

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

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 29 August 2022.

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.

Accounting for Goods and Services Tax (GST)

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

- (a) amount of GST incurred by Main Roads as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- (b) receivables and payables are stated with the amount of GST included.

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

Contributed equity

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

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for the year ended 30 June 2022 continued

2 AGENCY OUTPUTS

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

	Note
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Schedule of Income and Expenses by Service	2.2

2.1 AGENCY OBJECTIVES

Mission

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

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

Services

Main Roads provides the following services:

Service 1: Infrastructure for State Development

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

Service 2: Road System Management

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

Service 3: Road Efficiency Improvements

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

Service 4: Road Network Maintenance

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

Service 5: Road Safety

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

Service 6: Infrastructure for Community Access

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

Schedule of Income and Expenses by Service for 2020-21 and 2021-22 (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
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	
COST OF SERVICES															
Expenses															
Employee benefits expense	8,440	10,092	102,732	103,112	23,645	19,574	2,014	2,230	18,228	18,858	7,200	8,470	(84,097)	(86,336)	76,001
Supplies and services	300,653	396,632	85,075	83,927	834,395	498,704	53,867	49,298	467,960	419,715	427,261	356,984	(1,583,104)	(1,328,056)	477,204
Depreciation of infrastructure assets	0	0	0	0	0	0	0	0	443,089	405,809	0	0	0	0	443,089
Depreciation and amortisation of other non-current assets	2,911	3,970	1,379	1,638	7,021	5,306	1,260	912	4,958	5,292	3,781	3,752	(14,184)	(11,318)	9,552
Finance Costs	0	29	90	56	3	27	1	2	179	168	11	0	0	0	283
Grants and subsidies	60,016	25,235	2,666	2,318	35,117	65,955	101,872	57,524	142,051	162,312	45,082	47,049	(2,527)	(3,597)	384,278
Infrastructure assets retired or replaced	0	0	0	0	0	0	0	0	0	0	0	0	65,853	48,139	48,139
Total cost of services	372,020	435,958	191,942	191,051	900,180	589,566	159,015	109,966	1,076,464	1,012,154	483,334	416,255	(1,618,059)	(1,381,167)	1,564,895
Income															
Revenue															
Sale of goods and services	0	738	2,105	1,407	77	682	23	49	4,190	4,203	251	0	0	0	6,646
Commonwealth grants and contributions	224,089	241,588	0	0	507,897	313,077	17,000	41,441	57,378	111,170	134,543	258,548	0	0	940,907
Contributions to roadworks	1,670	95	38	247	12,871	4,394	7,092	5,961	1,827	16,010	38,783	12,884	0	0	62,281
Grants from other bodies	9,303	273,172	4,408	112,689	22,435	365,138	4,026	62,759	15,842	364,136	12,082	258,160	0	0	68,097
Interest revenue	15	25	7	10	36	33	6	6	25	33	19	23	0	0	108
Other revenue	2,346	2,315	1,111	955	5,656	3,094	1,015	532	3,994	5,608	3,046	2,188	0	0	17,169
Total revenue	237,422	517,933	7,670	115,308	548,973	686,419	29,162	110,747	83,257	501,160	188,725	531,803	0	0	1,095,208
NET COST OF SERVICES	134,508	(81,858)	184,309	75,792	350,989	(96,698)	129,813	(754)	993,052	511,149	295,021	(115,442)	(1,618,059)	(1,381,167)	469,632
INCOME FROM STATE GOVERNMENT															
Service appropriation	74,672	55,769	271,930	226,418	27,816	114,524	172,185	38,183	630,477	606,782	67,169	26,880	0	0	1,244,248
Resources received free of charge	265	516	125	213	638	690	115	119	451	688	344	488	0	0	1,937
Other State Government Funds	24,752	53,129	0	0	17,879	19,783	5,015	316	7,260	28,280	0	0	0	0	54,904
Capital contribution	88,565	146,440	1,811	13,194	230,886	88,498	23,918	5,577	80,863	102,949	64,664	98,824	(490,707)	(455,481)	0
Revenue from Other Government Agencies	5,689	144	130	374	43,863	6,654	24,166	9,026	6,226	28,069	132,165	19,511	0	0	212,240
Total income from State Government	193,942	255,998	273,996	240,198	321,082	230,148	225,399	53,220	725,276	766,767	264,341	145,703	(490,707)	(455,481)	1,513,330
SURPLUS/DEFICIT FOR THE PERIOD	59,434	337,857	89,688	164,406	(29,907)	326,846	95,585	53,974	(267,776)	255,618	(30,680)	261,145	1,127,352	925,685	2,325,531

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 continued

3 USE OF OUR FUNDING

Expenses incurred in the delivery of services

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

	Notes	2022 \$000	2021 \$000
Employee benefits expense	3.1(a)	78,162	76,001
Employee related provisions	3.1(b)	43,441	41,998
Grants and subsidies	3.2	384,277	356,796
Other expenditure	3.3	651,959	525,343

3.1(a) EMPLOYEE BENEFITS EXPENSE

	2022 \$000	2021 \$000
Employee benefits	148,142	146,978
Termination benefits	49	–
Superannuation – defined contribution plans	14,124	15,322
Total employee benefits expenses	162,315	162,300
Add: AASB 16 Non-monetary benefits (not included in employee benefits expense)	174	259
Less: Employee Contributions (per the statement of comprehensive income)	(230)	(222)
Net employee benefits		
Less: capitalised to infrastructure	(84,097)	(86,336)
	78,162	76,001

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

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

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

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

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

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

3.1(b) EMPLOYEE RELATED PROVISIONS

	2022 \$000	2021 \$000
Current		
<i>Employee benefits provisions</i>		
Annual leave	18,969	17,905
Long service leave	18,612	18,549
	37,581	36,454
<i>Other provisions</i>		
Employment on-costs	(157)	(165)
Total current employee related provisions	37,424	36,289
Non-current		
<i>Employee benefits provisions</i>		
Long service leave	6,042	5,735
<i>Other provisions</i>		
Employment on-costs	(25)	(26)
Total non-current employee related provisions	6,017	5,709
Total employee related provisions	43,441	41,998

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

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

	2022 \$000	2021 \$000
Within 12 months of the end of the reporting period	11,890	11,629
More than 12 months after the end of the reporting period	7,079	6,276
	18,969	17,905

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

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

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

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

	2022 \$000	2021 \$000
Within 12 months of the end of the reporting period	3,542	3,805
More than 12 months after the end of the reporting period	21,112	20,479
	24,654	24,284

The provision for long service leave is calculated at present value as Main Roads does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, employee retention rates and discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 continued

3.1(b) EMPLOYEE RELATED PROVISIONS continued

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

Employment on-costs, including workers' compensation insurance premiums, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses', Note 3.3, and are not included as part of Main Roads' 'employee benefits expense'. This year the provision was negative due to refund of overpayments in the previous years. The related liability offset is included in 'Employment on-costs provision'.

	2022 \$000	2021 \$000
Employment on-costs provision		
Carrying amount at start of period	(191)	17
Additional/(reversal of) provisions recognised	9	(208)
Carrying amount at end of period	(182)	(191)

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

	2022 \$000	2021 \$000
Recurrent		
Grants and subsidies to local government and other bodies ^(a)	258,179	196,806
Capital		
Grants and subsidies to local government and other bodies ^(b)	122,427	81,852
Grants of non-current assets to local government and other bodies	3,671	78,138
Total grants and subsidies	384,277	356,796

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

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

Transferred infrastructure assets at fair value to Local Government and other bodies based on formal proclamation. The transferred assets during the year ended 30 June 2022 include Port Hedland Spoilbank Marine Cartage Access (Town of Port Hedland).

Transactions in which Main Roads provides goods, services, assets (or extinguishes a liability) or labour to another party without receiving approximately equal value in return are categorised as 'Grant and subsidies expenses'. Grants and subsidies can either be operating or capital in nature. These payments or transfers are recognised at fair value at the time of the transaction and are recognised in the reporting period in which they are paid. They include transactions such as: grants, subsidies, other transfer payments made to public sector agencies, local government, non government schools, and community groups.

3.3 OTHER EXPENDITURE

	2022 \$000	2021 \$000
Supplies and services		
Insurance	2,996	2,782
Accommodation, plant and equipment hire costs ^(a)	9,097	8,371
Electricity, gas and water	11,173	10,734
Building maintenance and equipment	7,373	6,876
Advertising	321	1,955
Communications	4,810	5,311
Consultants and contractors ^(b)	519,684	411,232
Consumables	2,385	2,334
Materials	1,038	1,940
Expected credit losses/(reversal)	(247)	(128)
Licences, fees and registration	13,975	13,400
Other	13,500	12,396
Total supplies and services expenses	586,105	477,203

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

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

	2022 \$000	2021 \$000
Other expenses		
Non-current assets retired/replaced ^(c)	66,009	47,732
Write-(back)/down of non-current assets classified as held for sale	(331)	382
Write-(back)/down of infrastructure works in progress	176	26
Total other expenses	65,854	48,140
Total other expenditure	651,959	525,343

(c) Includes retirement of Software as a Service (SaaS) of \$6.8 million, refer to note 5.3.

Supplies and services

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

Accommodation, plant and equipment hire costs include:

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

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

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

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

Other expenses

Non-current assets replaced or retired: Non-current assets replaced or retired during the year have been expensed at their carrying amount. Projects include Roe Highway and Kalamunda Road Interchange project, various bridge replacements and roads reseal program.

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

Write-down of infrastructure works in progress: This amount mainly represents the project development cost written off relating to the Ripon Hills Road Floodway Improvements project.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 continued

4 MAIN ROADS' FUNDING SOURCES

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

	Notes	2022 \$000	2021 \$000
Income from State Government	4.1	1,513,330	1,236,553
Sale of goods and services	4.2	6,646	7,080
Commonwealth grants	4.3	940,907	965,825
Contributions to roadworks	4.4	62,281	39,591
Grants from other bodies	4.5	68,097	1,436,053
Interest income	4.6	108	129
Other income	4.7	17,169	14,692
Gain/(loss) on disposal	4.8	55	(609)

4.1 INCOME FROM STATE GOVERNMENT

	2022 \$000	2021 \$000
Appropriation received during the period:		
Motor vehicle licence fees ^(a)	829,327	690,191
Untied funds ^(b)	404,042	368,402
Motor vehicle permit fees ^(c)	10,453	9,538
<i>Salaries and Allowances Act 1975</i>	426	425
	1,244,248	1,068,556
Resources received free of charge from other public sector entities during the period ^(d) :		
WA Land Information Authority (Landgate)	40	117
Department of Justice (State Solicitor's Office)	1,845	2,383
WA Police Services (Road Safety Commission)	-	178
Department of Finance	45	24
Other	7	10
Total service appropriation received	1,937	2,712
Income from other public sector entities		
Road Trauma Trust Fund ^(e)	24,752	48,965
Natural disaster funds ^(f)	2,353	28,280
Royalties for Regions Fund ^(g)	27,800	24,263
Contributions to roadworks ^(h)	212,240	63,777
Total other funds	267,145	165,285
Total Income from other public sector entities	1,513,330	1,236,553

Service appropriations

Service appropriations are recognised as income at the fair value of consideration received in the period in which Main Roads gains control of the appropriated funds. Main Roads gains control of appropriated funds at the time those funds are deposited in the bank account or credited to the holding account held at Treasury.

(a) Motor vehicle licence fees

Motor vehicle licence fees for cars and light vehicles are raised under the *Road Traffic Act 1974*. The total licence fees collected in 2021-22 was \$1,120.355 million (2020-21: \$1,047.948 million). An amount of \$829.327 million (2020-21: \$690.191 million) was received as a service appropriation and the balance of \$291.028 million (2020-21: \$357.757 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 2021-22 was \$543.029 million (2020-21: \$440.802 million). This includes a service appropriation of \$404.042 million (2020-21: \$368.402 million) and a capital contribution of \$138.987 million (2020-21: \$72.40 million). The service appropriation includes \$36.322 million cash component (2020-21: nil) and a \$367.720 million (2020-21: \$368.402 million) non cash component.

(c) Motor vehicle permit fees

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

(d) Resources received free of charge from other public sector entities

Resources received free of charge from other public sector entities are recognised as income equivalent to the fair value of assets received or the fair value of services that can be reliably determined and which would have been purchased if not donated.

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

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

(f) Natural disaster funds

Funds provided by the 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.

Summary of consolidated account appropriations

For the year ended 30 June 2022

	2022 Budget Estimate \$000	2022 Supplementary Funding \$000	2022 Revised Budget \$000	2022 Actual \$000	2022 Variance \$000
Delivery of Services					
Item 82 Net amount appropriated to deliver services	404,042	–	404,042	404,042	–
Section 25 Transfer of service appropriation					–
Amount Authorised by Other Statutes					
– <i>Road Traffic Act 2008</i>	806,660	33,120	839,780	839,780	–
– <i>Salaries and Allowances Act 1975</i>	426	–	426	426	–
Total appropriations provided to deliver services	1,211,128	33,120	1,244,248	1,244,248	–
Capital					
Item 142 capital appropriation	107,923	31,064	138,987	138,987	–
Amount Authorised by Other Statutes					
– <i>Road Traffic Act 2008</i>	291,028	–	291,028	291,028	–
Administered Transactions	–	–	–	–	–
GRAND TOTAL	1,610,079	64,184	1,674,263	1,674,263	–

\$33.1 million supplementary income was received by Main Roads 2021-22

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for the year ended 30 June 2022 continued

4.2 SALE OF GOODS AND SERVICES

	2022 \$000	2021 \$000
Sale of goods and services	6,646	7,080

This amount represents works undertaken for other private bodies and includes the recovery of expenditure from the Commonwealth Department of Infrastructure, Transport, Regional Development, Communications and the Arts under service delivery arrangements with the Shires of Christmas Island and Cocos (Keeling) Island. The amounts expended or set aside for expenditure during 2021-22 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

	2022 \$000	2021 \$000
Commonwealth grants		
– Land Transport Infrastructure Projects	940,907	965,825
	940,907	965,825

Commonwealth grants

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

Land Transport Infrastructure Projects

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

4.4 CONTRIBUTIONS TO ROADWORKS

	2022 \$000	2021 \$000
Contributions to roadworks	62,281	39,591

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

	2022 \$000	2021 \$000
Grants from local government authorities and other bodies		
Transferred infrastructure assets at fair value ^(a)	35,855	1,434,628
Local Government contribution to traffic signal construction	573	–
Developers contribution to roadworks ^(b)	31,669	1,425
	68,097	1,436,053

(a) Transferred infrastructure assets at fair value are transfers from Local Government to State Government based on formal proclamation. Transferred assets during the year ended 30 June 2022 include Thomas Roads sections (Shire of Serpentine-Jarrahdale).

(b) The developers contribution to roadworks relate to construction costs met by private developers on roads owned by Main Roads. The roadworks include Great Northern Highway – Wonmunna Iron Ore Mine Access (Mineral Resources grant), South Coast Highway sections (FQM grant) and Armadale Rd-MacFarlane Rd intersection (Development WA grant).

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

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

4.6 INTEREST INCOME

	2022 \$000	2021 \$000
Land Transport Infrastructure Projects interest revenue	89	122
Other interest revenue	19	7
	108	129

Revenue is recognised as the interest accrues.

4.7 OTHER INCOME

	2022 \$000	2021 \$000
Rental income	3,183	3,156
Traffic escort services	12,016	10,355
Assets not previously recognised	-	84
Other	1,970	1,097
	17,169	14,692

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

4.8 GAIN/(LOSS) ON DISPOSAL

	2022 \$000	2021 \$000
Net proceeds from disposal of non-current assets		
Land acquired for roadworks	2,026	1,354
Land and buildings	-	393
Plant, equipment and vehicles	88	3
	2,114	1,750
Carrying amount of non-current assets disposed		
Land acquired for roadworks	1,959	2,161
Land and buildings	81	189
Plant, equipment and vehicles	19	4
Right-of-use asset	-	5
	2,059	2,359
Net gain/(loss)	55	(609)

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 continued

5 KEY ASSETS

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

	Notes	2022 \$000	2021 \$000
Property, plant and equipment	5.1	448,163	408,961
Infrastructure	5.2	54,657,705	49,510,651
Intangible assets	5.3	6,602	13,670
Right-of-use assets	5.4	7,547	8,355
Total key assets		55,120,017	49,941,637

5.1 PROPERTY, PLANT AND EQUIPMENT

	2022 \$000	2021 \$000
Land		
At fair value	72,838	65,955
	72,838	65,955
Buildings		
At fair value	116,081	96,378
Accumulated depreciation	(63)	(21)
	116,018	96,357
Buildings under construction		
Construction costs	9,144	14,861
	9,144	14,861
Plant, equipment and vehicles		
At cost	53,353	49,465
Accumulated depreciation	(37,736)	(34,724)
	15,617	14,741
Surplus assets		
At fair value	71,168	67,635
Accumulated depreciation	-	(2)
	71,168	67,633
Land acquired for roadworks		
At fair value	163,378	149,414
	163,378	149,414
Total property, plant and equipment	448,163	408,961

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

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

Year ended 30 June 2021	Land \$000	Buildings \$000	Buildings under construction \$000	Plant, equipment and vehicles \$000	Surplus assets \$000	Land acquired for roadworks \$000	Total \$000
Carrying amount at 1 July 2020	63,912	93,758	3,777	13,940	69,099	157,202	401,688
Additions	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 ^(b)	–	–	–	–	–	–	–
Assets not previously recognised	439	(8)	–	(25)	(604)	–	(198)
Depreciation	–	(7,597)	–	(3,229)	(93)	–	(10,919)
Carrying amount at 30 June 2021	65,955	96,357	14,861	14,741	67,633	149,414	408,961

(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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 continued

5.2 INFRASTRUCTURE

	2022 \$000	2021 \$000
Roads and principal shared paths		
Earthworks at fair value	16,575,910	14,799,521
Accumulated depreciation	(3,588,111)	(3,238,340)
	12,987,799	11,561,181
Pavement and drainage at fair value	12,266,511	10,758,560
Accumulated depreciation	(7,061,722)	(6,170,709)
	5,204,789	4,587,851
Seals at fair value	2,120,437	1,761,394
Accumulated depreciation	(1,157,685)	(999,920)
	962,752	761,474
Land under roads		
At fair value	26,834,231	25,293,358
	26,834,231	25,293,358
Bridges		
At fair value	7,560,872	6,676,742
Accumulated depreciation	(2,308,926)	(2,014,036)
	5,251,946	4,662,706
Road furniture		
At fair value	989,432	813,066
Accumulated depreciation	(422,569)	(346,585)
	566,863	466,481
Infrastructure work in progress		
At cost	2,849,325	2,177,600
	2,849,325	2,177,600
TOTAL INFRASTRUCTURE	54,657,705	49,510,651

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

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

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

Year ended 30 June 2021	Roads and principal shared paths \$000	Land under roads \$000	Bridges \$000	Road furniture \$000	Work in progress \$000	Total \$000
Carrying amount at 1 July 2020	15,906,601	22,863,929	4,319,157	426,034	2,132,410	45,648,131
Additions	-	-	-	-	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-back of infrastructure work in progress	-	-	-	-	(27)	(27)
Depreciation	(300,017)	-	(71,843)	(33,950)	-	(405,810)
Carrying amount at 30 June 2021	16,910,506	25,293,358	4,662,706	466,481	2,177,600	49,510,651

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 continued

Property, plant and equipment and infrastructure

Initial recognition

Items of property, plant and equipment and infrastructure, costing \$5,000 or more are measured initially at cost. Where an asset is acquired for no cost or significantly less than fair value, the cost is valued at its fair value at the date of acquisition. Items of property, plant and equipment and infrastructure costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

Subsequent measurement

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

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

Land and buildings

Land and buildings are independently valued annually by the Western Australian Land Information Authority (Landgate) and recognised annually to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period.

Land, buildings, surplus assets and land acquired for roadworks were revalued as at 1 July 2021 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 2022 and recognised at 30 June 2022.

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 2020 to 1 July 2021. These properties have been valued based on the average percentage increase for the Metro and Rural areas respectively over the period 1 July 2020 to 1 July 2021. The average percentage increases have been determined by calculating the movement in the value of Main Roads' Metro and Rural properties where Landgate have provided a value. The effective date of the valuations is 1 July 2021. In undertaking the revaluation, fair value was determined by reference to market values of Freehold land \$64.736 million (2020-21: \$58.867) and Buildings \$101.339 million (2020-21: \$82.151). 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 2022 is based on the current replacement cost determined at 30 June 2022 calculated using construction unit rates provided by professional estimators and multiplying these by the units of relevant categories that form the infrastructure asset. A cost index (ABS Road and Bridge Construction Cost Index) has been applied to roads and principal shared paths (earthworks, drainage, pavements and seals), bridges and road furniture assets to ensure asset values do not materially differ from fair value.

Fair value for infrastructure assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the current replacement cost. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications, adjusted for obsolescence and optimisation (where applicable). Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence.

Subsequent transfer

Land acquired for road reserves is initially reported as 'land acquired for roadworks' under 'property, plant and equipment' until the land is required for road construction. It is then transferred to 'land under roads' and reported as part of infrastructure assets.

Land determined to be surplus to the requirements of the road reserve is available for disposal and is transferred to 'surplus land' or 'non-current assets held for sale' depending on the timetable for disposal.

Wherever possible, the properties are rented or leased until required for roadworks. Income from these properties is recognised as revenue in the financial year it is earned.

Revaluation model for land and buildings

(a) Fair Value where market-based evidence is available:

The fair value of land and buildings is determined on the basis of current market values determined by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

(b) Fair value in the absence of market-based evidence:

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

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

Restricted use land: Fair value is determined by comparison with market evidence for land with similar approximate utility (high restricted use land) or market value of comparable unrestricted land (low restricted use land).

Revaluation model for infrastructure assets

Fair value of infrastructure, other than land under roads, has been determined by reference to the current replacement cost (existing use basis) as the assets are specialised and no market-based evidence of value is available. The replacement cost is determined by Main Roads every third year by reference to the cost of a new asset and adjusted in the intervening years by reference to a cost index (ABS Road and Bridge Construction Cost Index or rates obtained from professional estimators specialising in road infrastructure works) to ensure the carrying values do not materially differ from fair value. A cost index (ABS Road and Bridge Construction Cost Index) is applied to principal shared paths and certain road furniture assets to ensure the carrying values do not materially differ from fair value.

The value of roads and principal shared paths (earthworks, drainage, pavements and seals), bridges and road furniture at 30 June 2022 is based on the current replacement cost determined at 30 June 2022. This was calculated as at 30 June 2022 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 2022. The revaluation process resulted in gain as at 30 June 2022.

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

	2022 \$000	2021 \$000
Depreciation		
Plant, equipment and vehicles	3,908	3,229
Buildings	9,781	7,690
Total depreciation for the period	13,689	10,919
Less: depreciation capitalised to infrastructure	(9,016)	(7,067)
	4,673	3,852

As at 30 June 2022 there were no indications of impairment to property, plant and equipment.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 continued

5.2.1 DEPRECIATION AND IMPAIRMENT EXPENSES OF INFRASTRUCTURE ASSETS

	2022 \$000	2021 \$000
Charge for the period		
Roads – earthworks	493	490
Roads – pavements and drainage	216,926	202,442
Roads – seal	113,889	97,085
Bridges	72,834	71,843
Road furniture	38,947	33,949
Total depreciation for the period	443,089	405,809

There were 257 road seal assets and 2 bridges 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 2022. These road seal and assets and bridges are planned to be fully or partially retired during next financial year.

Useful lives

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

Road Infrastructure:

Pavement and drainage:

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

Property, Plant & Equipment:

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

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

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

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

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

Impairment of assets

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

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

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

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

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

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

5.3 INTANGIBLE ASSETS

	2022 \$000	2021 \$000
Computer software and licences		
At cost	36,930	43,654
Accumulated amortisation	(30,337)	(29,993)
	6,593	13,661
Drainage easements		
At cost	9	9
	9	9
Total intangible assets	6,602	13,670
Reconciliations:		
Computer software and licences		
Carrying amount at start of period	13,661	15,780
Additions	3,664	4,285
Disposals ^(a)	(6,827)	-
Transfers	-	-
Amortisation expense	(3,905)	(6,404)
Carrying amount at end of period	6,593	13,661

(a) Includes retirement of Software as a Service (SaaS), refer to note 9.2.

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 *Intangible Assets* (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) 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:
- (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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 continued

5.3.1 AMORTISATION AND IMPAIRMENT EXPENSE OF INTANGIBLE ASSETS

	2022 \$000	2021 \$000
Amortisation		
Intangible assets	3,904	6,404
Total amortisation for the period	3,904	6,404
Less: amortisation capitalised to infrastructure	(2,635)	(2,204)
	1,269	4,200

As at 30 June 2022 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 ^(a) and licences 3 to 10 years

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

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

Computer software and licences

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

Drainage easements

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

Impairment of intangible assets

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

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

5.4 RIGHT-OF-USE ASSETS (ROU)

	2022 \$000	2021 \$000
Building and office accommodation		
At cost	6,134	5,877
Accumulated depreciation	(2,805)	(1,744)
	3,329	4,133
State Fleet vehicles		
At cost	9,411	8,179
Accumulated depreciation	(5,193)	(3,957)
	4,218	4,222
Total right-of-use assets	7,547	8,355

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.

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

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

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

Initial recognition

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

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

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

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

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

Subsequent Measurement

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

Depreciation and impairment of right-of-use assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 continued

5.4.1 DEPRECIATION AND IMPAIRMENT EXPENSE OF RIGHT-OF-USE ASSETS

	2022 \$000	2021 \$000
State Fleet vehicles	2,655	2,525
Building and accommodation	1,061	1,027
Total depreciation for the period	3,716	3,552
Less: amortisation capitalised to infrastructure	(2,533)	(2,052)
	1,183	1,500

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

Impairment of right-of-use assets

As at 30 June 2022 no right-of-use asset is impaired.

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

	2022 \$000	2021 \$000
Lease interest expense (included in Finance cost)	283	282
Depreciation expense of right-of-use assets	1,183	1,500
Short-term leases (included in Other Expenditure)	588	253
Gains or losses from right-of-use assets	–	5
Total amount recognised in the statement of comprehensive income	2,054	2,040

The total cash outflow for leases in 2021-22 was \$3.947 million (2020-21: \$3.010 million). As at 30 June 2022 there were no indications of impairment to right-of-use-assets.

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

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

Main Roads has also entered into 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	2022 \$000	2021 \$000
Receivables	6.1	284,252	306,445
Amounts receivable for services (Holding Account)	6.2	3,879,023	3,511,303
Inventories	6.3	8,784	6,639
Prepayments	6.4	78,848	53,205
Payables	6.5	391,865	411,595
Other provisions	6.6	94	94
Contract liabilities	6.7	6,685	12,270
Grant liabilities	6.8	240,231	231,758

6.1 RECEIVABLES

	2022 \$000	2021 \$000
Current		
Trade receivables	23,087	11,985
Other debtors	31	–
Allowance for impairment of trade receivables	(126)	(373)
Trade debtors – unbilled receivables	30,626	44,263
GST receivable	56,597	49,764
Accrued revenue	173,811	200,740
Total current	284,026	306,379
Non-current		
Trade receivables	226	66
Total non-current	226	66
Total receivables	284,252	306,445

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

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

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

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

6.1.1 MOVEMENT IN THE ALLOWANCE FOR IMPAIRMENT OF TRADE RECEIVABLES

	2022 \$000	2021 \$000
Reconciliation of changes in the allowance for impairment of trade receivables:		
Balance at start of period	373	479
Expected credit losses expense	1	219
Amounts written off during the year	(56)	–
Expected credit losses reversed during the period	(192)	(325)
Allowance for impairment at end of period	126	373

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

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2022 continued

6.2 AMOUNTS RECEIVABLE FOR SERVICES (HOLDING ACCOUNT)

	2022 \$000	2021 \$000
Current	–	–
Non-current	3,879,023	3,511,303
Total amounts receivable for services at end of period	3,879,023	3,511,303

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.

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

6.3 INVENTORIES

	2022 \$000	2021 \$000
Current		
Inventories held for distribution:		
– Construction and maintenance materials	2,479	2,252
Total current	2,479	2,252
Non-current		
Inventories held for distribution:		
– Construction and maintenance materials	6,305	4,387
Total non-current	6,305	4,387
Total inventories at end of period	8,784	6,639

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

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

6.4 PREPAYMENTS

	2022 \$000	2021 \$000
Current		
Contractors' advance	62,456	38,068
Prepaid insurance	7,353	6,688
Total current	69,809	44,756
Non-current		
Prepaid insurance	9,039	8,449
Total non-current	9,039	8,449
Total prepayments at end of period	78,848	53,205

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

	2022 \$000	2021 \$000
Current		
Trade payables	7,392	8,317
Major contracts and services ^(a)	294,553	298,952
Property acquisitions liability ^(b)	78,584	97,235
Contractors' retention	5,877	2,384
Performance bonds/surety	2,615	2,435
Accrued salaries and wages ^(c)	2,844	2,272
Total current	391,865	411,595
Total payables at end of period	391,865	411,595

Payables are recognised at the amounts payable when Main Roads becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement for Main Roads is generally within 15-20 days.

- (a) Major contracts and services liability represents the work performed or services delivered under major contracts but invoice not been paid at the end of the reporting period. The liability is mostly settled within a month of the reporting period end.
- (b) A property acquisition liability has been recognised in respect of properties for which a Notice of Resumption under the Land Administration Act 1997 has been issued and formal possession has taken place but where settlement has not been achieved at the end of the reporting period. Liabilities in such circumstances have been based on valuations and include costs of acquisition.
- (c) Accrued salaries represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight of the reporting period end. Main Roads considers the carrying amount of accrued salaries to be equivalent to its fair value.

6.6 OTHER PROVISIONS

	2022 \$000	2021 \$000
Non-current		
Make-good provisions	94	94
Total Non-current	94	94
Total other provisions at end of period	94	94

6.6.1 RESTORATION (MAKE GOOD) PROVISIONS

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

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

A restoration provision is recognised when:

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

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

Movements in other provisions

	2022 \$000	2021 \$000
Make-good provisions		
Carrying amount at start of period	94	52
Movement in provisions	-	42
Carrying amount at end of period	94	94

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2022 continued

6.7 CONTRACT LIABILITIES

	2022 \$000	2021 \$000
Current contract liabilities	6,685	12,270
Total contract liabilities at end of period	6,685	12,270

6.7.1 MOVEMENT IN CONTRACT LIABILITIES

	2022 \$000	2021 \$000
Reconciliation of contract liabilities		
Opening balance	12,270	2,403
Additions	32,084	24,811
Revenue recognised in the reporting period	(37,669)	(14,944)
Total contract liabilities at end of period	6,685	12,270

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

	2022 \$000	2021 \$000
Current grant liabilities	240,231	231,758
Total grant liabilities at end of period	240,231	231,758

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

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

6.8.1 MOVEMENT IN GRANT LIABILITIES

	2022 \$000	2021 \$000
Reconciliation of grant liabilities		
Opening balance	231,758	197,075
Additions	1,182,984	1,081,821
Income recognised in the reporting period	(1,174,511)	(1,047,138)
Total grant liabilities at end of period	240,231	231,758

6.8.2 EXPECTED SATISFACTION OF GRANT LIABILITIES

	2022 \$000	2021 \$000
Income recognition		
1 year	240,231	231,758
	240,231	231,758

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
Capital 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:

	Notes	2022 \$000	2021 \$000
Cash and cash equivalents		64,581	190,569
Restricted cash and cash equivalents		211,741	186,527
Total cash and cash equivalents at end of period		276,322	377,096
Restricted cash and cash equivalents			
Contractors' deposits ^(a)		5,877	2,384
Land Transport Infrastructure Projects ^(b)		16,237	19,762
Commonwealth Paid Parental Leave Scheme ^(c)		10	9
Future maintenance – Concessional loading ^(d)		54,212	46,681
Metronet SPA ^(e)	9.7	108,732	105,787
Royalties for Regions Fund ^(f)		26,673	11,904
Total restricted cash and cash equivalents at end of period		211,741	186,527

(a) Contractors' deposits

Amounts withheld from contractors payments pending satisfactory completion of works.

(b) Land Transport Infrastructure Projects

Funds provided as part of National Partnership on Infrastructure Projects in Western Australia. Balance remaining represents interest earned from funds received.

(c) Commonwealth Paid Parental Leave Scheme

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

(d) Future maintenance – Concessional loading

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

(e) Metronet special purpose account

Unspent funds are committed to fund Metronet road related projects.

(f) Royalties for Regions Fund

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 continued

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

	Notes	2022 \$000	2021 \$000
Net cost of services		(469,632)	1,088,978
Non-cash items			
Depreciation expense – infrastructure	5.2.1	443,089	405,809
Depreciation and amortisation expense – other assets	5.1.1, 5.3.1	5,942	8,052
Depreciation expense – right-of-use assets	5.4.1	1,183	1,500
Finance cost	7.3	283	282
Grants to other bodies	3.2	3,671	78,138
Grants received from other bodies	4.5	(68,097)	(1,436,053)
Resources received free of charge	4.1	1,937	2,712
Infrastructure assets retired/replaced	3.3	65,854	48,140
Assets not previously recognised		–	(84)
Right-of-use asset related non-cash items		(1)	(643)
Adjustment for other non-cash items		–	(43)
Net (gain)/loss on sale of property, plant and equipment	4.8	(55)	609
(Increase)/decrease in assets:			
Receivables ^(a)		18,175	(113,403)
Inventories		(2,145)	1,114
Prepayments		(25,643)	(40,167)
Increase/(decrease) in liabilities:			
Payables ^(a)		50,368	18,515
Grants and contract liabilities		2,888	44,550
Provisions		1,443	4,367
Net GST receipts/(payments) ^(b)		222,519	156,947
Change in GST in receivables/payables ^(c)		(229,352)	(177,933)
Net cash provided by/(used in) operating activities		22,427	91,387

(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

	2022 \$000	2021 \$000
Current	2,603	2,575
Non-current	5,534	6,319
	8,137	8,894

Initial measurement

At the commencement date of the lease, Main Roads recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, Main Roads uses the incremental borrowing rate provided by Western Australia Treasury Corporation.

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

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

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

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

This section should be read in conjunction with Note 5.4.

Subsequent Measurement

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

7.3 FINANCE COSTS

	2022 \$000	2021 \$000
Finance costs		
Lease interest expense	283	282
Total finance costs expensed	283	282

Finance costs include the interest component of lease liability repayments.

7.4 CAPITAL COMMITMENTS

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

	2022 \$000	2021 \$000
Within 1 year	1,007,168	741,901
Later than 1 year and not later than 5 years	669,464	825,799
	1,676,632	1,567,700

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 continued

8 RISKS AND CONTINGENCIES

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

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

8.1 FINANCIAL RISK MANAGEMENT

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

(a) Summary of risks and risk management

Credit risk

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

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

Liquidity risk

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

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

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

Market risk

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

Other than as detailed in the interest rate sensitivity analysis table at note 8.1(e), Main Roads is not exposed to the interest rate risk. Majority of cash and cash equivalents are non-interest bearing and restricted cash and cash equivalents are interest bearing. Main Roads has no borrowings as at 30 June 2022.

(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:

	2022 \$000	2021 \$000
Financial assets		
Cash and cash equivalents	64,581	190,569
Restricted cash and cash equivalents	211,741	186,527
Financial assets at amortised cost ^(a)	4,106,678	3,767,984
Total financial assets	4,383,000	4,145,080
Financial liabilities		
Financial liabilities at amortised cost ^(a)	391,865	411,595
Lease liabilities	8,137	8,894
Total financial liability	400,002	420,489

(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 Main Roads' trade receivables using a provision matrix.

	Days past due					
	Total \$000	Current \$000	1- 30 Days \$000	31- 60 Days \$000	61- 90 Days \$000	>91 days \$000
30 June 2022						
Expected credit loss rate		0%	2%	0%	0%	25.09%
Estimated total gross carrying amount at default	23,313	18,709	673	3,644	-	287
Expected credit losses	(126)	(38)	(16)	-	-	(72)
	23,187	18,671	657	3,644	-	215
30 June 2021						
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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 continued

8.1 FINANCIAL RISK MANAGEMENT continued

(c) 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.

2022	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 to 1 year \$000	1-5 years \$000	More than 5 years \$000
Financial Assets										
Cash and cash equivalents	-	64,581	-	-	64,581	64,581	-	-	-	-
Restricted cash and cash equivalents	0.50	211,741	-	211,741	-	211,741	-	-	-	-
Receivables (a)	-	227,655	-	-	227,655	227,655	-	-	-	-
Amounts receivable for services	-	3,879,023	-	-	3,879,023	3,879,023	-	-	-	3,879,023
		4,383,000	-	211,741	4,171,259	4,383,000	-	-	-	3,879,023
Financial Liabilities										
Payables	-	391,865	-	-	391,865	391,865	-	-	-	-
Lease liabilities (b)	-	8,137	-	-	8,137	8,137	319	1,331	2,764	3,558
		400,002	-	-	400,002	400,002	319	1,331	2,764	3,558

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

(b) The amount of lease liabilities includes \$4.455 million from leased buildings and \$4.439 million from leased vehicles.

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 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 (a)	-	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 (b)	-	8,894	-	-	8,894	8,894	477	1,801	5,847	471
		420,489	-	-	420,489	420,489	477	1,801	5,847	471

(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 0.75% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

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

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

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.

8.2.1 CONTINGENT ASSETS

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

	2022 \$000	2021 \$000
Remediation for diesel spill	4,522	–
Contract claims in dispute	433	346
	4,955	346

Remediation for diesel spill

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

Contract claims in dispute

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

8.2.2 CONTINGENT LIABILITIES

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

	2022 \$000	2021 \$000
Contract claims in dispute	24,234	13,351
Resumption claims in dispute	339,721	204,334
	363,955	217,685

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2022 continued

8.2.2 CONTINGENT LIABILITIES continued

Contract claims in dispute

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

Resumption claims in dispute

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

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

8.3 FAIR VALUE MEASUREMENTS

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

Assets measured at fair value:	Level 1 \$000	Level 2 \$000	Level 3 \$000	Fair value at end of period \$000
2021				
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
	–	307,090	47,413,189	47,720,279

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 sale 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)

2022	Non-current asset held for sale \$000	Land \$000	Buildings \$000	Surplus assets \$000	Land acquired for roadworks \$000	Infrastructure \$000
Fair value at start of period	0	7,088	14,206	27,449	31,395	47,333,051
Additions	-	352	-	-	3,976	1,081,170
Revaluation increments/(decrements) recognised in Other Comprehensive Income	-	643	1,201	1,087	(1,294)	3,899,346
Transfers from/(to) Level 2/Level 3	0	18	0	244	(184)	-
Disposals	-	-	-	(3,302)	(1,731)	(62,099)
Depreciation expense	-	-	(728)	(31)	-	(443,088)
Fair value at end of period	0	8,102	14,679	25,446	32,163	51,808,380
Total gains or losses for the period included in profit or loss	-	-	-	-	-	-

2021	Non-current asset held for sale \$000	Land \$000	Buildings \$000	Surplus assets \$000	Land acquired for roadworks \$000	Infrastructure \$000
Fair value at start of period	419	7,079	14,240	29,132	38,970	43,515,721
Additions	-	-	-	-	21	2,813,684
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)
Fair value at end of period	0	7,088	14,206	27,449	31,395	47,333,051
Total gains or losses for the period included in profit or loss	-	-	-	-	-	-

Valuation processes

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

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

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

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

Buildings (Level 3 fair values)

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 continued

8.3 FAIR VALUE MEASUREMENTS continued

Infrastructure (Level 3 fair values)

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

Basis of Valuation

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

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

Selection of land with restricted utility

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

Historical cost per square metre floor area (m²)

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

Consumed economic benefit/obsolescence of asset

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

Historical cost per cubic metre (m³)

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

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

Selection of land adjoining road reserve

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

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

Description	Fair value 2022 \$000	Fair value 2021 \$000	Valuation technique(s)	Unobservable inputs
Land, Surplus asset and Land acquired for roadworks	65,711	65,932	Market approach	Selection of land with similar approximate utility
Buildings	14,679	14,206	Current replacement cost	Historical cost per square metre floor area (m ²) Consumed economic benefit/ obsolescence of asset
Infrastructure (Earthworks)	12,987,799	11,561,181	Current replacement cost	Historical cost per cubic metre (m ³)
Infrastructure (Pavements including drainage and seals)	6,167,541	5,349,325	Current replacement cost	Historical cost per cubic metre (m ³)
Infrastructure (Bridges)	5,251,946	4,662,706	Current replacement cost	Historical cost per cubic metre (m ³)
Infrastructure (Road furniture)	566,863	466,481	Current replacement cost	Consumed economic benefit/ obsolescence of asset
Infrastructure (Land under roads)	26,834,231	25,293,358	Market approach	Selection of land adjoining road reserve

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

9 OTHER DISCLOSURES

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

	Notes
Events occurring after the end of the reporting period	9.1
Changes in accounting policies	9.2
Future impact of Australian Accounting Standards issued not yet operative	9.3
Key management personnel	9.4
Related party transactions	9.5
Remuneration of auditors	9.6
Special purpose accounts	9.7
Non-current assets classified as held for sale	9.8
Equity	9.9
Supplementary financial information	9.10
Services provided free of charge	9.11
Indian Ocean Territories	9.12

9.1 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

In July 2022 a new Transport Portfolio Land and Property Services Branch was formed with staff co-locating from the Department of Transport, Public Transport Authority and Main Roads Western Australia's land and properties functions. The Branch was formed on the same basis as the Office of Major Transport Infrastructure Delivery (OMTID) which was established in 2020.

The purpose of the new Portfolio Land and Property Services Branch is as follows:

- Be a centre of excellence for Transport portfolio land transactions, commercial leasing, and corporate building management with experienced and expert staff.
- Be highly responsive to transport infrastructure project priorities, ensuring that land transactions and property services align to project requirements and portfolio land and property asset management strategies.

9.2 CHANGES IN ACCOUNTING POLICIES

The IFRS Interpretations Committee (IFRIC) has issued the agenda decisions with respect to accounting for SaaS arrangements. The agenda decision concluded that Software as a Service (SaaS) arrangements are likely to be service arrangements, rather than intangible or leased assets. This is because the customer typically only has a right to receive future access to the supplier's software running on the supplier's cloud infrastructure and therefore the supplier controls the intellectual property (IP) of the underlying software code.

Management assessed all possible SaaS arrangements in Main Roads against IFRIC criteria and identified five intangible assets meeting the criteria of SaaS arrangements. These five assets are written off from the asset register during the financial year of 2021-22. Refer to note 3.3 and 5.3.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 continued

9.3 FUTURE IMPACT OF AUSTRALIAN ACCOUNTING STANDARDS ISSUED NOT YET OPERATIVE

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

		Operative for reporting periods beginning on/after
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 is not impacted by AASB 17</p>	1 Jan 2023
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 2020-6	<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 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 2021-6	<p><i>Amendments to Australian Accounting Standards- Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards</i></p> <p>This standard amends This standard amends: (a) AASB 1049, to require entities to disclose their material accounting policy information rather than their significant accounting policies; (b) AASB 1054 to reflect the updated accounting policy terminology used in AASB 101 Presentation of Financial Statements; and (c) AASB 1060 to required entities to disclose their material accounting policy information rather than their significant accounting policy and to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements.</p> <p>There is no financial impact.</p>	1 Jan 2023
AASB 2021-7	<p><i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i></p> <p>This standard further defers (to 1 January 2025) the amendments to AASB 10 and AASB 128 relating to the sale or contribution of assets between an investor and its associated or joint venture. The standard also includes editorial corrections.</p> <p>There is no financial impact.</p>	1 Jan 2022

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 (\$)	2022	2021
000,000 – 010,000	2	1

Compensation of senior officers

Compensation Band (\$)	2022	2021
310,001 – 320,000	1	–
300,001 – 310,000	–	1
280,001 – 290,000	1	1
270,001 – 280,000	1	1
260,001 – 270,000	4	–
240,001 – 250,000	–	3
230,001 – 240,000	–	2
220,001 – 230,000	3	–
210,001 – 220,000	1	2
70,001 – 80,000*	–	1

	2022 \$000	2021 \$000
Short term employee benefits	2,204	1,970
Post-employment benefits	521	468
Other long term benefits	106	150
The total compensation of senior officers	2,831	2,588

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

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)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 continued

9.5 RELATED PARTY TRANSACTIONS continued

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 \$120.9 million (Notes 3.2)
- payments for property construction, management and fleet leasing to the Department of Finance amounting \$5.8 million (Notes 3.3)
- payments mainly for Bicycle network program to Department of Transport amounting \$9.7 million (Notes 3.2 and 3.3)
- payments mainly for property acquisition used for road construction to State Solicitor's Office amounting \$38.3 million (Notes 5.1 and 5.2)
- payments mainly for service relocation enabling road construction to Western Power amounting \$5.9 million (Note 5.2)

Material transactions with other related parties

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

9.6 REMUNERATION OF AUDITORS

	2022 \$000	2021 \$000
Auditing the accounts, financial statements, controls and key performance indicators	400	357
	400	357

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.

	Notes	2022 \$000	2021 \$000
Balance at start of period		105,787	71,703
Receipts – Contribution from Motor Vehicle License fees		125,303	114,995
Payments		(122,358)	(80,911)
Balance at end of period	7.1	108,732	105,787

9.8 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

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

	2022 \$000	2021 \$000
Freehold land and buildings		
Opening balance	7,869	4,717
Assets reclassified as held for sale	1,323	5,971
Assets removed from current disposal program	(6,070)	–
Assets sold	(1,959)	(2,346)
Write-down of assets from carrying value to fair value less selling costs	332	(473)
Total non-current assets classified as assets held for sale at end of period	1,495	7,869

Information on fair value measurements is provided in Note 8.3.

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

Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount and fair value less costs to sell, and are disclosed separately from other assets in the Statement of Financial Position. Assets classified as held for sale are not depreciated or amortised. Fair value is provided by the Western Australian Land Information Authority (Landgate) annually.

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.

	Notes	2022 \$000	2021 \$000
CONTRIBUTED EQUITY			
Balance at start of period		6,175,565	5,730,848
Contributions by owners			
Capital contributions		430,015	430,157
Other contributions by owners			
Royalties for Regions Fund – Regional Infrastructure and Headwork Account		60,692	25,324
Transfer of net assets from other agencies			
Public Transport Authority		5,033	1,739
Western Australian Planning Commission		–	2,535
Department of Lands		–	–
Total contributions by owners		495,740	459,755
Distributions to owners			
Transfer of net assets to other agencies			
Public Transport Authority		(9,192)	(14,559)
Department of Planning, Land and Heritage		(545)	–
Department of Treasury		(1,546)	–
Other		(33)	(479)
Total distributions to owners		(11,316)	(15,038)
TOTAL CONTRIBUTED EQUITY AT END OF PERIOD		6,659,989	6,175,565
RESERVES			
Asset revaluation surplus			
Balance at start of period		29,286,962	27,744,154
Net revaluation increments/(decrements)			
Earthworks, Drainage, Pavements and Seals		1,861,647	209,066
Bridges		518,794	177,221
Land under roads		1,465,923	1,143,374
Road Furniture		52,984	5,381
Land and Buildings		33,233	7,766
TOTAL ASSET REVALUATION SURPLUS AT END OF PERIOD		33,219,543	29,286,962
ACCUMULATED SURPLUS			
Balance at start of period		18,035,058	15,709,570
Initial application of AASB 16		–	(43)
Result for the period		1,043,698	2,325,531
Balance at end of period		19,078,756	18,035,058
TOTAL EQUITY AT END OF PERIOD		58,958,288	53,497,585

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 continued

9.10 SUPPLEMENTARY FINANCIAL INFORMATION

(a) Write-offs

During the financial year following assets were written off Main Roads' asset register (2021: Nil) under the authority of:

	2022 \$000	2021 \$000
The accountable authority	138	26
	138	26

(b) Losses through theft, defaults and other causes

	2022 \$000	2021 \$000
Fixed asset stocktake discrepancies	2	-
	2	-

(c) Gifts of public property

	2022 \$000	2021 \$000
Gifts of public property provided by Main Roads	-	24
	-	24

(d) Forgiveness of debt

	2022 \$000	2021 \$000
Forgiveness of debt by Main Roads	-	-
	-	-

(e) Restricted Access Vehicle permits ^(a)

	2022 \$000	2021 \$000
Regulatory fees	10,470	9,509
Transfer payments	10,489	9,538
Cash held in lieu of transfer	37	18

(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

	2022 \$000	2021 \$000
Department of Transport – accommodation costs and provision of traffic modelling services	16	156
Department of Planning, Lands and Heritage – traffic modelling	178	175
Department of Biodiversity, Conservation & Attractions – consultation	542	620
Public Transport Authority – provision of professional services	44	89
Department of Water and Environmental Regulation – consultation	151	651
Western Australian Police – COVID-19 related traffic management	393	1,327
Rottneest Island Authority – road resurfacing	–	4,773
Services provided free of charge to other agencies	6	21
	1,330	7,812

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 2021-22 are summarised below:

	2022 \$000	2021 \$000
Amount brought forward for recovery	(57)	(30)
Amount received during the period	(32)	(27)
	(89)	(57)
Expenditure during the year	31	–
Amount carried forward for recovery	(58)	(57)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2022 continued

10 EXPLANATORY STATEMENTS

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

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

All variances between annual estimates (original budget) and actual results for 2022, and between the actual results for 2022 and 2021 are shown below. Narratives are provided for key major variances which vary more than 10% from their comparative and that the variation is more than 1% of the dollar aggregate of:

- Total Cost of Services for the previous year for the Statements of comprehensive income and Statement of cash flows (\$13.74 million), and
- Total Assets for the previous year for the Statement of financial position (\$542.02 million)

10.1 STATEMENT OF COMPREHENSIVE INCOME VARIANCES

	Variance Note	Original Budget 2022 \$000	Actual 2022 \$000	Actual 2021 \$000	Variance between estimate and actual \$000	Variance between actual results for 2022 and 2021 \$000
Expenses						
Employee benefits expense		69,927	78,162	76,001	8,235	2,161
Supplies and services	A	544,734	586,105	477,203	41,371	108,902
Depreciation and impairment expenses of infrastructure assets		434,679	443,089	405,809	8,410	37,280
Depreciation, amortisation and impairment expenses – other		4,149	5,942	8,052	1,793	(2,110)
Depreciation and impairment expenses – right-of-use assets		4,463	1,183	1,500	(3,280)	(317)
Finance cost		277	283	282	6	1
Grants and subsidies	1	307,089	384,277	356,796	77,188	27,481
Other expenses	2, B	11,404	65,854	48,140	54,450	17,714
Total cost of services		1,376,722	1,564,895	1,373,783	188,173	191,112
Income						
Sale of goods and services		–	6,646	7,080	6,646	(434)
Commonwealth grants		966,151	940,907	965,825	(25,244)	(24,918)
Contributions to roadworks	C	49,812	62,281	39,591	12,469	22,690
Grants from other bodies	3, D	36,399	68,097	1,436,053	31,698	(1,367,956)
Interest income		1,500	108	129	(1,392)	(21)
Other income		11,426	17,169	14,692	5,743	2,477
Total income		1,065,288	1,095,208	2,463,370	29,920	(1,368,162)
Gains						
Gain/(loss) on disposal of non-current assets		–	55	(609)	55	664
Total gains		–	55	(609)	55	664
Total income other than income from State Government		1,065,288	1,095,263	2,462,761	29,975	(1,367,498)
NET COST OF SERVICES		311,434	469,632	(1,088,978)	158,198	1,558,610
Income from State Government						
Service appropriation	E	1,211,128	1,244,248	1,068,556	33,120	175,692
Resources received free of charge		2,700	1,937	2,712	(763)	(775)
Income from other public sector entities	F	265,585	267,145	165,285	1,560	101,860
Total income from State Government		1,479,413	1,513,330	1,236,553	33,917	276,777
SURPLUS/(DEFICIT) FOR THE PERIOD		1,167,979	1,043,698	2,325,531	(124,281)	(1,281,833)
OTHER COMPREHENSIVE INCOME						
Items not reclassified subsequently to profit or loss						
Changes in asset revaluation surplus		–	3,932,581	1,542,808	3,932,581	2,389,773
Total other comprehensive income		–	3,932,581	1,542,808	3,932,581	2,389,773
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,167,979	4,976,279	3,868,339	3,808,300	1,107,940

10.2 STATEMENT OF FINANCIAL POSITION VARIANCES

	Variance Note	Original Budget 2022 \$000	Actual 2022 \$000	Actual 2021 \$000	Variance between estimate and actual \$000	Variance between actual results for 2022 and 2021 \$000
ASSETS						
Current Assets						
Cash and cash equivalents		361,598	64,581	190,569	(297,017)	(125,988)
Restricted cash and cash equivalents		150,589	211,741	186,527	61,152	25,214
Receivables		142,952	284,026	306,379	141,074	(22,353)
Amounts receivable for services		-	-	-	-	-
Inventories		1,551	2,479	2,252	928	227
Prepayments		11,780	69,809	44,756	58,029	25,053
Non-current assets classified as held for sale		4,717	1,495	7,869	(3,222)	(6,374)
Total Current Assets		673,187	634,131	738,352	(39,056)	(104,221)
Non-Current Assets						
Receivables		189	226	66	37	160
Amounts receivable for services		3,879,023	3,879,023	3,511,303	-	367,720
Inventories		6,202	6,305	4,387	103	1,918
Prepayments		1,258	9,039	8,449	7,781	590
Property, plant and equipment		414,980	448,163	408,961	33,183	39,202
Infrastructure	G	51,336,116	54,657,705	49,510,651	3,321,589	5,147,054
Intangible assets		12,635	6,602	13,670	(6,033)	(7,068)
Right-of-use assets		8,393	7,547	8,355	(846)	(808)
Total Non-Current Assets		55,658,796	59,014,610	53,465,842	3,355,814	5,548,768
TOTAL ASSETS		56,331,983	59,648,741	54,204,194	3,316,758	5,444,547
LIABILITIES						
Current Liabilities						
Payables		269,909	391,865	411,595	121,956	(19,730)
Lease liabilities		2,645	2,603	2,575	(42)	28
Contract liabilities		2,403	6,685	12,270	4,282	(5,585)
Grants liabilities		197,075	240,231	231,758	43,156	8,473
Employee related provisions		36,666	37,424	36,289	758	1,135
Other provisions		-	-	-	-	-
Total Current Liabilities		508,698	678,808	694,487	170,110	(15,679)
Non-Current Liabilities						
Payables		752	-	-	(752)	-
Lease liabilities		6,231	5,534	6,319	(697)	(785)
Employee related provisions		4,925	6,017	5,709	1,092	308
Other provisions		-	94	94	94	-
Total Non-Current Liabilities		11,908	11,645	12,122	(263)	(477)
TOTAL LIABILITIES		520,606	690,453	706,609	169,847	(16,156)
NET ASSETS		55,811,377	58,958,288	53,497,585	3,146,911	5,460,703
EQUITY						
Contributed equity		6,649,350	6,659,989	6,175,565	10,639	484,424
Reserves		29,819,803	33,219,543	29,286,962	3,399,740	3,932,581
Accumulated surplus		19,342,224	19,078,756	18,035,058	(263,468)	1,043,698
TOTAL EQUITY		55,811,377	58,958,288	53,497,585	3,146,911	5,460,703

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022 continued

10.3 STATEMENT OF CASH FLOWS VARIANCES

	Variance Note	Original Budget 2022 \$000	Actual 2022 \$000	Actual 2021 \$000	Variance between estimate and actual \$000	Variance between actual results for 2022 and 2021 \$000
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriation	H	843,408	876,527	700,154	33,119	176,373
Capital appropriation		398,951	428,469	424,847	29,518	3,622
Holding account drawdown		-	-	-	-	-
Contributions to roadworks	4, I	180,960	228,522	36,988	47,562	191,534
Road Trauma Trust Fund	J	28,160	26,211	50,784	(1,949)	(24,573)
Natural disaster funds	5, K	79,788	539	30,440	(79,249)	(29,901)
Royalties for Regions Fund	L	36,661	88,492	49,588	51,831	38,904
Net cash provided by State Government		1,567,928	1,648,760	1,292,801	80,832	355,959
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee benefits		(67,927)	(77,008)	(68,097)	(9,081)	(8,911)
Supplies and services	M	(566,746)	(601,760)	(432,766)	(35,014)	(168,994)
Grants and subsidies	6, N	(307,089)	(358,672)	(282,372)	(51,583)	(76,300)
GST payments on purchases	7, O	(147,054)	(252,406)	(188,477)	(105,352)	(63,929)
Finance costs		(277)	-	-	277	-
Receipts						
Sale of goods and services	P	47,181	60,858	35,853	13,677	25,005
Commonwealth grants	Q	966,151	979,528	832,180	13,377	147,348
Interest received		1,500	79	222	(1,421)	(143)
GST receipts on sales	8	11,808	31,568	21,726	19,760	9,842
GST receipts from taxation authority	9, R	135,000	222,519	156,946	87,519	65,573
Other receipts		10,907	14,525	13,055	3,618	1,470
Rent received		3,200	3,196	3,117	(4)	79
Net cash provided by/(used in) operating activities		86,654	22,427	91,387	(64,227)	(68,960)
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments						
Purchase of non-current assets		(19,095)	(25,633)	(26,267)	(6,538)	634
Purchase of infrastructure assets	S	(1,586,098)	(1,744,495)	(1,284,950)	(158,397)	(459,545)
Receipts						
Proceeds from sale of non-current assets		-	2,114	1,720	2,114	394
Net cash provided by/(used in) investing activities		(1,605,193)	(1,768,014)	(1,309,497)	(162,821)	(458,517)
CASH FLOWS FROM FINANCING ACTIVITIES						
Payments						
Principal elements of lease payments		(2,790)	(3,947)	(3,010)	(1,157)	(937)
Net cash provided by/(used in) financing activities		(2,790)	(3,947)	(3,010)	(1,157)	(937)
Net increase/(decrease) in cash and cash equivalents		46,599	(100,774)	71,681	(147,373)	(172,455)
Cash and cash equivalents at the beginning of the period		465,588	377,096	305,415	(88,492)	71,681
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		512,187	276,322	377,096	(235,865)	(100,774)

Major estimate and actual (2022) variance narratives:

- 1 Grants and subsidies is higher than anticipated by \$77.2 million (25.1%) due to an increase in spending on the Local Government network and Metronet related works (Thornlie Cockburn Link & Yanchep Rail Extension).
- 2 Other expenses is higher than anticipated by \$54.5 million (477.5%) due to additional road assets being retired as a result of road realignments and new projects.
- 3 Grants from other bodies is higher than anticipated by \$31.7 million (87.1%) due to additional road assets being transferred to Main Roads which includes Marriott Road.
- 4 Contributions to roadworks is higher than anticipated by \$47.6 million (26.3%) due to additional third party funding for road works. The work includes Metronet works and additional Principal Shared Path works.
- 5 Natural disaster funding receipts is lower than anticipated by \$79.2 million (99.3%) due to claims for flood damage related road repair not yet finalised.
- 6 Grants and subsidies is higher than anticipated by \$51.6 million (16.8%) due to increase in spending on the Local Government network and Metronet related works.
- 7 GST payments on purchases is underestimated by \$105.4 million (71.6%) due to higher GST payment this financial year as a result of higher level of project delivery.
- 8 GST receipts on sales is underestimated by \$19.8 million (167.3%) due to higher than anticipated input tax credit claims.
- 9 GST receipts from taxation authority is underestimated by \$87.5 million (64.8%) due to higher than anticipated input tax credit claims this financial year as a result of higher level of project delivery.

Major actual (2022) and comparative (2021) variance narratives

- A Supplies and services increased by \$108.9 million (22.8%) mainly due to higher level of road maintenance works compared to previous financial year. This included Pavement Repair program and bridge on Roy Hill Munjina Road.
- B Other expenses increased by \$17.7 million (36.8%) due to retirement of replaced infrastructure assets. Completed projects include Roe Highway and Kalamunda Road Interchange project, various bridge replacements and roads reseal program.
- C The contribution to roadworks increased by \$22.7 million (57.3%) due to more projects undertaken for third party during the year compared to previous year. Major projects delivered during the year included the bridge on Roy Hill Munjina Road and Buttsweld Road Realignment & Road Over Rail Bridge Construction (both contributed by BHP Billiton).
- D Grants from other bodies is decreased by \$1.4 billion (95.3%) compared to previous year due to unusually high value infrastructure assets were transferred in 2020-21 from Local Governments. Transfers included Ocean Reef and Gnaragar 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.
- E Service appropriation increased by \$175.7 million (16.4%) predominantly due to the increase of Motor Vehicle Licence Fees – Road Traffic Act (\$139.1 million) and cash appropriation to deliver services (\$36.3 million) compared to 2020-21.
- F Income from other public sector entities increased by \$101.9 million (61.6%) mainly due to contributions by Public Transport Authority for Tonkin Gap project and Byford Rail Extension – Thomas Road Level Crossing Removal and Bridge Construction project. Income also included Department of Transport contribution for Principal Shared Paths (Kwinana Fwy West Side Mt Henry – Cranford) project.
- G Infrastructure assets increased by \$5.1 billion (10.4%) compared to previous year mainly due to revaluation of infrastructure assets applying ABS Road and Bridge construction Cost Index (\$3.9 billion). The increase is also contributed by high value infrastructure project works this year including Tonkin Gap and Bunbury Outer Ring Road.
- H Service appropriation increased by \$176.4 million (25.2%) mainly due to the increase of Motor Vehicle Licence Fees – Road Traffic Act (\$139.1 million) and cash appropriation to deliver services (\$36.3 million) compared to 2020-21.
- I The contribution to roadworks increased by \$191.5 million (517.8%) mainly due to contributions by Public Transport Authority for Tonkin Gap project and Byford Rail Extension – Thomas Road Level Crossing Removal and Bridge Construction project. Income also included Department of Transport contribution for Principal Shared Paths (Kwinana Fwy West Side Mt Henry – Cranford) project.
- J Road Trauma Trust Fund related receipts is lower by \$24.6 million (48.4%) due to less projects delivered under 'Metropolitan Intersection' and 'Regional Run-off Treatment' programs this financial year.
- K Natural disaster funding receipts is lower by \$29.9 million (98.2%) due to low level of claims for road repairs from flood damage during the year.
- L The receipt for Royalties for Regions Fund increased by \$38.9 million (78.5%) mainly due to the delivery of Albany Ring Road Stage 2, Karratha-Tom Price Road – Sealing of 50 km to Millstream, Square Kilometre Access Roads and Moonamang Road.
- M Payments for supplies and services increased by \$169.0 million (39.0%) mainly due to higher level of road maintenance works compared to previous financial year. This included Pavement Repair program and bridge on Roy Hill Munjina Road.
- N Payments for grants and subsidies increased by \$76.3 million (27.0%) mainly due to higher spending on the Local Government network which includes Metronet projects related works (Thornlie Cockburn Link & Yanchep Rail Extension).
- O GST payments on purchases increased by \$63.9 million (33.9%) due to higher GST payment this financial year as a result of higher level of project delivery.
- P Contribution to roadworks is higher by \$25.0 million (69.7%) mainly due to higher delivery of third party works. Major projects delivered during the year included the bridge on Roy Hill Munjina Road and Buttsweld Road Realignment & Road Over Rail Bridge Construction (both contributed by BHP Billiton).
- Q Commonwealth grants increased by \$147.3 million (17.7%) mainly due to the receipt of grants for Road Safety Program – WA, Bunbury Outer Ring Road (Stages 2 and 3) and Tonkin Gap.
- R GST receipts from taxation authority is higher by \$65.6 million (41.8%) due to higher input tax credit claims this financial year as a result of higher level of project delivery.
- S Payments for purchase of infrastructure assets is higher by \$459.5 million (35.8%) due to increased works on the infrastructure projects during in the year. Major projects include Tonkin Gap and Bunbury Outer Ring Road.