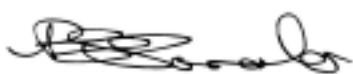


Certification of Financial Statements

For the year ended 30 June 2017

The accompanying financial statements of the Department of Transport have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2017 and the financial position as at 30 June 2017.

At the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



Peter Parolo
Chief Finance Officer

31 August 2017



Richard Sellers
Accountable Authority

31 August 2017

Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	2017 \$ 000	2016 \$ 000
COST OF SERVICES			
Expenses			
Employee benefits expense	4	133 227	137 169
Supplies and services	6	115 559	110 318
Depreciation and amortisation expense	7	21 282	20 138
Accommodation expenses	8	15 995	16 158
Grants and subsidies	9	109 880	86 877
Loss on disposal of non-current assets	16	992	479
Other expenses	10	16 788	9 871
Total cost of services		413 723	381 010
Income			
<i>Revenue</i>			
User charges and fees	12	259 194	269 870
Sales		105	137
Grants and contributions	13	6 882	9 885
Interest revenue		883	1 566
Other revenues	14	52 452	50 059
Other income	15	6 460	1 541
Total revenue		325 976	333 058
Total income other than income from State Government		325 976	333 058
NET COST OF SERVICES		87 747	47 952
INCOME FROM STATE GOVERNMENT	17		
Service appropriation		57 757	40 189
Assets (transferred)/received		177	896
Services received free of charge		1 228	2 272
Royalties for Regions Fund		33 936	35 228
Total income from State Government		93 098	78 585
SURPLUS FOR THE PERIOD		5 351	30 633
OTHER COMPREHENSIVE INCOME			
<i>Items not reclassified subsequently to profit or loss</i>			
Changes in asset revaluation surplus	33	(54)	(5 170)
Total other comprehensive income/(deficit)		(54)	(5 170)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5 297	25 463

See also the Schedule of Income and Expense by Service.

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

Statement of Financial Position

As at 30 June 2017

	Note	2017 \$ 000	2016 \$ 000
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	18	30 009	25 055
Restricted cash and cash equivalents	19	40 348	50 453
Inventories	20	557	558
Receivables	21	9 230	8 694
Other current assets	23	5 557	3 632
Total Current Assets		85 701	88 392
<i>Non-Current Assets</i>			
Restricted cash and cash equivalents	19	515	-
Amounts receivable for services	22	216 582	201 068
Property, plant and equipment	24	160 058	169 163
Infrastructure	25	252 542	245 803
Intangible assets	27	30 232	27 079
Construction in progress	28	25 638	27 920
Total Non-Current Assets		685 567	671 033
TOTAL ASSETS		771 268	759 425
LIABILITIES			
<i>Current Liabilities</i>			
Payables	30	21 416	12 300
Provisions	31	22 766	25 467
Other current liabilities	32	773	5 623
Total Current Liabilities		44 955	43 390
<i>Non-Current Liabilities</i>			
Provisions	31	6 742	6 453
Total Non-Current Liabilities		6 742	6 453
TOTAL LIABILITIES		51 697	49 843
NET ASSETS		719 571	709 582
EQUITY			
Contributed equity	33	484 517	479 825
Reserves		2 248	2 302
Accumulated surplus		232 806	227 455
TOTAL EQUITY		719 571	709 582

See also the 'Schedule of Assets and Liabilities by Service'.

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

Statement of Changes in Equity

For the year ended 30 June 2017

	Note	Contributed equity \$ 000	Reserves \$ 000	Accumulated surplus \$ 000	Total equity \$ 000
Balance at 1 July 2015		505 398	7 472	196 822	709 692
Surplus for the period		-	-	30 633	30 633
Other comprehensive income		-	(5 170)	-	(5 170)
Total comprehensive income for the year	33	-	(5 170)	30 633	25 463
Transactions with owners in their capacity as owners					
Capital appropriations		10 134	-	-	10 134
Other contributions by owners					
- Regional Development Headworks Fund		6 066	-	-	6 066
Distribution to owners					
- Public Transport Authority		(39 696)	-	-	(39 696)
- Department of Treasury		(2 039)	-	-	(2 039)
- Department of Lands		(38)	-	-	(38)
		(25 573)	-	-	(25 573)
Balance at 30 June 2016		479 825	2 302	227 455	709 582
Balance at 1 July 2016		479 825	2 302	227 455	709 582
Surplus for the period		-	-	5 351	5 351
Other comprehensive income		-	(54)	-	(54)
Total comprehensive income for the year		-	(54)	5 351	5 297
Transactions with owners in their capacity as owners					
Capital appropriations		15 226	-	-	15 226
Other contributions by owners					
- Regional Development Headworks Fund		11 575	-	-	11 575
- Department of Lands		740	-	-	740
- Landgate		1 115	-	-	1 115
Distribution to owners					
- Public Transport Authority		(23 956)	-	-	(23 956)
- Department of Treasury		-	-	-	-
- Department of Lands		(8)	-	-	(8)
		4 692	-	-	4 692
Balance at 30 June 2017		484 517	2 248	232 806	719 571

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

Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 \$ 000	2016 \$ 000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		42 243	24 675
Capital appropriations		15 226	10 134
Cash transferred (to)/from other agencies		(23 956)	(41 735)
Royalties for Regions Fund		45 511	41 294
Net cash provided by State Government		79 024	34 368
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(135 404)	(142 401)
Supplies and services		(109 793)	(106 970)
Accommodation		(16 167)	(16 154)
Grants and subsidies		(107 700)	(86 277)
GST payments on purchases		(24 172)	(22 862)
Other payments		(3 851)	(5 896)
Receipts			
Sale of goods and services		107	255
User charges and fees		255 940	270 004
Grants and subsidies		6 748	10 731
Interest received		1 154	1 598
GST receipts on sales		8 049	6 889
GST receipts from taxation authority		16 670	16 854
Other receipts		57 583	48 778
Net cash (used in) operating activities	34(b)	(50 836)	(25 451)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current physical assets		(32 880)	(24 095)
Receipts			
Proceeds from sale of non-current physical assets		57	131
Net cash (used in) investing activities		(32 823)	(23 964)
Net (decrease)/ increase in cash and cash equivalents		(4 635)	(15 047)
Cash and cash equivalents at the beginning of the period		75 507	90 554
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	34(a)	70 872	75 507

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

Schedule of Income and Expenses by Service

For the year ended 30 June 2017

	Coastal Infrastructure		Marine Safety	
	2017 \$ 000	2016 \$ 000	2017 \$ 000	2016 \$ 000
COST OF SERVICES				
Expenses				
Employee benefits expense	12 375	12 795	13 374	14 297
Supplies and services	32 726	32 432	8 832	7 878
Depreciation and amortisation expense	10 637	10 211	1 587	1 542
Accommodation expenses	1 902	1 956	692	677
Grants and subsidies	6 720	7 961	1 109	3 666
Loss on disposal of non-current assets	596	120	100	(21)
Other expenses	5 819	2 386	3 859	907
Total cost of services	70 775	67 861	29 553	28 946
Income				
User charges and fees	15 796	20 839	19 326	22 924
Sales	16	2	56	115
Grants and contributions	1 348	17	14	11
Interest revenue	40	16	40	40
Other revenue	23 786	15 752	2 976	4 279
Other income	6 560	1 541	-	-
Total income other than income from State Government	47 546	38 167	22 412	27 369
NET COST OF SERVICES	23 229	29 694	7 141	1 577
INCOME FROM STATE GOVERNMENT				
Service appropriation	5 435	3 945	5 579	3 879
Assets (transferred)/ received	-	1 084	177	(180)
Services received free of charge	116	223	119	219
Royalties for Regions Fund	2 500	3 526	-	27
Total income from State Government	8 051	8 778	5 875	3 945
SURPLUS FOR THE PERIOD	(15 178)	(20 916)	(1 266)	2 368

The Schedule of Income and Expenses by Service should be read in conjunction with the accompanying notes.

On-demand Transport		Driver and Vehicle Services		Strategic Transport Policy and Integrated Planning		Total	
2017 \$ 000	2016 \$ 000	2017 \$ 000	2016 \$ 000	2017 \$ 000	2016 \$ 000	2017 \$ 000	2016 \$ 000
5 796	6 140	88 178	89 880	13 504	14 057	133 227	137 169
4 517	4 299	59 780	52 279	9 704	8 430	115 559	110 318
493	186	8 130	7 796	435	403	21 282	20 138
445	986	12 351	11 985	605	554	15 995	16 158
37 797	13 728	27 730	26 356	36 524	35 166	109 880	86 877
15	17	245	331	36	32	992	479
573	178	6 007	4 843	530	1 557	16 788	9 871
49 636	25 534	202 421	198 470	61 378	60 199	413 723	381 010
4 000	1 329	163 748	168 204	56 324	56 574	259 194	269 870
1	1	10	15	22	4	105	137
5	-	5 207	6 207	308	3 650	6 882	9 885
483	1 193	277	276	43	41	883	1 566
(155)	2	25 509	29 565	336	461	52 452	50 059
-	-	(100)	-	-	-	6 460	1 541
4 334	2 525	194 651	204 267	57 033	60 730	325 976	333 058
45 302	23 009	7 770	(5 797)	4 305	(531)	87 747	47 952
2 460	1 831	38 305	26 596	5 978	3 938	57 757	40 189
-	-	-	(8)	-	-	177	896
52	104	814	1 504	127	222	1 228	2 272
-	8	28 500	29 214	2 936	2 453	33 936	35 228
2 512	1 943	67 619	57 306	9 041	6 613	93 098	78 585
(42 790)	(21 066)	59 849	63 103	4 736	7 144	5 351	30 633

Schedule of Assets and Liabilities by Service

As at 30 June 2017

	Coastal Infrastructure		Marine Safety	
	2017 \$ 000	2016 \$ 000	2017 \$ 000	2016 \$ 000
Assets				
Current assets	8 064	8 680	8 279	8 530
Non-current assets	64 512	65 895	66 229	64 755
Total assets	72 576	74 576	74 505	73 285
Liabilities				
Current liabilities	4 230	4 261	4 343	4 187
Non-current liabilities	634	634	651	623
Total liabilities	4 864	4 895	4 994	4 810
NET ASSETS	67 712	68 681	69 511	68 475

The Schedule of Assets and Liabilities by Service should be read in conjunction with the accompanying notes.

On-demand Transport		Driver and Vehicle Services		Strategic Transport Policy and Integrated Planning		Total	
2017 \$ 000	2016 \$ 000	2017 \$ 000	2016 \$ 000	2017 \$ 000	2016 \$ 000	2017 \$ 000	2016 \$ 000
3 651	4 031	56 837	58 489	8 870	8 662	85 701	88 392
29 205	30 599	454 668	444 023	70 956	65 761	685 567	671 033
32 856	34 630	511 505	502 512	79 826	74 424	771 268	759 425
1 915	1 979	29 814	28 711	4 653	4 252	44 955	43 390
287	294	4 472	4 270	698	632	6 742	6 453
2 202	2 273	34 286	32 981	5 351	4 885	51 697	49 843
30 654	32 357	477 219	468 530	74 475	68 539	719 571	709 582

Summary of Consolidated Account Appropriations and Income Estimates

For the year ended 30 June 2017

	2017 Estimate \$ 000	2017 Actual \$ 000	Variance \$ 000	2017 Actual \$ 000	2016 Actual \$ 000	Variance \$ 000
DELIVERY OF SERVICES						
Item 104 Net amount appropriated to deliver services	59 904	56 500	(3 404)	56 500	38 315	18 185
Section 25 Transfer of service appropriation						
- Transfer from Department of Finance	-	-	-	-	276	(276)
- Transfer from Department of Planning	-	-	-	-	383	(383)
Amount authorised by other statutes						
- Salaries and Allowances Act 1975	1 257	1 257	-	1 257	1 215	-
Total appropriations provided to deliver services	61 161	57 757	(3 404)	57 757	40 189	17 568
CAPITAL						
Item 162 Capital appropriations	16 107	15 226	(881)	15 226	10 134	5 092
ADMINISTERED TRANSACTIONS						
Item 105 Western Australian Coastal Shipping Commission	100	100	-	100	100	-
Total administered transactions	100	100	-	100	100	-
GRAND TOTAL	77 368	73 083	(4 285)	73 083	50 423	22 660
Details of expenses by service						
Coastal Infrastructure	63 886	70 775	6 889	70 775	67 861	2 914
Marine Safety	28 094	29 553	1 459	29 553	28 946	607
On-demand Transport	28 804	49 636	20 832	49 636	25 534	24 102
Driver and Vehicle Services	201 749	202 421	672	202 421	198 470	3 951
Strategic Transport Policy and Integrated Planning	71 769	61 338	(10 431)	61 338	60 199	1 139
Total cost of services	394 302	413 723	19 421	413 723	381 010	32 713
Less: Total income	336 560	325 976	(10 584)	325 976	333 058	(7 082)
Net cost of services	57 742	87 747	30 005	87 747	47 952	39 795
Adjustments (i)	3 419	(29 990)	(33 409)	(29 990)	(7 763)	(22 227)
Total appropriations provided to deliver services	61 161	57 757	(3 404)	57 757	40 189	17 568
Capital expenditure						
Purchase of non-current physical assets	32 629	32 880	251	32 880	24 095	8 785
Delivery of services						
- Internal funds and balances	(2 447)	(4 247)	(1 800)	(4 247)	(7 895)	3 648
- Other	(2 500)	(1 832)	668	(1 832)	-	(1 832)
- Royalties for Regions	(11 575)	(11 575)	-	(11 575)	(6 066)	(5 509)
Capital appropriations	16 107	15 226	(881)	15 226	10 134	5 092
DETAILS OF INCOME ESTIMATES						
Income disclosed as Administered Income	1 002 971	2 208 503	1 205 532	2 208 503	1 997 639	210 864

(i) Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation. Note 39 'Explanatory Statement' and Note 47 'Explanatory Statement for Administered Items' provide details of any significant variances between estimates and actual results for 2017 and between actual results for 2017 and 2016.

Notes to the Financial Statements

For the year ended 30 June 2017

1. Australian Accounting Standards

General

The Department's financial statements for the year ended 30 June 2017 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and interpretations issued by the Australian Accounting Standard Board (AASB).

The Department has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

Early adoption of standards

The Department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. There has been no early adoption of any other Australian Accounting Standards that have been issued or amended (but not operative) by the Department for the financial year ended 30 June 2017.

2. Summary of significant accounting policies

(a) General statement

The Department is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

The *Financial Management Act 2006* and the Treasurer's Instructions impose legislative provisions that govern the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

(b) Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except for land and buildings which have been measured at fair value.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000).

Note 2.1 'Judgements made by management in applying accounting policies' discloses judgements that have been made in the process of applying the Departments' accounting policies resulting in the most significant effect on amounts recognised in the financial statements.

Note 2.2 'Key sources of estimation uncertainty' discloses the key assumptions made concerning future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(c) Reporting entity

The reporting entity comprises the Department.

Mission

The Department's mission is to provide and enable safe, accessible and efficient movement for the economic and social prosperity of Western Australia

The Department is predominantly funded by user fees and charges determined by prevailing market forces. It is also funded by other controlled revenues and Parliamentary appropriations.

Services

The Department provides the following services:

Service 1: Coastal Infrastructure

Contributes towards the Department's outcome of an accessible and safe transport system through the provision of a range of coastal infrastructure services.

Service 2: Marine Safety

Contributes towards the safe and sustainable use of navigable waters through the provision of a range of marine safety regulatory and education services.

Service 3: On-demand Transport

Contributes towards the provision of safe, accessible and sustainable personal on-demand services and systems.

Service 4: Driver and Vehicle Services

The *Road Traffic Act 1974* confers on the Department responsibility for licensing the State's drivers and registering vehicles.

Service 5: Strategic Transport Policy and Integrated Planning

Contributes towards the provision of leadership for strategic transport management, development and protection of economic nodes and networks through the provision of a range of services.

(d) Contributed equity

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

The transfers of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal. See note 33 Equity.

(e) Income**Revenue Recognition**

Revenue is recognised and measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

Sale of goods

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership transfer to the purchaser and can be measured reliably.

Provision of services

Revenue is recognised on delivery of the service to the client or by reference to the stage of completion of the transaction.

Revenue is received in the form of various registration, examination and licence fees (including Stamp Duty and Third Party Motor Vehicle Insurance). This revenue is received for services provided including undertaking inspections and/or issuing licences associated with

the fees. Revenue is generally not refundable and is recognised at the time it is received.

Revenue is collected from traffic and cannabis infringements. These are administered on behalf of the Western Australian Police and recognised when the cash is received.

Revenue from other operating activities, including rendering of services and the sale of assets is recognised when the Department has passed control of the goods or other assets or delivery of the service to the customer.

Recoupment of operating activities is recognised when invoiced.

Interest

Revenue is recognised as the interest accrues.

Service appropriation

Service appropriation is recognised as revenues at fair value in the period in which the Department gains control of the appropriated funds. The Department gains control of appropriated funds at the time those funds are deposited into the Department's bank account or credited to the amounts receivable for services (holding account) held at Treasury. See note 16 Income from State Government for further detail.

Net appropriation determination

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Department. In accordance with the determination specified in the 2016-17 Budget Statements, the Department retained \$326 million in 2017 (\$333 million in 2016) from the following:

- Regulatory fees and fines
- Taxation
- Sale of goods and services
- Rents and leases
- GST input credits
- Grants and contributions
- Other revenue

Grants, donations, gifts and other non-reciprocal contributions

Revenue is recognised at fair value when the Department obtains control over the assets comprising the contributions usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

Royalties for regions funds are recognised as revenue at fair value in the period in which the Department obtains control over the funds. The Department obtains control of the funds at the time the funds are deposited into the Department's bank account.

Gains

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.

(f) Property, plant and equipment and infrastructure

Capitalisation/expensing of assets

Items of property, plant and equipment and infrastructure costing \$5,000 or more are recognised as assets, and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment and infrastructure costing less than \$5,000 are immediately expensed directly to the Statement of Comprehensive Income (other than where they form part of a group of similar items which is significant in total).

Initial recognition and measurement

Property, plant and equipment and infrastructure are initially recognised at cost.

For items of property, plant and equipment and infrastructure acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

Subsequent measurement

Subsequent to initial recognition of an asset, the revaluation model is used for the measurement of land and buildings, and the cost model for all other property, plant, equipment and infrastructure. Land and buildings are carried at fair value less accumulated depreciation (buildings only) and accumulated impairment losses. All other items of property, plant and equipment and infrastructure are stated at historical cost less accumulated depreciation and accumulated impairment losses.

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.

Where market-based evidence is not available, the fair value of land and buildings is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use buildings is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost.

When buildings are revalued, the accumulated depreciation is eliminated against the gross carrying

amount of the asset and the net amount restated to the revalued amount. Fair value for restricted use land 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).

Independent valuations of land and buildings are provided annually by the Western Australian Land Information Authority (Valuation Services) 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.

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 required where the evidence does not provide a clear distinction between market type assets and existing use assets. Refer to note 24 Property, plant and equipment for further information on revaluations.

Derecognition

Upon disposal or derecognition of an item of property, plant and equipment, 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 as described in note 24 Property, plant and equipment.

Depreciation

All non-current assets 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.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Buildings	20 to 40 years
Computer hardware	4 to 7 years
Refurbishments, furniture and fittings	3 to 20 years
Maritime infrastructure	5 to 100 years
Plant and equipment	4 to 20 years
Vehicles	5 to 20 years
Vessels	10 years

Assets under construction are not depreciated until commissioned.

(g) Intangible assets

Capitalisation/expensing of assets

Acquisitions of intangible assets costing \$5,000 or more 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.

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

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life) on the straight line basis using rates which are reviewed annually. All intangible assets controlled by the Department have a finite useful life and zero residual value.

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

Software not integral to the operation of related hardware	3 to 20 years
--	---------------

Computer software

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 treated as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

(h) Impairment of assets

Property, plant and equipment, infrastructure and intangible assets are tested for any indication of impairment at the end of each reporting period. 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 in 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. As the Department is a not-for-profit entity, unless a specialised asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

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. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at the end of each reporting period irrespective of whether there is any indication of impairment.

(i) Impairment of assets (continued)

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

See note 29 Impairment of assets for the outcome of impairment reviews and testing.

See note 2(q) Receivables and note 21 Receivables for impairment of receivables.

(j) Non-current assets (or disposal groups) classified as held for sale

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. At the end of the reporting period, there were no non-current assets classified as held for sale by the Department. All Crown land holdings are vested in the Department by the Government. The Department of Lands (DoL) is the only agency with the power to sell Crown land. The Department transfers the Crown land and any attached buildings to DoL at the time of sale.

(k) Leases

The Department holds operating leases for a number of branch office buildings, motor vehicles and office equipment. Operating lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

(l) Financial instruments

In addition to cash and cash equivalents, the Department has two categories of financial instrument:

- Receivables; and
- Financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

Financial Assets

- Cash and cash equivalents
- Restricted cash and cash equivalents
- Receivables
- Amounts receivable for services

Financial Liabilities

- Payables

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

(m) Cash and cash equivalents

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.

(n) Accrued salaries

Accrued salaries (see note 30 Payables) represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Department considers the carrying amount of accrued salaries to be equivalent to its fair value.

The accrued salaries suspense account (See note 19 Restricted cash and cash equivalents) consists of amounts paid annually into a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each eleventh year when 27 pay days occur instead of the normal 26. No interest is received on this account.

(o) Amounts receivable for services (holding account)

The Department receives funding on an accrual basis. The appropriations are paid partly in cash and partly as an asset (holding account receivable). The accrued amount receivable is accessible on the emergence of the cash funding requirement to cover leave entitlements and asset replacement.

See note 17 Income from State Government and note 22 Amounts receivable for services.

(p) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned by the method most appropriate for each particular class of inventory, with the majority being measured on a first in first out basis.

Inventories not held for resale are measured at cost unless they are no longer required, in which case they are measured at net realisable value.

See note 20 Inventories.

(q) Receivables

Receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Department will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

See note 2(l) Financial Instruments and note 21 Receivables.

(r) Payables

Payables are recognised at the amounts payable when the Department 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 it is generally settled within 30 days.

See note 2(l) Financial Instruments and note 30 Payables.

(s) Provisions

Provisions are liabilities of uncertain timing or amount, and are recognised where there is a present legal or constructive obligation as a result of a past event, and when the outflow of resources embodying economic benefits is probable, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each financial year.

See note 31 Provisions.

Provisions – employee benefits

All annual leave and long service leave provisions are in respect of employees' services up to the end of the financial year.

Annual leave

Annual leave is not expected to be settled wholly within 12 months after the end of the financial year and is therefore considered to be 'other long-term employee benefits'. The annual leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments, consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the financial year on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The provision for annual leave is classified as a current liability as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the financial year.

Long service leave

Long service leave is not expected to be settled wholly within 12 months after the end of the financial year and is therefore recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments, consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the financial year on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Unconditional long service leave provisions are classified as current liabilities as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the financial year. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Department has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Sick leave

Liabilities for sick leave are recognised when it is probable that sick leave paid in the future will be greater than the entitlement that will accrue in the future. Past history indicates that on average, sick leave taken each financial year is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income for this leave as it is taken.

Deferred leave

The provision for deferred leave relates to Public Service employees who have entered into an agreement to self-fund an additional 12 months leave in the fifth year of the agreement. The provision recognises the value of salary set aside for employees to be used in the fifth year. This liability is measured on the same basis as annual leave. Deferred leave is reported as a current provision as employees can leave the scheme at their discretion at any time.

Purchased leave

The provision for purchased leave relates to Public Service employees who have entered into an agreement to self-fund up to an additional 10 weeks leave per calendar year. The provision recognises the value of salary set aside for employees and is measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Superannuation

The Government Employees Superannuation Board (GESB) and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.

Eligible employees contribute to the Pension Scheme, a defined benefit pension scheme closed to new members since 1987, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme closed to new members since 1995.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension Scheme or the GSS became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). From 30 March 2012, existing members of the WSS or GESBS and new employees have been able to choose their preferred superannuation fund provider. The Department makes contributions to GESB or other fund providers

on behalf of employees in compliance with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish the Department's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

The GSS is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, it is a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by the Department to GESB extinguishes the agency's obligations to the related superannuation liability.

The Department has no liabilities under the Pension Scheme or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Department to the GESB.

The GESB makes all benefit payments in respect of the Pension Scheme and GSS, and is recouped from the Treasurer for the employer's share.

See note 2(t) *Superannuation expenses*

Provisions – other

Employment on-costs

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses' and are not included as part of the Department's 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

See note 10 *Other Expenses* and note 31 *Provisions*.

(t) Superannuation expense

Superannuation expense is recognised in the profit or loss of the Statement of Comprehensive Income and comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBS, or other superannuation funds. The employer contribution paid to the GESB in respect of the GSS is paid back into the Consolidated Account by the GESB.

(u) Assets and services received free of charge or for nominal cost

Assets or services received free of charge or for nominal cost, that the Department would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services where they

can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of Financial Position.

Assets or services received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

(v) Jointly controlled assets

Interests in jointly controlled assets have been reported in the financial statements. The Department's interest in jointly controlled assets is disclosed in note 42 Jointly controlled assets.

(w) Comparative figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

2.1. Judgement made by management in applying accounting policies

The preparation of financial statements requires management to make judgements about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. The Department evaluates these judgements regularly.

Fair Value Management

In determining the fair value of land and buildings, the Department adopts the valuation techniques applied by Western Australian Land Information Authority (Valuation Services). Refer to Note 26 Fair Value Measurement for further details.

2.2. Key Sources of estimation uncertainty

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

Long Service Leave

Several estimations and assumptions used in calculating the Department's long service leave provision include expected future salary rates, discount rates, employee retention rates and expected future payments. Changes to these estimations and assumptions may impact on the carrying amount of the long service leave provision. Refer to Note 2(s) for further details.

Estimating useful life of key assets

The useful lives of key assets are estimated having regard to such factors as asset maintenance, rate of technical and commercial obsolescence, and asset usage. The useful lives of key assets are reviewed annually. Refer to Note 2(f) for further details.

3. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Department has applied the following Australian Accounting Standards effective, or adopted, for annual reporting periods beginning on or after 1 July 2016 that impacted on the Department:

AASB 1057	<p>Application of Australian Accounting Standards</p> <p>This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. There is no financial impact.</p>
AASB 2014-4	<p>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]</p> <p>The adoption of this Standard has no financial impact for the Department as depreciation and amortisation is not determined by reference to revenue generation, but by reference to consumption of future economic benefits.</p>
AASB 2015-1	<p>Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 & 140]</p> <p>These amendments arise from the issuance of International Financial Reporting Standard Annual Improvements to IFRSs 2012-2014 Cycle in September 2014, and editorial corrections. The Department has determined that the application of the Standard has no financial impact.</p>
2015-2	<p>Amendments to Australian Accounting Standards - <i>Disclosure Initiative: Amendments to AASB 101</i> [AASB 7, 101, 134 & 1049]</p> <p>This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. There is no financial impact.</p>
AASB 2015-6	<p>Amendments to Australian Accounting Standards - <i>Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</i> [AASB 10, 124 & 1049]</p> <p>The amendments extend the scope of AASB 124 to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities. There is no financial impact.</p>

Future impact of Australian Accounting Standards not yet operative

The Department cannot early adopt an Australian Accounting Standard unless specifically permitted by Treasurer's Instruction 1101 Application of Australian Accounting Standards and Other Pronouncements or by an exemption from TI 1101. By virtue of a limited exemption, the Department has early adopted AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities. Where applicable, the Department plans to apply the following Australian Accounting Standards from their application date.

Operative for reporting periods beginning on/after 1 Jan 2017

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. There is no financial impact.

AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialized Assets of Not-for-Profit Entities

This Standard clarifies that the recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 Fair Value Measurement. The Department has not yet determined the application or the potential impact.

AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities

This Standard amends the mandatory effective date (application date) of AASB 15 and defers the consequential amendments that were originally set out in AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 for not-for-profit entities to annual reporting periods beginning on or after 1 January 2019, instead of 1 January 2018. There is no financial impact.

1 Jan 2018

AASB 9 Financial Instruments

This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments.

The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2014-1 Amendments to Australian Accounting Standards. The Department has not yet determined the application or the potential impact of the Standard.

AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]

This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.

The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. The Department has not yet determined the application or the potential impact of the Standard.

AASB 2014-1 Amendments to Australian Accounting Standards

Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. It has not yet been assessed by the Department to determine the application or potential impact of the Standard.

AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15

This Standard gives effect to consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The mandatory application date of this Standard has been amended by AASB 2015-8 to 1 January 2018. The Department has not yet determined the application or the potential impact of the Standard.

AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)

This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The Department has not yet determined the application or the potential impact of the Standard.

AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15

This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a license, and, provides further transitional provisions to AASB 15. The Department has not yet determined the application or the potential impact.

1 Jan 2019**AASB 15 Revenue from Contracts with Customers**

This Standard establishes the principles that the Department shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

The Department's income is principally derived from appropriations which will be measured under AASB 1058 Income of Not-for-Profit Entities and will be unaffected by this change. However, the Department has not yet determined the potential impact of the Standard on 'User charges and fees' and 'Sales' revenues. In broad terms, it is anticipated that the terms and conditions attached to these revenues will defer revenue recognition until the Department has discharged its performance obligations.

AASB 16 Leases

This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Whilst the impact of AASB 16 has not yet been quantified. The Department anticipates most of its operating lease commitments will be brought onto the statement of financial position, excepting amounts pertinent to short-term or low-value leases. Interest and amortisation expense will increase and rental expense will decrease.

AASB 1058 Income of Not-for-Profit Entities

This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability, a performance obligation (a promise to transfer a good or service), or, an obligation to acquire an asset. The Department has not yet determined the application or the potential impact of the Standard.

AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15

This Standard amends the mandatory effective date (application date) of AASB 15 Revenue from Contracts with Customers so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. For Not-For-Profit entities, the mandatory effective date has subsequently been amended to 1 January 2019 by AASB 2016-7. The Department has not yet determined the application or the potential impact of AASB 15.

AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities

This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact.

	2017 \$ 000	2016 \$ 000
4. Employee benefits expense		
Wages and salaries ⁽ⁱ⁾	105 434	107 447
Superannuation – defined contribution plans ⁽ⁱⁱ⁾	11 877	11 869
Long service leave ⁽ⁱⁱⁱ⁾	3 814	4 176
Annual leave ⁽ⁱⁱⁱ⁾	10 049	11 068
Other related expenses ^(iv)	2 053	2 609
	133 227	137 169

(i) The wages and salaries expense includes an amount of \$1,029,000 (2016: \$2,811,000) related to voluntary severance payments.

(ii) Defined contribution plans include West State, Gold State, GESB Super Scheme and other eligible funds.

(iii) Leave entitlements includes a superannuation contribution component.

(iv) Includes the value of fringe benefits to employees plus the fringe benefits tax component.

Employment on-costs such as workers compensation insurance are included at note 10 Other expenses.

The employment on-costs liability is included in note 31 Provisions.

5. Compensation of Key Management Personnel

The Department has determined that key management personnel include the responsible Ministers and senior officers of the Department. However, the Department is not obligated to compensate the responsible Ministers and therefore disclosures in relation to Ministers' compensation may be found in the Annual Report on State Finances.

Total compensation for senior officers which comprises of the accountable authority and other senior officers of the Department for the financial year are presented within the following bands:

Compensation Band (\$)	2017 \$ 000	2016 \$ 000
40 001 – 50 000	1	-
60 001 – 70 000	-	1
70 001 – 80 000	1	-
150 001 – 160 000	2	-
170 001 – 180 000	-	1
180 001 – 190 000	2	1
190 001 – 200 000	2	3
200 001 – 210 000	1	-
210 001 – 220 000	1	-
230 001 – 240 000	-	1
330 001 – 340 000	-	1
350 001 – 360 000	-	1
360 001 – 370 000	1	-
400 001 – 410 000	1	-
500 001 – 510 000	-	1

The increase in the number of senior officers, from 10 to 12 during the year, is due to acting arrangements implemented to cover instances of leave.

	2017 \$ 000	2016 \$ 000
5. Compensation of Key Management Personnel (continued...)		
Short term employee benefits	1 954	1 960
Post employment benefits	220	249
Other long term benefits	210	233
Termination benefits	-	-
Total compensation of senior officers	2 384	2 442

6. Supplies and services		
Communications	12 487	11 241
Consultants and contractors	44 033	38 825
Consumables	16 055	18 562
Commissions	22 503	21 666
Data processing	224	349
Drivers licence card production	1 145	1 294
Number plate production	2 403	2 334
Repairs and maintenance	13 471	12 659
Travel	1 290	1 308
Other	1 948	2 080
	115 559	110 318

7. Depreciation and amortisation expense		
Depreciation		
Buildings	1 268	1 219
Refurbishments, furniture and fittings	1 273	1 513
Plant and equipment	830	790
Computer hardware	2 595	2 718
Vehicles and vessels	459	442
Infrastructure	8 835	8 538
	15 260	15 220
Amortisation		
Intangible assets	6 022	4 918
Total amortisation	6 022	4 918
Total depreciation and amortisation expense	21 282	20 138

8. Accommodation expenses		
Lease rentals	14 048	14 147
Cleaning	1 947	2 011
	15 995	16 158

	2017 \$ 000	2016 \$ 000
9. Grants and subsidies		
Country Age Pension Fuel Card Scheme	26 350	24 934
Central Area Transit (CAT) bus services	15 009	14 889
CBD Transport Plan	2 100	3 252
Coastal Adaption	725	1 057
Community Police	1 191	1 322
Fremantle Port rail service	2 517	3 005
Marine communications	658	642
National Rail Safety Regulations	-	2 579
National Transport Reforms	177	500
Pensioner subsidies	1 339	1 395
Port management	2 114	2 768
Public air transport	434	503
Recreational boating facilities	3 881	4 091
Regional airport development	4 510	2 014
Student subsidies	1 471	1 329
Taxi user subsidies	10 770	10 318
Western Australian Bicycle Network	10 147	10 415
On-Demand Transport – Transition assistance package	24 143	-
Jurien Bay to Cervantes Trail	1 180	-
Local Projects - Local Jobs	124	-
Other	1 040	1 864
	109 880	86 877

10. Other expenses		
Employment on-costs (i)	1 027	904
Audit cost (ii)	209	240
Catering	95	61
Corporate membership fees	372	360
Donations and sponsorship	16	11
Doubtful debts expense	26	(18)
Act of Grace payments	1	1 259
Impairment losses	3 930	559
Revaluation decrement – Land	9 721	2 360
Storage and removal	243	553
Prior period expense (iii)	962	3 446
Other	186	156
	16 788	9 871

- (i) Includes worker's compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at note 31 Provisions. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.
- (ii) Audit cost includes the 2017 fee. See also *note 41 Remuneration of Auditor*.
- (iii) Included within prior year expenses is a refund of prior year revenue related to Perth Parking licence fees.

11. Related Party Transactions

The Department is a wholly owned and controlled entity of the State of Western Australia. In conducting its activities, the Department is required to pay various taxes and levies based on the standard terms and conditions that apply to all tax and levy payers to the State and entities related to State.

Related parties of the department include:

- all Ministers and their close family members, and their controlled or jointly controlled entities;
- all Corporate Executive Officers and their close family members, and their controlled or jointly controlled entities;
- other departments and public sector entities, including related bodies included in the whole of government consolidated financial statements;
- associates and joint ventures, that are included in the whole of government consolidated financial statements; and

Significant transactions with government related entities

Significant transactions include:

- service appropriation (note 17);
- capital appropriations (note 33);
- services received free of charge from the Information Technology Commission (note 17);
- Royalties for Regions Fund (note 17);
- superannuation payments to GESB (note 4);
- lease rentals payments to the Department of Finance (Note 8);
- commitments for future leases payments to the Department of Finance (Note 36);
- insurance payments to the Insurance Commission and Riskcover fund (Note 6);
- remuneration for services provided by the Auditor General (Note 41);
- Transfer of net assets by government agencies (note 33);
- Central Area Transit (CAT) Bus Services grants provided to Public Transport Authority of Western Australia (Note 9);
- Distributions to owners by government agencies (note 33);
- Western Australian Bicycle Network, CBD Transport Plan and OnDemand National Transport Reform grants provided to Main Roads Western Australia (Note 9);

- Payments of agent fees and commissions to Department of Attorney General (Note 6);
- Salary recoup payments for staff on secondment from Main Roads (Note 4);
- Community Policing Program and Emergency Marine Radio Services grants provided to Western Australia Police Service (Note 9);
- Payments for staff's leave liabilities transferred in from Western Australia Police Service and Road Safety Commission (Note 4);
- contribution to Western Australia Police Service for the Support and Maintenance of the Biometric Facial Recognition System (Note 9);
- Government Regional Officers Housing payments to the Department of Housing (Note 4);
- Return of Royalties for Regions underspend grant to the Department of Treasury (Note 10);
- Kimberley Ports Entrance Point Boat Ramp Improvement Study grants provided to the Kimberley Ports Authority (Note 9);
- Return of underspend Road Trauma Trust Account grant to Road Safety Commission (Note 10);
- Payment to Road Safety Commission for contribution to the Alcohol Interlock Scheme Implementation Advertising Campaign (Note 6);
- Grants provided to Western Australian Coastal Shipping Commission (Note 46);
- Business Support Reforms grant provided to the Small Business Development Corporation (Note 9); and
- consultancy services provided by Main Roads Western Australia (Note 6).

Material transactions with related parties

- the Government Employees Superannuation Board (GESB) (Note 4).

The Department had no material related party transaction with Ministers/senior officers or their close family members or their controlled (or jointly controlled) entities for disclosure.

	2017 \$ 000	2016 \$ 000
12. User charges and fees		
Boat registration fees	18 157	17 708
Port charges	598	1 592
Small boat harbour fees	13 919	9 325
Other maritime fees	1 806	1 957
Motor drivers licence application fees	62 809	65 845
Motor vehicle recording, transfer, plate and inspection fees	99 445	100 736
Perth parking licence fees	56 321	56 568
Rail safety registration fees	-	3 879
Taxi licence fees	1 115	8 524
Other fees	5 024	3 736
	259 194	269 870
13. Grants and contributions		
Commonwealth grants	468	124
General government grants	5 480	5 861
Other	934	3 900
	6 882	9 885
14. Other revenues		
Commissions	23 316	21 821
Rents and leases	17 206	16 054
Recoups of operating expenses	1 925	1 919
Harbour utility charges	4 766	5 052
Service level agreements	4 541	4 908
Other	698	305
	52 452	50 059
15. Other income		
Net assets assumed/(transferred)	317	1 541
Deed of Release	6 143	-
	6 460	1 541
16. Net gain/(loss) on disposal of non-current		
<u>Net proceeds from disposal of non-current assets</u>		
Property, plant and equipment	57	120
Infrastructure	-	-
Intangible assets	-	-
<u>Carrying amount of non-current assets disposed</u>		
Property, plant and equipment	(467)	(342)
Infrastructure	(581)	(114)
Intangible assets	(1)	(143)
Net gain/(loss)	(992)	(479)

	2017 \$ 000	2016 \$ 000
17. Income from State Government		
Appropriation received during the period:		
Service appropriation ^(a)	56 500	38 974
Amounts authorised by other statutes	1 257	1 215
	57 757	40 189
Assets transferred (to)/ from other State government agencies during the period^(b):		
Infrastructure	177	1 084
Property, plant and equipment	-	(188)
Total assets (transferred)/ assumed	177	896
Services received free of charge from other State government agencies during the period:		
Department of Finance	632	1 190
Landgate	138	299
State Solicitor's Office	274	375
Main Roads Western Australia	30	9
Public Transport Authority	129	369
WA Treasury Corporation	6	5
Department of Planning	19	20
Department of Water	-	5
	1 228	2 272
Royalties for Regions Funds^(c)		
Recreational Boating Facilities Scheme	2 500	3 500
Regional Airport Development Scheme	2 102	1 853
Country Age Pension Fuel Card Scheme	28 500	28 993
Jurien Bay to Cervantes Trail	600	-
Port Link Inland Freight Corridor Planning	-	600
Other	234	282
	33 936	35 228
	93 098	78 585

(a) Service appropriations fund the net cost of services delivered. Appropriation revenue comprises both cash and receivable component (or holding account) comprises the budgeted depreciation expense for the year (see note 22 Amounts receivable for services).

(b) Discretionary transfers of assets (including grants) and liabilities between State Government agencies are reported under Income from State Government. Transfers of asset and liabilities in relation to a restructure of administrative arrangements are recognised as distribution to owners by the transferor and contribution by owners by the transferee under AASB 1004 in respect of net assets transferred. Other non-discretionary non-reciprocal transfers of assets and liabilities designated as contributions by owners under TI 955 are also recognised directly to equity.

(c) The Royalties for Regions Fund is committed to various WA Regional projects and programs.

	2017 \$ 000	2016 \$ 000
18. Cash and cash equivalents		
Cash and cash equivalents	30 009	25 055

Includes cash received as capital contributions remaining unspent at year-end of \$1,693,000 (2016: \$3,052,000).

19. Restricted cash and cash equivalents		
Current		
Perth Parking Licensing Account(i)	23 257	10 781
Taxi Industry Development Account(ii)	13 183	35 585
Royalties for Regions(iii)	3 908	4 087
	40 348	50 453
Non-current		
Accrued salaries suspense account(iv)	515	-

(i) Funds held to meet the costs of administering the *Perth Parking Management Act 1999*

(ii) Funds held to meet the costs of administering the *Taxi Act 1994* such as board members' remuneration, the cost of taxi plates surrendered to the Minister, and grants for research, promotion and development of projects that benefit the taxi industry.

(iii) Unspent funds are committed to project and programs in WA regional areas.

(iv) Funds held in suspense account for the purpose of meeting the 27th pay that occurs every 11th year.

20. Inventories		
Current		
Inventories held for resale		
Charts and publications (at cost)	34	35
Motor vehicle plates (at cost)	523	523
	557	558

See also note 2(p) *Inventories*

	2017 \$ 000	2016 \$ 000
21. Receivables		
Current		
Receivables	7 120	7 240
Allowance for impairment of receivables	(1 644)	(2 007)
	5 476	5 233
Goods and services tax receivable	3 390	2 751
Interest receivable	167	437
Staff debtors	88	182
Other debtors	110	91
	9 230	8 694
Reconciliation of changes in the allowance for impairment of receivables		
Balance at the start of the period	2 007	2 307
Doubtful debt expense	26	(18)
Amounts written off during the year	(389)	(301)
Amount recovered during the year	-	19
Balance at end of the period	1 644	2 007

The Department does not hold any collateral or other credit enhancements as security for receivables.

22. Amounts receivable for services

Non-current	216 582	201 068
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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.

23. Other current assets

Prepayments	5 557	3 632
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24. Property, plant and equipment

	Cost/ Fair value \$ 000	Accumulated depreciation \$ 000	Accumulated impairment losses \$ 000	Carrying amount \$ 000
2017				
At fair value:				
Land	121 129	-	-	121 129
Buildings	20 009	-	-	20 009
	141 138	-	-	141 138
At cost:				
Refurbishments, furniture and fittings	14 173	9 375	-	4 798
Plant and equipment	11 164	6 744	-	4 420
Computer hardware	15 141	7 710	-	7 431
Vehicles	1 090	733	-	357
Vessels	4 121	2 206	-	1 915
	45 689	26 768	-	18 921
Total	186 827	26 768	-	160 059
2016				
At fair value:				
Land	130 118	-	-	130 118
Buildings	20 325	-	-	20 325
	150 443	-	-	150 443
At cost:				
Refurbishments, furniture and fittings	16 778	10 567	444	5 767
Plant and equipment	10 127	6 221	115	3 791
Computer hardware	14 447	7 404	-	7 043
Vehicles	993	716	-	277
Vessels	3 749	1 907	-	1 842
	46 094	26 815	559	18 720
Total	196 537	26 815	559	169 163

Land assets were last revalued as at 1 July 2016 by the Western Australian Land Information Authority (Valuation Services). The valuations were performed during the year ended 30 June 2017 and recognised at 30 June 2017. In undertaking the revaluation, fair value was determined by reference to market value: \$10,929,700 (2016: \$11,386,850). For the remaining balance, fair value of land was determined on the basis of comparison with market evidence for land with low level utility (high restricted use land). See *note 2(f) Property, plant and equipment and infrastructure*.

Building assets were last revalued as at 1 July 2016 by the Western Australian Land Information Authority (Valuation Services). The valuations were performed during the year ended 30 June 2017 and recognised at 30 June 2017. In undertaking the revaluation, fair value was determined by reference to market value: \$3,016,000 (2016: \$3,386,000). For the remaining balance, fair value of buildings was determined on the basis of depreciated replacement cost. See *note 2(f) Property, plant and equipment and infrastructure*.

Information on fair value measurements is provided in note 26.

24. Property, plant and equipment (continued)

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

2017	Carrying amount at start of year	Additions	Revaluation	Disposals	Impairment losses	Transfers	Depreciation	Write-off of assets	Carrying amount at end of year
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Land	130 118	-	(9 721)	-	-	732	-	-	121 129
Buildings	20 325	769	(54)	(50)	-	287	(1 268)	-	20 009
Refurbishments, furniture and fittings	5 767	304	-	-	-	-	(1 273)	-	4 798
Plant and equipment	3 791	1 613	-	(54)	-	(100)	(830)	-	4 420
Computer hardware	7 043	3 346	-	(363)	-	-	(2 595)	-	7 431
Vehicles	277	180	-	-	-	-	(100)	-	357
Vessels	1 842	432	-	-	-	-	(359)	-	1 915
	169 163	6 644	(9 775)	(467)	-	919	(6 425)	-	160 059
2016									
Land	137 904	-	(7 748)	-	-	(38)	-	-	130 118
Buildings	19 169	673	219	-	-	1 483	(1 219)	-	20 325
Refurbishments, furniture and fittings	6 584	1 140	-	-	(444)	-	(1 513)	-	5 767
Plant and equipment	3 684	1 242	-	(28)	(115)	(180)	(790)	(22)	3 791
Computer hardware	3 396	6 671	-	(298)	-	(8)	(2 718)	-	7 043
Vehicles	308	74	-	(8)	-	-	(97)	-	277
Vessels	1 984	211	-	(8)	-	-	(345)	-	1 842
	173 029	10 011	(7 529)	(342)	(559)	1 257	(6 682)	(22)	169 163

Information on fair value measurements is provided in note 26.

	2017 \$ 000	2016 \$ 000
25. Infrastructure		
Infrastructure		
At cost	401 556	387 575
Accumulated depreciation	(149 014)	(141 772)
	252 542	245 803

Reconciliation

Reconciliations of the carrying amounts of infrastructure at the beginning and end of the financial year are set out below.

Infrastructure		
Carrying amount at the start of the year	245 803	243 865
Additions	15 848	9 507
Disposals	(581)	(114)
Transfers	307	1 083
Depreciation	(8 835)	(8 538)
Carrying amount at the end of the year	252 542	245 803

26. Fair value measurements

	Level 1 \$ 000	Level 2 \$ 000	Level 3 \$ 000	Fair value at end of year \$ 000
Recurring fair value measurements 2017				
Land (note 24)	-	10 930	110 199	121 129
Buildings (note 24)	-	3 016	16 993	20 009
	-	13 946	127 192	141 138

Transfers into and transfers out of the fair value hierarchy level are recognised on the date of the event or change in circumstances that caused the transfer.

Recurring fair value measurements 2016

Land (note 24)	-	11 387	118 731	130 118
Buildings (note 24)	-	3 386	16 939	20 325
	-	14 773	135 670	150 443

Valuation techniques to derive Level 2 and Level 3 fair values

Land and buildings (Level 2 fair values)

Level 2 fair values of land and buildings are derived using the market approach.

Level 2 valuation inputs were used to determine the fair value of market type land and building assets.

Fair values have been derived from sale prices of comparable land and buildings after adjusting for differences in key attributes such as property size, assuming open and liquid market transactions and that the land is in a vacant and marketable condition. Adjustments are made for comparable utility. The most significant inputs into this valuation approach is price per square metre.

Land and buildings (Level 3 fair values)

Level 3 valuation inputs were used to determine the fair value of non-market or current use type land and building assets. Assets were valued at the Level 3 valuation hierarchy where there was no observable market evidence of sale prices for comparable sites or where significant Level 3 inputs were used on a recurring basis.

26. Fair value measurements (continued)

Land with public use restrictions have been categorised as Level 3 due to adjustments by Level 3 inputs to the market approach; including restoration costs (low restricted use land) and adjustments to recognise low level utility (high restricted use land).

Level 3 fair values of buildings are derived using the cost approach.

Fair values for existing use specialised buildings are valued at replacement cost and is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost. Depreciated replacement cost is the current replacement cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, obsolescence, and optimisation (where applicable) of the asset. While unit rates based on square metres can be supported from market evidence, other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the determination of fair value, and have therefore been classified as having been valued using Level 3 valuation inputs.

There were no changes in the valuation techniques during the year.

Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in the fair value of assets measured using significant unobservable inputs (Level 3) for recurring fair value measurements.

	Land \$ 000	Buildings \$ 000
2017		
Fair value at start of year	118 731	16 939
Additions	740	1 294
Revaluation increments/(decrements) recognised in Profit or Loss	(9 272)	-
Revaluation increments/(decrements) recognised in Other Comprehensive Income	-	129
Disposals	-	(294)
Depreciation expense	-	(1 075)
Fair value at end of year	110 199	16 993
Total gains or losses for the year included in profit or loss, under 'Other Gains'	-	-
2016		
Fair value at start of year	121 141	15 413
Additions	-	2 246
Revaluation increments/(decrements) recognised in Profit or Loss	(5 535)	-
Revaluation increments/(decrements) recognised in Other Comprehensive Income	(1 785)	385
Transfers from/(to) Level 2	4 910	-
Disposals	-	(90)
Depreciation expense	-	(1 015)
Fair value at end of year	118 731	16 939
Total gains or losses for the year included in profit or loss, under 'Other Gains'	-	-

26. Fair value measurements (continued)

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

The following table summarises the quantitative information about the significant unobservable inputs used in Level 3 fair value measurement.

There were no significant interrelationships between the unobservable inputs.

Description	Fair value 2017 \$ 000	Fair value 2016 \$ 000	Valuation technique(s)	Unobservable inputs
Land	110 199	118 731	Market approach	Selection of land with similar approximate utility
Buildings	16 993	16 939	Depreciated Replacement Cost	Consumed economic benefit/obsolescence of asset Historical cost per square metre floor area (m ²)

Valuation processes

An annual assessment of land and building fair values are undertaken by the Western Australian Land Information Authority (Valuation Services) and are determined by professionally qualified valuers.

Generally, every four or five years (depending on location) a principle valuation calculation is performed by physical inspection or verification of the asset. In other years, fair values are determined by indexing the previous year's valuation amount by a factor which represents the analysis of the movement in valuation inputs from year to year. Changes in Level 2 and Level 3 fair values of land and buildings are analysed by the Department at the end of each reporting period.

Basis of valuation

In the absence of market based evidence, due to the specialised nature of some land and buildings, 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 as authorised by legislation. Many of the Department's land and building assets have a restricted use for maritime purposes under the *Marine and Harbours Act*.

The main Level 3 inputs used are derived and evaluated as follows:

Selection of land with restricted utility

Due to the restricted nature and unique characteristics of some land, there is no observable market evidence of sale prices. Fair values for restricted use land is determined by comparison with market evidence for land with low level utility and adjustments made to the price per square metre. Relevant comparators of land with low level utility are selected by the Western Australian Land Information Authority (Valuation Services).

Consumed economic benefit/obsolescence of assets

Represents the difference between the replacement cost of buildings and its current condition. This is estimated by the Western Australian Land Information Authority (Valuation Services).

Historical cost per square metre floor area (m²)

The cost of constructing specialised buildings are obtained from actual construction costs per square metre of other similar or reference buildings, historical building costs, quantity surveyors and standard rates from construction guides.

	2017 \$ 000	2016 \$ 000
27. Intangible assets		
Software		
At cost	76 472	68 967
Accumulated amortisation	(46 240)	(41 888)
	30 232	27 079

Reconciliations of carrying amounts of intangible assets at the beginning and end of the financial year are set out below.

Software		
Carrying amount at the start of the year	27 079	22 294
Additions	11 780	9 846
Disposals	(1)	(143)
Transfers	1 115	-
Impairment losses	(3 719)	-
Amortisation expense	(6 022)	(4 918)
Carrying amount at the end of the year	30 232	27 079

28. Construction in progress

At cost		
Vehicles and vessels	192	246
Computer hardware	594	2 484
Buildings and refurbishments	486	238
Intangibles	8 986	11 819
Infrastructure	15 380	13 133
	25 638	27 920

Reconciliations of carrying amounts of intangible assets at the beginning and end of the financial year are set out below.

Carrying amount at the start of the year	27 920	33 529
Expenditure during the year	30 815	22 852
Transfers	-	(32)
Non-current assets commissioned during the year	(32 627)	(27 908)
Impairment losses	(211)	-
Amounts expensed	(259)	(521)
Carrying amount at the end of the year	25 638	27 920

29. Impairment of assets

Impairment losses totalling \$3,930,000 were recognised in relation to two intangible assets.

Due to the cancellation of a contractual arrangement that enabled a partnering agent to process complex licensing transactions on behalf of the Department, the back end solution previously developed to interface with the internal licensing system was no longer required and decommissioned. This resulted in the asset's carrying amount being reduced to nil and the Department recognising an impairment loss of \$3,719,000.

In response to reforms in the on-demand transport industry, some of the original architecture framework that was previously developed for a new intangible asset was not utilised or deployed in the final asset created. This resulted in the capital project's balance being reduced by \$211,000 representing the functionality that was redundant and no longer required under the new licensing regime.

With both assets measured at cost, the impairment losses have been recognised in profit or loss.

The Department held no goodwill or intangible assets with an indefinite useful life during the reporting period.

	2017	2016
	\$ 000	\$ 000
30. Payables		
<u>Current</u>		
Trade payables	20 301	11 507
Accrued expenses	743	793
Accrued salaries	373	-
	21 416	12 300

See also note 2(r) Payables and note 40 Financial instruments.

31. Provisions		
<u>Current</u>		
Employee benefits provision		
Annual leave ⁽ⁱ⁾	7 849	9 741
Long service leave ⁽ⁱⁱ⁾	13 993	14 745
	21 842	24 486
Other provisions		
Employment on-costs ⁽ⁱⁱⁱ⁾	971	1 023
Purchased leave	(47)	(42)
	22 766	25 467
<u>Non-Current</u>		
Employee benefits provision		
Long service leave ⁽ⁱⁱ⁾	6 560	6 306
Deferred salary scheme	92	61
	6 652	6 367
Other provisions		
Employment on-costs ⁽ⁱⁱⁱ⁾	90	86
	6 742	6 453

	2017 \$ 000	2016 \$ 000
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31. Provisions (continued)

(i) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the financial year. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Within 12 months of the end of the financial year	6 320	6 846
More than 12 months after the end of the financial year	1 529	2 895
	7 849	9 741

(ii) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after financial year. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Within 12 months of the end of the financial year	4 973	5 224
More than 12 months after the end of the financial year	15 580	15 827
	20 553	21 051

(iii) 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. The associated expense is disclosed in *note 10 Other expenses*.

Movements in other provisions:

Movements in each class of provisions during the financial year, other than employee benefits are set out below

Employment on-costs provision		
Carrying amount at the start of the year	1 109	1 092
Additional provisions recognised	1 307	1 606
Payments/other sacrifices of economic benefits	(1 355)	(1 589)
Carrying amount at end of year	1 061	1 109

32. Other current liabilities

Current

Income received in advance	591	3 712
Other liabilities	-	1 732
Accruals and interest payable	182	179
	773	5 623

	2017 \$ 000	2016 \$ 000
33. Equity		
The Western Australian Government holds the equity interest in the Department on behalf of the community. Equity represents the residual interest in the net assets of the Department. The asset revaluation surplus represents that portion of equity resulting from the revaluation of non-current assets.		
CONTRIBUTED EQUITY		
Balance at the start of the period	479 825	505 398
Contributions by owners		
Capital contributions	15 226	10 134
Transfer of net assets		
- Regional Development Headwords Fund	11 575	6 066
- Department of Lands	740	-
- Landgate	1 115	-
Distributions to owners		
- Public Transport Authority	(23 956)	(39 696)
- Department of Treasury	-	(2 039)
- Department of Lands	(8)	(38)
Balance at the end of the period	484 517	479 825
RESERVES		
Asset Revaluation Surplus		
Balance at the start of the period	2 302	7 472
Net revaluation increments/(decrements)		
- Land	-	(5 389)
- Buildings	(54)	219
Balance at the end of the period	2 248	2 302
ACCUMULATED SURPLUS		
Balance at the start of the period	227 455	196 823
Result for the period	5 351	30 632
Balance at the end of the period	232 806	227 455
Total equity at the end of the period	719 571	709 582

	2017 \$ 000	2016 \$ 000
34. Notes to the Statement of Cash Flows		
a) 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:		
Cash and cash equivalents ⁽ⁱ⁾	30 009	25 055
Restricted cash and cash equivalents ⁽ⁱⁱ⁾	40 863	50 453
	70 872	75 508
Cash transferred (to)/from other sources		
- Department of Treasury	-	(2 039)
- Department of Lands	(8)	
- Public Transport Authority	(23 956)	(39 696)
(i) These cash and cash equivalents include \$3,673,000 capital contribution and funds available to meet expenditure commitments.		
(ii) See note 19 Restricted cash and cash equivalents		
b) Reconciliation of net cost of services to net cash flows provided by/ (used in) operating activities		
Net cost of services	(87 747)	(47 952)
Non-cash items:		
Depreciation and amortisation expense	21 282	20 138
Doubtful debt expense	26	(18)
Net (gain)/loss on disposal of non-current assets	992	479
Services received free of charge	1 228	2 272
Impairment losses	3 930	559
Assets assumed/(transferred)	(317)	(1 541)
Asset revaluation decrement – Land	9 721	2 360
(Increase)/decrease in assets		
Current inventories	1	(114)
Current receivables(i)	103	2 894
Other current assets	(1 925)	(1 165)
Increase/(decrease) in liabilities		
Current payables ⁽ⁱ⁾	9 116	(751)
Current provisions	(2 701)	(2 024)
Other current liabilities	(4 850)	(1 819)
Non-current provisions	289	292
Net GST receipts/payments ⁽ⁱⁱ⁾	547	881
Change in GST in receivables/payables ⁽ⁱⁱⁱ⁾	(531)	58
Net cash used in operating activities	(50 836)	(25 451)

(i) 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.

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

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

	2017 \$ 000	2016 \$ 000
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35. Services provided free of charge

During the period the following services were provided to other agencies free of charge for functions outside the normal operations of the Department:

Western Australian Police Service:		
- Firearm collection fees	1	79
- Information requests and other services	87	110
Public Transport Authority		
- Operational services	43	-
Department of Premier and Cabinet		
- Technical advice	5	-
Department of Planning		
- Technical review and support	150	-
Fremantle Port Authority		
- Technical advice	10	-
Public Sector Commission		
- Technical advice and review	2	-
Department of Regional Development		
- Technical advice	2	-
Department of Parks and Wildlife		
- Technical advice	2	-
- Maritime planning information and advice	10	-
Western Australian Planning Commission		
- Maritime planning information and advice	15	-
Road Safety Commission		
- Technical advice	-	61
	327	250

36. Commitments

a) Capital expenditure commitments

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

Within one year:	16 929	18 257
Later than one year but not later than five years	1 114	-
Later than five years	-	-
	18 043	18 257
Taxi Action Plan security initiatives	-	900
Information technology assets	212	-
Property fit out - Cockburn and Midland	2 021	-
Local Projects Local Jobs	220	-
Regional airport facilities	11 873	-
Recreational boating facilities	3 717	-
Carnarvon Electrical Upgrade	-	3 000
Woodman Point Car Park Sealing	-	1 087
Exmouth Boat Harbour Jetty B Fingers	-	1 184
Hillarys Boat Harbour Stage 4 Landscaping	-	222
Exmouth Boat Harbour upgrade	-	11 191
Data Centre Relocation	-	673
	18 043	18 257

	2017	2016
	\$ 000	\$ 000

36. Commitments (continued)

b) Other expenditure commitments

Other expenditure commitments (inclusive of GST) contracted for at the end of the financial year but not recognised as liabilities, are payable as follows:

Within one year:	4 980	6 151
Later than one year but not later than five years	3 351	14 711
Later than five years	-	1 169
	8 331	22 031

The other expenditure commitments include amounts for:

Fremantle Port Rail service support	6 117	13 898
Human Resource Management initiatives	540	1 558
Mobile taxi security patrol	724	350
On-demand Transport initiatives	387	823
Secure taxi ranks	32	696
Information technology systems	432	-
Data centre relocation	-	3 471
Kimberley Subsidised Air Services	-	1 058
Other minor commitments	99	177
	8 331	22 031

c) Non-cancellable operating lease commitments

Commitments in relation to leases contracted for at the end of the financial year but not recognised in the financial statements are payables as follows:

Within one year:	11 668	11 819
Later than one year but not later than five years	31 873	33 934
Later than five years	34 577	40 572
	78 118	86 325

d) Minimum lease revenue commitments

Future minimum rentals under non-cancellable operating leases are receivable as follows:

Within one year:	14 274	14 151
Later than one year but not later than five years	50 912	51 521
Later than five years	144 017	146 537
	209 203	212 209

37. Contingent liabilities and contingent assets

Contingent liabilities:

The Department's policy is to disclose, as a contingency, any obligation which may arise due to special circumstances or events. At the date of this report, the Department is aware of the following potential future obligation:

- The Department of Transport (Department) is the department responsible for assisting the Minister of Transport in the administration of Transport related Acts. The Minister on behalf of the State is party to legal proceeding. As the Department is not a legal entity per se, any potential legal proceedings are not likely to have a material effect on the Department's financial statement.

Contingent assets:

The Department has no contingent assets as at the year ended 30 June 2017.

38. Events occurring after the end of the financial year

There are no significant events occurring after the reporting date.

39. Explanatory statement

All variances between estimates (original budget) and actual results for 2017 and between the actual results for 2017 and 2016 are shown below. Narratives are provided for selected major variances which are generally greater than 5% and \$7,620,000 for the Statement of Comprehensive Income and Cash flows; and 5% and \$15,189,000 for the Statement of Financial Position.

Statement of Comprehensive Income

For the year ended 30 June 2017

	Variance Note	Estimate 2017	Actual 2017	Actual 2016	Variance between estimate and actual	Variance between actual result for 2017 and 2016
		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
COST OF SERVICES						
Expenses						
Employee benefits expense		138 995	133 227	137 169	(5 768)	(3 942)
Supplies and services		117 931	115 559	110 318	(2 372)	5 241
Depreciation and amortisation expense		17 914	21 282	20 138	3 368	1 144
Accommodation expenses		15 424	15 995	16 158	571	(163)
Grants and subsidies	2, A	101 759	109 880	86 877	8 121	23 003
Loss on disposal of non-current assets		-	992	479	992	513
Other expenses	1	2 279	16 788	9 871	14 509	6 917
Total cost of services		394 302	413 723	381 010	19 421	32 713
Income						
Revenue						
User charges and fees	3	273 226	259 194	269 870	(14 032)	(10 676)
Sales		87	105	137	18	(32)
Grants and contributions		8 301	6 882	9 885	(1 419)	(3 003)
Interest revenue		1 423	883	1 566	(540)	(683)
Other revenues		53 523	52 452	50 059	(1 071)	2 393
Other income		-	6 460	1 541	6 460	4 919
Total revenue		336 560	325 976	333 058	(10 584)	(7 082)
Total income other than income from State Government		336 560	325 976	333 058	(10 584)	(7 082)
NET COST OF SERVICES		57 742	87 747	47 952	30 005	39 795

39. Explanatory statement (continued)

	Variance Note	Estimate 2017	Actual 2017	Actual 2016	Variance between estimate and actual	Variance between actual result for 2017 and 2016
		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
INCOME FROM STATE GOVERNMENT						
Service appropriation	B	61 161	57 757	40 189	(3 404)	17 568
Assets (transferred)/received		-	177	896	177	(719)
Services received free of charge		1 989	1 228	2 272	(761)	(1 044)
Royalty for Regions Fund		39 335	33 936	35 228	(5 399)	(1 292)
Total income from State Government		102 485	93 098	78 585	(9 387)	14 513
SURPLUS FOR THE PERIOD		44 743	5 351	30 633	(39 392)	(25 282)
OTHER COMPREHENSIVE INCOME						
Items not reclassified subsequently to profit or loss						
Changes in asset revaluation reserve		-	(54)	(5 170)	(54)	5 116
Total other comprehensive income		-	(54)	(5 170)	(54)	5 116
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		44 743	5 297	25 463	(39 446)	(20 166)

Statement of Comprehensive Income

Major Estimate and Actual (2017) Variance Narratives

- Other expenses exceeded estimates by \$14.5 million (637%) primarily due to the net land revaluation decrement of \$9.7 million recognised as an expense; and impairment losses to two intangible assets totalling \$3.9 million mainly associated with the cancellation of Australian Post Office contract.
- Grants and Subsidies increased by \$8.1 million (8%) primarily due to the On-demand Transport Reform that provided transition assistance and hardship funding of \$23 million to taxi owners impacted by the taxi industry reform. This is offset by deferral of expenses for Busseiton Regional Airport of \$10 million to 2018 and an underspend associated with the Country Age Pension Fuel Card Subsidy of \$4.6 million.
- User Charges and fees trailed estimates by \$14.0 million (5.1%) primarily due to reduction of motor vehicle fees and motor driver fees (\$7.8 million); reduction in taxi licence fees due to On-demand Transport Reform (\$9.2 million); offset by increases of \$2.9 million in vehicle recording fee revenue mainly generated by the increased take up of the lower cost 3 month vehicle renewal option from people affected by the current economic slowdown.

Major Actual (2017) and Comparative (2016) Variance Narratives

- Grants and Subsidies increased by \$23.0 million (26.5%) primarily due to the On-demand Transport Reform that provided transition assistance and hardship funds to taxi owners impacted by the reform in the taxi industry.
- Appropriation increased by \$17.6 million (43.7%) predominantly due to funding received for Travel Surveys for the Perth Transport Model Development (\$4.0 million); On-demand Transport hardship payments (\$3.0 million); the Local Projects, Local Jobs program (\$2.6 million) ,salary and non-salary cost escalation (\$3.6 million); Barrack Square Rent Relief (\$2.5 million) and subsidy of \$1.7 million for the operator of Wyndham Port as a result of reduced port revenue resulting from the downturn in the mining industry.

39. Explanatory statement (continued)
Statement of Financial Position
As at 30 June 2017

	Variance Note	Estimate 2017	Actual 2017	Actual 2016	Variance between estimate and actual	Variance between actual result for 2017 and 2016
		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
ASSETS						
Current Assets						
Cash and cash equivalents		40 217	30 009	25 055	(10 208)	4 954
Restricted cash and cash equivalents	1	55 692	40 348	50 453	(15 344)	(10 105)
Inventories		-	557	558	557	(1)
Receivables		11 631	9 230	8 694	(2 401)	536
Other current assets		3 381	5 557	3 632	2 176	1 925
Total Current Assets		110 921	85 701	88 392	(25 220)	(2 691)
Non-Current Assets						
Restricted cash and cash equivalents		356	515	-	159	515
Amounts receivable for services	A	216 582	216 582	201 068	-	15 514
Property, plant and equipment		172 830	160 058	169 163	(12 772)	(9 105)
Infrastructure	2	209 799	252 542	245 803	42 743	6 739
Intangible assets		20 731	30 232	27 079	9 501	3 153
Construction in progress	3	94 737	25 638	27 920	(69 099)	(2 282)
Total Non-Current Assets		715 035	685 567	671 033	(29 468)	14 534
TOTAL ASSETS		825 956	771 268	759 425	(54 688)	11 843

39. Explanatory statement (continued)
Statement of Financial Position

	Variance Note	Estimate 2017 \$ 000	Actual 2017 \$ 000	Actual 2016 \$ 000	Variance between estimate and actual \$ 000	Variance between actual result for 2017 and 2016 \$ 000
LIABILITIES						
Current Liabilities						
Payables		9 677	21 416	12 300	11 739	9 116
Provisions		25 568	22 766	25 467	(3 802)	(2 701)
Other current liabilities		7 282	773	5 623	(6 509)	(4 850)
Total Current Liabilities		43 527	44 955	43 390	1 428	1 565
Non-Current Liabilities						
Provisions		6 191	6 742	6 013	551	289
Total Non-Current Liabilities		6 191	6 742	6 013	551	289
TOTAL LIABILITIES		49 718	51 697	49 843	1 979	1 854
NET ASSETS		776 238	719 571	709 582	(56 667)	9 989
EQUITY						
Contributed equity		490 635	484 517	479 825	(6 118)	4 692
Reserves		7 472	2 248	2 302	(5 224)	(54)
Accumulated surplus	4	278 131	232 806	227 455	(45 325)	4 351
TOTAL EQUITY		776 238	719 571	709 582	(56 667)	9 989

Major Estimate and Actual (2017) Variance Narratives

1. Decrease of \$15.3 million (27.6%) is mainly due to the On-demand Transport Reform that provided transition assistance and hardship funds to taxi owners impacted by the reform in the taxi industry (funded by the Taxi Industry Development Account).
2. Infrastructure exceeded estimates by \$42.7 million (20.0%) primarily due to a number of major projects being finalised and commissioned in 2016-17.
3. Construction in progress trailed estimates by \$69.1 million (72.9%) due to a number of major projects being finalised and commissioned in 2016-17 (refer to note on Infrastructure).
4. Accumulated surplus decreased by \$45.3 million (16.3%) reflecting the impact of an unfavourable operating result for 2016-17. This is predominantly due to the On-demand Transport Reform that provided transition assistance and hardship funds to taxi owners impacted by the reform (\$23.1 million); reduced taxi leased plates fee revenue (\$7.8 million); reduced user fee and charges revenue resulting from the downturn in the economy (\$4.3 million); and net land revaluation decrement in 2017 (\$9.7 million).

Major Actual (2017) and Comparative (2016) Variance Narratives

- A. Amounts receivable for services increased by \$15.5 million (7.8%) representing the non-cash component of service appropriation.

39. Explanatory statement (continued)

Statement of Cash Flows

For the year ended 30 June 2017

	Variance Note	Estimate 2017	Actual 2017	Actual 2016	Variance between estimate and actual	Variance between actual result for 2017 and 2016
		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriation	A	45 647	42 243	24 675	(3 404)	17 568
Capital appropriation		15 226	15 226	10 134	881	5 092
Cash transferred (to)/from other agencies	B	(23 956)	(23 956)	(41 735)	(3 533)	17 779
Royalties for Regions Fund		50 910	45 511	41 294	(5 399)	4 217
Net cash provided by State Government		92 241	79 024	34 368	(13 217)	44 656
Utilised as follows:						
CASHFLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee benefits		(138 639)	(135 404)	(142 401)	3 235	6 997
Supplies and services		(114 109)	(109 793)	(106 970)	4 316	(2 823)
Accommodation		(15 424)	(16 167)	(16 154)	(743)	(13)
Grants and subsidies	C	(101 759)	(107 700)	(86 277)	(5 941)	(21 423)
GST payments on purchases		(26 706)	(24 172)	(22 862)	2 534	(1 310)
Other payments		(4 112)	(3 851)	(5 896)	261	2 045
Receipts						
Sale of goods and services		60	107	255	47	(148)
User charges and fees	1, D	272 942	255 940	270 004	(17 002)	(14 064)
Grants and subsidies		8 031	6 748	10 731	(1 553)	(3 983)
Interest received		1 423	1 154	1 598	(269)	(444)
GST receipts on sales		7 881	8 049	6 889	168	1 160
GST receipts from taxation authority		18 825	16 670	16 854	(2 155)	(184)
Other receipts	E	53 523	57 583	48 778	4 060	8 805
Net cash used in operating activities		(37 794)	(50 836)	(25 451)	(13 042)	(25 385)

39. Explanatory statement (continued)

Statement of Cash Flows

For the year ended 30 June 2017

	Variance Note	Estimate 2017	Actual 2017	Actual 2016	Variance between estimate and actual	Variance between actual result for 2017 and 2016
		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
CASH FLOWS FROM INVESTING ACTIVITIES						
<i>Payments</i>						
Purchase of non-current physical assets	F	(32 629)	(32 880)	(24 095)	(251)	(8 785)
<i>Receipts</i>						
Proceeds from sale of non-current physical assets		-	57	131	57	(74)
Net cash used in investing activities		(32 629)	(32 823)	(23 964)	(194)	(8 859)
Net decrease in cash and cash equivalents	2, G	21 818	(4 635)	(15 047)	(26 453)	10 412
Cash and cash equivalents at the beginning of the period	H	74 447	75 507	90 554	1 060	(15 047)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		96 265	70 872	75 507	(25 393)	(4 635)

39. Explanatory statement (continued)

Statement of Cash Flows

Major Estimate and Actual (2017) Variance Narratives

1. User charges and fees trailed estimates by \$17.0 million (6.2%) primarily due to the current economic slowdown that resulted in less than forecasted motor vehicle, motor driver and Perth parking fees (\$9.3 million); reduction in taxi licence fees resulting from the On-demand Transport Reform (\$9.2 million).
2. The net decrease in cash and cash equivalents by \$26.5 million (121.2%) is mainly due to the On-demand Transport Reform that provided Transition Adjustment Assistance and hardship funds to taxi owners impacted by this reform and reduced receipts from user charges and fees, a result of the current economic slowdown.

Major Actual (2017) and Comparative (2016) Variance Narratives

- A. Service appropriation increased by \$17.6 million (71.2%) predominantly due to the approval of Travel Surveys for the Perth Transport Model Development (\$4.0 million); On-demand Transport hardship payments (\$3.0 million); the Local Projects, Local Jobs program (\$2.6 million) salary and non-salary cost escalation (\$3.6 million); funding provided to reimburse DoT for Barrack Square Rent Relief provided in 2016 (\$2.5 million); and the payment of an operating subsidy to the operator of Wyndham Port (\$1.7 million) as a result of reduced port revenue resulting from the downturn in the mining industry.
- B. Cash transferred (to) other agencies decreased by \$17.8 million (42.6%) in comparison to 2016 due to reduced cash transfer to the Public Transport Authority for Wellington Street Bus Station.
- C. Grants and Subsidies increased by \$21.4 million (24.8%) primarily due to the On-demand Transport Reform that provided transition assistance and hardship funds to taxi owners impacted by the taxi industry reforms.
- D. User charges and fees trailed 2016 actuals by \$14.1 million (5.2%) primarily due to a reduction in taxi licence fee revenue resulting from the On-demand Transport Reform (\$7.4 million); transition of rail safety function to the Office of the National Rail Safety Regulator (\$ 3.9 million); under collection of motor vehicle fees and motor driver fees (\$3.6 million).
- E. Other receipts increased by \$8.8 million (18.1%) primarily due to \$6.1 million received as a result of settlement and release for Two Rocks marine facility; and an increase in commission received from Insurance Commission WA generated by the increased take up of the lower cost 3 month vehicle renewal option resulting from the introduction of the Motor Injury Insurance Catastrophic Injury Support Scheme.
- F. Purchase of non-current physical assets increased by \$8.8 million (36.5%) due to the increased requirement for capital expenditure in 2017.
- G. The net decrease in cash and cash equivalents improved by \$10.4 million (69.2%) mainly due to the reduced cash transfer to the Public Transport Authority compared to 2016; a payment of \$6 million to DoT resulting from the settlement and release of Two Rocks marine facility; offset by reduced receipts from user charges and fees in 2017.
- H. Cash and cash equivalents at the beginning of the period decreased by \$15.0 million (16.6%) due to the transfer of cash to the Public Transport Authority for the Wellington Street Bus Station in 2016.

40. Financial instruments

(a) Financial risk management objectives and policies

Financial instruments held by the Department are cash and cash equivalents (restricted and non-restricted), receivables and payables. The Department has limited exposure to financial risks and its overall risk management program focuses on managing the risks identified below.

Credit risk

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

The maximum exposure to credit risk at the end of the financial year in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment, as shown in the table at *note 40(c) Financial instrument disclosures* and *note 20 Receivables*.

Credit risk associated with the Department's financial assets is minimal because the main receivable is the 'amounts receivable for services'. For receivables other than government, the Department trades only with recognised, creditworthy third parties. The Department 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 the Department's exposure to bad debts is minimal. There were no significant concentrations of credit risk at the end of the financial year.

Liquidity risk

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

The Department is exposed to liquidity risk through its trading in the normal course of business. The Department 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 the Department's income or the value of its holdings of financial instruments. The Department does not trade in foreign currency and is not materially exposed to other price risks (for example, equity securities or commodity prices changes).

Other than as detailed in the interest rate sensitivity analysis table at *note 40(c) Financial instruments disclosures*, the Department is not exposed to interest rate risk as it has no borrowings, and cash and cash equivalents are non-interest bearing (apart from certain restricted cash accounts).

	2017 \$ 000	2016 \$ 000
(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 financial year are:		
<u>Financial Assets</u>		
Cash and cash equivalents	30 009	25 055
Restricted cash and cash equivalents	40 863	50 453
Receivables ⁽ⁱ⁾	5 840	5 943
Amounts receivable for services	216 582	201 068
	293 294	282 519
<u>Financial Liabilities</u>		
Payables	21 416	12 300

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

(c) Financial Instrument Disclosures

Credit Risk Exposure

The following table discloses the Commission's maximum exposure to credit risk and the ageing analysis of financial assets. The Department's maximum exposure to credit risk at the end of the financial year is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the Department.

The Department does not hold any collateral as security or other credit enhancement relating to the financial assets it holds.

Ageing analysis of financial assets

	Carrying amount \$ 000	Not past due and not impaired \$ 000	Past due but not impaired					Impaired Financial Assets \$ 000
			Up to 1 month \$ 000	1-3 months \$ 000	3 months to 1 year \$ 000	1-5 years \$ 000	More than 5 years \$ 000	
2017								
Cash and cash equivalents	30 009	30 009	-	-	-	-	-	-
Restricted cash and cash equivalents	40 863	40 863	-	-	-	-	-	-
Receivables ⁽ⁱ⁾	5 840	4 763	686	337	18	32	4	-
Amounts receivable for services	216 582	216 582	-	-	-	-	-	-
	293 294	292 217	686	337	18	32	4	-
2016								
Cash and cash equivalents	25 055	25 055	-	-	-	-	-	-
Restricted cash and cash equivalents	50 453	50 453	-	-	-	-	-	-
Receivables ⁽ⁱ⁾	5 943	4 771	532	424	145	68	3	-
Amounts receivable for services	201 068	201 068	-	-	-	-	-	-
	282 519	281 347	532	424	145	68	3	-

(i) The amount of receivables excludes the GST recoverable from the Australian Taxation Office (statutory receivable)

(c) Financial Instrument Disclosures (continued)

Liquidity risk and interest rate exposure

The following table details the Department's 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 amount of each item.

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

	Interest Rate Exposure			Nominal Amount	Maturity Date				
	Weighted Average Effective Interest Rate	Carrying Amount	Variable Interest Rate		Non-Interest Bearing	Up to 1 month	1-3 months	3 months to 1 year	1-5 years
	%	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
2017									
Financial Assets									
Cash and cash equivalents	1.99	30 009	21 266	8 743	30 009	-	-	-	-
Restricted cash and cash equivalents	1.99	40 863	13 183	27 680	40 863	-	-	-	-
Receivables ⁽ⁱ⁾	-	5 840	-	5 840	5 840	-	-	-	-
Amounts receivable for services	-	216 582	-	216 582	216 582	-	-	216 582	-
		293 294	34 449	258 845	293 294	-	-	216 582	-
Financial Liabilities									
Payables	-	21 416	-	21 416	21 416	-	-	-	-
		21 416	-	21 416	21 416	-	-	-	-

(i) The amount of receivables excludes the GST recoverable from the Australian Taxation Office (statutory receivable)

(c) Financial Instrument Disclosures (continued)

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

	Weighted Average Effective Interest Rate	Interest Rate Exposure			Nominal Amount	Maturity Date				
		Carrying Amount	Variable Interest Rate	Non-Interest Bearing		Up to 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
	%	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
2016										
Financial Assets										
Cash and cash equivalents	2.27	25 055	20 837	4 218	25 055	25 055	-	-	-	-
Restricted cash and cash equivalents	2.27	50 453	35 585	14 868	50 453	50 453	-	-	-	-
Receivables ⁽ⁱ⁾	-	5 943	-	5 943	5 943	5 943	-	-	-	-
Amounts receivable for services	-	201 068	-	201 068	201 068	-	-	-	201 068	-
		282 519	56 422	226 097	282 519	81 451	-	-	201 068	-
Financial Liabilities										
Payables	-	12 300	-	12 300	12 300	12 300	-	-	-	-
		12 300	-	12 300	12 300	12 300	-	-	-	-

(i) The amount of receivables excludes the GST recoverable from the Australian Taxation Office (statutory receivable)

(c) Financial Instrument Disclosures (continued)*Interest rate sensitivity analysis*

The following table represents a summary of the interest rate sensitivity of the Department's financial assets and liabilities at the end of the financial year on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is being held constant throughout the financial year.

	Carrying Amount \$ 000	-100 basis point		+100 basis point	
		Surplus \$ 000	Equity \$ 000	Surplus \$ 000	Equity \$ 000
2017					
<u>Financial Assets</u>					
Cash assets	21 266	(213)	(213)	213	213
Restricted cash assets	13 183	(132)	(132)	132	132
Total Increase/(Decrease)	34 449	(345)	(345)	345	345
2016					
<u>Financial Assets</u>					
Cash assets	20 837	(208)	(208)	208	208
Restricted cash assets	35 585	(356)	(356)	356	356
Total Increase/(Decrease)	56 422	(564)	(564)	564	564

Fair values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the application notes.

	2017 \$ 000	2016 \$ 000
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41. Remuneration of Auditor

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

Auditing the accounts, financial statements and key performance indicator.	182	179
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The expense is included in note 10 Other expenses.

42. Jointly controlled assets

The following represents the Department's 50% ownership interest in the Marine Operations Centre with the Department of Fisheries. The jointly controlled assets are included in the financial statements.

Non-current assets		
Property, plant and equipment	3 630	3 931
Infrastructure	90	101
Total assets	3 720	4 032

43. Special purpose accounts

Deposits

Opening balance	3 787	3 584
Receipts		
Deposits – Bonds	119	508
Deposits – Buyback MPT Plate	-	80
Interest	97	-
	216	588
Payments		
Refunds – Bonds	369	305
Refunds – Buyback MPT Plate	-	80
	369	385
	3 634	3 787

The Account holds deposits for performance bonds, motor vehicle dealer plates and Multi Purpose Taxi Plate deposits. These monies are held in a private trustee capacity, and in accordance with Treasurer's instruction 1101A Financial Reporting by Departments are only reported in these notes to the financial statements.

	2017 \$ 000	2016 \$ 000
43. Special purpose accounts (continued)		
Perth Parking Licensing Account		
Opening balance	10 781	12 586
Receipts		
License fees	56 321	57 115
	56 321	57 115
Payments		
Grants to State government agencies	41 385	56 403
Grants to local shires	-	1 483
Employee costs	315	445
Supplies and services	481	589
Refund of prior year revenue	1 664	-
	43 845	58 920
Closing Balance	23 257	10 781

This Account was established to hold funds for the purpose of administering the *Perth Parking Management Act 1999*.

Rail Safety Accreditation Account		
Opening balance	-	2698
Receipts		
Registration fees	-	3 879
Recoups and other receipts	-	1
	-	3 880
Payments		
Employee costs	-	1 539
Superannuation	-	62
Lease and rental	-	15
Other payments	-	344
Transfer to the Office of National Rail Safety Regulator	-	2 579
Transfer of residual to the Consolidated Account	-	2 039
	-	6 578
Closing balance	-	-

The Department ceased maintaining the Rail Safety Accreditation Account on 2nd November 2015 when it transferred the Rail Safety function to the Office of the National Rail Safety Regulator.

	2017 \$ 000	2016 \$ 000
43. Special purpose accounts (continued)		
Taxi Fare Evasion Recoupment Account		
Opening balance	1	-
Receipts		
Deposits	1	3
	1	3
Payments		
Refunds	2	2
	2	2
Closing Balance	-	1

The purpose of this Account is to reimburse taxi drivers with monies collected from passengers who failed to pay their fare.

Taxi Industry Development Account		
Opening balance	35 585	31 785
Receipts		
Service appropriation	1 500	-
Licence fees	836	7 701
Interest income	724	1 046
Other revenue	-	45
	3 060	8 792
Payments		
Grants and subsidies	21 874	1 757
Consultants' fees	1 663	953
Employee costs	1 321	1 744
Other payments	604	538
	25 462	4 992
Closing balance	13 183	35 585

The purpose of this Account is to hold funds received by the Department for the purposes of the *Taxi Act 1994*.

Receipts in Suspense		
Opening balance	5 656	5 676
Receipts credited to the suspense account	7 363	6 886
Receipts transferred of this Account is to hold funds pending	6 989	6 906
Closing balance	6 030	5 656

The purpose of this account is to holds funds pending identification of the purpose for which these monies were received. Upon identification, these funds are subsequently allocated to relevant revenue accounts or refunded to the customer

	2017 \$ 000	2016 \$ 000
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44. Supplementary financial information

(a) Write-offs

Public and other property, revenue and debts due to the State were written-off in accordance with section 48 of the *Financial Management Act 2006* under the authority of:

(i) Bad Debts		
The Accountable Authority	110	93
The Minister	-	208
The Executive Council	279	-
	389	301

Of the debts written off, \$383,052 had been previously provided for.

(ii) Cash		
The Accountable Authority	5	-
(iii) Assets		
The Accountable Authority	4	22

(b) Losses through theft, defaults and other causes

In November 2016, the Department suffered a loss worth \$5,000 of public money following a break-in at the Willagee Licensing Centre. Other than this instance, the Department suffered no losses of public money or other property through theft, defaults or other causes during the current financial period.

(c) Gifts of public property

The Department made on act of grace payment of \$1,000 during the current financial year.

45. Indian Ocean Territories Service Level Agreement

The provision of services to the Indian Ocean Territories are recouped from the Commonwealth government.

Balance at the start of the year	26	41
Receipts	348	317
Payments	(374)	(332)
Balance at the end of the year	-	26

46. Disclosure of administered expenses and income by service

	Marine Safety		Driver and Vehicle Services		Strategic Transport Policy and Integrated Transport		Total	
	2017 \$ 000	2016 \$ 000	2017 \$ 000	2016 \$ 000	2017 \$ 000	2016 \$ 000	2017 \$ 000	2016 \$ 000
Expenses								
Transfer Payments								
- Consolidated Account	-	-	1 221 806	1 211 178	-	-	1 221 806	1 211 178
- Department of Local Government and Communities	-	-	63	54	-	-	63	54
- Insurance Commission of Western Australia	-	-	900 605	685 539	-	-	900 605	685 539
- Main Roads Western Australia(a)	-	-	-	89 764	-	-	-	89 764
- Western Australia Police	-	-	15	4 043	-	-	15	4 043
- WA Coastal Shipping Commission	-	-	-	-	100	100	100	100
- Federal and Interstate Agencies	2,649	2 971	1 496	1 848	-	-	4 145	4 819
- Road Trauma Trust Account	-	-	83 064	-	-	-	83 064	-
Other expenses	-	-	-	1 296	-	-	-	1 296
	-	-	-	-	-	-	-	-
Total administered expenses	2 649	2 971	2 207 049	1 993 722	100	100	2 209 798	1 996 793
Income								
For transfer to the Consolidated Account or Agencies								
Appropriations for transfer to the:								
Western Australian Coastal Shipping Commission	-	-	-	-	100	100	100	100
Infringements								
Plate and transfer infringements	-	-	8 830	8 954	-	-	8 830	8 954
Speed and red light infringements	-	-	110 110	112 156	-	-	110 110	112 156
Final demand fees – traffic infringements	-	-	2 252	2 173	-	-	2 252	2 173
Dealer plates	-	-	120	121	-	-	120	121
Motor vehicle registrations								
Motor vehicle fees	-	-	63	54	-	-	63	54
Motor vehicle registrations	-	-	842 743	831 153	-	-	842 743	831 153
Stamp duty	-	-	340 737	348 744	-	-	340 737	348 744
Third party motor vehicle insurance premiums	-	-	705 998	680 066	-	-	705 998	680 066
Catastrophic Injury Support Scheme	-	-	194 606	5 473	-	-	194 606	5 473
Collection of interstate licencing fees	-	-	1 496	1 631	-	-	1 496	1 631
Firearm licence fees	-	-	15	4 043	-	-	15	4 043
Collection of vessel survey fees	2 649	2 971	-	-	-	-	2 649	2 971
Total administered income	2 649	2 971	2 206 970	1 994 568	100	100	2 209 718	1 997 639

The Department does not administer receipts or payments on behalf of Service 1 (Coastal Infrastructure) or Service 3 (On-demand Transport) and they are excluded from the note.

47. Explanatory statement for Administered Items

All variances between estimates (original budget) and actual results for 2017, and between the actual results for 2017 and 2016 are shown below. Narratives are provided for key major variances, which are generally greater than 5% and \$20,059,000.

	Variance Note	Estimate 2017	Actual 2017	Actual 2016	Variance between estimate and actual	Variance between actual result for 2017 and 2016
		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Expenses						
Transfer Payments						
- Consolidated Account	1	908 499	1 221 806	1 211 178	313 307	10 628
- Department of Local Government and Communities		58	63	54	5	9
- Insurance Commission of Western Australia	2,A	-	900 605	685 539	900 605	215 066
- Main Roads Western Australia	3,B	87 143	-	89 764	(87 143)	(89 764)
- Western Australia Police		4 100	15	4 043	(4 085)	(4 028)
- Western Australian Coastal Shipping Commission		100	100	100	-	-
- Federal and Interstate Agencies		3 071	4 145	4 819	1 074	(674)
- Road Trauma Trust Account	3,B	-	83 064	-	83 064	83 064
Other expenses		-	-	1 296	-	(1 296)
Total administered expenses		1 002 971	2 209 798	1 996 793	1 206 827	213 005
Income						
For transfer to the Consolidated Account or Agencies						
Appropriations for transfer to the:						
Western Australian Coastal Shipping Commission		100	100	100	-	-
Infringements						
Plate and transfer infringements		8 025	8 830	8 954	805	(124)
Speed and red light infringements		122 975	110 110	112 156	(12 865)	(2 046)
Final demand fees – traffic infringements		2 000	2 252	2 173	252	79
Dealer plates		112	120	121	8	(1)
Motor vehicle registrations						
Motor vehicle fees		58	63	54	5	9
Motor vehicle registrations		862 530	842 743	831 153	(19 787)	11 590
Stamp duty	4	-	340 737	348 744	340 737	(8 007)
Third party motor vehicle insurance premiums	5	-	705 998	680 066	705 998	25 932
Catastrophic Injury Support Scheme	6,C	-	194 606	5 473	194 606	189 133
Collection of interstate licencing fees		3 071	1 496	1 631	(1 575)	(135)
Firearm licence fees		4 100	15	4 043	(4 085)	(4 028)
Collection of vessel survey fees		-	2 649	2 971	2 649	(322)
Total administered income		1 002 971	2 207 719	1 997 639	1 206 748	212 080

47. Explanatory statement for Administered Items (continued)

Major Estimate and Actual (2017) Variance Narratives

1. Consolidated account transfer payments exceeded estimates by \$313 million (34.5%) due to stamp duty on motor vehicle registrations collected on behalf of the Office of State revenue and transferred to the Consolidated Account. This item is not reflected in the Department's budget statement.
2. Insurance Commission of Western Australia transfer payments totalled \$900.6 million from Third Party insurance premiums (\$706.0 million) and Catastrophic Injury Support Scheme (\$194.6 million) collected on behalf and transferred to Insurance Commission of Western Australia. This item is not reflected in the Department's budget statement.
3. Road Trauma Trust Account (RTTA) was managed by Main Roads Western Australia prior to 2016-17 and from July 2016 come under the Road Safety Commission. Therefore the actual payments in 2017 have been shown against RTTA, but the estimate as per the Published Budget for 2017 and the 2016 actuals are against Main Roads Western Australia.
4. Stamp Duty revenue collected amounted to \$339.5 million due to stamp duty on motor vehicle registration collected on behalf of the Office of State Revenue. This item is not reflected in the Department's budget statements.
5. Third Party Motor Vehicle Insurance premiums totalled \$706.0 million collected on behalf and transferred to Insurance Commission of Western Australia. This item is not reflected in the Department's budget statement.
6. Catastrophic Injury Support Scheme totalled \$194.6 million collected on behalf and transferred to Insurance Commission of Western Australia. This item is not reflected in the Department's budget statement.

Major Actual (2017) and Comparative (2016) Variance Narratives

- A. Insurance Commission of Western Australia transfer payments from Third Party Motor Vehicle insurance and Catastrophic Injury Support Scheme (CISS) increased by 31.4% primarily a result of the introduction of the CISS in 2017 and an increase in the insurance premium by 2.5% in 2017.
- B. Road Trauma Trust Account (RTTA) was managed by Main Roads Western Australia prior to 2016-17 and from July 2016 come under Road Safety Commission. Therefore the actual payments in 2017 have been shown against RTTA, but the estimate as per the Published Budget for 2017 and the 2016 actuals are against Main Roads Western Australia.
- C. The increase of \$189.1 million (3455%) for Catastrophic Injury Support Scheme is a result of the introduction of CISS in 2017. The collection in 2016 reflects the collection of this premium in advance made by car owners for registration due early in July 2016.

	2017 \$ 000	2016 \$ 000
48. Administered assets and liabilities		
Current assets		
Cash	12 690	11 965
Accounts receivable ⁽ⁱ⁾	5 886	5 966
Total current assets	18 576	17 931
Total administered assets	18 576	17 931
Current liabilities		
Payables	6 307	6 167
Accruals and interest payable	5 884	5 304
Total current liabilities	12 191	11 471
Total administered liabilities	12 191	11 471
(i) Notes to the Schedule of Administered Items – Accounts Receivable		
Current Receivables	15 186	16 480
Allowance for impairment of receivables	(9 300)	(10 514)
	5 886	5 966