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 2018 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 2018.

2.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.01 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.

2.02 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.

2.03 Reporting entity

The reporting entity comprises the FPC.

2.04 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.

2.05 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.

2.06 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 enforcebale right to offset current tax assets and liabilities, and when the tax balances relate to the same taxation authority.

2.07 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 28 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 28 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.

2.08 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

(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.

2.09 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 33 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 71,686 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 5,808 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 (FMP) 2014-2023 , 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 35(d).

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 period of valuation 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

– changes in USD forward exchange 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

3.01 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.

3.02 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.

3.03 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.

4.01 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.

4.02 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 31.3 for sensitivity analysis

4.03 Property, plant and equipment and infrastructure

Land and buildings are revalued as at 1 July 2017 by the Western Australian Land Authority (Valuation Services). The valuations were performed during the year ended 30 June 2018 and recognised at 30 June 2018. 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

5.01 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 FPC has assessed that adoption of the expected credit losses model will have a minimal financial impact on the FPC's Surplus/(Deficit) for the period.	**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 mandatory application date of this Standard is currently 1 January 2019 after being amended by AASB 2016-7. The FPC has assessed that this new standard will not have a material financial impact on the reporting of revenue from contracts with customers.	**1 Jan 2019**

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 $2,920,000. 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 anticipates that application will not materially impact untied grant revenues.	**1 Jan 2019**
AASB 1059	**Service Concession Arrangements: Grantors** This Standard addresses the accounting for a concession arrangement (a type of public private partnership) by a grantor that is a public sector agency by prescribing the accounting for the arrangement from the Grantor's perspective. Timing and measurement for the recognition of a specific asset class occurs on commencement of the arrangement and the accounting for associated liabilities is determined by whether the grantee is paid by the grantor or users of the public service provided. This FPC has not identified any public private partnership within scope of the Standard.	**1 Jan 2019**
AASB 2010-7	**Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]** This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. The FPC has assessed that application of this standard will have minimal financial impact.	**1 Jan 2018**
AASB 2014-1	**Amendments to Australian Accounting Standards** Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. The FPC has assessed that application of this standard will have minimal financial impact.	**1 Jan 2018**
AASB 2014-5	**Amendments to Australian Accounting Standards arising from AASB 15** This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The FPC has assessed that this new standard will not have a financial impact on the reporting of revenue from contracts with customers.	**1 Jan 2019**
AASB 2014-7	**Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)** This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The FPC has assessed that application of this standard will have minimal financial impact.	**1 Jan 2018**

AASB 2015-8	**Amendments to Australian Accounting Standards – Effective Date of AASB 15** This Standard amends the mandatory effective date (application date) of AASB 15 Revenue from Contracts with Customers so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. For Not-For-Profit entities, the mandatory effective date has subsequently been amended to 1 January 2019 by AASB 2016-7. The FPC has assessed that this new standard will not have an impact on the reporting of revenue from contracts with customers.	**1 Jan 2019**
AASB 2016-3	**Amendments to Australian Accounting Standards – Clarifications to AASB 15** This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and, provides further transitional provisions to AASB 15. The FPC has assessed that this new standard will not have a financial impact on the reporting of revenue from contracts with customers.	**1 Jan 2019**
AASB 2016-8	**Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities** This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact.	**1 Jan 2019**

		2018 $000	2017 $000
6.0	**TRADING PROFIT**		
6.1	**Sales**		
	Harvesting operations	65,884	66,164
	Recovery of harvesting costs	45,675	47,128
	Plant propagation centre revenue	31	108
	Total sales	**111,590**	**113,400**
6.2	**Cost of sales**		
	Harvesting Costs	(62,362)	(61,508)
	Roading maintenance and construction	(2,939)	(3,351)
	Write back of inventory to net realisable value	368	576
	Cost of goods sold	**(64,933)**	**(64,283)**
	Trading profit	**46,657**	**49,117**
7.0	**COMMONWEALTH GRANTS AND CONTRIBUTIONS**		
	Recognition of Commonwealth Government contribution to National Action Plan for Salinity and Water Quality	-	666
		-	**666**
8.0	**INTEREST REVENUE**		
	Interest revenue	677	916
		677	**916**
9.0	**OTHER REVENUE**		
	Contracts and other revenue	149	49
	Revenue from cost recovery operations[1]	1,143	1,173
	Resources received free of charge	183	98
		1,475	**1,320**

[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.

		2018 $000	2017 $000
10.0	**OTHER GAINS**		
	Gain on foreign currencies	370	317
		370	**317**

		2018 $000	2017 $000
11.0	**EMPLOYEE BENEFITS EXPENSE**		
	Wages and salary	15,161	14,481
	Fringe benefits tax	23	24
	Leave expense	2,122	1,633
	Payroll tax	1,031	1,037
	Superannuation - defined contribution plans	1,688	1,695
	Superannuation - defined benefit plans (Note 35)	3	3
		20,029	**18,874**

Employment on-cost expenses, such as worker's compensation insurance, are included in note 18 Other expenses. The employment on-costs liability is included at note 35 Provisions.

		2018 $000	2017 $000
12.0	**SUPPLIES AND SERVICES**		
	Travel	324	300
	Sundry supplies and services	792	2,057
	Insurance[1]	1,400	977
	Operating lease	1,319	1,404
	Other services	96	55
	Legal fees and consultants	685	550
	DBCA service level agreements	7,511	7,474
	Materials	578	727
	Forest management expenses	3,854	3,504
	Fire salvage and remedial works	1,667	1,327
	Repairs and maintenance	357	572
	Vehicle expenses	90	66
		18,673	**19,012**

[1]Insurance includes payments to Riskcover.

		2018 $000	2017 $000
13.0	**DEPRECIATION AND AMORTISATION EXPENSE**		
	Plant, equipment, vehicles, office equipment and nursery infrastructure	785	859
	Buildings	288	301
	Amortisation of software	126	132
		1,199	**1,292**
14.0	**FINANCE COSTS**		
	Interest on contract obligations	616	691
	Foreign exchange (gain)/loss	76	62
		692	**753**

		2018 $000	2017 $000
15.0	**ACCOMMODATION EXPENSES**		
	Lease rentals and accommodation	302	287
	Other property	133	153
		435	**439**
16.0	**GRANTS AND SUBSIDIES**		
	Grants and subsidies provided[1]	20	-
		20	**-**

[1] Grants provided to various community groups under a community grants program.

		2018 $000	2017 $000
17.0	**LOSS ON DISPOSAL OF NON-CURRENT ASSETS**		
	Net proceeds from disposal of non-current assets		
	Plant, equipment and vehicles	-	-
	Net costs of disposal of non-current assets		
	Plant, equipment and vehicles	-	11
	Carrying amount of non-current assets disposed		
	Plant, equipment and vehicles	-	74
	Net loss	**-**	**85**
18.0	**OTHER EXPENSES**		
	Audit fees – Auditor General	162	162
	Audit fees – Other	83	65
	Increase/(Decrease) in allowance for doubtful debts	(24)	244
	Telephone, postage, communications	757	723
	Employment on-costs	197	23
	Plantation maintenance provision movement	(82)	(39)
	Other administration costs	244	225
	Resources received free of charge	183	98
		1,519	**1,501**

19.0 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 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).

	2018 $000	2017 $000
Significant transactions with government related entities Significant transactions include:		
– income from Royalties for Regions Fund (Note 22);	250	250
– income from DPIRD Royalties for Regions Fund (Note 22);	4,520	-
– State Government contributions (Note 37.1);	1,300	2,100
– State Government operating subsidy (Note 22);	833	1,451
– Recoup of costs from DBCA (Note 9);	278	496
– payments to DBCA (Note 12);	(2,764)	(4,198)
– payments to Treasury for works performed by DBCA (Note 12);	(7,076)	(6,857)
– payments to Treasury for dividends and tax (refer statement of cashflows);	(4,923)	(3,091)
– superannuation payments to GESB (Note 11);	(332)	(341)
– insurance payments to the Insurance Commission of WA (Riskcover) (Note 12);	(965)	(1,396)
– payment for services provided by the Auditor General (Note 47);	(187)	(179)
– payment to the State Solicitors Office;	(7)	(4,377)
– payment for services provided by Synergy (Note 12);	(119)	(135)
– payment for services provided by the Department of Water (Note 12);	(241)	(117)

		2018 $000	2017 $000
	– payment for services provided by the Department of Primary Industries and Regional Development (Note 15);	(232)	(179)
	– commitments for future lease payments to the Department of Primary Industries and Regional Development (Note 39.2);	(1,910)	(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.		
20.0	**BIOLOGICAL ASSET INCREASE/(DECREASE)**		
	Increment/(decrement) from revaluations	(2,052)	(6,663)
		(2,052)	**(6,663)**
	Reconciliation of decrease on revaluations to movement of biological assets		
	Gross movement on biological assets	2,826	(4,077)
	Provision for replanting - Harvey Coast	-	1,962
	New plantations	(4,878)	(4,548)
		(2,052)	**(6,663)**
21.0	**ONEROUS CONTRACTS**		
	Annuity obligations associated with non-core share farms considered onerous [1]	1,173	196
		1,173	**196**
	[1]Comprises an adjustment for plantation sandalwood estate no longer considered onerous (2017) and Esperance pine (2018).		
22.0	**GRANTS AND SUBSIDIES FROM STATE GOVERNMENT**		
	Revenue received during the period:		
	Government operating subsidy [(a)]	833	1,451
	Royalties for Regions Fund – A Vision for the Forest Industry in Western Australia [(b)]	250	250
	Myalup Primary Industries Reserve Project [(c)]	4,520	-
		5,603	**1,701**

[(a)] Subsidy from the Strategic Assessment of the Perth and Peel Regions to replant 500 ha of pine plantations for cockatoo foraging habitat (2017) and for additional harvesting costs to be incurred as a result of rescheduling harvesting at Gnagara and the South West (2018).

[(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.

[(c)] This was provided via DPIRD under the allocation of a 'Royalties for Regions Fund'. The recurrent funds are committed to the purchase of land.

		2018 $000	2017 $000
23.0	**RESTRICTED CASH AND CASH EQUIVALENTS**		
	Current		
	Myalup Primary Industries Reserve Project [(a)]	1,245	-
	Royalties for Regions Fund [(b)]	-	127
		1,245	**127**
	[(a)] Unspent funds are committed to the purchase of land.		
	[(b)] Unspent funds are committed to projects and programs in WA regional areas.		
24.0	**INVENTORIES**		
	Current		
	Inventories held for resale at cost[1]:		
	– Plant propagation centre	1,753	1,969
	– Sandalwood	3,738	2,505
	– Timber on forest landings	1,262	1,015
		6,752	**5,489**
	[1] Cost is the net market value of inventories at the time assets were no longer classified as biological assets.		
25.0	**RECEIVABLES**		
	Current		
	Trade and other receivables	18,630	20,790
	Allowance for doubtful debts	(964)	(987)
		17,667	**19,803**
	Reconciliation of change in the allowance for doubtful debts		
	Balance at start of year	(987)	(744)
	Amounts written off during the year	-	1

		2018 $000	2017 $000
	Doubtful debts expense recognised in the Statement of comprehensive Income	24	(244)
	Balance at end of year	**(964)**	**(987)**
26.0	**INCOME TAX RECEIVABLE**		
	Current		
	Income tax receivable	-	561
		-	**561**
27.0	**OTHER ASSETS**		
	Current		
	Prepayments	114	549
	Derivative asset	-	62
	Accrued revenue	486	397
		600	**1,008**
28.0	**PROPERTY, PLANT AND EQUIPMENT AND INFRASTRUCTURE**		
28.1	**Land and buildings**		
	Freehold land at fair value[1]	20,468	17,396
		20,468	**17,396**
	Buildings at fair value[1]	5,589	5,760
	Accumulated depreciation	(5)	-
		5,584	**5,760**
	Total land and buildings	**26,052**	**23,156**

[1] Land and buildings were revalued as at 1 July 2017 by the Western Australian Land Information Authority (Valuation Services). The valuations were performed during the year ended 30 June 2018 and recognised at 30 June 2018. In undertaking the revaluation, fair value was determined by reference to market values for land: $10,174,300 (2017: $10,329,400) and buildings: $4,107,000 (2017: $4,190,000). 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).

		2018 $000	2017 $000
28.2	**Plant, equipment, infrastructure and vehicles**		
	Nursery infrastructure at fair value [1]	13,172	13,172
	Accumulated depreciation	(10,543)	(9,884)
	Nursery infrastructure	**2,629**	**3,288**
	Plant, equipment and vehicles at cost	3,566	3,536
	Accumulated depreciation	(3,315)	(3,193)
		251	**343**
	Office equipment at cost	620	580
	Accumulated depreciation	(529)	(525)
		91	**55**
	Total plant, equipment and vehicles	**2,971**	**3,686**

[1] Nursery infrastructure was revalued at 30 June 2016 on a 'written down replacement value' basis by independent valuers McGarry Associates Pty Ltd.

	2018	2017
Total Property, plant and equipment and infrastructure	**29,023**	**26,842**

28.3 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.

Cost or fair value	Freehold land $000	Buildings $000	Nursery infrastructure $000	Plant, equipment and vehicles $000	Office equipment $000	Total $000
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 increase	289	97	-	-	-	386
Accumulated depreciation written back	-	(298)	-	-	-	(298)
Derecognition	-	-	-	(15)	-	(15)
Reclassifications				(14)	(256)	
Balance at 30 June 2017	**17,396**	**5,760**	**13,172**	**3,536**	**580**	**40,444**
Balance at 1 July 2017	17,396	5,760	13,172	3,536	580	40,444
Additions	3,275	-	-	89	59	3,423
Disposals	-	-	-	(59)	(19)	(78)
Revaluation (decrease)/increase	(203)	112	-	-	-	(91)
Accumulated depreciation written back		(283)	-	-	-	(283)
Balance at 30 June 2018	**20,468**	**5,589**	**13,172**	**3,566**	**620**	**43,415**
Depreciation and impairment losses	-	-	-	-	-	-
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)**
Balance at 1 July 2017	-	-	(9,884)	(3,193)	(525)	(13,602)
Depreciation	-	(288)	(659)	(111)	(16)	(1,073)
Disposal	-	-	-	59	19	78
Accumulated depreciation written back	-	283	-	-	-	283
Reclassifications				(70)	(7)	(77)
Balance at 30 June 2018	**-**	**(5)**	**(10,543)**	**(3,315)**	**(529)**	**(14,392)**
Carrying Amounts						
At 1 July 2016	**11,101**	**5,957**	**3,947**	**499**	**69**	**21,573**
At 30June 2017	**17,396**	**5,760**	**3,288**	**343**	**55**	**26,842**
At 1 July 2017	**17,396**	**5,760**	**3,288**	**343**	**55**	**26,842**
At 30 June 2018	**20,468**	**5,584**	**2,629**	**251**	**91**	**29,023**

28.4 Fair value measurements

Assets measured at fair value:	Level 1	Level 2 $000	Level 3 $000	Fair Value At end of year $000
2018				
Land (Note 28.1)	-	-	20,468	20,468
Buildings (Note 28.1)	-	-	5,584	5,584
Infrastructure (Note 28.2)	-	-	2,629	2,629
	-	**-**	**28,681**	**28,681**

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

	Level 1	Level 2 $000	Level 3 $000	Fair Value At end of year $000
2017				
Land (Note 28.1)	-	-	17,396	17,396
Buildings (Note 28.1)	-	-	5,760	5,760
Infrastructure (Note 28.2)	-	-	3,288	3,288
	-	**-**	**26,444**	**26,444**

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

2018	**Land $000**	**Buildings $000**	**Infrastructure $000**
Fair Value at start of period	17,396	5,760	3,288
Additions	3,275	-	-
Revaluation increments/(decrements) recognised in other comprehensive income	(203)	112	-
Disposals	-	-	-
Depreciation expense	-	(288)	(659)
Fair Value at end of period	**20,468**	**5,584**	**2,629**

2017	**Land $000**	**Buildings $000**	**Infrastructure $000**
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**

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 (m^3)

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 30/06/2018 $000	Fair Value 30/06/2017 $000	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs to fair value
Land	20,468	17,396	Market approach	Selection of land with similar approximate utility	Higher value of similar land increases estimated fair value.
Buildings	5,584	5,760	Market approach	Consumed economic benefit/ obsolescence of asset	Greater consumption of economic benefit or increased obsolescence lowers fair value.
Infrastructure	2,629	3,288	Depreciated Replacement Cost	Consumed economic benefit/ obsolescence of asset	Greater consumption of economic benefit or increased obsolescence lowers fair value.

Reconciliation of the opening and closing balances are provided in Note 28.3.

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.

29.0 INTANGIBLE ASSETS

		2018 $000	2017 $000
29.1	**Software**		
	Software - cost	1,155	994
	Software - accumulated amortisation	(660)	(666)
	Total Intangible assets	**495**	**328**

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 2016	**722**
Additions from external sources	240
Reclassifications	270
Disposals	(238)
Balance at 30 June 2017	**994**
Balance at 1 July 2017	**994**
Additions from external sources	292
Disposals	(131)
Balance at 30 June 2018	**1,155**
Amortisation and impairment losses	
Balance at 1 July 2016	**(502)**
Amortisation of software costs	(132)
Reclassifications	(270)
Disposals	238
Balance at 30 June 2017	**(666)**
Balance at 1 July 2017	**(666)**
Amortisation of software costs	(126)
Disposals	131
Balance at 30 June 2018	**(660)**
Carrying Amounts	
At 1 July 2016	141
At 30June 2017	328
At 1 July 2017	328
At 30 June 2018	**495**

Reconciliation of the opening and closing balances are provided in Note 28.3

30.0 BIOLOGICAL ASSETS

Current	2018 $000	2017 $000
Biological assets at valuation		
Native Forest		
Native forest standing timber	5,923	5,937
Sandalwood standing timber	9,173	8,934
Native forest biological assets at valuation	15,096	14,871
Plantations		
Plantations biological assets at valuation	18,610	8,669
Total biological assets at valuation current	**33,706**	**23,540**
Non-Current		
Biological assets at valuation		
Native Forest		
Native forest standing timber	73,085	72,534
Sandalwood standing timber	45,878	56,416
Native forest biological assets at valuation	118,963	128,950
Plantations		
Mature standing timbers	171,336	169,318
Plantation sandalwood	3,805	4,377
Esperance pine	1,202	-
Plantations biological assets at valuation	176,343	173,695
Total biological assets at valuation non-current	**295,306**	**302,645**
Total biological assets at valuation	**329,011**	**326,185**
The Plantations estate is represented by:		
Pine plantations standing timber	191,147	177,987
Plantation sandalwood	3,805	4,377
Total Plantations biological assets at valuation	194,952	182,364
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	326,185	330,262
Gain / (Loss) from changes in fair value	(2,052)	(6,663)
Add Harvey Coast provision	(1,190)	(1,962)
Add 2R capitalisation	6,068	4,548
Carrying amount at end of year	**329,011**	**326,185**

30.1 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:

	Native Forest $000	Sandalwood $000	Plantations $000	Note
Opening Balance 1 July 2016	78,615	71,308	180,339	
Additions	-	-	4,548	
Revaluation increments/ (decrements) recognised in profit or loss	(144)	(5,958)	(2,523)	
Closing Balance 30 June 2017	**78,471**	**65,350**	**182,364**	
Balance at 1 July 2017	78,471	65,350	182,364	
Additions	-	-	6,068	
Revaluation (decrements)/ increments recognised in profit or loss	537	(10,299)	6,520	
Closing Balance 30 June 2018	**79,008**	**55,051**	**194,952**	
Opening Balance 1 July 2016	78,615	71,308	180,339	
Volume	12,612	(12,257)	18,912	1
Revenue	11,852	(9,910)	(11,775)	2
Expense	(24,608)	16,209	(6,480)	3
Plantation sandalwood	-	-	1,368	5
Closing Balance 30 June 2017	**78,471**	**65,350**	**182,364**	
Balance at 1 July 2017	**78,471**	**65,350**	**182,364**	
Volume	(14,352)	(10,232)	(6,116)	1
Revenue	42,514	6,922	25,961	2
Expense	(27,625)	(5,486)	(13,503)	3
Discount rate	-	(1,503)	5,616	4
Plantation sandalwood	-	-	(572)	5
Esperance pine	-	-	1,202	6
Closing Balance 30 June 2018	**79,008**	**55,051**	**194,952**	

Notes

Native Forests

1. **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. 6 million increase in value.

   2018: The updating of the valuation from 2017 to 2018 results in a decrease in the projected volume value (-$14.4 million) driven by a revision to harvest projections.

2. **2017:** The movement in unit prices between 2016 and 2017 has resulted in a net present value increase of $11.9 million. The contributing factors to the increase are a combination of volume increase coupled with an average price per unit increase.

   2018: The updating of the valuation from 2017 to 2018 results in an increase in forecast revenue (+$42.5 million) driven by the impact of moving closer to periods of higher value, an increase in unit prices partly offset by a revision to harvest projections.

3. **2017:** The movement in unit costs between 2016 and 2017 has resulted in a net present value decrease of $24.6 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.

   2018: The updating of the valuation from 2017 to 2018 results in an increase in expense (-$27.6 million) driven by the impact of moving closer to periods of higher value, an increase in unit costs partly offset by a revision to harvest projections.

4. **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%).

   2018: The discount rate for 2018 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 2018 is 9.5% (2017 9.5%).

Sandalwood

1. **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 $12.3 million.

   2018: The updating of the valuation from 2017 to 2018 results in a decrease in the projected volume value (-$10.2 million) primarily driven by one year less in the Order in Council period.

2. **2017:** The movement of unit prices between 2016 and 2017 has resulted in a net present value decrease of $9.9 million. The primary contributing factor being the price risk adjustment in the domestic market.

   2018: The updating of the valuation from 2017 to 2018 results in an increase in forecast revenue (+$6.9 million) primarily driven by the impact of moving closer to the end of the Order in Council period partly offset by a unit price decrease and the impact of an increase in the forecast AUD/USD exchange rate.

3. **2017:** The movement in unit costs between 2016 and 2017 has resulted in a net present value increase of $16.2 million. The primary contributing factor being the revision of the estimate for harvesting costs.

   2018: The updating of the valuation from 2017 to 2018 results in an increase in expense (-$5.5 million) primarily driven by the impact of moving closer to the end of the Order in Council period.

4. **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%).

   2018: The discount rate for 2018 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 2018 is 10.3% (2017 9.5%). The impact of the increase in the discount rate is a decrease in the value by $1.5 million.

Plantations

1. **2017** The updating of the valuation from 2017 to 2018 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 $18.91 million increase in value.

2018: The updating of the valuation from 2017 to 2018 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; 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 $6.12 million decrease in value.

2. **2017:** The movement of forecast unit prices between 2017 and 2018 has resulted in a net present value decrease of $11.77 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.

   2018: The movement of forecast unit prices between 2017 and 2018 has resulted in a net present value increase of $25.96 million over the period the tree crop is forecast to be harvested. The primary contributing factors are increases in the laminated veneer lumber and industrial wood log prices.

3 **2017:** The movement of forecast expenses between 2017 and 2018 has resulted in a net present value decrease of $6.48 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.

   2018: The movement of forecast expenses between 2017 and 2018 has resulted in a net present value decrease of $13.50 million over the period the tree crop is forecast to be harvested. The primary drivers of the decrease are higher transport, logging, and site rehabilitation costs.

4. **2017:** The discount rate for 2018 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 2018 is 9.0% (2017 9.0%).

   2018: The discount rate for 2018 has been provided by an independent valuation company Indufor Asia Pacific. This discount rate is for application to real, pre-tax, perpetual cashflows and takes into consideration the forecast period timeframe and risks of achieving the forecast cash flows over that timeframe. The discount rate for 2018 is 8.6% applied to current crop cashflows. In 2017, the equivalent discount rate was 9.0%.

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%.

   2018: The movement in net present value for the sandalwood plantation forest estate was reduced primarily due to an increase in the forecast AUD/USD exchange rate. The discount rate for 2018 is 9.5%.

6. **2018:** This represents the movement in net present value for the Esperance pine plantation estate which was not previously recognised. The discount rate for 2018 is 8.6%.

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

Description and Fair Value as at 30 June 2018	30-Jun-18 $000	30-Jun-17 $000	Valuation technique(s)	Unobservable Inputs	Significant unobservable inputs 2018	2017	Relationship of unobservable inputs to fair value measurement
Standing timber – Native forest	79,008	78,471	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 Forest Management Plan (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:	$6.20 to $74.19 weighted average $31.64	$4.88 to $73.21 weighted average $29.10	The estimated fair value would increase (decrease) if: – the estimated timber gross profit price per cubic metre was higher (lower); – the estimated volume was higher (lower); – the estimated management cost per cubic metre were lower (higher); or – the risk-adjusted discount rate was lower (higher).
				Estimated average volume per annum	633,000 cubic metres	686,000 cubic metres	
				Estimated management costs per cubic metre to sell the volume	$20.56	$19.05	
Standing timber – Sandalwood	55,051	65,350	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 fluctuates over the period from $0.7435 in 2019 to $0.7473 in 2027.	The exchange rate decreases over the period from $0.77 in 2018 to $0.72 in 2027.	The estimated fair value would increase (decrease) if: – 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$17,073 per tonne; Export market USD $12,370 per tonne.	Domestic market A$17,493 per tonne; Export market USD $12,693 per tonne.	
				Estimated average volume per annum	1125 tonnes per annum.	1125 tonnes per annum.	
				Estimated cost per tonne to harvest, produce and sell the volume over the forecast horizon	$7,827	$7,842	

Description and Fair Value as at 30 June 2018	30-Jun-18 $000	30-Jun-17 $000	Valuation technique(s)	Significant unobservable inputs: Unobservable Inputs	2018	2017	Relationship of unobservable inputs to fair value measurement
Standing timber - Plantations	189,945	177,987	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 30 June 2018 is projected to be 71,424 hectares. Beyond that date, it is not possible to declare the forest area with certainty. Indufor has developed the cashflow model on a June year basis.	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 estimated fair value would increase (decrease) if: – 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 $16.50 per cubic metre ($m^3$) to $128.63/$m^3$. 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 $26.13 per cubic metre ($m^3$) to $94.87/$m^3$. 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.	

Description and Fair Value as at 30 June 2018	30-Jun-18 $000	30-Jun-17 $000	Valuation technique(s)	Significant unobservable inputs: Unobservable Inputs	2018	2017	Relationship of unobservable inputs to fair value measurement
Sandalwood Plantations	3,805	4,377	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 $0.74 in 2019 to $0.72 in 2037.	The exchange rate decreases over the period from $0.77 in 2018 to $0.66 in 2037.	The estimated fair value would increase (decrease) if: – 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 $3,080 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	$1,977	$1,967	
Esperance pine Plantations	1,202	-	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 23 years. The expected net cash flows are discounted using a risk adjusted discounted rate.	The area stocked	The area stocked as at 30 June 2018 is 4,437 hectares.	-	The estimated fair value would increase (decrease) if: – Yields from plantations were higher (lower) than predicted. – the estimated timber gross profit price per hectare were higher (lower); – the estimated management cost per hectare were lower (higher); – the risk-adjusted discount rate were lower (higher).
				Estimated future timber average market prices per hectare:	$5,330	-	
				Estimated average volume per annum	Future woodflow projections are based on a combination of the forest area and assumed yields from those plantations.	-	
				Estimated cost per hectare to harvest, produce and sell the volume over the forecast horizon	$2,333	-	

31.0 BIOLOGICAL ASSETS RISK ANALYSIS

31.1 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.

31.2 Discount rates

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

	2018 %	2017 %
Plantations	8.60%	9.00%
Native Forest	9.50%	9.50%
Sandalwood	10.30%	9.50%

31.3 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:

			2018 $000 Increase/ (decrease)	2017 $000 Increase/ (decrease)
Discount	+300 bpts	Total biological assets at valuation	(80,231)	(63,660)
rate:	- 300 bpts	Total biological assets at valuation	178,781	102,524
Future	+ 3%	Total biological assets at valuation	29,917	28,812
prices:	- 3%	Total biological assets at valuation	(29,904)	(28,813)
Future	+ 3%	Total biological assets at valuation	(20,056)	(14,709)
costs:	- 3%	Total biological assets at valuation	20,052	14,705

31.4 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.

31.5 Insurance

The FPC has insured its Plantation biological asset to 30 June 2018.

32.0 IMPAIRMENT OF ASSETS

There were no indications of impairment to property, plant and equipment, infrastructure or intangible assets at 30 June 2018 (2017: 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 (2017: Nil).

All surplus assets at 30 June 2018 have either been classified as assets held for sale or written-off.

		2018 $000	2017 $000
33.0	**PAYABLES**		
	Current		
	Trade payables	3,822	7,620
	GST payable	158	108
	Payroll tax accrual	81	125
	Accrued logging costs	3,607	267
	Other accruals	5,810	5,800
	Accrued salaries and wages	296	277
	Land annuity obligations	347	428
	Hedge Contract	94	-
		14,215	**14,625**
	Non-Current		
	Land annuity obligations	3,460	4,698
		3,460	**4,698**
34.0	**INCOME TAX**		
	Current		
	Income tax payable	6	0
		6	**0**
35.0	**PROVISIONS**		
	Current		
	Employee benefits provision		
	Annual leave (a)	1,418	1,157
	Long service leave (b)	1,766	1,744
		3,184	**2,901**
	Other provisions		
	Provision for regeneration of Native Forest (d)	4,039	3,594
	Provision for replant (Harvey Coast) (e)	1,016	2,206
	Unearned revenue (f)	41	56
	Provision for sandalwood plantation maintenance (g)	70	70
		5,166	**5,926**
	Total current	**8,350**	**8,827**
	Non-current		
	Employee benefits provision		
	Long service leave (b)	1,067	1,067
	Superannuation (c)	161	161
		1,228	**1,228**

	2018 $000	2017 $000
Other provisions		
Provision for regeneration of Native Forest (d)	900	1,938
Provision for replant (Harvey Coast) (e)	-	-
Provision for sandalwood plantation maintenance (g)	289	370
	1,189	**2,308**
Total non-current	**2,417**	**3,536**

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:

	2018 $000	2017 $000
Within 12 months of the end of the reporting period	1,091	554
More than 12 months after the end of the reporting period	327	603
	1,418	**1,157**

(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 2018. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2018 $000	2017 $000
Within 12 months of the end of the reporting period	506	579
More than 12 months after the end of the reporting period	2,327	2,232
	2,833	**2,811**

(c) 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:

	2018 $000	2017 $000
Liability at start of year	161	161
Included in profit or loss:		
Current service cost	-	-
Past service cost	-	-
Interest cost	4	3
	4	**3**
Included in other comprehensive income:		
Remeasurements loss (gain) recognised:		
demographic assumptions	-	-
financial assumptions	-	(9)
experience adjustments	(4)	6
	(4)	(3)
Contributions:		
Benefits paid	-	-
	-	**-**
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:

	2018	2017
Discount rate	2.60%	2.26%
Future salary increases	4.20%	3.70%

At 30 June 2018, the weighted-average duration of the defined benefit obligation was 4.9 years (2017: 5.2 years).

	2018 $000	2017 $000
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)	4
Future salary growth (0.5% movement)	(3)	3

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 (2017: $17,000) are expected to be paid to the Gold State Superannuation Scheme in the subsequent annual reporting period.

(d) The FPC has an obligation under the Forest Management Plan (2014 to 2023) to ensure that re-growth Native Forest harvested are restored.

(e) The FPC has provided for the replantation of an area of the Harvey Coast that was destroyed by fires during the 2015/16 year.

(f) Unearned Revenue received by the FPC for the delivery of forestry services to be delivered in the future.

(g) The FPC has an obligation under contract to maintain a sandalwood plantation in Kununurra. The associated expense is disclosed in Note 18 'Other expenses'.

		2018 $000	2017 $000
	Movement in other provisions		
	Movements in each class of provisions during the period, other than employee benefits, are set out below:		
(d)	**Provision for regeneration of Native Forest**		
	Carrying amount at start of year	5,531	6,801
	Additional provisions recognised	11	(604)
	Payments/other sacrifices of economic benefits	(602)	(666)
	Carrying amount at the end of year	**4,940**	**5,531**
(e)	**Provision for replantation of Harvey Coast**		
	Carrying amount at start of year	2,206	5,470
	Additional provisions recognised	-	(1,963)
	Payments/other sacrifices of economic benefits	(1,191)	(1,301)
	Carrying amount at the end of year	**1,016**	**2,206**
(f)	**Unearned revenue**		
	Carrying amount at start of year	49	19
	Additional/(reversals of) provisions recognised	(18)	30
	Carrying amount at the end of year	**31**	**49**
(g)	**Provision for sandalwood plantation maintenance**		
	Carrying amount at start of year	440	479
	Payments/other sacrifices of economic benefits	(82)	(39)
	Carrying amount at the end of year	**359**	**440**
36.0	**DEFERRED REVENUE**		
	Current		
	Contractual obligations	136	133
	Forward sold log supply	1,653	1,545
		1,789	1,678
	Non-Current		
	Contractual Obligations	5,501	5,599
	Forward sold log supply	7,861	9,029
		13,362	**14,628**

		2018 $000	2017 $000
37.0	**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.		
37.1	**Contributed equity**		
	Balance at the start of the year	342,241	340,141
	Equity injection	1,300	2,100
	Balance at the end of year	**343,541**	**342,241**
37.2	**Reserves**		
	Asset Revaluation Surplus		
	Balance at start of year	10,705	10,378
	Net asset revaluation increase	(92)	467
	Deferred tax on items of other comprehensive income (Note 44 Taxation equivalent)	28	(140)
	Balance at end of year	**10,641**	**10,705**
	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	43	107
	Net movement in reserve	(156)	(91)
	Income tax on items of other comprehensive income	47	27
		(66)	**43**
	Forward exchange contracts are held to hedge against fluctuations in US dollars; (Note 3.02)		
	Reserves total	**10,575**	**10,748**
37.3	**Retained earnings**		
	Balance at the start of year	11,789	10,352
	Profit for the year [1]	8,002	3,967
	Dividend paid	(3,617)	(2,530)
	Balance at end of year	**16,174**	**11,789**
	[1] Includes remeasurement of defined benefit liability		

		2018 $000	2017 $000
38.0	**NOTES TO THE STATEMENT OF CASH FLOWS**		
38.1	**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	2	3
	Commonwealth Bank - Cash Management Account	28,599	30,642
	Commonwealth Bank - USD Bank Account	705	574
	Cash and cash equivalents	**29,306**	**31,219**
	Restricted cash and cash equivalents (Note 23 'Restricted cash and cash equivalents')	1,245	127
		30,551	**31,346**
38.2	**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	7,998	3,964
	Taxable items presented in Other Comprehensive Income		
	Remeasurements of defined benefit liability	4	3
	Non-cash items:		
	Depreciation and amortisation expense	1,199	1,292
	Movement in provision for doubtful debts	(24)	243
	Change in fair value of biological assets	2,052	6,663
	Decrease / (increase) in assets:		
	Current inventories	(1,263)	(785)
	Current receivables	2,161	(2,684)
	Other current assets	(9,197)	(3,426)
	Other assets	12,663	7,604
	Increase/(decrease) in liabilities:		
	Payables	(410)	(513)
	Unearned revenue and deferred income	1,169	1,680
	Other liabilities	(9,442)	(10,820)
	Net cash generated by operating activities	**6,910**	**3,222**
	The FPC has no interest bearing borrowings or debt, and no financing cashflows relating to such activities.		

	2018 $000	2017 $000
38.3 Borrowing facilities		
The FPC had access to the following lines of credit as at reporting date:		
Credit cards	750	750
Bank overdraft facility [1]	-	9,000
	750	**9,750**
Facilities in use as at reporting date:		
Credit cards	51	35
	51	**35**
Available facilities not in use as at reporting date:		
Credit cards	699	715
Bank overdraft facility	-	9,000
	699	**9,715**

[1] A bank overdraft facility for $9m is to be re-established with the Western Australian Treasury Commission from 1 July 2018.

39.0 COMMITMENTS

39.1 Expenditure commitments

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

	2018 $000	2017 $000
Within 1 year	1,819	1,740
Later than 1 year and not later than 5 years	5,595	5,636
	7,414	**7,376**

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

39.2 Lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, are payable as follows:

	2018 $000	2017 $000
Within 1 year	271	226
Later than 1 year and not later than 5 years	1,196	1,060
Later than 5 years	1,453	1,134
	2,920	**2,420**
Non-cancellable operating leases	**2,920**	**2,420**

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.

39.3 Guarantees and undertakings

The FPC has no guarantees and/or undertakings that have not been provided for in the 'Statement of Financial Position' (2017: Nil).

40.0 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 the DBCA who have an asbestos management plan in place.

41.0 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

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

42.0 EXPLANATORY STATEMENT

Significant variations between estimates and actual results for 2018 and between the actual results for 2018 and 2017 are shown below. Significant variations are considered to be those greater than 10 per cent or $5 million.

		2018 Actual $000	2018 Estimate[1] $000	Variance from Estimate $000	Explanation:
42.1	**Significant variances between estimate and actual for 2018**				
	Income				
	Revenue from the sale of goods and services	111,590	132,926	(21,336)	a
	Interest revenue	677	459	218	b
	Other revenue	1,475	1,168	307	c
	Other gains	370	-	370	d
	Grants and subsidies from State Government	5,603	250	5,353	e
	Expenses				
	Cost of sales	64,933	82,373	(17,440)	f
	Supplies and services	18,673	27,679	(9,006)	g
	Depreciation expense	1,199	1,544	(345)	h
	Other expenses	1,519	1,670	(151)	i
	Biological asset increase/(decrease)	(2,052)	(8,442)	6,390	j

Explanation:

a Revenue was less than forecast in the Native Forest segment due to the combination of the closure of a large sawmill, delays with a major customer commissioning a large log line and sales of low-grade product being significantly less than forecast.

In the Sandalwood segment revenue was less than forecast due to import issues in the China market and the cessation of deliveries to a major domestic customer following Company trading halts. This downside was partly offset by a better performance in the Plantations segment primarily as a result of stronger than expected customer demand.

b Interest revenue is higher due to cash balances being greater than forecast.

c Other revenue was greater than forecast due to unbudgeted workers compensation insurance adjustments for past years performance.

d Gains on foreign currencies due to the fall in the Australian dollar against the US dollar.

e Unbudgeted capital grant was received to purchase land for Softwood expansion program and an operating subsidy for additional production costs to be incurred as a result of rescheduling harvesting at Gnangara to the South West.

f The cost of sales for native forest & sandalwood (harvest, haul and roading cost) reduced in proportion to a fall in activity level.

g Expenditure in forest management is due to lower than forecast harvest activity, bolstered by administration and professional services programs being rescheduled to next financial year.

h Lower depreciation expense as a result of assets reaching maturity.

i The decrease is due to budget savings in international freight cost (reduced in proportion to the reduction in international sales).

j The less than forecast decrease in the biological asset valuation movement is primarily due to the plantation valuation being greater than forecast, refer Note 30.1.

[1]Estimates are sourced from the 2017-18 Statement of Corporate Intent

		2018 $000	2017 $000	Variance $000	Explanation
42.2	**Significant variances between actual results for 2018 and 2017.**				
	Income				
	Commonwealth grants and contributions	-	666	(666)	a
	Interest revenue	677	916	(239)	b
	Other revenue	1,475	1,320	155	c
	Other gains	370	317	53	d
	Grants and subsidies from State Government	5,603	1,701	3,902	e
	Expenses				
	Biological asset increase/(decrease)	(2,052)	(6,663)	4,611	f

Explanation:

a Final revenue recognition for the National Action Plan for Salinity and Water Quality in 2017.

b Higher cash holdings in 2017 resulted in increased interest earnings.

c The increase on last year being primarily due to an increase in the fair value of resources received free of charge.

d Represents the gain from foreign exchange rate fluctuations. The increase on last year being the result of hedging in a more volatile exchange rate market.

e Capital grant to purchase land for Softwood expansion program and an operating subsidy for additional production costs to be incurred as a result of rescheduling harvesting at Gnangara to the South West.

f Each financial year amount represents the biological asset valuation movement from the previous years valuation. (Refer note 30.1).

43.0 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 43.1 Financial instrument disclosures and note 25 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 43.4.

For financial assets that are either past due or impaired, refer to note 43.4.

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 43.2.

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 fifteen 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 2018 is USD 0.521 million (2017: USD 0.441 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:

	2018 $000	2017 $000
Financial Assets		
Cash and cash equivalents	29,306	31,219
Restricted cash	1,245	127
Loans and receivables		
Trade receivables	17,667	19,803
Forward exchange contracts	-	62
	48,218	**51,211**
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade and other payables	13,774	14,197
Land annuity obligations	3,807	5,126
Forward exchange contracts	94	-
	17,675	**19,323**

43.1 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 $5.189 million (2017 : $7.284 million).

2018	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	38.1	2.12%	29,844	29,844	-	-	-
Commonwealth Bank USD Account	38.1	0.00%	705	705	-	-	-
Trade receivables	25.0	n/a	18,630	18,630	-	-	-
Provision for doubtful debts	25.0	n/a	(964)	(964)	-	-	-
Collateral security held - cash	43.5	n/a	2,710	2,710	-	-	-
Collateral security held - non cash		n/a	7,782	7,782	-	-	-
Total credit exposure - trade receivables			**28,158**	**28,158**	**-**	**-**	**-**
Foreign exchange contracts	27.0	n/a	-	-	-	-	-
			58,707	**58,707**	**-**	**-**	**-**
Financial liabilities							
Trade payables	33.0	n/a	3,822	3,822			
Forward exchange contracts			94	94			
Land annuities payable		n/a	5,189	355	355	1,066	3,413
			9,105	**4,271**	**355**	**1,066**	**3,413**
2017							
Financial assets							
Commonwealth Bank Cash Management Account	38.1	1.98%	30,642	30,642	-	-	-
Commonwealth Bank USD Account	38.1	0.00%	574	574	-	-	-
Trade receivables	25.0	n/a	20,790	20,790	-	-	-
Provision for doubtful debts	25.0	n/a	(987)	(987)	-	-	-
Collateral security held - cash	43.5	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	27.0	n/a	62	62	-	-	-
			61,574	**61,574**	**-**	**-**	**-**
Financial liabilities							
Trade payables	33.0	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**

43.2 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.

The table below represents the forward foreign exchange contracts entered into with the WATC.

Sell currency	Value date	USD sell amount $000	Historic 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	31-Dec-18	2,609	0.764	AUD	3,414	-0.024	0.740	AUD	3,525	AUD	(111)
USD	28-Jun-19	4,470	0.741	AUD	6,033	0.002	0.743	AUD	6,016	AUD	17
		7,079			**9,447**				**9,541**		**(94)**

43.3 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.

2018	Carrying amount ($000's)	-1% change Profit ($000's)	-1% change Equity ($000's)	+1% change Profit ($000's)	+1% change Equity ($000's)
Interest rate sensitivity analysis					
Financial Assets					
Cash and cash equivalents	29,303	(205)	(205)	205	205
Financial Liabilities					
Land annuities payable	3,807	(175)	(175)	159	159

	Carrying amount ($000's)	-10% change Profit ($000's)	-10% change Equity ($000's)	+10% change Profit ($000's)	+10% change Equity ($000's)
Currency sensitivity analysis					
Financial Assets					
USD Bank Account	705	55	55	(45)	(45)

USD rate used in this analysis was the spot rate as at 30 June 2018: 1 AUD = 0.739

2017	Carrying amount ($000's)	-1% change Profit ($000's)	-1% change Equity ($000's)	+1% change Profit ($000's)	+1% change Equity ($000's)
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's)	-10% change Profit ($000's)	-10% change Equity ($000's)	+10% change Profit ($000's)	+10% change Equity ($000's)
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

43.4 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 2018, the value of deposits and securities was greater than overdue accounts by $6.747 million (deposits and securities was greater than overdue accounts by $8.808 million at 30 June 2017).

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:

	2018 Number of customers	2018 Value overdue[1]: $000	2018 Impairment: $000	2017 Number of customers	2017 Value overdue[1]: $000	2017 Impairment: $000
1 to 30	20	2,170	574	11	910	603
31 to 60	9	178	64	3	128	64
Greater than 60	20	307	326	13	571	320
All overdue accounts	**49**	**2,655**	**964**	**27**	**1,609**	**987**

[1] Overdue beyond the FPC's agreed trading terms.

The likelihood of recovery as at 30 June 2018 was estimated and factored into the amounts provided for impairment of receivables (refer note 25). 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.

Maximum exposure to credit risk for trade receivables by type of customer	**2018**	**2017**
State Government	-	-
Forest Product Manufacture/Supply	17,667	19,803
	17,667	**19,803**

43.5 Funds held in trust

Funds held in trust[1] as security for contract obligations. These funds are repayable upon completion of contracts.

Opening balance	2,470	2,830
Receipts	280	136
Payments	(40)	(496)
Closing balance	**2,710**	**2,470**

[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.

43.6 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.

44.0 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:

	2018 $000	**2017 $000**
Profit from ordinary activities before Income tax [1]	11,340	5,616
Income tax equivalent calculated at 30% of operating profit	3,402	1,685
Reversal of net deferred asset	-	-
Underprovided in prior years	(64)	(36)
	3,338	**1,649**
[1] Includes remeasurements of defined benefit liability		
Current income tax payable		
Current year	1,844	-
	1,844	-
Deferred income tax		
Relating to origination and reversal of temporary differences	1,494	1,649
	3,338	1,649
Total income tax expense in the Statement of Comprehensive Income	**3,338**	**1,649**

Recognised deferred tax assets and liabilities	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
	$000	$000	$000	$000	$000	$000
Receivables	(289)	(297)	-	-	(289)	(297)
Land	(87)	(87)	1,487	1,548	1,399	1,460
Buildings	(361)	(342)	2,297	2,264	1,936	1,922
Nursery infrastructure	(1,075)	(1,019)	777	777	(298)	(243)
Plant, equipment, infrastructure and vehicles	(150)	(170)	-	-	(150)	(170)
Natural resource assets	(1,234)	(1,709)	20,145	19,297	18,911	17,589
Intangible asset	(2,041)	(2,041)	-	-	(2,041)	(2,041)
Employee provisions	(1,323)	(1,239)	-	-	(1,323)	(1,239)
Share farm annuities	(13,098)	(12,380)	-	-	(13,098)	(12,380)
Auditing fees provision	(48)	(48)	-	-	(48)	(48)
Restoration provision	(1,895)	(2,454)	-	-	(1,895)	(2,454)
Deferred income	(3,788)	(3,834)	-	-	(3,788)	(3,834)
Incentive payments provision	(1,118)	(1,514)	-	-	(1,118)	(1,514)
Research & development offset	-	(20)	-	-	-	(20)
Hedge Contract	-	-	(28)	18	(28)	18
Unrecognised net deferred asset	2,041	2,041			2,041	2,041
Net tax (assets) / liabilities	**(24,466)**	**(25,112)**	**24,677**	**23,904**	**211**	**(1,208)**

Movement in temporary differences during the year	Balance 1 July 2016 $000	Recognised in income $000	Recognised in equity $000	Balance 30 June 2017 $000	Balance 1 July 2017 $000	Recognised in income $000	Recognised in equity $000	Balance 30 June 2018 $000
Receivables	(224)	(73)	-	(297)	(297)	7	-	(289)
Land	1,374	86	-	1,460	1,460	(61)	-	1,399
Buildings	1,891	31	-	1,922	1,922	14	-	1,936
Nursery infrastructure	(187)	(56)	-	(243)	(243)	(55)	-	(298)
Plant, equipment, infrastructure and vehicles	(161)	(9)	-	(170)	(170)	20	-	(150)
Natural resource assets	18,336	(747)	-	17,589	17,589	1,323	-	18,911
Intangible asset	(2,041)	(0)	-	(2,041)	(2,041)	-	-	(2,041)
Employee provisions	(1,561)	322	-	(1,239)	(1,239)	(85)	-	(1,323)
Share farm annuities	(11,693)	(687)	-	(12,380)	(12,380)	(718)	-	(13,098)
Auditing fees provision	(61)	13	-	(48)	(48)	-	-	(48)
Restoration provision	(3,826)	1,372	-	(2,454)	(2,454)	559	-	(1,895)
Deferred income	(4,470)	636	-	(3,834)	(3,834)	46	-	(3,788)
Incentive payments provision	(1,631)	117	-	(1,514)	(1,514)	396	-	(1,118)
Research & development offset	(803)	783	-	(20)	(20)	20	-	-
Reserves	45	(140)	113	18	18	28	(74)	(28)
Unrecognised tax losses	2,041	-	-	2,041	2,041	-	-	2,041
	(2,971)	**1,649**	**113**	**(1,208)**	**(1,208)**	**1,494**	**(74)**	**211**

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	
	2018	2017	2018	2017
	$000	$000	$000	$000
Intangible asset	(2,041)	(2,041)	-	-
Net tax (assets)	**(2,041)**	**(2,041)**	**-**	**-**

Provision for taxation receivable / (payable)		
Opening	561	-
Provision raised / (reversed)	(1,844)	-
Tax Paid	1,277	561
Closing	**(6)**	**561**

45.0 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:

Compensation of Members of the Accountable Authority

	2018	2017
Compensation Band ($)	**$000**	**$000**
50,001 - 60,000	1	1
20,001 - 30,000	3	5
10,001 - 20,000	2	1
0 - 10,000	2	-

Compensation of Senior Officers

Compensation Band ($)	**2018**	**2017**
290,001 - 300,000	-	1
280,001 - 290,000	1	-
210,001 - 220,000	-	1
200,001 - 210,000	1	-
190,001 - 200,000	1	1
170,001 - 180,000	2	2
160,001 - 170,000	-	1
150,001 - 160,000	3	2
140,001 - 150,000	-	1
	$000	**$000**
Short term employee benefits	1,678	1,838
Post employment benefits	(1)	1
Other long term benefits	1	(73)
Termination benefits	-	-
Total compensation of key management personnel	**1,678**	**1,766**

46.0 RELATED AND AFFILIATED BODIES

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

47.0 REMUNERATION OF AUDITOR

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

	2018 $000	2017 $000
Auditing the accounts, financial statements, controls and key performance indicators	154	150

48.0 SUPPLEMENTARY FINANCIAL INFORMATION

	2018	2017
48.1 Write-offs		
Debtors	-	1
Assets	-	-
Total	**-**	**1**

	2018	2017
48.2 Losses through theft, defaults and other causes		
Losses of public money and public and other property through theft or default	-	39
Amounts recovered	**-**	**(39)**
	-	**-**

	2018	2017
48.3 Gifts of public property	-	-

49.0 SCHEDULE OF INCOME AND EXPENSES BY SERVICE

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

Main operating segments:

South West Forest – Responsible for harvesting and regeneration activities associated with native forest other than sandalwood.

Sandalwood – 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
2018							
Revenue							
External Segment Revenues	33,974	59,862	20,016	194	66	-	114,112
Internal segment revenue	-	2,968	-	(197)	-	(2,771)	-
Total Revenue	**33,974**	**62,830**	**20,016**	**(3)**	**66**	**(2,771)**	**114,112**
Expenses							
Employee Expenses	(5,603)	(9,177)	(2,610)	(2,055)	(584)	-	(20,029)
External Segment Expenses	(28,021)	(48,087)	(10,298)	(2,860)	(493)	2,771	(86,988)
Finance Charges	-	(407)	(76)	-	-	-	(483)
Total Expenses	**(33,624)**	**(57,671)**	**(12,984)**	**(4,915)**	**(1,077)**	**2,771**	**(107,500)**
Operating profit[1]	**350**	**5,159**	**7,032**	**(4,918)**	**(1,011)**	**-**	**6,612**
Biological Asset Valuation (Decrease) / Increase	537	7,710	(10,299)	-	-	-	(2,052)
Grants and subsidies from State Government	-	5,353	-	250	-	-	5,603
Onerous Contracts	-	-	-	-	1,173	-	1,173
Profit / (Loss) before Tax	**887**	**18,222**	**(3,267)**	**(4,668)**	**162**	**-**	**11,336**
Allocation of Income Tax Equivalent	(266)	(5,467)	980	1,400	15	-	(3,338)
Profit / (Loss) for the year	**621**	**12,755**	**(2,287)**	**(3,268)**	**177**	**-**	**7,998**
Total Segment Assets	**81,766**	**215,108**	**55,100**	**-**	**62,126**	**-**	**414,100**
Total Segment Liabilities	**4,940**	**5,501**	**359**	**-**	**33,010**	**-**	**43,810**

[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
2017							
Revenue							
External Segment Revenues	36,539	55,045	22,727	-	-	-	114,311
Internal segment revenue	70	3,302	484	39	165	(1,752)	2,308
Total Revenue	**36,609**	**58,347**	**23,211**	**39**	**165**	**(1,752)**	**116,619**
Expenses							
Employee Expenses	(6,059)	(8,849)	(2,134)	(1,766)	(1,492)	-	(20,300)
External Segment Expenses	(28,471)	(43,966)	(10,536)	(2,547)	(1,662)	1,752	(85,430)
Finance Charges	-	(448)	(62)	-	-	-	(510)
Total Expenses	**(34,530)**	**(53,263)**	**(12,732)**	**(4,313)**	**(3,154)**	**1,752**	**(106,240)**
Operating profit[1]	**2,079**	**5,084**	**10,479**	**(4,274)**	**(2,989)**	**-**	**10,379**
Biological Asset Valuation Increase / (Decrease)	(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 Equivalent	(581)	(1,595)	(1,356)	1,282	601	-	(1,649)
Profit / (Loss) for the year	**1,354**	**3,720**	**3,165**	**(2,742)**	**(1,533)**	**-**	**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

50.0 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.