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Notes to the financial statements

1.0 Australian Accounting Standards

General

The Forest Products Commission's (FPC) 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 Standards Board (AASB).

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

Early adoption of standards

The FPC 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 Australian Accounting Standards that have been issued or amended (but not operative) by the FPC for the annual reporting period ended 30 June 2017.

2.0 Summary of significant accounting policies

2.1 General statement

The FPC is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with the 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.

2.2 Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except for land, buildings, infrastructure, derivative financial instruments and biological assets 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 4 'Key sources of estimation uncertainty' discloses key assumptions made concerning the future and other key source 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.

2.3 Reporting entity

The reporting entity comprises the FPC.

2.4 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.

2.5 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 timber products 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 by reference to the stage of completion of the transaction.

> **Interest**

Revenue is recognised as the interest accrues.

> **Grants, donations, gifts and non-reciprocal contributions**

Revenue is recognised at fair value when the FPC 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 FPC obtains control over the funds. The FPC obtains control of the funds at the time the funds are deposited into the FPC'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.

> **Deferred Revenue**

Deferred revenue is recognised as income proportionately as the contractual obligation conditions are met.

2.6 Income tax

The FPC operates within the National Tax Equivalent Regime (NTER) whereby an equivalent amount in respect of income tax is payable to the Treasury. The calculation of the liability in respect of income tax is governed by NTER guidelines and directions approved by Government.

As a consequence of participation in the NTER, the FPC is required to comply with AASB 112 Income Taxes.

The income tax expense equivalent, or income, for the year is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rate expected to apply when the assets are recovered and liabilities settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred income tax equivalents are recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current and deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities, and when the tax balances relate to the same taxation authority.

2.7 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 direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are 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, cost is their fair value at the date of acquisition.

Subsequent measurement

Subsequent to initial recognition as an asset, the revaluation model is used for the measurement of land, buildings and infrastructure and historical cost for all other property, plant and equipment. Land, buildings and infrastructure are carried at fair value less accumulated depreciation (buildings and infrastructure 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 buying values determined by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

In the absence of market-based evidence, 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. Where the fair value of buildings is determined on the depreciated replacement cost basis, the gross carrying amount and the accumulated depreciation are restated proportionately. 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).

Land and buildings are independently valued 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.

Fair value of infrastructure has been determined by reference to the depreciated replacement cost (existing use basis) as the assets are specialised and no market-based evidence of value is available. Land under infrastructure is included in land reported under note 26 Property, plant and equipment and infrastructure. Independent valuations are obtained every 3 to 5 years for infrastructure.

When infrastructure is revalued, the accumulated depreciation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

The most significant assumptions 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.

Derecognition

Upon disposal or derecognition of an item of property, plant and equipment and infrastructure, any revaluation surplus relating to that asset is retained in the asset revaluation surplus.

Asset Revaluation Surplus

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets on a class of assets basis as described in note 26 Property, plant and equipment and infrastructure.

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.

Depreciation 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 equipment	4 years
Heavy fleet vehicles	5 years
Infrastructure	20 years
Motor vehicles	3 to 7 years
Office equipment	6 to 7 years
Office furniture	6 to 7 years
Plant and equipment	4 to 10 years
Software ^(a)	2.5 years

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

Works of art controlled by the FPC are classified as property, plant and equipment and infrastructure. These are anticipated to have indefinite useful lives. Their service potential has not, in any material sense, been consumed during the reporting period and consequently no depreciation has been recognised.

Land is not depreciated.

2.8 Intangible assets

Capitalisation/expensing of assets

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. 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 which is reviewed annually) on the straight line basis. All intangible assets controlled by the FPC have a finite useful life and zero residual value.

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

Software ^(a)	2.5 years
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(a) Software that is not integral to the operation of any related hardware.

Licences

Licences have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses.

Development costs

Research costs are expensed as incurred. Development costs incurred for an individual project are carried forward when the future economic benefits can reasonably be regarded as assured and the total project costs are likely to exceed \$50,000. Other development costs are expensed as incurred.

Computer Software

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

Website costs

Website costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a website that can be reliably measured, are capitalised to the extent that they represent probable future economic benefits.

2.9 Impairment of assets

Property, plant and equipment and 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 and 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 FPC is a not-for-profit entity, unless an 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 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 not yet available for use are tested for impairment at the end of each reporting year irrespective of whether there is any indication of impairment.

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 year.

2.10 Leases

The FPC holds operating leases for head office and a number of branch office buildings. 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.

2.11 Financial instruments

In addition to cash and bank overdraft, the FPC has two categories of financial instrument:

- > Loans and receivables;
- > Financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

- > Financial Assets:
- > Cash and cash equivalents
- > Receivables

Financial Liabilities:

- > Payables
- > Bank overdraft
- > Amounts due to Treasury

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.

2.12 Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents (and restricted cash and cash equivalents) 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, and bank overdrafts.

2.13 Accrued salaries

Accrued salaries (see note 31 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 FPC considers the carrying amount of accrued salaries to be equivalent to its fair value.

2.14 Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned by the method most appropriate to each particular class of inventory, with the majority being valued on a weighted-average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

2.15 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 to profit or loss. The allowance for uncollectible amounts (doubtful debts provision), is raised when there is objective evidence that the FPC 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.

2.16 Investments and other financial assets

The FPC classifies its investments into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at the end of each reporting period. Investments not at fair value are initially recognised at cost being the fair value of consideration given, including directly attributable transaction costs.

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates, other than those that meet the definition of loans and receivables, are classified as held-to-maturity when management has a positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Loans and receivables and held-to-maturity investments, such as commercial bills, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortised cost, gains and losses are

recognised in profit and loss when the investments are derecognised or impaired, as well as through the amortisation process.

The FPC assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

2.17 Biological assets

The AASB 141 Agriculture requires that an entity shall recognise a biological asset or agricultural produce when and only when:

- (a) The entity controls the asset as a result of past events;
- (b) It is probable that future economic benefits associated with the asset will flow to the entity; and
- (c) The fair value or cost of the asset can be measured reliably.

Under this standard, the FPC is required to value its biological assets annually.

AASB 141 defines a group of biological assets as an aggregation of similar living animals or plants. Therefore, the FPC determines that it 'holds' three types of biological assets: (1) plantation timber; (2) native forest; and (3) sandalwood.

FPC values its biological assets at fair value less estimated point-of-sale costs and costs necessary to get the assets to market. Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A gain or loss on valuation is recognised in the Statement of Comprehensive Income.

Fair value of biological assets is based on their present location and condition. As a result, fair value is determined based on historical volume increases and historical cash flows, adjusted for known variances.

FPC's valuations of biological assets are for financial reporting purposes only. The FPC's valuations are not intended for estimating other values inherent in or provided by forests, such as unpriced goods or services and the forests' ecological benefits.

Plantation Timber

The FPC values pine plantations that are managed across a broad geographic area of approximately 75,627 hectares. The value of the softwood plantation is based on a forest estate model that forecasts supply from all sources to each market. This model also forecasts the revenues and costs associated with the forest estate.

The FPC values sandalwood plantations that are managed across an area of approximately 5,508 hectares. The value of the sandalwood plantation is based on revenues and costs associated with the forest estate.

Native Timber

Native forest is managed in accordance with the *Forest Management Plan 2014-2023* (FMP), under which there are limitations and requirements in regards to harvesting limits and regeneration (sustainability). Sustainable yield means that the volume harvested will approximate, over long-term harvest cycles, annual forest growth of the harvestable forest areas.

On the basis of the long term sustainable yield forecast in the FMP a perpetual terminal value approach is adopted for the cash flows post the current FMP. Should Government policy change the value of the Native Forest will need to be reviewed.

As a result, valuation of the native forest is limited by quantities available under the FMP. Within these limits the valuation includes volumes that could realistically be marketed and sold.

Management silviculture obligations associated with jarrah are included in the fair value measurement. Karri regeneration costs are excluded. The cost associated with regenerating Native Forest areas harvested at reporting date are provided for as a liability; refer to Note 32.0(e).

Sandalwood

The commercial harvesting of sandalwood on public land is governed by the Forest Products Act 2000, Sandalwood Act 1929, Conservation and Land Management Act 1984, and Wildlife Conservation Act 1950.

The annual harvest limit set by Executive Council under the Sandalwood (Limitation of Removal of Sandalwood) Order (2015) is a maximum of 1,250 tonnes of green and 1,250 tonnes of dead sandalwood.

The FPC is licenced to harvest up to 1,125 tonnes of green and 1,125 of dead sandalwood each year. Dead sandalwood is not included in the biological assets valuation as it is not a living asset.

The fair value of Sandalwood is measured based on the 2015 Order period which ends 31 December 2026. The valuation measurement will be reviewed when future Orders are gazetted.

Valuation of biological assets

Plantation Timber

The FPC values its Pine Plantation estate on a fair value basis utilising the services of an independent valuer. Since 2014, Indufor Asia Pacific Ltd has provided the independent valuation. Indufor is a New Zealand based company providing forest and forest industry valuation services internationally.

The FPC values its Sandalwood Plantation estate on a fair value basis utilising the expectation of net cash to be derived from the forest estate in each year of the projected holding period of the asset discounted to a net present value. The discount rate adopted has been provided by an independent valuer (Indufor Asia Pacific Ltd).

Native Forest and Sandalwood

The FPC values the Native Forest and Sandalwood estates on a fair value basis utilising the expectation of net cash to be derived from the forest estate in each year of the projected holding period of the asset discounted to a net present value. The discount rate adopted has been provided by an independent valuer (Indufor Asia Pacific Ltd).

Fair Value

The fair value of the biological assets is calculated by estimating the future harvests after considering constraints imposed by sustainable management, contracts and markets. Next, in valuing each group of asset, revenue from the harvest of forest products and costs associated with the management, marketing and selling of the forest products are assessed to determine the value of the asset.

Finally, by applying a discount rate, the Net Present Value (NPV) of those cash flows is assessed. The NPV is an estimation of the amount that one would pay today to receive the future cash flows from the harvest of forest products and management of the asset until harvest. NPV is calculated as the net of the future cash inflows and outflows associated with forest production activities, discounted back to current values.

In determining the valuation of the assets, there are assumptions that must be reviewed annually. Valuation changes mainly arise from:

- > changes in timber volume
- > changes in timber prices
- > changes in production costs, including management, marketing and selling costs
- > changes in the discount rate

2.18 Payables

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

2.19 Borrowings

All loans payable are initially recognised at fair value, being the proceeds received net of transaction costs. Subsequent measurement is at amortised cost using the effective interest rate method.

2.20 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 reporting period.

(i) Provisions – employee benefits

All annual leave and long service leave provisions are in respect of employee's services up to the end of the reporting period.

Annual leave

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period 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 reporting period 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 FPC does not have an unconditional right to defer the settlement of the liability for at least 12 months after the end of the reporting period.

Long service leave

Long service leave is not expected to be settled wholly within 12 months after the end of the reporting period 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 reporting period 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 FPC does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the FPC has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

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.

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 to the Gold State Superannuation (GSS) Scheme, a defined benefit lump sum scheme also closed to new members since 1995.

Employees commencing employment prior to 16 April 2007 who are 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 FPC 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 FPC's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

The Pension Scheme and the pre-transfer benefit for employees who transferred to the GSS are defined benefit schemes. These benefits are wholly unfunded and the liabilities for future payments are provided at the end of the reporting period. The liabilities under these schemes have been calculated separately for each scheme annually by Mercer (Australia) Pty Ltd using the projected unit credit method.

The expected future payments are discounted to present value using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The GSS, the WSS, and the GESBS, where the current service superannuation charge is paid by the FPC to the GESB, are defined contribution schemes. The liabilities for current service superannuation charges under the GSS, the WSS, and the GESBS are extinguished by the concurrent payment of employer contributions to the GESB.

The GSS is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, from an agency perspective, apart from the transfer benefits, it is a defined contribution plan under AASB 119.

(ii) 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 FPC's 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

Native Forest Regeneration Provision

A provision is recognised where the FPC has a legal or constructive obligation to undertake regeneration work. Estimates are based on the present value of expected future cash outflows.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived to the FPC from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The position in relation to these contracts is assessed at the end of each reporting period. When contracts are no longer determined to be onerous, income is taken to profit or loss.

Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year, but not distributed at the end of the reporting period.

A dividend liability is not recognised if the dividends are still to be approved (declared) at the end of the reporting period. "Declared" is considered to mean that the dividends are appropriately authorised and no longer at the discretion of the entity. Under current Western Australian legislative arrangements, dividends (other than interim dividends) are formally approved by the Minister after the balance date and therefore would not meet the recognition criteria of a present obligation of a liability.

2.21 Superannuation expense

Superannuation expense is recognised in the Statement of Comprehensive Income in profit or loss for defined contribution plans, including the concurrent payment of employer contributions to the GSS scheme, as and when the contributions fall due.

For defined benefit plans (the Pension Scheme and the pre-transfer component of the GSS), changes in the defined benefit obligation are recognised in the Statement of Comprehensive Income either in profit or loss, or, other comprehensive income as follows:

profit or loss:

- > current service cost;
- > past service cost; and
- > interest cost.

other comprehensive income:

- > actuarial gains and losses.

2.22 Assets and services received free of charge or for nominal cost

Assets or services received free of charge or for nominal cost, that the FPC would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services that can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of Financial Position.

2.23 Comparative figures

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

3.0 Other accounting policies

3.1 Segment information

Segment information is prepared in conformity with Treasurer's Instruction (TI) 1101.

Segment income, expenses, assets and liabilities are allocated on the basis of direct attribution and reasonable estimates of usage.

A segment is a distinguishable component of the FPC that is engaged either in providing goods or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3.2 Foreign currency translation, derivative financial instrument and hedge accounting

Transactions denominated in a foreign currency are translated at the rates in existence at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange current at the end of the reporting period. Exchange gains and losses are brought to account in determining the result for the year.

Forward foreign exchange contracts are entered into as hedges to minimise possible adverse financial effects of movements in exchange rates. Such derivatives are stated at fair value. Changes in the fair value of derivatives that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income and the ineffective portion is recognised immediately in profit or loss.

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in other comprehensive income are reclassified to profit or loss in the same period in which the hedged firm commitment affects profit and loss, for example when the future sale actually occurs.

When a hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that was recognised in other comprehensive income at that time remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in other comprehensive income is immediately reclassified to profit or loss as a reclassification adjustment.

Note that derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in profit or loss.

3.3 Goods and services tax

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

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

4.0 Key sources of estimation uncertainty

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

4.1 Long service leave

Several estimations and assumptions used in calculating the FPC's long service leave provision include expected future salary rates, discount rates, employee retention rates and expected future payments. Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

4.2 Biological assets

The valuation of biological assets contain key estimates and assumptions made concerning the future, and other estimations of uncertainty at balance date. Variations to these estimates carry a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Calculations performed in assessing the value of the Biological assets incorporate uncertainty with discount rates, harvest yields and volumes that could be realistically marketed and sold. See note 29.3 for sensitivity analysis

4.3 Property, plant and equipment and infrastructure

Land and buildings are revalued as at 1 July 2016 by the Western Australian Land 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 values for land and buildings. For the remaining balance, fair value of buildings was determined on the basis of depreciated replacement cost and fair value of land was determined on the basis of comparison with market evidence for land with low level utility (high restricted use land). The most significant assumptions 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.

5.0 Disclosure of changes in accounting policy and estimates

5.1 Initial application of an Australian Accounting Standard

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

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 FPC 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 FPC has determined that the application of the Standard has no financial impact.</p>
AASB 2015-2	<p>Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101 [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 - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]</p>
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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.

AASB 2015-10	<p>Amendments to Australian Accounting Standards Effective Date of Amendments to AASB 10 & 128</p>
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This Standard defers the mandatory effective date (application date) of amendments to AASB 10 & AASB 128 that were originally made in AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016. There is no financial impact.

5.2 Future impact of Australian Accounting Standards not yet operative

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

		Operative for reporting periods beginning on/after
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 FPC is assessing the potential impact of the Standard.	1 Jan 2018
AASB 15	Revenue from contracts with customers This Standard establishes the principles that the FPC 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 FPC is assessing 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 FPC has discharged its performance obligations.	1 Jan 2019

Operative for reporting
periods beginning on/after

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 entity currently has operating lease commitments for \$2,420,000. The worth of non-cancellable operating leases which the FPC anticipates most of this amount 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.	1 Jan 2019
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, or a performance obligation (a promise to transfer a good or service), or, an obligation to acquire an asset. The FPC has not yet determined the application or the potential impact of the Standard.	1 Jan 2019

	Operative for reporting periods beginning on/after		Operative for reporting periods beginning on/after
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]	1 Jan 2018	
	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 FPC is assessing the potential impact of the Standard.		
AASB 2014-1	Amendments to Australian Accounting Standards	1 Jan 2018	
	Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. The FPC is assessing the potential impact of the Standard.		
AASB 2014-5	Amendments to Australian Accounting Standards arising from AASB 15	1 Jan 2018	
	This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The FPC is assessing the potential impact of the Standard.		
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	1 Jan 2018	
	This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The FPC is assessing the potential impact of the Standard.		
AASB 2015-8	Amendments to Australian Accounting Standards – Effective Date of AASB 15		1 Jan 2019
	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 FPC has not yet determined the application or the potential impact of AASB 15.		
AASB 2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]		1 Jan 2017
	The FPC has no unrealised losses as at report date. This will be reviewed for future reporting periods.		
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107		1 Jan 2017
	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 2016-3	Amendments to Australian Accounting Standards – Clarifications to AASB 15		1 Jan 2018
	This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and, provides further transitional provisions to AASB 15. The FPC is assessing the potential impact of the Standard.		

	Operative for reporting periods beginning on/after		Operative for reporting periods beginning on/after
AASB 2016-4	Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	1 Jan 2017	AASB 2017-2
	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 FPC is assessing the potential impact of the Standard.		Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle
			This Standard clarifies the scope of AASB 12 by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5. There is no financial impact.
AASB 2016-7	Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not- for-Profit Entities	1 Jan 2017	
	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.		
AASB 2016-8	Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities	1 Jan 2019	
	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
6.0 Trading profit		
6.1 Sales		
Harvesting operations	66,164	76,495
Recovery of harvesting costs	47,128	45,227
Plant propagation centre revenue	108	132
Total sales	113,400	121,854
6.2 Cost of sales		
Harvesting Costs	(60,974)	(61,840)
Roading maintenance and construction	(3,351)	(3,784)
Write back of inventory to net realisable value	576	(1,083)
Cost of goods sold	(63,749)	(66,707)
Trading profit	49,651	55,147
7.0 Commonwealth grants and contributions		
Recognition of Commonwealth Government contribution to National Action Plan for Salinity and Water Quality	666	816
	666	816
8.0 Interest revenue		
Interest revenue	916	805
	916	805
9.0 Other revenue		
Contracts and other revenue	49	56
Revenue from cost recovery operations ¹	1,173	1,376
Resources received free of charge	98	22
	1,320	1,454

¹ Revenue from cost recovery operations is due mainly to services to Department of Biodiversity, Conservation and Attractions (DBCA) for fire support, the recoup of plantation maintenance costs and insurance premium adjustments. Expenses associated with these contributions are included in expenses from ordinary activities.

	2017 \$000	2016 \$000
10.0 Other gains		
Gain on foreign currencies	317	1,042
	317	1,042
11.0 Employee benefits expense		
Wages and salary	14,481	13,672
Fringe benefits tax	24	19
Leave expense	1,633	1,485
Payroll tax	1,037	961
Superannuation - defined contribution plans	1,695	1,506
Superannuation - defined benefit plans (Note 32)	3	5
	18,874	17,648
Employment on-cost expenses, such as worker's compensation insurance, are included in note 16 Other expenses The employment on-costs liability is included at note 32 provisions.		
12.0 Supplies and services		
Travel	300	214
Sundry supplies and services	2,036	898
Insurance ¹	977	497
Operating lease	1,404	1,471
Other services	55	93
Legal fees and consultants	550	802
DBCA service level agreements	7,474	7,826
Materials	727	684
Forest management expenses	4,058	5,265
Fire salvage and remedial works	1,327	1,879
Repairs and maintenance	572	521
Vehicle expenses	66	76
	19,546	20,225

¹ Insurance includes payments to Riskcover.

	2017 \$000	2016 \$000
13.0 Depreciation and amortisation expense		
Plant, equipment, vehicles, office equipment and nursery infrastructure	859	865
Buildings	301	244
Amortisation of software	132	99
	1,292	1,208
14.0 Finance costs		
Interest on contract obligations	691	1,079
Foreign exchange loss	62	167
	753	1,246
15.0 Accommodation expenses		
Lease rentals and accommodation	287	201
Other property	152	146
	439	347
16.0 Other expenses		
Audit fees - Auditor General	162	152
Audit fees - Other	65	105
Increase in allowance for doubtful debts	244	84
Telephone, postage, communications	771	859
Employment on-costs	23	92
Plantation maintenance provision movement	(39)	(23)
Other administration costs	177	292
Resources received free of charge	98	22
	1,501	1,583

	2017 \$000	2016 \$000
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17.0 Related Party Transactions

The FPC is a wholly owned and controlled entity of the State of Western Australia. In conducting its activities, the FPC 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 the State.

Related parties of the department include:

- all Ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other departments and 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
- the Government Employees Superannuation Board (GESB).

Significant transactions with government related entities

Significant transactions include:

- income from Royalties for Regions Fund (Note 20);	250
- State Government contributions (Note 34.1);	2,100
- State Government operating subsidy (Note 20);	1,451
- Recoup of costs from DBCA (Note 9);	496
- payments to DBCA (note 12);	(4,198)
- payments to Treasury for works performed by DBCA (Note 12);	(6,857)
- payments to Treasury for dividends and tax (refer statement of cashflows);	(3,091)
- superannuation payments to GESB (Note 11);	(341)
- insurance payments to the Insurance Commission of WA (Riskcover) (Note 12);	(1,396)
- payment for services provided by the Auditor General (Note 44);	(179)

	2017 \$000	2016 \$000
- payment to the State Solicitors Office for land acquisition;	(4,377)	
- payment for services provided by Synergy (Note 12);	(135)	
- payment for services provided by the Department of Water (Note 12);	(117)	
- payment for services provided by the Department of Housing (Note 15);	(112)	
- payment for services provided by the Department of Primary Industries and Regional Development (Note 15);	(179)	
- commitments for future lease payments to the Department of Primary Industries and Regional Development (Note 36.2);	(2,116)	

Material transactions with related parties

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

	2017 \$000	2016 \$000
18.0 Biological asset increase/(decrease)		
Increment/(decrement) from revaluations	(6,663)	5,005
	(6,663)	5,005
Reconciliation of decrease on revaluations to movement of biological assets		
Gross movement on biological assets	(4,077)	16,400
Provision for replanting - Harvey Coast	1,962	(5,470)
New plantations	(4,548)	(5,925)
	(6,663)	5,005

19.0 Onerous contracts

Annuity obligations associated with non-core share farms considered onerous ¹	196	2,871
	196	2,871

¹Comprises an adjustment for plantation sandalwood estate no longer considered onerous

	2017 \$000	2016 \$000
20.0 Grants and subsidies from State Government		
Government operating subsidy ^(a)	1,451	-
Royalties for Regions Fund – A Vision for the Forest Industry in Western Australia ^(b)	250	-
	1,701	-
^(a) Subsidy from the Strategic Assessment of the Perth and Peel Regions to replant 500 ha of pine plantations		
^(b) This is a sub-fund within the over-arching 'Royalties for Regions Fund'. The recurrent funds are committed to projects and programs in WA regional areas.		

21.0 Restricted cash and cash equivalents

Current		
Royalties for Regions Fund ^(a)	127	-
	127	-

^(a) Unspent funds are committed to projects and programs in WA regional areas.

22.0 Inventories

Current		
Inventories held for resale at cost ¹ :		
- Plant propagation centre	1,969	1,058
- Sandalwood	2,505	2,631
- Timber on forest landings	1,015	1,015
	5,489	4,704

¹ Cost is the net market value of inventories at the time inventories become non-living.

23.0 Receivables

Current		
Trade and other receivables	20,790	18,106
Allowance for doubtful debts	(987)	(744)
	19,803	17,362
Reconciliation of change in the allowance for doubtful debts		
Balance at start of year	(744)	(761)
Amounts written off during the year	1	101

	2017 \$000	2016 \$000
Doubtful debts expense recognised in the Statement of comprehensive Income	(244)	(84)
Balance at end of year	(987)	(744)

24.0 Income tax receivable

Current		
Income tax receivable	(561)	-
	(561)	-

25.0 Other assets

Current		
Prepayments	549	87
Derivative asset	62	153
Accrued revenue	397	304
	1,008	544

26.0 Property, plant and equipment and infrastructure

26.1 Land and buildings		
Freehold land at fair value ¹	17,396	11,101
	17,396	11,101
Buildings at fair value ¹	5,760	5,959
Accumulated depreciation	-	(2)
	5,760	5,957
Total land and buildings	23,156	17,058

¹ Land and buildings were 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 values for land: \$10,349,200 (2016: \$10,017,200) and buildings: \$4,190,000 (2016: \$4,235,000). For the remaining balance, fair value of buildings was determined on the basis of depreciated replacement cost and fair value of land was determined on the basis of comparison with market evidence for land with low level utility (high restricted use land).

	2017 \$000	2016 \$000
26.2 Plant, equipment, infrastructure and vehicles		
Nursery infrastructure at fair value ¹	13,172	13,172
Accumulated depreciation	(9,884)	(9,225)
Nursery infrastructure	3,288	3,947
Plant, equipment and vehicles at cost	3,536	3,787
Accumulated depreciation	(3,193)	(3,288)
	343	499
Office equipment at cost	580	964
Accumulated depreciation	(525)	(895)
	55	69
Total plant, equipment and vehicles	3,686	4,515
¹ Nursery infrastructure was revalued at 30 June 2016 on a 'written down replacement value' basis by independent valuers McGarry Associates Pty Ltd.		
Total Property, plant and equipment and infrastructure	26,842	21,573

26.3 Reconciliations

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

	Freehold land \$000	Buildings \$000	Nursery infrastructure \$000	Plant equipment and vehicles \$000	Office equipment \$000	Total \$000
Balance at 1 July 2015	11,491	4,969	12,664	3,756	1,186	34,066
Additions	-	-	-	115	20	135
Disposals	-	(94)	-	(129)	(698)	(921)
Revaluation increase	(390)	1,495	1,203	-	-	2,308
Accumulated depreciation written back	-	(411)	(695)	-	-	(1,106)
Derecognition	-	-	-	45	456	501
Reclassifications	-	-	-	-	-	-
Balance at 30 June 2016	11,101	5,959	13,172	3,787	964	34,983
Balance at 1 July 2016	11,101	5,959	13,172	3,787	964	34,983
Additions	6,006	81	-	15	58	6,160
Disposals	-	(79)	-	(237)	(186)	(502)
Revaluation (decrease)/increase	289	97	-	-	-	386
Accumulated depreciation written back	-	(298)	-	-	-	(298)
Derecognition	-	-	-	(15)	-	(15)
Reclassifications	-	-	-	(14)	(256)	(270)
Balance at 30 June 2017	17,396	5,760	13,172	3,536	580	40,444

Cost or fair value

	Freehold land \$000	Buildings \$000	Nursery infrastructure \$000	Plant equipment and vehicles \$000	Office equipment \$000	Total \$000	
Depreciation and impairment losses	Balance at 1 July 2015	-	(209)	(9,287)	(3,181)	(1,055)	(13,732)
	Depreciation	-	(244)	(633)	(167)	(64)	(1,108)
	Derecognition	-	-	-	(36)	(402)	(438)
	Disposal	-	40	-	96	626	762
	Accumulated depreciation written back	-	411	695	-	-	1,106
	Reclassifications	-	-	-	-	-	-
	Balance at 30 June 2016	-	(2)	(9,225)	(3,288)	(895)	(13,410)
	Balance at 1 July 2016	-	(2)	(9,225)	(3,288)	(895)	(13,410)
	Depreciation	-	(301)	(659)	(150)	(51)	(1,161)
	Derecognition	-	-	-	-	(27)	(27)
Disposal	-	5	-	238	185	428	
Accumulated depreciation written back	-	298	-	-	-	298	
Reclassifications	-	-	-	8	262	270	
Balance at 30 June 2017	-	-	(9,884)	(3,193)	(525)	(13,602)	
Carrying amounts	At 1 July 2014	11,491	4,760	3,377	575	131	20,334
	At 30 June 2015	11,101	5,957	3,947	499	69	21,573
	At 1 July 2015	11,101	5,957	3,947	499	69	21,573
	At 30 June 2016	17,396	5,760	3,288	343	55	26,842

26.4 Fair value measurements

Assets measured at fair value:	Level 1 \$000	Level 2 \$000	Level 3 \$000	Fair Value At end of year \$000
2017				
Land (Note 26.1)	-	-	17,396	17,396
Buildings (Note 26.1)	-	-	5,760	5,760
Infrastructure (Note 26.2)	-	-	3,288	3,288
	-	-	26,444	26,444

There were no transfers between Levels 1, 2 or 3 during the period.

Assets measured at fair value:	Level 1 \$000	Level 2 \$000	Level 3 \$000	Fair Value At end of year \$000
2016				
Land (Note 26.1)	-	-	11,101	11,101
Buildings (Note 26.1)	-	-	5,957	5,957
Infrastructure (Note 26.2)	-	-	3,947	3,947
	-	-	21,005	21,005

There were no transfers between Levels 1, 2 or 3 during the period.

Fair value measurements using significant unobservable inputs (Level 3)

	Land \$000	Buildings \$000	Infrastructure \$000
2017			
Fair Value at start of period	11,101	5,957	3,947
Additions	6,006	81	-
Revaluation increments/(decrements) recognised in other comprehensive income	289	97	-
Disposals	-	(74)	-
Depreciation expense	-	(301)	(659)
Fair Value at end of period	17,396	5,760	3,288

	Land \$000	Buildings \$000	Infrastructure \$000
2016			
Fair Value at start of period	11,491	4,760	3,377
Revaluation increments/(decrements) recognised in other comprehensive income	(390)	1,495	1,203
Disposals	-	(54)	-
Depreciation expense	-	(244)	(633)
Fair Value at end of period	11,101	5,957	3,947

Valuation processes

There were no changes in valuation techniques during the year.

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

Fair value for existing use specialised buildings and infrastructure assets 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, or obsolescence, and optimisation (where applicable) of the asset. Current replacement cost is generally determined by reference to the market-observable replacement cost of a substitute asset of comparable utility and the gross project size specifications.

Fair value for restricted use land is based on market value, by either using market evidence of sales of comparable land that is unrestricted less restoration costs to return the site to a vacant and marketable condition (low restricted use land), or, comparison with market evidence for land with low level utility (high restricted use land).

Significant Level 3 inputs used by the FPC are derived and evaluated as follows:

- > **Consumed economic benefit/obsolescence of asset**
These are estimated by the Western Australian Land Information Authority (Valuation Services).
- > **Selection of land with restricted utility**
Fair value for restricted use land is determined by comparison with market evidence for land with low level utility. Relevant comparators of land with low level utility are selected by the Western Australian Land Information Authority (Valuation Services).
- > **Historical cost per cubic metre (m³)**
The costs of construction of infrastructure are extracted from financial records of the FPC and indexed by movements in construction costs by quantity surveyors.

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

Description	Fair Value 30/06/2017 \$000	Fair Value 30/06/2016 \$000	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs to fair value
Land	17,396	11,101	Market approach	Selection of land with similar approximate utility	Higher value of similar land increases estimated fair value.
Buildings	5,760	5,957	Market approach	Consumed economic benefit/ obsolescence of asset	Greater consumption of economic benefit or increased obsolescence lowers fair value.
Infrastructure	3,288	3,947	Depreciated Replacement Cost	Consumed economic benefit/ obsolescence of asset	Greater consumption of economic benefit or increased obsolescence lowers fair value.

Reconciliations of the opening and closing balances are provided in Note 25.3.

Basis of Valuation

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

	2017 \$000	2016 \$000
27.0 Intangible assets		
27.1 Software		
Software - cost	994	722
Software - accumulated amortisation	(666)	(502)
Total Intangible assets	328	220

Reconciliation

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

	Intangible Assets \$000
Cost	
Balance at 1 July 2015	672
Additions from external sources	79
Derecognition	(29)
Balance at 30 June 2016	722
Balance at 1 July 2016	722
Additions from external sources	240
Reclassifications	270
Disposals	(238)
Balance at 30 June 2017	994
Amortisation and impairment losses	
Balance at 1 July 2015	(432)
Amortisation of software costs	(99)
Derecognition	29
Balance at 30 June 2016	(502)
Balance at 1 July 2016	(502)
Amortisation of software costs	(132)
Reclassifications	(270)
Disposals	238
Balance at 30 June 2017	(666)
Carrying Amounts	
At 1 July 2015	240
At 30 June 2016	220
At 1 July 2016	220
At 30 June 2017	328

	2017 \$000	2016 \$000
28.0 Biological assets		
Current (Biological assets at valuation)		
Native Forest		
Native forest standing timber	5,937	5,751
Sandalwood standing timber	8,934	7,208
Native forest biological assets at valuation	14,871	12,959
Plantations		
Plantations biological assets at valuation	8,669	7,622
Total biological assets at valuation current	23,540	20,581
Non-Current (Biological assets at valuation)		
Native Forest		
Native forest standing timber	72,534	72,864
Sandalwood standing timber	56,416	64,100
Native forest biological assets at valuation	128,950	136,964
Plantations		
Mature standing timbers	169,318	169,708
Plantation sandalwood	4,377	3,009
Plantations biological assets at valuation	173,695	172,717
Total biological assets at valuation non-current	302,645	309,681
Total biological assets at valuation	326,185	330,262
The Plantations estate is represented by:		
Pine plantations standing timber	177,987	177,330
Plantation sandalwood	4,377	3,009
Total Plantations biological assets at valuation	182,364	180,339

	2017 \$000	2016 \$000
Reconciliation of changes in the carrying amount of biological assets at the beginning and the end of the year		
Carrying amount at start of year	330,262	313,862
Gain / (Loss) from changes in fair value	(6,663)	5,005
Add Harvey Coast provision	(1,962)	5,470
Add plantation establishment capitalisation	4,548	5,924
Carrying amount at end of year	326,185	330,262

28.1 Fair Value measurement

Fair value hierarchy

The fair value for standing timber has been categorised as Level 3 fair values based on the inputs to the valuation technique used (a combination of the income approach and comparable sales approach under a discounted cash flow framework).

Level 3 fair values

The following tables provides a reconciliation from the opening balance to the closing balance for level 3 fair values:

	Note	Native Forest \$000	Sandalwood \$000	Plantations \$000
Opening Balance 1 July 2015		84,483	60,182	169,197
Additions		-	-	5,924
Revaluation increments/ (decrements) recognised in profit or loss		(5,868)	11,126	5,217
Closing Balance 30 June 2016		78,615	71,308	180,339
Balance at 1 July 2016		78,615	71,308	180,339
Additions		-	-	4,548
Revaluation (decrements)/ increments recognised in profit or loss		(144)	(5,958)	(2,523)
Closing Balance 30 June 2017		78,471	65,350	182,364
Opening Balance 1 July 2015		84,483	60,182	169,197
Volume	1	(2,045)	(6,964)	(9,452)
Revenue	2	(1,163)	19,963	(3,040)
Expense	3	(2,660)	(1,873)	20,625
Plantation sandalwood	5	-	-	3,009
Closing Balance 30 June 2016		78,615	71,308	180,339
Balance at 1 July 2016		78,615	71,308	180,339
Volume	1	12,612	(12,257)	18,912
Revenue	2	11,852	(9,910)	(11,775)
Expense	3	(24,608)	16,209	(6,480)
Discount rate	4	-	-	-
Plantation sandalwood	5	-	-	1,368
Closing Balance 30 June 2017		78,471	65,350	182,364

Notes**Native Forests**

1. **2016:** The updating of the valuation from 2015 to 2016 includes an increase in the projected harvest volume based on market demand projections. The impact of the revised woodflow is a \$2.045 million decrease in value.

2017: The updating of the valuation from 2016 to 2017 includes an increase in the projected volume for harvest based on market demand projections, primarily in low grade resource. The impact of the revised woodflow is a \$12.612 million increase in value.

2. **2016:** The movement of unit prices between 2015 and 2016 has resulted in a net present value decrease of \$1.163 million over the valuation time horizon of 50 years. The primary contributing factor to the decrease arises from a review of the forecast karri product mix which has increased the quantum of lower value product to be harvested, partly offset by a review of jarrah product mix which has increased forecast sawlog sales and reduced firewood sales. This revision decreases the forecast revenue.

2017: The movement in unit prices between 2016 and 2017 has resulted in a net present value increase of \$11.852 million. The contributing factors to the increase are a combination of volume increase coupled with an average price per unit increase.

3. **2016:** The movement in unit costs between 2015 and 2016 has resulted in a net present value decrease of \$2.660 million over the valuation time horizon of 50 years. The primary driver of the decrease being an increase in forecast forest management costs, partly offset by a reduced forecast for roading costs.

2017: The movement in unit costs between 2016 and 2017 has resulted in a net present value decrease of \$24.608 million. The driver of the increase is a combination of increased volume, an increase in cost projected for forest management, administration and inforest, partly offset by a reduction in forecast roading costs.

4. **2016:** The discount rate for 2016 has been provided by an independent valuation company Indufor Asia Pacific. This discount rate is real, pre-tax and takes into consideration the forecast period timeframe and risks of achieving the forecast cash flows over that timeframe. The discount rate for 2016 is 9.5% (2015 9.5%).

2017: The discount rate for 2017 has been provided by an independent valuation company Indufor Asia Pacific. This discount rate is real, pre-tax and takes into consideration the forecast period timeframe and risks of achieving the forecast cash flows over that timeframe. The discount rate for 2017 is 9.5% (2016 9.5%).

Sandalwood

1. 2016: The updating of the valuation from 2015 to 2016 occurs during a transition period to new contractual arrangements for the processing, marketing and sale of wild sandalwood. During this period of uncertainty a reduction in volume to be harvested over the valuation time horizon of 50 years has been incorporated into the valuation. The impact of this reduction is a net present value decrease of \$6.964 million.

2017: The updating of the valuation from 2016 to 2017 occurs following a transition period to new contractual arrangements for the processing, marketing and sale of wild sandalwood. The volume available is specified by the Sandalwood (Limitation of Removal of Sandalwood) Order 2015 (OIC) for the period ended 31 December 2026. In 2024 a review of the OIC will specify volume available for harvest post 2026. The limiting of the volumes to 31 December 2016 has been incorporated into the valuation. The impact of this is a net present value decrease of \$12.257 million.

2. 2016: The movement of unit prices between 2015 and 2016 has resulted in a net present value increase of \$19.963 million over the valuation time horizon of 50 years. The primary contributing factor to the increase is the increase in wild sandalwood prices in the domestic market.

2017: The movement of unit prices between 2016 and 2017 has resulted in a net present value decrease of \$9.910 million. The primary contributing factor being the domestic market price risk adjustment.

3. 2016: The movement in unit costs between 2015 and 2016 has resulted in a net present value decrease of \$1.873 million over the valuation time horizon of 50 years. The primary contributing factor to the decrease being higher processing costs.

2017: The movement in unit costs between 2016 and 2017 has resulted in a net present value increase of \$16.209 million. The primary contributing factor being the revision of the estimate for harvesting costs.

4. 2016: The discount rate for 2016 has been provided by an independent valuation company Indufor Asia Pacific. This discount rate is real, pre-tax and takes into consideration the forecast period timeframe and risks of achieving the forecast cash flows over that timeframe. The discount rate for 2016 is 9.5% (2015 9.5%).

2017: The discount rate for 2017 has been provided by an independent valuation company Indufor Asia Pacific. This discount rate is real, pre-tax and takes into consideration the forecast period timeframe and risks of achieving the forecast cash flows over that timeframe. The discount rate for 2017 is 9.5% (2016 9.5%).

Plantations

1. 2016: The updating of the valuation from 2015 to 2016 includes a review of the available volume for harvest, which has resulted in a decrease in the level of the projected wood flows. This is the result of a combination of factors including: revision of the stocked forest area as a consequence of harvesting and replanting and drought and fire losses; updating of yield estimates for areas where new inventory has been completed, and development of a revised harvesting strategy and projected woodflow. The impact of the revised woodflow is a \$9.452 million reduction in value.

2017: The updating of the valuation from 2016 to 2017 includes a review of the available volume for harvest, which has resulted in an increase in the level of the projected wood flows. This is the result of a combination of factors including: revision of the stocked forest area as a consequence of harvesting and replanting; updating of yield estimates for areas where new inventory has been completed, and development of a revised harvesting strategy and projected woodflow. The impact of the revised woodflow is a \$18.912 million increase in value.

2. 2016: The movement of forecast unit prices between 2015 and 2016 has resulted in a net present value decrease of \$3.040 million over the period the current crop is forecast to be harvested. The primary contributing factor to the decrease is the decrease in projected log prices for the export and Albany industrial wood market.

2017: The movement of forecast unit prices between 2016 and 2017 has resulted in a net present value decrease of \$11.775 million over the period the current crop is forecast to be harvested. The primary contributing factor to the decrease is the reduction in log price for Wespine.

3. 2016: The movement of forecast expenses between 2015 and 2016 has resulted in a net present value increase of \$20.625 million over the period the current crop is forecast to be harvested. The primary driver of the increase is generally lower harvesting and transport costs.

2017: The movement of forecast expenses between 2016 and 2017 has resulted in a net present value decrease of \$6.480 million over the period the current crop is forecast to be harvested. The primary drivers of the decrease are higher transport and overhead costs, and higher stumpage share payments.

4. **2016:**The discount rate for 2016 has been provided by an independent valuation company Indufor Asia Pacific. This discount rate is for application to real, pre-tax cashflows and takes into consideration the forecast period timeframe and risks of achieving the forecast cash flows over that timeframe. The discount rate for 2016 is 9.0% (2015 9.0%).

2017: The discount rate for 2017 has been provided by an independent valuation company Indufor Asia Pacific. This discount rate is for application to real, pre-tax cashflows and takes into consideration the forecast period timeframe and risks of achieving the forecast cash flows over that timeframe. The discount rate for 2017 is 9.0% (2016 9.0%).

5. **2016:** This represents the recognition of the sandalwood plantation forest estate as an asset which was previously valued at zero. The discount rate for 2016 is 9.5%

2017: This represents the movement in net present value for the sandalwood plantation forest estate which was previously recognised in 2015/16. The discount rate for 2017 is 9.5%

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

Standing timber - Native forest

Description and Fair Value as at 30 June 2017		Valuation technique(s)	Significant unobservable inputs			Relationship of unobservable inputs to fair value measurement
30 June 17 \$000	30 June 16 \$000		Unobservable Inputs	2017	2016	
78,471	78,615	Discounted cash flows: the valuation model considers the present value of the net cash flows to be generated from the forest. The cash flow projections include specific estimates for the <i>Forest Management Plan</i> (FMP) period plus a perpetual terminal value for the sustainable volumes post FMP. The expected net cash flows are discounted using a risk adjusted discounted rate.	Estimated future timber market prices (gross profit) per cubic metre:	\$4.88 to \$73.21 weighted average \$29.10	\$4.88 to \$73.96, weighted average \$32.50	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> the estimated timber gross profit price per cubic metre were higher (lower); the estimated volume was higher (lower); the estimated management cost per cubic metre were lower (higher); or the risk-adjusted discount rate were lower (higher).
			Estimated average volume per annum	686,000 cubic metres	548,000 cubic metres	
			Estimated management costs per cubic metre to sell the volume	\$19.05	\$20.03	

Standing timber - Sandalwood

Description and Fair Value as at 30 June 2017		Valuation technique(s)	Significant unobservable inputs			Relationship of unobservable inputs to fair value measurement
30 June 17 \$000	30 June 16 \$000		Unobservable Inputs	2017	2016	
65,350	71,308	Discounted cash flows: the valuation model considers the present value of the net cash flows to be generated from the forest. The cash flows projections include specific estimates for the Order in Council (OIC) period.	Estimated future timber market prices based on AUD/USD dollar forward exchange rates provided by Western Australian Treasury Corporation.	The exchange rate decreases over the period from \$0.77 in 2017 to \$0.72 in 2027.	The exchange rate decreases over the period from \$0.74 in 2017 to \$0.53 in 2066.	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> • the estimated timber gross profit price per cubic metre were higher (lower); • the estimated volume was higher (lower); • the estimated cost to harvest, produce and sell per tonne were lower (higher); or • the risk-adjusted discount rate were lower (higher). • the estimated AUD/USD dollar forward exchange rates were lower (higher);
			The weighted average price for products	Domestic market A\$17,493 per tonne; Export market USD \$12,693 per tonne.	Domestic market A\$21,538 per tonne; Export market USD \$11,072 per tonne.	
			Estimated average volume per annum	1125 tonnes per annum.	to FY26 is 975 tonnes, then 500 tonnes to FY43, and thereafter 300 tonnes.	
			Estimated cost per tonne to harvest, produce and sell the volume over the forecast horizon	\$7,842	\$10,214	

Standing timber - Plantations

Description and Fair Value as at 30 June 2017		Significant unobservable inputs				Relationship of unobservable inputs to fair value measurement
30 June 17 \$000	30 June 16 \$000	Valuation technique(s)	Unobservable Inputs	2017	2016	
177,987	177,330	Discounted cash flows: the valuation model considers the present value of the net cash flows to be generated from the forest. The cash flows projections include specific estimates for 38 years (the period over which the current crop is forecast to be harvested). The expected net cash flows are discounted using a risk adjusted discount rate. As far as practical asset risks specific to the asset have been incorporated into the cashflow.	The area stocked	The area stocked as at 31 March 2017 is 70,271 hectares. Beyond the current date, it is not possible to declare the forest area with certainty. Indufor has developed the cashflow model on a March year basis but reduced the first period cashflow by approximately 24.9% to allow for the cashflow that occurs between 1 April 2017 and 30 June 2017.	The area stocked as at 31 March 2016 is 73,410 hectares. Beyond the current date, it is not possible to declare the forest area with certainty. Indufor has developed the cashflow model on a March year basis but reduced the first period cashflow by approximately 24.9% to allow for the cashflow that occurs between 1 April 2016 and 30 June 2016.	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> • Yields from plantations were higher (lower) than predicted. • the estimated timber gross profit price per cubic metre were higher (lower); • the estimated management cost per cubic metre were lower (higher); • the risk-adjusted discount rate were lower (higher).
			Estimated future timber market prices per cubic metre:	Estimated future delivered market log prices range from \$26.13 per cubic metre (M3) to \$94.87/M3. Such prices are based on past and current evidence and reflect differences paid for the range of grades sold. The future level is a matter for informed conjecture. While contractual price adjustment mechanisms provide some certainty around future prices such things as the potential for mills to close and variation in export prices will influence future price levels.	Estimated future delivered market log prices range from \$33.05 per cubic metre (M3) to \$91.58/M3. Such prices are based on past and current evidence and reflect differences paid for the range of grades sold. The future level is a matter for informed conjecture. While contractual price adjustment mechanisms provide some certainty around future prices such things as the potential for mills to close and variation in export prices will influence future price levels.	
			Future wood flow projections	Future woodflow projections are based on a combination of the forest area, assumed yields from those plantations and a plausible harvest strategy. The estimation of all such inputs involves forward-looking processes for which the results are not assured.	Future woodflow projections are based on a combination of the forest area, assumed yields from those plantations and a plausible harvest strategy. The estimation of all such inputs involves forward-looking processes for which the results are not assured.	

Sandalwood Plantations

Description and
Fair Value as at
30 June 2017

30 June 17 \$000	30 June 16 \$000	Valuation technique(s)	Significant unobservable inputs			Relationship of unobservable inputs to fair value measurement
			Unobservable Inputs	2017	2016	
4,377	3,009	Discounted cash flows: the valuation model considers the present value of the net cash flows to be generated from the forest. The cash flows projections include specific estimates for 19 years. The expected net cash flows are discounted using a risk adjusted discounted rate.	Estimated future timber market prices based on AUD/USD dollar forward exchange rates to 2037 provided by Western Australian Treasury Corporation.	The exchange rate decreases over the period from \$0.77 in 2018 to \$0.66 in 2037.	The exchange rate decreases over the period from \$0.74 in 2017 to \$0.65 in 2037.	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> • the estimated timber gross profit price per cubic metre were higher (lower); • the estimated volume was higher (lower); • the estimated cost to harvest, produce and sell per tonne were lower (higher); or • the risk-adjusted discount rate were lower (higher). • the estimated AUD/USD dollar forward exchange rates were lower (higher);
			The weighted average price for products	Export market USD \$3,080 per tonne.	Export market USD \$3,500 per tonne.	
			Estimated average volume per annum	Future woodflow projections are based on a combination of the forest area and assumed yields from those plantations.	Future woodflow projections are based on a combination of the forest area and assumed yields from those plantations.	
			Estimated cost per tonne to harvest, produce and sell the volume over the forecast horizon	\$1,967	\$2,307	

29.0 Biological assets risk analysis

29.1 Risk management strategies related to agricultural products

The FPC is exposed to the following risks relating to its native forest asset:

(i) **Regulatory and environmental risk.**

The FPC is subject to the Conservation Commission of WA *Forest Management Plan* (FMP) requirements for coupes in which the FPC has been given commercial harvest access. The FPC has established environmental management policies and procedures aimed at compliance with the requirements of the FMP.

(ii) **Supply and demand risks.**

The FPC is exposed to risks arising from fluctuations in the price and sales volumes of timber. The FPC manages this risk by aligning its harvest volume to market demand. Contracts of sale include price indexation adjustments to manage the risk of cost escalation in selling and management costs.

The FPC is exposed to the following risks relating to its Sandalwood asset:

(i) **Regulatory and environmental risk.**

The commercial harvesting of Sandalwood on public land is governed by the Forest Products Act 2000, Sandalwood Act 1929, Conservation and Land Management Act 1984, and wildlife Conservation Act 1950.

The annual harvesting limits are set by Executive Council under the Sandalwood (Limitation of Removal of Sandalwood) Order (2015). FPC projections of future harvest are based on the 2015 Order. FPC also harvests dead sandalwood but consistent with prior years, this is not considered a biological asset.

The FPC has established environmental management policies and procedures aimed at compliance with the requirements of the FMP.

(ii) **Supply and demand risks.**

The FPC is exposed to risks arising from competition in the international market for low grade Sandalwood products and the impacts illegally harvested sandalwood has on markets. The FPC manages the market price risk through an agent and the illegal harvesting through promoting legal reforms.

The FPC is exposed to the following risks relating to its pine Plantation asset:

(i) **Regulatory and environmental risk.**

The FPC is subject to FMP and State Agreement requirements for plantations in which the FPC conducts commercial harvest operations. The FPC has established environmental management policies and procedures aimed at compliance with the requirements of the FMP.

(ii) **Supply and demand risks.**

The FPC is exposed to risks arising from fluctuations in the price and sales volumes of timber and the impacts of wildfire and extended dry seasons on the volume of timber in the plantation estate. The price and volume risk is managed via State Agreements and Contracts of Sale which include price indexation adjustments to manage the risks of cost escalation in selling and management costs. The impacts of wildfire and dry seasons are managed via force majeure clauses in the Contracts of Sale.

The FPC is exposed to the following risks relating to its sandalwood Plantation asset:

(i) **Regulatory and environmental risk.**

The FPC has established environmental management policies and procedures aimed at compliance with the requirements of the FMP.

(ii) **Supply and demand risks.**

The FPC is exposed to risks arising from competition in the market for Sandalwood products.

29.2 Discount rates

The following discount rates have been applied in the calculation of net market values:

	2017 %	2016 %
Plantations	9.00%	9.00%
Native Forest and Sandalwood	9.50%	9.50%

The discount rate is real and pre-tax. Refer Note 2.17.

29.3 Sensitivity analysis

The value of biological assets is dependent on assumptions underpinning the FPC's growth models and cash flow assumptions. Discount rates have been adjusted to take account of significant risk factors not adjusted directly through cash flows.

The following sensitivity analysis has been provided to assist in the assessment of the impact of variances in these assumptions.

Sensitivity of the net market value of commercial forestry operations to changes in significant assumptions:

		2017 \$000 Increase/ (decrease)	2016 \$000 Increase/ (decrease)
Discount rate:			
+300 bpts	Total biological assets at valuation	(63,660)	(71,024)
- 300 bpts	Total biological assets at valuation	102,524	115,256
Future prices:			
+ 3%	Total biological assets at valuation	28,812	28,436
- 3%	Total biological assets at valuation	(28,813)	(28,436)
Future costs:			
+ 3%	Total biological assets at valuation	(14,709)	(14,727)
- 3%	Total biological assets at valuation	14,705	14,727

29.4 Cash flows

- (a) Cash flows are real and pre tax.
- (b) Inflation is expected to continue at the current rate.
- (c) Where revenues/costs are expected to increase or decrease other than in line with inflation, the nominal increase/decrease is included in cash flows.
- (d) Cash flows are discounted to balance date from their expected date of occurrence at rates set out under Note 29.2.

29.5 Insurance

The FPC has insured its Plantation biological asset to 4 January 2018.

30.0 Impairment of Assets

There were no indications of impairment to property, plant and equipment, infrastructure or intangible assets at 30 June 2017 (2016 Nil).

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

All surplus assets at 30 June 2017 have either been classified as assets held for sale or written-off.

	2017 \$000	2016 \$000
31.0 Payables		
Current		
Trade payables	7,620	3,109
GST payable	108	168
Payroll tax accrual	125	108
Accrued logging costs	267	2,866
Other accruals	5,800	8,214
Accrued salaries and wages	277	230
Land annuity obligations	428	443
	14,625	15,138
Non-Current		
Land annuity obligations	4,698	5,075
	4,698	5,075

	2017 \$000	2016 \$000
32.0 Provisions		
Current		
Employee benefits provision		
Annual leave (a)	1,157	1,198
Long service leave (b)	1,744	2,778
Deferred salary scheme (c)	-	118
	2,901	4,094
Other provisions		
Provision for regeneration of Native Forest (e)	3,594	3,988
Provision for replant (Harvey Coast) (f)	2,206	3,547
Unearned revenue (g)	56	27
Provision for sandalwood plantation maintenance (h)	70	70
	5,926	7,632
Total current	8,827	11,726
Non-current		
Employee benefits provision		
Long service leave (b)	1,067	948
Superannuation (d)	161	161
	1,228	1,109
Other provisions		
Provision for regeneration of Native Forest (e)	1,938	2,813
Provision for replant (Harvey Coast) (f)	-	1,923
Provision for sandalwood plantation maintenance (h)	370	409
	2,308	5,145
Total non-current	3,536	6,254

	2017 \$000	2016 \$000
Explanations:		
(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	554	595
More than 12 months after the end of the reporting period	603	603
	1,157	1,198
(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. An actuarial assessment was provided by PwC for the year ended 30 June 2017. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	579	1,211
More than 12 months after the end of the reporting period	2,232	2,515
	2,811	3,726
(c) Deferred salary scheme liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	-	118
	-	118

	2017 \$000	2016 \$000
(d) Defined benefit superannuation plans		
Gold State Superannuation Scheme		
Movements in the present value of the defined benefit obligation in the reporting period were as follows:		
Liability at start of year	161	194
Included in profit or loss:		
Current service cost	-	-
Past service cost	-	-
Interest cost	3	5
	3	5
Included in other comprehensive income:		
Remeasurements loss (gain) recognised:		
demographic assumptions	-	(2)
financial assumptions	(9)	(13)
experience adjustments	6	4
	(3)	(11)
Contributions:		
Benefits paid	-	(27)
	-	(27)
Liability at end of year	161	161
The FPC holds no plan assets, therefore the present value of the defined benefit obligation equals the net defined benefit liability. Employer contributions, to the pre-transfer benefit for employees who transferred to the GSS, equal the benefits paid.		
The principal actuarial assumptions used (expressed as weighted averages) were as follows:		
Discount rate	2.26%	2.26%
Future salary increases	3.70%	3.50%
At 30 June 2017, the weighted-average duration of the defined benefit obligation was 5.2 years (2016: 5.8 years).		

The pre-transfer benefit for the GSS exposes the Authority to actuarial risks, such as salary risk, longevity risk and interest rate risk. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, holding all other assumptions constant.

	Defined Benefit Obligation	
	Increase \$000	Decrease \$000
Discount rate (0.5% movement)	(4)	5
Future salary growth (0.5% movement)	(3)	4

Employer funding arrangements for the defined benefit plans

The pre-transfer benefit for the GSS in respect of individual plan participants are settled by the FPC on their retirement. Funding requirements are based on invoices provided to the FPC by GESB that represent the cost of benefits paid to members during the reporting period.

Employer contributions of \$17,000 (2016: \$22,000) are expected to be paid to the Gold State Superannuation Scheme in the subsequent annual reporting period.

- (e) The FPC has an obligation under the *Forest Management Plan* (2014 to 2023) to ensure that re-growth Native Forest harvested are restored.
- (f) The FPC has provided for the replantation of an area of the Harvey Coast that was destroyed by fires during the 2015/16 year.
- (g) Unearned Revenue received by the FPC for the delivery of forestry services to be delivered in the future.
- (h) The FPC has an obligation under contract to maintain a sandalwood plantation in Kununurra. The associated expense is disclosed in Note 16 'Other expenses'.

Movement in other provisions

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

	2017 \$000	2016 \$000
Provision for regeneration of Native Forest		
Carrying amount at start of year	6,801	6,775
(Reversals of) / additional provisions recognised	(604)	739
Payments/other sacrifices of economic benefits	(666)	(713)
Carrying amount at the end of year	5,531	6,801
Provision for replantation of Harvey Coast		
Carrying amount at start of year	5,470	-
(Reversals of) / additional provisions recognised	(1,963)	5,470
Payments/other sacrifices of economic benefits	(1,301)	-
Carrying amount at the end of year	2,206	5,470
Unearned revenue		
Carrying amount at start of year	19	28
Additional/(reversals of) provisions recognised	30	(9)
Carrying amount at the end of year	49	19
Provision for sandalwood plantation maintenance		
Carrying amount at start of year	479	502
Payments/other sacrifices of economic benefits	(39)	(23)
Carrying amount at the end of year	440	479

	2017 \$000	2016 \$000
33.0 Deferred revenue		
Current		
National Action Plan for Salinity and Water Quality revenues	-	666
Contractual obligations	133	130
Forward sold log supply	1,545	1,531
	1,678	2,327
Non-Current		
Contractual Obligations	5,599	5,954
Forward sold log supply	9,029	9,734
	14,628	15,688

34.0 Equity

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

34.1 Contributed equity

Balance at the start of the year	340,141	340,141
Equity injection	2,100	-
Balance at the end of year	342,241	340,141

34.2 Reserves

Asset Revaluation Surplus		
Balance at start of year	10,378	8,764
Net asset revaluation increase	467	2,305
Deferred tax on items of other comprehensive income (Note 41 Taxation equivalent)	(140)	(691)
Balance at end of year	10,705	10,378

	2017 \$000	2016 \$000
Land revaluations are supplied by the Department of Land Information (Valuation Services) and are net of tax.		
Cashflow Hedge Reserve		
Balance at start of year	107	-
Net movement in reserve	(91)	153
Income tax on items of other comprehensive income	27	(46)
	43	107
Forward exchange contracts are held to hedge against fluctuations in US dollars; (Note 3.02).		
Reserves total	10,748	10,485

34.3 Retained earnings

Balance at the start of year	10,352	(9,876)
Profit for the year ¹	3,967	20,790
Dividend paid	(2,530)	(562)
Balance at end of year	11,789	10,352

¹ Includes remeasurement of defined benefit liability

35.0 Notes to the Statement of Cash Flows

35.1 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:

Petty Cash	3	3
Commonwealth Bank - Cash Management Account	30,642	38,633
Commonwealth Bank - USD Bank Account	574	915
Restricted cash and cash equivalents (Note 21 'Restricted cash and cash equivalents')	127	-
	31,346	39,551

	2017 \$000	2016 \$000
35.2 Reconciliation of profit from ordinary activities after income tax equivalent to net cash flows generated by operating activities:		
Profit from ordinary activities after income tax equivalent	3,964	20,779
Taxable items presented in Other Comprehensive Income		
Remeasurements of defined benefit liability	3	11
Non-cash items:		
Depreciation and amortisation expense	1,292	1,208
Movement in provision for doubtful debts	243	(17)
Change in fair value of biological assets	6,663	(5,005)
Decrease / (increase) in assets:		
Current inventories	(785)	3,443
Current receivables	(2,684)	1,445
Other current assets	(3,426)	(561)
Other assets	7,604	(2,606)
Increase/(decrease) in liabilities:		
Payables	(513)	(1,014)
Unearned revenue and deferred income	1,680	2,588
Other liabilities	(10,820)	(537)
Net cash generated by operating activities	3,222	19,734

	2017 \$000	2016 \$000
35.3 Borrowing facilities		
The FPC had access to the following lines of credit as at reporting date:		
Credit cards	750	750
Bank overdraft facility	9,000	9,000
	9,750	9,750
Facilities in use as at reporting date:		
Credit cards	35	47
	35	47
Available facilities not in use as at reporting date:		
Credit cards	715	703
Bank overdraft facility	9,000	9,000
	9,715	9,703

36.0 Commitments

36.1 Expenditure commitments

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

Within 1 year	1,740	1,896
Later than 1 year and not later than 5 years	5,636	6,181
	7,376	8,077

These commitments include future expenditures for core estate share farm agreements, and are inclusive of GST.

36.2 Lease commitments

	2017 \$000	2016 \$000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, are payable as follows:		
Within 1 year	226	229
Later than 1 year and not later than 5 years	1,060	1,085
Later than 5 years	1,134	1,110
	2,420	2,424
Non-cancellable operating leases	2,420	2,424

These commitments are inclusive of GST.

Contingent rental payments have been determined based on existing rental agreements, escalation clauses, payments and lease periods. Renewal options, where applicable, have not been brought to account.

36.3 Guarantees and undertakings

The FPC has no guarantees and/or undertakings that have not been provided for in the 'Statement of Financial Position'.

37.0 Contingent liabilities and contingent assets

Contingent liabilities

The FPC has identified a potential shortfall of current pine resources that would be available to meet future contracted supply commitments. As at the date of the financial statements, there is a high degree of uncertainty regarding the likelihood, timing and amount of any potential shortfall and the FPC is therefore unable to determine a reliable estimate of the amount of any potential obligation that may arise in the future.

The FPC is undertaking further analysis in order to develop and implement mitigation strategies if necessary and will continue to monitor the need for further disclosure, or a provision, at future reporting dates.

Contaminated sites

Under the *Contaminated Sites Act 2003* (Act), the FPC is required to report known and suspected contaminated sites to the Department of Environment Regulation (DER). In accordance with the Act, after specific site investigations, reports are submitted to DER to classify these sites. DER classifies these sites on the basis of the risk to human health and the environment. Where a risk is identified, the FPC may have a liability in respect of further investigation or actual remediation of the site.

The FPC currently has one site reported, on which it is an occupier for harvesting operation purposes and not an owner, which has been classified by DER as 'possibly contaminated - investigation required'. The site is owned by DBCA who have an asbestos management plan in place.

38.0 Events occurring after the end of the reporting period

There are no significant events occurring after balance date that materially impact the financial statements.

39.0 Explanatory statement

Significant variations between estimates and actual results for 2017 and between the actual results for 2017 and 2016 are shown below. Significant variations are considered to be those greater than 10 per cent or \$5 million.

	2017 Actual \$000	2017 Estimate ¹ \$000	Variance from Estimate \$000	Explanation:
39.1 Significant variances between estimate and actual for 2017				
Income				
Revenue from the sale of goods and services	113,400	127,274	(13,874)	a
Commonwealth grants and contributions	666	559	107	b
Interest revenue	916	515	401	c
Other revenue	1,320	1,186	134	d
Other gains	317	-	317	e
Grants and subsidies from State Government	1,701	1,451	250	f
Expenses				
Cost of sales	63,749	75,312	(11,563)	g
Supplies and services	19,546	22,728	(3,182)	h
Finance costs	753	602	151	i
Accommodation expenses	439	487	(48)	j
Other expenses	1,501	1,717	(216)	k
Biological asset increase/(decrease)	(6,663)	(13,987)	7,324	l

¹Estimates are sourced from the 2016-17 Statement of Corporate Intent

Explanation:

- a Revenue was less than forecast in the Native Forest segment due to a reduction in deliveries to a major customer as a result of them relocating their sawmill and an unscheduled sawmill closure for a month, Sandalwood segment due to reduction in international sales and delay in finalising a domestic sales contract, partly offset by a better performance from Plantations segment primarily as a result of stronger than expected demand for export logs and woodchips.
- b The recognition of revenue received for the National Action Plan for Salinity and Water Quality was slightly higher than budget.
- c Interest revenue is higher due to higher closing cash balance than budget.
- d Other revenue is higher primarily due to Synergy carbon adjustment and recognition of prepaid revenue.
- e Gains on foreign currencies due to the fall in the Australian dollar against the US dollar.
- f Unbudgeted Royalties for Regions funding.
- g The cost of sales for native forest & sandalwood (harvest, haul and roading cost) reduced in proportion to a fall in activity level.
- h The decrease is primarily due to savings in payments to DBCA and forest management expenses.
- i Finance costs was more than forecast due to increase in interest rate applied for Laminex interest expense, costs associated with sharefarm annuity payments and unbudgeted foreign exchange loss .
- j The decrease is primarily due to expenditure for office accommodation being less than forecast.
- k Increase in provision of doubtful debts
- l The decrement in the biological asset valuation movement on estimate is due to a combination of the value for wild sandalwood decreasing (Refer note 28.1); partly offset by an increase in the value of plantations sandalwood and a reduction in the provision required to replant the Harvey Coast plantation area the January 2016 Waroona fire. (Refer note 32).

	2017 \$000	2016 \$000	Variance \$000	Explanation:
39.2 Significant variances between actual results for 2017 and 2016.				
Income				
Revenue from the sale of goods and services	113,400	121,854	(8,454)	a
Commonwealth grants and contributions	666	816	(150)	b
Interest revenue	916	805	111	c
Other gains	317	1,042	(725)	d
Grants and subsidies from State Government	1,701	-	1,701	e
Expenses				
Finance costs	753	1,246	(493)	f
Accommodation expenses	439	347	92	g
Biological asset increase/(decrease)	(6,663)	5,005	(11,668)	h

Explanation:

- a Revenue was less than last year in the Native Forest segment due to a reduction in deliveries to a major customer as a result of them relocating their sawmill and an unscheduled sawmill closure for a month, Sandalwood segment due to reduced sales in export markets, partly offset by a better performance from Plantations segment.
- b The recognition of revenue received for the National Action Plan for Salinity and Water Quality.
- c Higher cash holdings in 2016/17 has resulted in higher earnings from interest.
- d Lower USD cash holdings in 2017 resulted in lower gains from foreign exchange rate fluctuations.
- e Royalties for Regions funding and subsidy for Green Growth Plan.
- f Finance costs were lower due to reduced costs associated with sharefarm annuity payments.
- g 2016/17 includes new lease for Kalgoorlie office.
- h Each financial year amount represents the biological asset valuation movement from the previous years valuation. (Refer note 28.1).

40.0 Financial instruments**(a) Financial risk management objectives and policies**

Financial instruments held by the FPC are cash and cash equivalents, trade and other receivables, trade and other payables, forward exchange contracts for hedging and embedded derivatives. The FPC's overall risk management program focuses on managing the risks identified below.

Credit Risk

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

The maximum exposure to credit risk at the reporting period 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 40.1 Financial instrument disclosures and note 23.0 Receivables.

The FPC 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 FPC's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

The FPC's collection and account management policy includes, the holding of security (cash or bank guarantees), interest charging on overdue accounts, cash prepayments and stop supply guidelines.

Provision for impairment of financial assets is calculated based on past experience, and current and expected changes in client credit ratings. Factors such as customer credit risk, security and the prevailing economic conditions are considered during this process. The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provision for impairment, as shown in note 40.4.

For financial assets that are either past due or impaired, refer to note 40.4.

The FPC's bad debt policy is in accordance with the Treasurer's Instruction 807, Financial Administration Regulation 7 and Division 6 of the Financial Management Act 2006.

Liquidity risk

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

The FPC is exposed to liquidity risk through its trading in the normal course of business.

The FPC's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, borrowings and finance leases. The FPC has appropriate procedures to manage cash flows 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, interest rates and commodity prices will affect the FPC's income or the value of its holdings of financial instruments. The FPC's policy in regard to managing foreign exchange risks through the use of financial exchange contracts is dealt with in Note 40.2.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The FPC enters into derivatives in order to manage market risks. All such transactions are carried out within the guidelines set by the FPC. Generally the FPC seeks to apply hedge accounting in order to manage volatility in profit or loss.

Currency risk

The FPC is exposed to currency risk on sales that are denominated in a currency other than the Australian dollar (AUD). The currencies in which these transactions primarily are denominated are the United States of America dollar (USD).

At any point in time the FPC may hedge up to 75 per cent of its estimated foreign currency exposure in respect of forecasted sales over the following eighteen months. The FPC uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

The FPC also holds a USD commercial bank account which exposes the FPC to foreign currency risk. The balance of this account at 30 June 2017 is USD 0.441 million (2016: USD 0.679 million).

Interest rate risk

The FPC adopts a policy of ensuring that 100 per cent of its exposure to changes in interest rates on borrowings is on a fixed rate basis.

Categories of Financial Instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	2017 \$000	2016 \$000
Financial Assets		
Cash and cash equivalents	31,219	39,551
Restricted cash	127	-
Loans and receivables:		
Trade receivables	19,803	17,362
Forward exchange contracts	62	153
	51,211	57,066
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade and other payables	14,197	14,695
Land annuity obligations	5,126	5,518
	19,323	20,213

40.1 Financial instrument disclosures

The following table details the exposure to liquidity risk and interest rate risk as at the reporting date. The FPC's maximum exposure to credit risk at the reporting date is the contractual cash flows in the following table. Except for Land Annuities Payable and deferred rental, the contractual cash flows is the carrying amount as at reporting date. The carrying amount of land annuity payments is \$7.284 million (2016 : \$7.991 million).

2017	Note	Effective interest rate %	Total \$000	0 – 12 months \$000	1 – 2 years \$000	2 – 5 years \$000	More than 5 years \$000
Financial assets							
Commonwealth Bank Cash Management Account	35.1	1.98%	30,770	30,770	-	-	-
Commonwealth Bank USD Account	35.1	0.00%	574	574	-	-	-
Trade receivables	23.0	n/a	20,790	20,790	-	-	-
Provision for doubtful debts	23.0	n/a	(987)	(987)	-	-	-
Collateral security held - cash	40.5	n/a	2,470	2,470	-	-	-
Collateral security held - non cash		n/a	8,023	8,023	-	-	-
Total credit exposure - trade receivables			30,296	30,296	-	-	-
Foreign exchange contracts	25.0	n/a	62	62	-	-	-
			61,702	61,702	-	-	-
Financial liabilities							
Trade payables	31.0	n/a	7,620	7,620	-	-	-
Land annuities payable		n/a	7,284	438	438	1,313	5,095
			14,904	8,058	438	1,313	5,095

2016	Note	Effective interest rate %	Total \$000	0 – 12 months \$000	1 – 2 years \$000	2 – 5 years \$000	More than 5 years \$000
Financial assets							
Commonwealth Bank Cash Management Account	35.1	2.39%	38,633	38,633	-	-	-
Commonwealth Bank USD Account	35.1	0.00%	915	915	-	-	-
Trade receivables	23.0	n/a	18,106	18,106	-	-	-
Provision for doubtful debts	23.0	n/a	(744)	(744)	-	-	-
Collateral security held - cash	40.5	n/a	2,830	2,830	-	-	-
Collateral security held - non cash		n/a	7,075	7,075	-	-	-
Total credit exposure - trade receivables			27,267	27,267	-	-	-
Foreign exchange contracts	25.0	n/a	153	153	-	-	-
			66,968	66,968	-	-	-
Financial liabilities							
Trade payables	31.0	n/a	3,109	3,109	-	-	-
Foreign exchange contracts		n/a	-	-	-	-	-
Land annuities payable		n/a	7,991	453	453	1,360	5,725
			11,100	3,562	453	1,360	5,725

40.2 Forward foreign exchange contracts

The Commission is exposed to the effects of foreign currency fluctuations by virtue of its export sales. The majority of the transactions are negotiated in USD. The Commission has entered into forward foreign exchange contracts through the WATC for an amount up to 75 per cent of its forecasted USD denominated sales. The objective of entering into these forward foreign exchange contracts is to reduce the Commission's exposure, and the impact on projected financial performance, of changes in the USD/AUD exchange rate.

Sell currency	Value date	USD sell amount \$000	Historical forward rate	Buy currency	Buy amount \$000	Current forward points	Current forward rate	Revalued buy currency 30 June 2017	Revalued buy amount 30 June 2017 \$000	Variance currency	Variance amount \$000
USD	29-Dec-17	1,898	0.748774	AUD	2,535	0.018715	0.767489	AUD	2,473	AUD	62
		1,898			2,535				2,473		62

40.3 Sensitivity analysis

The following table represents a summary of the interest rate, currency and other sensitivities of the FPC's financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 1 per cent change in rates. It is assumed the rates are held constant throughout the reporting period.

	Carrying amount \$000	-1% change		+1% change	
		Profit \$000	Equity \$000	Profit \$000	Equity \$000
2017					
Interest rate sensitivity analysis					
Financial Assets					
Cash and cash equivalents	31,216	(215)	(215)	215	215
Financial Liabilities					
Land annuities payable	5,126	(267)	(267)	239	239

	Carrying amount \$000	-10% change		+10% change	
		Profit \$000	Equity \$000	Profit \$000	Equity \$000
Currency sensitivity analysis					
Financial Assets					
USD Bank Account	574	45	45	(37)	(37)

USD rate used in this analysis was the spot rate as at 30 June 2017: 1 AUD = 0.769

	Carrying amount \$000	-1% change		+1% change	
		Profit \$000	Equity \$000	Profit \$000	Equity \$000
2016					
Interest rate sensitivity analysis					
Financial Assets					
Cash and cash equivalents	39,548	(270)	(270)	270	270
Financial Liabilities					
Land annuities payable	5,518	(303)	(303)	270	270

	Carrying amount \$000	-10% change		+10% change	
		Profit \$000	Equity \$000	Profit \$000	Equity \$000
Currency sensitivity analysis					
Financial Assets					
USD Bank Account	915	71	71	(58)	(58)

USD rate used in this analysis was the spot rate as at 30 June 2016: 1 AUD = 0.743

40.4 Credit risk concentrations

Accounts receivable consists largely of timber debtors, for which deposits and securities equivalent to an average of six weeks' deliveries are required to be lodged in favour of the FPC under timber contracts of sale. These deposits and securities are held in trust until the expiry or default of contracts. As at 30 June 2017, the value of deposits and securities was greater than overdue accounts by \$8.808 million (deposits and securities was greater than overdue accounts by \$5.404 million at 30 June 2016).

In addition to securities, protection of the FPC's interest is provided as forest produce may be seized and disposed of under a statutory retention right.

The FPC's credit risk exposure at reporting date is illustrated by the aged debtors table below:

	Number of customers	Value overdue ¹ \$000	Impairment \$000
2017	1 to 30	11	603
	31 to 60	3	64
	Greater than 60	13	320
	All overdue accounts	27	987
2016	1 to 30	32	423
	31 to 60	14	100
	Greater than 60	12	221
	All overdue accounts	58	744

The likelihood of recovery as at 30 June 2017 was estimated and factored into the amounts provided for impairment of receivables (refer note 23). Where applicable, interest is charged under the terms of the customer's supply contract.

The FPC's debtors are based in Western Australia and as such credit risk is concentrated within the state.

	2017 \$000	2016 \$000
Maximum exposure to credit risk for trade receivables by type of customer		
State Government	-	-
Forest Product Manufacture/Supply	19,803	17,362
	19,803	17,362

40.5 Funds held in trust

Funds held in trust¹ as security for contract obligations. These funds are repayable upon completion of contracts.

Opening balance	2,830	3,091
Receipts	136	210
Payments	(496)	(471)
Closing balance	2,470	2,830

¹ Trust funds do not form part of the assets of the FPC, and are held in a separate trust fund established for that purpose. Interest accruing on these funds accumulate for the benefit of security providers unless otherwise agreed, in which case, interest accrued accumulates for the benefit of the FPC.

40.6 Fair values

The carrying amount of financial assets and financial liabilities recorded in the financial statements are determined in accordance with the accounting policies in note 2.0.

41.0 Taxation equivalent

The prima facie income tax on pre-tax accounting profit reconciles to the income tax equivalent in the Statement of Comprehensive Income as follows:

	2017 \$000	2016 \$000
Profit from ordinary activities before Income tax ¹	5,616	24,841
Income tax equivalent calculated at 30% of operating profit	1,685	7,452
Reversal of net deferred asset	-	(3,427)
Underprovided in prior years	(36)	26
	1,649	4,051
Current income tax payable		
Current year	-	-
	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	1,649	4,051
Total income tax expense in the Statement of Comprehensive Income	1,649	4,051

¹ Includes remeasurements of defined benefit liability

	Assets		Liabilities		Net	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Recognised deferred tax assets and liabilities						
Receivables	(297)	(224)	-	-	(297)	(224)
Inventories	-	-	-	-	-	-
Land	(87)	(87)	1,548	1,461	1,460	1,374
Buildings	(342)	(319)	2,264	2,210	1,922	1,891
Nursery infrastructure	(1,019)	(964)	777	777	(243)	(187)
Plant, equipment, infrastructure and vehicles	(170)	(161)	-	-	(170)	(161)
Natural resource assets	(1,709)	(2,184)	19,297	20,520	17,589	18,336
Intangible asset	(2,041)	(2,041)	-	-	(2,041)	(2,041)
Employee provisions	(1,239)	(1,561)	-	-	(1,239)	(1,561)
Share farm annuities	(12,380)	(11,693)	-	-	(12,380)	(11,693)
Auditing fees provision	(48)	(61)	-	-	(48)	(61)
Restoration provision	(2,454)	(3,826)	-	-	(2,454)	(3,826)
Deferred income	(3,834)	(4,470)	-	-	(3,834)	(4,470)
Incentive payments provision	(1,514)	(1,631)	-	-	(1,514)	(1,631)
Research & development offset	(20)	(803)	-	-	(20)	(803)
Hedge Contract	-	-	18	46	18	46
Unrecognised net deferred asset	2,041	2,041	-	-	2,041	2,041
Net tax (assets) / liabilities	(25,112)	(27,984)	23,904	25,014	(1,208)	(2,970)

Movement in temporary differences during the year	Balance 1 July 2015 \$000	Recognised in income \$000	Recognised in equity \$000	Balance 30 June 2016 \$000	Balance 1 July 2016 \$000	Recognised in income \$000	Recognised in equity \$000	Balance 30 June 2017 \$000
Receivables	(229)	5	-	(224)	(224)	(73)	-	(297)
Inventories	-	-	-	-	-	-	-	-
Land	1,491	(117)	-	1,374	1,374	86	-	1,460
Buildings	1,448	443	-	1,891	1,891	31	-	1,922
Nursery infrastructure	(443)	256	-	(187)	(187)	(56)	-	(243)
Plant, equipment, infrastructure and vehicles	(207)	46	-	(161)	(161)	(9)	-	(170)
Natural resource assets	12,942	5,394	-	18,336	18,336	(747)	-	17,589
Intangible asset	(2,041)	-	-	(2,041)	(2,041)	(0)	-	(2,041)
Employee provisions	(1,485)	(76)	-	(1,561)	(1,561)	322	-	(1,239)
Share farm annuities	(11,009)	(684)	-	(11,693)	(11,693)	(687)	-	(12,380)
Auditing fees provision	(72)	11	-	(61)	(61)	13	-	(48)
Restoration provision	(2,184)	(1,642)	-	(3,826)	(3,826)	1,372	-	(2,454)
Deferred income	(4,651)	181	-	(4,470)	(4,470)	636	-	(3,834)
Incentive payments provision	(2,546)	915	-	(1,631)	(1,631)	117	-	(1,514)
Research & development offset	(1,480)	677	-	(803)	(803)	(783)	-	(20)
Reserves	1	(692)	737	46	46	(140)	113	18
Tax value of loss carry-forwards recognised	(2,761)	2,761	-	-	-	-	-	-
Unrecognised tax losses	5,468	(3,427)	-	2,041	2,041	-	-	2,041
	(7,758)	4,051	737	(2,970)	(2,970)	1,649	113	(1,208)

Unrecognised net deferred tax asset

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets and no deferred tax liabilities have been recognised are attributable to the following:

	Assets		Liabilities	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Intangible asset	(2,041)	(2,041)	-	-
Net tax (assets)	(2,041)	(2,041)	-	-
Provision for taxation				
Opening			-	-
Tax Paid			561	-
Closing			561	-

42.0 Compensation of Key Management Personnel

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

Total compensation for key management personnel, comprising members and senior officers, of the FPC for the reporting period are presented within the following bands:

	2017 \$000	2016 \$000
Compensation of Members of the Accountable Authority		
Compensation Band (\$)		
50,001 - 60,000	1	-
30,001 - 40,000	-	2
20,001 - 30,000	5	6
10,001 - 20,000	1	-
0 - 10,000	-	1
Compensation of Senior Officers		
Compensation Band (\$)		
290,001 - 300,000	1	-
220,001 - 230,000	-	1
210,001 - 220,000	1	-
200,001 - 210,000	-	1
190,001 - 200,000	1	-
180,001 - 190,000	-	1
170,001 - 180,000	2	-
160,001 - 170,000	1	-
150,001 - 160,000	2	2
140,001 - 150,000	1	-
Short term employee benefits	1,838	1,147
Post employment benefits	1	1
Other long term benefits	(73)	22
Termination benefits	-	-
Total compensation of key management personnel	1,766	1,170

43.0 Related and affiliated bodies

The FPC has no related or affiliated bodies as defined by Treasurers Instruction TI 951 Related and Affiliated Bodies.

44.0 Remuneration of auditor

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

	2017 \$000	2016 \$000
Auditing the accounts, financial statements, controls and key performance indicators	150	146

45.0 Supplementary financial information

45.1 Write-offs

Debtors	1	101
Assets	-	53
Total	1	154

45.2 Losses through theft, defaults and other causes

Losses through theft, defaults and other causes	39	-
Amounts recovered	(39)	-

45.3 Gifts of public property

Gifts of public property	-	-
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46.0 Schedule of income and expenses by service

The FPC's operations are comprised of the following main business segments:

Main operating segments:

- > SouthWest Forest - Responsible for harvesting and regeneration activities associated with native forest other than sandalwood.
- > Arid Forest - Responsible for harvesting and regeneration activities associated with sandalwood and other arid timbers.
- > Plantations - Responsible for all harvesting, replanting and maintenance of the FPC's plantation estate as well as the maintenance of core sharefarm plantations. The objective of the core sharefarms is to maintain establishments that sustain and develop the timber industry.
- > Policy and Industry Development - This segment is responsible for policy, industry development and corporate support to Government
- > Non Commercial - activities that are non-core to the main operating segments.

	Native Forest \$000	Plantations \$000	Sandalwood \$000	Policy and Industry Development \$000	Non Commercial \$000	Eliminations \$000	Total \$000
2017							
Revenue							
External segment revenues	36,539	55,045	22,727	-	-	-	114,311
Internal segment revenues	70	1,550	484	39	165	-	2,308
Inter-segment sales	-	1,752	-	-	-	(1,752)	-
Total revenue	36,609	58,347	23,211	39	165	(1,752)	116,619
Expenses							
Employee expenses	(4,148)	(6,845)	(943)	-	-	-	(11,936)
External segment expenses	(27,828)	(44,435)	(9,971)	(700)	-	1,752	(81,182)
Internal segment expenses	(2,554)	(1,535)	(1,756)	(3,613)	(3,154)	-	(12,612)
Finance charges	-	(448)	(62)	-	-	-	(510)
Total expenses	(34,530)	(53,263)	(12,732)	(4,313)	(3,154)	1,752	(106,240)
Operating profit¹	2,079	5,084	10,479	(4,274)	(2,989)	-	10,379
Biological asset valuation (Decrease) / Increase	(144)	231	(5,958)	-	(792)	-	(6,663)
Grants and subsidies from State Government	-	-	-	250	1,451	-	1,701
Onerous contracts	-	-	-	-	196	-	196
Profit / (loss) before tax	1,935	5,315	4,521	(4,024)	(2,134)	-	5,613
Allocation of income tax	(581)	(1,595)	(1,356)	1,207	676	-	(1,649)
Profit / (loss) for the year	1,354	3,720	3,165	(2,817)	(2,909)	-	3,964
Total segment assets	81,305	202,752	65,401	-	63,312	-	412,770
Total segment liabilities	5,531	5,599	440	-	36,422	-	47,992

¹ Profit before change in biological assets valuation and onerous contracts

	Native Forest \$000	Plantations \$000	Sandalwood \$000	Policy and Industry Development \$000	Non Commercial \$000	Eliminations \$000	Total \$000
2016							
Revenue							
External segment revenues	32,462	59,041	32,201	-	-	-	123,704
Internal segment revenues	116	1,516	437	61	137	-	2,267
Inter-segment sales	-	2,596	-	-	-	(2,596)	-
Total revenue	32,578	63,153	32,638	61	137	(2,596)	125,971
Expenses							
Employee expenses	(3,905)	(6,739)	(933)	-	-	-	(11,577)
External segment expenses	(27,215)	(47,448)	(12,575)	(700)	-	2,596	(85,342)
Internal segment expenses	(2,378)	(557)	(1,857)	(3,592)	(2,468)	-	(10,852)
Finance charges	-	(1,079)	(167)	-	-	-	(1,246)
Total expenses	(33,498)	(55,823)	(15,532)	(4,292)	(2,468)	2,596	(109,017)
Operating profit¹	(920)	7,330	17,106	(4,231)	(2,331)	-	16,954
Biological asset valuation (Decrease) / Increase	(5,868)	(253)	11,126	-	-	-	5,005
Onerous contracts	-	-	-	-	2,871	-	2,871
Profit/(loss) before tax	(6,788)	7,077	28,232	(4,231)	540	-	24,830
Allocation of income tax	2,036	(2,123)	(8,470)	1,269	3,237	-	(4,051)
Profit/(loss) for the year	(4,752)	4,954	19,762	(2,962)	3,777	-	20,779
Total segment assets	86,301	190,895	71,355	-	68,635	-	417,186
Total segment liabilities	6,801	5,954	479	-	42,974	-	56,208

¹ Profit before change in biological assets valuation and onerous contracts

47.0 Additional information

Domicile and legal form:

The Forest Products Commission is a Statutory Authority domiciled in Western Australia.

Principal office:

Level 1, D Block, 3 Baron-Hay Court, Kensington, Perth, Western Australia, Australia

Operations and principal activities:

The Forest Products Commission is responsible for the commercial production, allocation and sale of forest products from Western Australia's native forests and from State-owned and managed plantations.

Parent entity:

Government of Western Australia.