		0.31	186,527	-	186,527	-	186,527	-	-	-	-	-	-	-
Receivables <sup>(a)</sup>		-	256,681	-	-	256,681	256,681	-	-	-	-	-	-	-
Amounts receivable for services		-	3,511,303	-	-	3,511,303	3,511,303	-	-	-	-	-	-	3,511,303
			4,145,080	-	186,527	3,958,553	4,145,080	-	-	-	-	-	-	3,511,303
Financial Liabilities														
Payables		-	411,595	-	-	411,595	411,595	-	-	-	-	-	-	-
Lease liabilities <sup>(b)</sup>		-	8,894	-	-	8,894	8,894	477	1,801	5,847	471	471	471	
			420,489	-	-	420,489	420,489	477	1,801	5,847	471	471	471	

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

(b) The amount of lease liabilities includes \$4,455 million from leased buildings and \$4,439 million from leased vehicles.

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

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

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

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

**(e) Interest rate sensitivity analysis**

The following table represents a summary of the interest rate sensitivity of Main Roads' financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 0.25% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

2021	Carrying amount \$000	-25 basis points		+25 basis points	
		Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
Financial Assets					
Restricted cash and cash equivalents	186,527	(466)	(466)	466	466
<b>Total Increase/(Decrease)</b>		(466)	(466)	466	466

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

**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:

	2021 \$000	2020 \$000
Contract claims in dispute	346	3,580
	<b>346</b>	<b>3,580</b>

**8.2.2 Contingent liabilities**

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

	2021 \$000	2020 \$000
Contract claims in dispute	13,351	27,636
Resumption claims in dispute	204,334	203,158
	<b>217,685</b>	<b>230,794</b>

*Contract claims in dispute*

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

*Resumption claims in dispute*

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

*Contaminated sites*

Under the Contaminated Sites Act 2003, Main Roads is required to report known and suspected contaminated sites to the Department of Water and Environmental Regulation (DWER). In accordance with the Act, DWER classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as 'contaminated – remediation required or possibly contaminated – investigation required', Main Roads may have a liability in respect of investigation or remediation expenses.

During the year, Main Roads reported six suspected contaminated sites to DWER. One site was classified as awaiting classification, one site was classified as contaminated – restricted use, one site was classified as possibly contaminated – investigation required 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**

<b>Assets measured at fair value:</b>				<b>Fair value at end of period</b>
<b>2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>\$000</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Non-current assets classified as held for sale (Note 9.8)	–	7,869	–	7,869
Land (Note 5.1)	–	58,867	7,088	65,955
Buildings (Note 5.1)	–	82,151	14,206	96,357
Surplus assets (Note 5.1)	–	40,184	27,449	67,633
Land acquired for roadworks (Note 5.1)	–	118,019	31,395	149,414
Infrastructure (Note 5.2)	–	–	47,333,051	47,333,051
	<b>–</b>	<b>307,090</b>	<b>47,413,189</b>	<b>47,720,279</b>
<b>Assets measured at fair value:</b>				<b>Fair value at end of period</b>
<b>2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>\$000</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Non-current assets classified as held for sale (Note 9.8)	–	4,298	419	4,717
Land (Note 5.1)	–	56,833	7,079	63,912
Buildings (Note 5.1)	–	79,518	14,240	93,758
Surplus assets (Note 5.1)	–	39,967	29,132	69,099
Land acquired for roadworks (Note 5.1)	–	118,232	38,970	157,202
Infrastructure (Note 5.2)	–	–	43,515,721	43,515,721
	<b>–</b>	<b>298,848</b>	<b>43,605,561</b>	<b>43,904,409</b>

**Valuation techniques to derive Level 2 fair values**

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

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

**Fair value measurements using significant unobservable inputs (Level 3)**

<b>2021</b>	<b>Non-current asset held for sale \$000</b>	<b>Land \$000</b>	<b>Buildings \$000</b>	<b>Surplus assets \$000</b>	<b>Land acquired for roadworks \$000</b>	<b>Infra-structure \$000</b>
Fair value at start of period	419	7,079	14,240	29,132	38,970	43,515,721
Additions	–	–	–	–	21	2,813,684
Revaluation increments/(decrements) recognised in Profit or Loss	–	–	–	–	–	–
Revaluation increments/(decrements) recognised in Other Comprehensive Income	–	54	196	645	(565)	1,535,044
Transfers from/(to) Level 2/Level 3	–	5	460	(906)	(5,422)	–
Disposals	(419)	(50)	(10)	(1,399)	(1,609)	(125,588)
Depreciation expense	–	–	(680)	(23)	–	(405,810)
<b>Fair value at end of period</b>	<b>0</b>	<b>7,088</b>	<b>14,206</b>	<b>27,449</b>	<b>31,395</b>	<b>47,333,051</b>
Total gains or losses for the period included in profit or loss	–	–	–	–	–	–

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

**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.

### **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<sup>2</sup>)

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

#### Consumed economic benefit/obsolescence of asset

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

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

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

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

#### Selection of land adjoining road reserve

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



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

Description	Fair value 2021 \$000	Fair value 2020 \$000	Valuation technique(s)	Unobservable inputs
Land, Surplus asset and Land acquired for roadworks	65,932	75,181	Market approach	Selection of land with similar approximate utility
Buildings	14,206	14,240	Current replacement cost	Historical cost per square metre floor area (m <sup>2</sup> ) Consumed economic benefit/ obsolescence of asset
Infrastructure (Earthworks)	11,561,181	11,059,603	Current replacement cost	Historical cost per cubic metre (m <sup>3</sup> )
Infrastructure (Pavements including drainage and seals)	5,349,325	4,846,998	Current replacement cost	Historical cost per cubic metre (m <sup>3</sup> )
Infrastructure (Bridges)	4,662,706	4,319,157	Current replacement cost	Historical cost per cubic metre (m <sup>3</sup> )
Infrastructure (Road furniture)	466,481	426,034	Current replacement cost	Consumed economic benefit/ obsolescence of asset
Infrastructure (Land under roads)	25,293,358	22,863,929	Market approach	Selection of land adjoining road reserve

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

**9 Other disclosures**

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

	Notes
Events occurring after the end of the reporting period	9.1
Initial application of Australian Accounting Standards	9.2
Future impact of Australian Accounting Standards issued not yet operative	9.3
Key management personnel	9.4
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
Explanatory statement (Controlled Operations)	9.13

### 9.1 Events occurring after the end of the reporting period

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

### 9.2 Initial application of Australian Accounting Standards

AASB 1059 Service Concession Arrangements came into effect during the financial year of 2020-21. This standard addresses the accounting treatment for Service Concession arrangement (a type of Public Private partnership) of a grantor that is a Public sector entity by prescribing the accounting arrangement from the grantor's perspective.

Management has assessed all Main Roads' arrangements against the requirements of AASB 1059 and determined that the new standard does not apply to any of the arrangements.

### 9.3 Future impact of Australian Accounting Standards issued not yet operative

Main Roads cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements' or by an exemption from TI 1101. Where applicable, Main Roads plans to apply the following Australian Accounting Standards from their application date.

		Operative for reporting periods beginning on/ after
AASB 17	<p><i>Insurance Contracts</i></p> <p>This Standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts.</p> <p>Main Roads has not assessed the impact of the Standard.</p>	1 Jan 2023
AASB 1060	<p><i>General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities</i></p> <p>This Standard sets out a new, separate disclosure standard to be applied by all entities that are reporting under Tier 2 of the Differential Reporting Framework in AASB 1053.</p> <p>These is no financial impact.</p>	1 Jul 2021
AASB 2020-1	<p><i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i></p> <p>This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.</p> <p>There is no financial impact.</p>	1 Jan 2023
AASB 2020-3	<p><i>Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i></p> <p>This Standard sets out amends: (a) AASB 1 to simplify the application of AASB 1; (b) AASB 3 to update a reference to the Conceptual Framework for Financial Reporting; (c) AASB 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability; (d) AASB 116 to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit and loss, instead of deducting the amounts received from the cost of the asset ; (e) AASB 137 to specify the cost that an entity includes when assessing whether a contract will be loss-making; and (f) AASB 141 to remove the requirement to exclude cash flows from taxation when measuring fair value.</p> <p>There is no financial impact.</p>	1 Jan 2022
AASB 2020-5	<p><i>Amendments to Australian Accounting Standards – Insurance Contracts</i></p> <p>This Standard amends AASB 17 to reduce the cost of applying AASB 17 by simplifying some of its requirements.</p> <p>Main Roads has not assessed the impact of the Standard.</p>	1 Jan 2021

		Operative for reporting periods beginning on/ after
AASB 2020-6	<p><i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i></p> <p>This Standard amends AASB 101 to defer requirements for the presentation of liabilities in the statement of financial position as current or non-current that were added to AASB 101 in AASB 2020-1.</p> <p>There is no financial impact.</p>	1 Jan 2022
AASB 2020-7	<p><i>Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions: Tier 2 Disclosures</i></p> <p>This Standard adds new disclosure requirements to AASB 1060.</p> <p>There is no financial impact.</p>	1 Jul 2021
AASB 2021-1	<p><i>Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities</i></p> <p>This Standard amends AASB 1060 to provide not-for-profit entities with optional relief from presenting comparative information in the notes to the financial statements where the entity did not disclose the comparable information in its most recent previous general purpose financial statements.</p> <p>There is no financial impact.</p>	1 Jul 2021
AASB 2021-2	<p><i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i></p> <p>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.</p> <p>There is no financial impact.</p>	1 Jan 2023
AASB 2021-3	<p><i>Amendments to Australian Accounting Standards – Covid – 19 – Related Rent Concessions beyond 30 June 2021</i></p> <p>This Standard amends AASB 16 to extend by one year the application period of the practical expedient added to AASB 16 by AASB 2020-4</p> <p>There is no financial impact.</p>	1 Apr 2021

#### 9.4 Key management personnel

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

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

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

Compensation Band (\$)	2021	2020
0 – 10,000	1	1

Compensation of senior officers

Compensation Band (\$)	2021	2020
300,001 – 310,000	1	1
280,001 – 290,000	1	2
270,001 – 280,000	1	–
260,001 – 270,000	–	1
250,001 – 260,000	–	1
240,001 – 250,000	3	1
230,001 – 240,000	2	1
220,001 – 230,000	–	1
210,001 – 220,000	2	1
200,001 – 210,000	–	1
70,001 – 80,000*	1	–
	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
Short term employee benefits	1,970	1,969
Post-employment benefits	468	461
Other long term benefits	150	73
<b>The total compensation of senior officers</b>	<b>2,588</b>	<b>2,503</b>

\* The remuneration of one senior officer was met by Main Roads from July to mid October, and by the Department of Transport from mid-October 2021.

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

**9.5 Related party transactions**

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

Related parties of Main Roads include:

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

Significant transactions with government related entities

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

- Income from State Government (Note 4.1)
- 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)
- payments mainly for road construction and Metronet to Public Transport Authority amounting \$80.9 million (Notes 3.2 and 3.3)
- payments for property construction, management and fleet leasing to the Department of Finance amounting \$10.9 million (Notes 3.3)
- payments mainly for road maintenance to Department of Biodiversity Conservation & Attractions amounting \$3.0 million (Note 3.2)

## Performance and Financials

- payments mainly for Bicycle network and Customer Information Centre service to Department of Transport amounting \$21.1 million (Notes 3.2 and 3.3)
- payments mainly for property acquisition used for road construction to State Solicitor’s Office amounting \$42.2 million (Notes 5.1 and 5.2)
- payments mainly for land acquisition used for road construction to Western Australian Planning Commission amounting \$1.0 million (Notes 5.2)
- payments mainly for land acquisition to Department of Communities amounting \$1.1 million (Note 5.1)
- payments mainly for service relocation enabling road construction to Western Power amounting \$1.5 million (Note 5.2)
- insurance payments of \$1.1 million to RiskCover fund (Note 3.3)

### 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:

	2021 \$000	2020 \$000
Auditing the accounts, financial statements, controls and key performance indicators	357	350
Other audits	–	37
	<b>357</b>	<b>387</b>

### 9.7 Special purpose accounts

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

	Note	2021 \$000	2020 \$000
<b>Balance at start of period</b>		71,703	–
Receipts – Contribution from Motor Vehicle License fees		114,995	101,273
Payments		(80,911)	(29,570)
<b>Balance at end of period</b>	7.1	<b>105,787</b>	<b>71,703</b>

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

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

	2021 \$000	2020 \$000
Freehold land and buildings		
Opening balance	4,717	6,787
Assets reclassified as held for sale	5,971	4,565
Assets removed from current disposal program	–	(510)
Assets sold	(2,346)	(5,715)
Write-down of assets from carrying value to fair value less selling costs	(473)	(410)
<b>Closing balance</b>	<b>7,869</b>	<b>4,717</b>

Information on fair value measurements is provided in Note 8.3.

Main Roads disposes freehold land and buildings where they are no longer required for road construction, falls outside the defined road plan or no longer required for operations. These properties are then offered to sale in public auction or through tender process. If the properties remain unsold after auction and tender process the properties may then be sold under private treaties. Non-current assets classified as held for sale are expected to settle within 12 months.

## Performance and Financials

Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount and fair value less costs to sell, and are disclosed separately from other assets in the Statement of Financial Position. Assets classified as held for sale are not depreciated or amortised.

### 9.9 Equity

The Western Australian Government holds the equity interest in Main Roads on behalf of the community. Equity represents the residual interest in the net assets of Main Roads. The asset revaluation surplus represents that portion of equity resulting from the revaluation of non-current assets.

	2021 \$000	2020 \$000
<b>Contributed equity</b>		
Balance at start of period	5,730,848	5,452,489
<u>Contributions by owners</u>		
Capital contributions	430,157	258,509
<u>Other contributions by owners</u>		
Royalties for Regions Fund – Regional Infrastructure and Headwork Account	25,324	28,207
<u>Transfer of net assets from other agencies</u>		
Public Transport Authority	1,739	–
Western Australian Planning Commission	2,535	–
Department of Lands	–	–
<b>Total contributions by owners</b>	<b>459,755</b>	<b>286,716</b>
<u>Distributions to owners</u>		
Transfer of net assets to other agencies		
Public Transport Authority	(14,559)	(1,594)
Department of Primary Industries and Regional Development	–	–
Department of Treasury	–	(6,423)
Other	(479)	(340)
<b>Total distributions to owners</b>	<b>(15,038)</b>	<b>(8,357)</b>
<b>Balance at end of period</b>	<b>6,175,565</b>	<b>5,730,848</b>
<b>Reserves</b>		
<u>Asset revaluation surplus</u>		
Balance at start of period	27,744,154	27,254,418
Net revaluation increments/(decrements)		
Earthworks, Drainage, Pavements and Seals	209,066	792,408
Bridges	177,221	47,493
Land under roads	1,143,374	(353,454)
Road Furniture	5,381	5,493
Land and Buildings	7,766	(2,204)
<b>Balance at end of period</b>	<b>29,286,962</b>	<b>27,744,154</b>
<b>Accumulated surplus</b>		
Balance at start of period	15,709,570	15,149,306
Initial application of AASB 16	(43)	(257,849)
Result for the period	2,325,531	818,113
Income and expense recognised directly in equity	–	–
<b>Balance at end of period</b>	<b>18,035,058</b>	<b>15,709,570</b>
<b>Total Equity at end of period</b>	<b>53,497,585</b>	<b>49,184,572</b>

## 9.10 Supplementary financial information

### (a) Write-offs

During the financial year following assets were written off the Main Roads' asset register (2020: Nil) under the authority of:

	2021 \$000	2020 \$000
The accountable authority	26	–
	<b>26</b>	<b>–</b>

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

	2021 \$000	2020 \$000
Fixed asset stocktake discrepancies	–	–
	<b>–</b>	<b>–</b>

### (c) Gifts of public property

	2021 \$000	2020 \$000
Gifts of public property provided by Main Roads	24	24
	<b>24</b>	<b>24</b>

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

	2021 \$000	2020 \$000
Regulatory fees	9,509	8,914
Transfer payments	9,538	8,920
Cash held in lieu of transfer	18	28

(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

	2021 \$000	2020 \$000
Department of Transport – accommodation costs and provision of traffic modelling services	156	405
Department of Planning, Lands and Heritage – traffic modelling	175	168
Venues West	–	230
Department of Biodiversity, Conservation & Attractions	620	265
Public Transport Authority – provision of professional services	89	103
Department of Water and Environmental Regulation	651	250
Western Australian Police – COVID-19 related traffic management	1,327	–
Rottnest Island Authority – road resurfacing	4,773	–
Services provided free of charge to other agencies	21	32
	<b>7,812</b>	<b>1,453</b>

**9.12 Indian Ocean Territories**

Main Roads provides road management services to Indian Ocean Territories under service delivery arrangements with the Shires of Christmas Island and Cocos (Keeling) Islands. The amounts expended or set aside for expenditure during 2020-21 are summarised below:

	<b>2021 \$000</b>	<b>2020 \$000</b>
Amount brought forward for recovery	(30)	(39)
Amount received during the period	(27)	(34)
	(57)	(73)
Expenditure during the year	–	43
<b>Amount carried forward for recovery</b>	<b>(57)</b>	<b>(30)</b>



**9.13 Explanatory statement (Controlled Operations)**

All variances between annual estimates (original budget) and actual results for 2021 and between the actual results for 2021 and 2020 are shown below. Narratives are provided for key variations selected from observed major variances, which are greater than 10% and 1% of Total Cost of Services for the previous year (\$12.4 million) for the Statements of Comprehensive Income and Statement of Cash Flows and are greater than 10% and 1% (\$497.0 million) of Total Assets for the Statement of Financial Position for the previous year.

	Variance Note	Original Budget 2021 \$000	Actual 2021 \$000	Actual 2020 \$000	Variance between estimate and actual \$000	Variance between actual results for 2021 and 2020 \$000
<b>9.13.1 Statement of Comprehensive Income Variances</b>						
<b>Expenses</b>						
Employee benefits expense		69,375	76,001	66,031	6,626	9,970
Supplies and services	1	582,522	477,204	446,986	(105,318)	30,218
Depreciation and impairment expenses of infrastructure assets		428,539	405,809	391,864	(22,730)	13,945
Depreciation, amortisation and impairment expenses – other		4,149	8,051	3,576	3,902	4,475
Depreciation and impairment expenses – right-of-use assets		4,463	1,500	739	(2,963)	761
Finance cost		257	282	194	25	88
Grants and subsidies	2 A	306,526	356,796	232,275	50,270	124,521
Other expenses	B	35,840	48,140	100,840	12,300	(52,700)
<b>Total cost of services</b>		<b>1,431,671</b>	<b>1,373,783</b>	<b>1,242,505</b>	<b>(57,888)</b>	<b>131,278</b>
<b>Income</b>						
Sale of goods and services		–	7,080	5,938	7,080	1,142
Commonwealth grants	C	975,227	965,825	667,089	(9,402)	298,736
Contributions to roadworks	D	49,670	39,591	59,791	(10,079)	(20,200)
Grants from other bodies	3 E	–	1,436,053	31,798	1,436,053	1,404,255
Interest income		1,500	129	1,221	(1,371)	(1,092)
Other income		11,426	14,692	16,290	3,266	(1,598)
<b>Total income</b>		<b>1,037,823</b>	<b>2,463,370</b>	<b>782,127</b>	<b>1,425,547</b>	<b>1,681,243</b>
<b>Gains</b>						
Gain/(loss) on disposal of non-current assets		–	(609)	(1)	(609)	(608)
<b>Total gains</b>		<b>–</b>	<b>(609)</b>	<b>(1)</b>	<b>(609)</b>	<b>(608)</b>
<b>Total income other than income from State Government</b>		<b>1,037,823</b>	<b>2,462,761</b>	<b>782,126</b>	<b>1,424,938</b>	<b>1,680,635</b>
<b>NET COST OF SERVICES</b>		<b>393,848</b>	<b>(1,088,978)</b>	<b>460,379</b>	<b>(1,482,826)</b>	<b>(1,549,357)</b>
<b>Income from State Government</b>						
Service appropriation		1,133,478	1,068,556	1,096,107	(64,922)	(27,551)
Resources received free of charge		2,700	2,712	2,154	12	558
Income from other public sector entities	4	261,357	165,285	180,231	(96,072)	(14,946)
<b>Total income from State Government</b>		<b>1,397,535</b>	<b>1,236,553</b>	<b>1,278,492</b>	<b>(160,982)</b>	<b>(41,939)</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>1,003,687</b>	<b>2,325,531</b>	<b>818,113</b>	<b>1,321,844</b>	<b>1,507,418</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
<b>Items not reclassified subsequently to profit or loss</b>						
Changes in asset revaluation surplus		–	1,542,808	489,736	1,542,808	1,053,072
<b>Total other comprehensive income</b>		<b>–</b>	<b>1,542,808</b>	<b>489,736</b>	<b>1,542,808</b>	<b>1,053,072</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>1,003,687</b>	<b>3,868,339</b>	<b>1,307,849</b>	<b>2,864,652</b>	<b>2,560,490</b>

	Variance Note	Original Budget 2021 \$000	Actual 2021 \$000	Actual 2020 \$000	Variance between estimate and actual \$000	Variance between actual results for 2021 and 2020 \$000
<b>9.13.2 Statement of Financial Position Variances</b>						
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents		117,340	190,569	91,221	73,229	99,348
Restricted cash and cash equivalents		117,702	186,527	214,194	68,825	(27,667)
Receivables		143,658	306,379	149,027	162,721	157,352
Amounts receivable for services		-	-	-	-	-
Inventories		1,551	2,252	1,551	701	701
Prepayments		11,780	44,756	11,780	32,976	32,976
Non-current assets classified as held for sale		4,717	7,869	4,717	3,152	3,152
<b>Total Current Assets</b>		<b>396,748</b>	<b>738,352</b>	<b>472,490</b>	<b>341,604</b>	<b>265,862</b>
<b>Non-Current Assets</b>						
Receivables		189	66	189	(123)	(123)
Amounts receivable for services		3,511,303	3,511,303	3,142,901	-	368,402
Inventories		6,202	4,387	6,202	(1,815)	(1,815)
Prepayments		1,258	8,449	1,258	7,191	7,191
Property, plant and equipment		406,142	408,961	401,688	2,819	7,273
Infrastructure		47,281,747	49,510,651	45,648,131	2,228,904	3,862,520
Intangible assets		14,083	13,670	15,789	(413)	(2,119)
Right-of-use assets		8,388	8,355	9,540	(33)	(1,185)
<b>Total Non-Current Assets</b>		<b>51,229,312</b>	<b>53,465,842</b>	<b>49,225,698</b>	<b>2,236,530</b>	<b>4,240,144</b>
<b>TOTAL ASSETS</b>		<b>51,626,060</b>	<b>54,204,194</b>	<b>49,698,188</b>	<b>2,578,134</b>	<b>4,506,006</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Payables		267,021	411,595	264,556	144,574	147,039
Lease liabilities		2,438	2,575	2,561	137	14
Contract liabilities		2,403	12,270	2,403	9,867	9,867
Grants liabilities		197,075	231,758	197,075	34,683	34,683
Employee related provisions		34,826	36,289	32,247	1,463	4,042
Other provisions		-	-	1,959	-	(1,959)
<b>Total Current Liabilities</b>		<b>503,763</b>	<b>694,487</b>	<b>500,801</b>	<b>190,724</b>	<b>193,686</b>
<b>Non-Current Liabilities</b>						
Payables		592	-	-	(592)	-
Lease liabilities		6,384	6,319	7,337	(65)	(1,018)
Employee related provisions		4,925	5,709	5,426	784	283
Other provisions		-	94	52	94	42
<b>Total Non-Current Liabilities</b>		<b>11,901</b>	<b>12,122</b>	<b>12,815</b>	<b>221</b>	<b>(693)</b>
<b>TOTAL LIABILITIES</b>		<b>515,664</b>	<b>706,609</b>	<b>513,616</b>	<b>190,945</b>	<b>192,993</b>
<b>NET ASSETS</b>		<b>51,110,396</b>	<b>53,497,585</b>	<b>49,184,572</b>	<b>2,387,189</b>	<b>4,313,013</b>
<b>EQUITY</b>						
Contributed equity		6,006,679	6,175,565	5,730,848	168,886	444,717
Reserves		28,390,460	29,286,962	27,744,154	896,502	1,542,808
Accumulated surplus		16,713,257	18,035,058	15,709,570	1,321,801	2,325,488
<b>TOTAL EQUITY</b>		<b>51,110,396</b>	<b>53,497,585</b>	<b>49,184,572</b>	<b>2,387,189</b>	<b>4,313,013</b>

	Variance Note	Original Budget 2021 \$000	Actual 2021 \$000	Actual 2020 \$000	Variance between estimate and actual \$000	Variance between actual results for 2021 and 2020 \$000
<b>9.13.3 Statement of Cash Flows Variances</b>						
<b>CASH FLOWS FROM STATE GOVERNMENT</b>						
Service appropriation		765,076	700,154	748,018	(64,922)	(47,864)
Capital appropriation	5 F	258,025	424,847	257,396	166,822	167,451
Holding account drawdown	G	–	–	31,065	–	(31,065)
Contributions to roadworks	6 H	127,190	36,988	53,908	(90,202)	(16,920)
Road Trauma Trust Fund		51,612	50,784	42,940	(828)	7,844
Natural disaster funds	7 I	59,598	30,440	166,167	(29,158)	(135,727)
Royalties for Regions Fund		44,476	49,588	43,889	5,112	5,699
<b>Net cash provided by State Government</b>		<b>1,305,977</b>	<b>1,292,801</b>	<b>1,343,383</b>	<b>(13,176)</b>	<b>(50,582)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee benefits		(68,716)	(68,097)	(61,883)	619	(6,214)
Supplies and services	8	(604,494)	(432,766)	(432,039)	171,728	(727)
Grants and subsidies	J	(312,166)	(282,372)	(237,880)	29,794	(44,492)
GST payments on purchases	9 K	(147,054)	(188,477)	(169,826)	(41,423)	(18,651)
Finance costs		(257)	–	–	257	–
<b>Receipts</b>						
Sale of goods and services	10	54,539	35,853	46,483	(18,686)	(10,630)
Commonwealth grants	11 L	974,786	832,180	498,525	(142,606)	333,655
Interest received		1,500	222	1,937	(1,278)	(1,715)
GST receipts on sales		11,808	21,726	16,820	9,918	4,906
GST receipts from taxation authority	12	135,000	156,946	149,752	21,946	7,194
Other receipts		10,907	13,055	14,242	2,148	(1,187)
Rent received		3,200	3,117	3,477	(83)	(360)
<b>Net cash provided by/(used in) operating activities</b>		<b>59,053</b>	<b>91,387</b>	<b>(170,392)</b>	<b>32,334</b>	<b>261,779</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>Payments</b>						
Purchase of non-current assets		(19,095)	(26,267)	(20,626)	(7,172)	(5,641)
Purchase of infrastructure assets		(1,413,527)	(1,284,950)	(1,235,398)	128,577	(49,552)
<b>Receipts</b>						
Proceeds from sale of non-current assets		–	1,720	5,830	1,720	(4,110)
<b>Net cash provided by/(used in) investing activities</b>		<b>(1,432,622)</b>	<b>(1,309,497)</b>	<b>(1,250,194)</b>	<b>123,125</b>	<b>(59,303)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<b>Payments</b>						
Principal elements of lease payments		(2,780)	(3,010)	(3,145)	(230)	135
<b>Net cash provided by/(used in) financing activities</b>		<b>(2,780)</b>	<b>(3,010)</b>	<b>(3,145)</b>	<b>(230)</b>	<b>135</b>
Net increase/(decrease) in cash and cash equivalents		(70,372)	71,681	(80,348)	142,053	152,029
Cash and cash equivalents at the beginning of the period		305,414	305,415	385,763	1	(80,348)
Cash balance transferred to Other State Agencies		–	–	–	–	–
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>235,042</b>	<b>377,096</b>	<b>305,415</b>	<b>142,054</b>	<b>71,681</b>

### Major Estimate and Actual (2021) Variance Narratives

- 1 Supplies and services is underspent by \$105.3 million (18.1%) mainly due to higher than anticipated expenditure of capital nature on local roads. This includes works on Stephenson Avenue Extension and Abernethy Road.
- 2 Grants and subsidies is higher than budgeted by \$50.3 million (16.4%) due to transfers of completed infrastructure assets to Local Government including Drumpellier Drive (New Lord Street) and Hepburn Avenue Noise wall.
- 3 Grants from other bodies is higher than budgeted by \$1.4 billion due to the transfer of infrastructure asset from Local Government during the financial year. This includes Ocean Reef and Gngara Road (from Marmion Avenue to Tonkin Highway), Curtin Avenue, Marmion Avenue (from Ocean Reef Road to Yanchep Beach Road), Broome Cape Leveque Road and One Arm Point Road.
- 4 Income from other public sector entities is overestimated by \$96.1 million (36.8%) mainly due to lower than anticipated projects delivered during the financial year.
- 5 Capital appropriation is higher than budgeted by \$166.8 million (64.7%) due to the reclassification of the Stephenson Avenue Extension and Abernethy Road projects from Recurrent to Capital and higher than anticipated Motor Vehicle License received during the financial year. Supplementary funding of \$62.0 million was also received as part of the Mid-Year Review process.
- 6 Contribution to roadworks is overestimated by \$90.3 million (71.0%) mainly due lower than anticipated receipts related to projects delivered for other government agencies during the financial year.
- 7 Natural disaster funds was overestimated by \$29.2 million (48.9%) due to reduction in Local Government WANDRRA claims.
- 8 Supplies and services payments is lower than budgeted by \$172.1 million (28.5%) mainly due to higher than anticipated capitalisation of recurrent works including Stephenson Avenue Extension and Abernethy Road.
- 9 GST payments on purchases is underestimated by \$41.4 million (28.2%) due to higher than anticipated input tax credit claims.
- 10 The contribution to roadworks is lower than budget by \$18.6 million (34.0%) mainly due to third party works being lower than expected.
- 11 Commonwealth grant receipt is lower than budgeted by \$142.6 million (14.6%) mainly due to lesser projects were undertaken than anticipated.
- 12 GST receipts from taxation authority is underestimated by \$21.9 million (16.3%) due to higher than anticipated input tax credit claims.

### Major Actual (2021) and Comparative (2020) Variance Narratives

- A Grants and subsidies increased by \$124.5 million (53.6%) due to transfers of completed infrastructure assets to Local Government including Drumpellier Drive (New Lord Street) and Hepburn Avenue Noise wall.
- B Other expenses decreased by \$52.7 million (52.3%) due to less retirement of infrastructure assets replaced during the financial year. This includes assets replaced during delivery of the Armadale Road Duplication (Anstey Road to Tapper Road) project.
- C Commonwealth grants increased by \$298.7 million (44.8%) mainly due to receipt of grants for the newly announced program for 2020-21 which includes the Road Safety Program WA, Regional State Road Safety Improvement Program, Bussell Highway Duplication, and COVID Stimulus Packages.
- D The contribution to roadworks decreased by \$20.2 million (33.8%) due to less projects delivered compared to previous year. higher value works delivered in the prior year. Previous year's projects included the Onslow Road Upgrade project and the Hamersley Iron Koodaideri Road Over Rail Bridge.
- E Grants from other bodies increased by \$1.4 billion due to the transfer of infrastructure asset from Local Government during the financial year. This includes Ocean Reef and Gngangara Road (from Marmion Avenue to Tonkin Highway), Curtin Avenue, Marmion Avenue (from Ocean Reef Road to Yanchep Beach Road), Broome Cape Leveque Road and One Arm Point Road.
- F Capital appropriation increased by \$167.4 million (65.1%) due to the reclassification of the Stephenson Avenue Extension and Abernethy Road projects from Recurrent to Capital and higher than anticipated Motor Vehicle License received during the financial year. Supplementary funding of \$62.0 million was also received as part of the Mid-Year Review process.
- G Holding account drawdown decreased by \$31.1 million (100%) as no drawdown was approved this financial year.
- H The contribution to roadworks decreased by \$17.1 million (31.6%) due to higher value works delivered in the prior year including the Onslow Road Upgrade project and construction of principle shared path from Glendalough Station to Hutton Street.
- I Natural disaster funds decreased by \$135.7 million (81.7%) mainly due to the reduction of claims under WANDRRA. Natural disaster related payments now directly made by the Department of Fire and Emergency Services.
- J Grants and subsidies increased by \$44.5 million (18.8%) due to an increase in grant payments for Metronet road related works.
- K GST payments on purchases increased by \$18.7 million (11.0%) due to higher input tax credit claims this financial year.
- L Commonwealth grants and contributions increased by \$333.7 million (66.9%) mainly due to receipt of grants for the newly announced program for 2020-21 which includes the Road Safety Program WA, Regional State Road Safety Improvement Program, Bussell Highway Duplication and COVID Stimulus Packages.