Section 7: Financial Statements

Certification of Financial Statements

For the year ended 30 June 2017

Department of Mines and Petroleum

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

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

David Smith
Director General

30 August 2017

Ralph De Giorgio
Chief Finance Officer

30 August 2017

Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	2017 $000	2016 $000
COST OF SERVICES			
Expenses			
Employee benefits expense	6	92,985	94,760
Supplies and services	8	43,112	43,927
Depreciation and amortisation expense	9	3,112	2,831
Accommodation expenses	10	5,537	5,139
Grants and subsidies	11	9,136	5,806
Other expenses	12	1,299	2,080
Total cost of services		**155,181**	**154,543**
Income			
Revenue			
User charges and fees	14	74,526	76,535
Interest revenue	15	1,733	1,336
Other revenue	16	2,988	3,267
Commonwealth grants and contributions	17	-	1,100
Total Revenue		**79,247**	**82,238**
Gains			
Gain on disposal of non-current assets	18	20	28
Total Gains		**20**	**28**
Total income other than income from State Government		**79,267**	**82,266**
NET COST OF SERVICES		**75,914**	**72,277**

	Note	2017 $000	2016 $000
Income from State Government	19		
Service appropriation		83,955	91,568
Services received free of charge		1,724	2,295
State grants and subsidies		100	-
Royalties for Regions Fund		80	80
Total income from State Government		**85,859**	**93,943**
SURPLUS/(DEFICIT) FOR THE PERIOD		**9,945**	**21,666**
OTHER COMPREHENSIVE INCOME			
Items not reclassified subsequently to profit or loss			
Changes in asset revaluation surplus	33	(303)	(2,243)
Total other comprehensive income		**(303)**	**(2,243)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**9,642**	**19,423**

See also the 'Schedule of Income and Expenses by Service'.

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

Statement of Financial Position

As at 30 June 2017

	Note	2017 $000	2016 $000
ASSETS			
Current Assets			
Cash and cash equivalents	34	2,391	8,334
Restricted cash and cash equivalents	20	76,024	52,964
Receivables	21	10,674	9,212
Amounts receivable for services	22	480	962
Other current assets	23	1,065	1,570
Total Current Assets		**90,634**	**73,042**
Non-Current Assets			
Restricted cash and cash equivalents	20	316	-
Amounts receivable for services	22	17,720	16,413
Property, plant and equipment	24	136,762	134,731
Intangible assets	25	373	636
Total Non-Current Assets		**155,171**	**151,780**
TOTAL ASSETS		**245,805**	**224,822**
LIABILITIES			
Current Liabilities			
Payables	27	9,192	4,089
Other current liabilities	28	1,181	1,799
Revenue received in advance	29	2,023	2,085
Provisions	31	18,811	18,875
Total Current Liabilities		**31,207**	**26,848**

	Note	2017 $000	2016 $000
Non-Current Liabilities			
Amounts due to the Treasurer	30	5,330	5,330
Provisions	31	3,816	4,403
Other non-current liabilities	32	320	-
Total Non-Current Liabilities		**9,466**	**9,733**
TOTAL LIABILITIES		**40,673**	**36,581**
NET ASSETS			
EQUITY	33		
Contributed equity		50,536	43,287
Reserves		113,734	114,037
Accumulated surplus/(deficit)		40,862	30,917
TOTAL EQUITY		**205,132**	**188,241**

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

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

Statement of Changes In Equity

For the year ended 30 June 2017

	Note	Contributed equity $000	Reserves $000	Accumulated surplus/(deficit) $000	Total equity $000
Balance at 1 July 2015	33	42,787	116,280	9,251	168,318
Surplus/(deficit)		-	-	21,666	21,666
Other comprehensive income		-	(2,243)	-	(2,243)
Total comprehensive income for the period		-	(2,243)	21,666	19,423
Transactions with owners in their capacity as owners:					
Capital appropriations		500	-	-	500
Other contributions by owners		-	-	-	-
Distributions to owners		-	-	-	-
Total		500	-	-	500
Balance at 30 June 2016		**43,287**	**114,037**	**30,917**	**188,241**
Balance at 1 July 2016	33	43,287	114,037	30,917	188,241
Surplus/(deficit)		-	-	9,945	9,945
Other comprehensive income		-	(303)	-	(303)
Total comprehensive income for the period		-	(303)	9,945	9,642
Transactions with owners in their capacity as owners:					
Capital appropriations		7,249	-	-	7,249
Other contributions by owners		-	-	-	-
Distributions to owners		-	-	-	-
Total		7,249	-	-	7,249
Balance at 30 June 2017		**50,536**	**113,734**	**40,862**	**205,132**

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

Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 $000	2016 $000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		79,991	90,943
Capital appropriations		7,714	500
Holding account drawdown		962	962
Royalties for Regions Fund		80	80
Net cash provided by State Government		**88,747**	**92,485**
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(94,864)	(99,393)
Supplies and services		(32,936)	(39,473)
Accommodation		(8,076)	(7,839)
Grants and subsidies		(9,136)	(5,517)
Other payments		(1,626)	(48)
GST payments on purchases		(4,516)	(5,950)
Receipts			
User charges and fees		77,194	77,625
Grants and contributions		100	-
GST receipts on user charges and fees		527	215
GST receipts from taxation authority		4,167	7,522
Other receipts		2,980	3,544
Net cash provided by/(used in) operating activities	**34**	**(66,186)**	**(69,314)**

	Note	2017 $000	2016 $000
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current physical assets		(5,148)	(4,040)
Receipts			
Proceeds from sale of non-current assets		20	28
Net cash provided by/(used in) investing activities		**(5,128)**	**(4,012)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Proceeds from Borrowings		-	800
Net cash provided by/(used in) financing activities		**-**	**800**
Net increase in cash and cash equivalents		17,433	19,959
Cash and cash equivalents at the beginning of the period		61,298	41,339
CASH AND CASH EQUIVALENTS AT THE END THE PERIOD	34	78,731	61,298

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

Schedule of Income and Expenses by Service

For the year ended 30 June 2017

	Providing resource sector information and advice to the industry, community and government		Managing land access for resource related activities		Regulating resource sector development for Health and Safety, Social Responsibility, Environment and Dangerous Goods		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	$000	$000	$000	$000	$000	$000	$000	$000
COST OF SERVICES								
Expenses								
Employee benefits expense	14,420	13,735	32,197	32,349	46,368	48,676	92,985	94,760
Supplies and services	12,446	11,505	14,205	13,224	16,461	19,198	43,112	43,927
Depreciation and amortisation expense	631	571	1,358	1,262	1,123	998	3,112	2,831
Accommodation expenses	460	442	1,259	1,118	3,818	3,579	5,537	5,139
Grants and subsidies	6,922	4,386	1,488	1,347	726	73	9,136	5,806
Other expenses	216	232	486	813	597	1,035	1,299	2,080
Loss on disposal of other assets	-	-	-	-	-	-	-	-
Total cost of services	**35,095**	**30,871**	**50,993**	**50,113**	**69,093**	**73,559**	**155,181**	**154,543**
Income								
User charges and fees	533	756	21,554	23,328	52,439	54,887	74,526	78,971
Other revenue	1,167	1,334	2,217	1,480	1,337	453	4,721	3,267
Gain on disposal of non-current assets	3	28	8	-	9	-	20	28
Total income other than income from State Government	**1,703**	**2,118**	**23,779**	**24,808**	**53,785**	**55,340**	**79,267**	**82,266**
NET COST OF SERVICES	**33,392**	**28,753**	**27,214**	**25,305**	**15,308**	**18,219**	**75,914**	**72,277**

Schedule of Income and Expenses by Service (continued)

For the year ended 30 June 2017

	Providing resource sector information and advice to the industry, community and government		Managing land access for resource related activities		Regulating resource sector development for Health and Safety, Social Responsibility, Environment and Dangerous Goods		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	$000	$000	$000	$000	$000	$000	$000	$000
INCOME FROM STATE GOVERNMENT								
Service appropriation	39,117	42,463	36,189	39,966	8,649	9,139	83,955	91,568
Resources received free of charge	183	129	504	900	1,037	1,266	1,724	2,295
Royalties for Regions Fund	5	5	46	46	29	29	80	80
State Grants and Subsidies	10	-	50	-	40	-	100	-
Total income from State Government	**39,315**	**42,597**	**36,789**	**40,912**	**9,755**	**10,434**	**85,859**	**93,943**
SURPLUS/DEFICIT FOR THE PERIOD	**5,923**	**13,844**	**9,575**	**15,607**	**(5,553)**	**(7,785)**	**9,945**	**21,666**

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

Schedule of Assets and Liabilities by Service

For the year ended 30 June 2017

	Providing resource sector information and advice to the industry, community and government		Managing land access for resource related activities		Regulating resource sector development for Health and Safety, Social Responsibility, Environment and Dangerous Goods		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	$000	$000	$000	$000	$000	$000	$000	$000
Assets								
Current assets	2,704	1,463	43,657	32,068	44,273	39,511	90,634	73,042
Non-current assets	37,769	35,851	62,490	61,183	54,912	54,746	155,171	151,780
Total assets	**40,473**	**37,314**	**106,147**	**93,251**	**99,185**	**94,257**	**245,805**	**224,822**
Liabilities								
Current liabilities	4,954	4,038	10,817	8,950	15,436	13,860	31,207	26,848
Non-current liabilities	513	643	3,841	4,036	5,112	5,054	9,466	9,733
Total liabilities	**5,467**	**4,681**	**14,658**	**12,986**	**20,548**	**18,914**	**40,673**	**36,581**
NET ASSETS	**35,006**	**32,633**	**91,489**	**80,265**	**78,637**	**75,343**	**205,132**	**188,241**

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

Summary of Consolidated Account Appropriations and Income Estimates

For the year ended 30 June 2017

	2017 Estimate	2017 Actual	Variance	2017 Actual	2016 Actual	Variance
	$000	$000	$000	$000	$000	$000
Delivery of Services						
Item 86 Net amount appropriated to deliver services	83,149	83,056	(93)	83,056	90,669	(7,613)
Amount authorised by Other Statutes						
- *Salaries and Allowances Act 1975*	915	899	(16)	899	899	-
Total appropriations provided to deliver services	**84,064**	**83,955**	**(109)**	**83,955**	**91,568**	**(7,613)**
Capital						
Capital appropriations	2,250	7,249	4,999	7,249	500	6,749
Administered Transactions						
Item 87 Administered grants, subsidies and other transfer payments	29,393	29,290	(103)	29,290	31,261	(1,971)
Amount authorised by other statutes						
- *Petroleum (Submerged Lands) Act 1982*	45	421	376	421	1,293	(872)
Total administered transactions	**29,438**	**29,711**	**273**	**29,711**	**32,554**	**(2,843)**
GRAND TOTAL	**113,502**	**113,666**	**164**	**113,666**	**124,122**	**(10,456)**
Details of Expenses by Service						
Providing resource sector information and advice to the industry, community and government	35,675	35,095	(580)	35,095	30,871	4,224
Managing land access for resource related activities	51,856	50,993	(863)	50,993	50,113	880
Regulating resource sector development for Health and Safety, Social Responsibility, Environment and Dangerous Goods	76,136	69,093	(7,043)	69,093	73,559	(4,466)
Total Cost of Services	163,667	155,181	(8,486)	155,181	154,543	638
Less Total Income	98,269	79,267	(19,002)	79,267	82,266	(2,999)
Net Cost of Services	65,398	75,914	10,516	75,914	72,277	3,637
Adjustments	18,666	8,041	(10,625)	8,041	19,291	(11,250)
Total appropriations provided to deliver services	**84,064**	**83,955**	**(109)**	**83,955**	**91,568**	**(7,613)**

Summary of Consolidated Account Appropriations and Income Estimates (continued)

For the year ended 30 June 2017

	2017 Estimate	2017 Actual	Variance	2017 Actual	2016 Actual	Variance
	$000	$000	$000	$000	$000	$000
Capital Expenditure						
Purchase of non-current physical assets	-	-	-	-	-	-
Repayment of borrowings	-	-	-	-	-	-
Adjustment for other funding sources	2,250	7,249	4,999	7,249	500	6,749
Adjustment for section 25 transfer of Capital appropriation	-	-	-	-	-	-
Capital appropriations	**2,250**	**7,249**	**4,999**	**7,249**	**500**	**6,749**
Details of Income Estimates						
Income disclosed as Administered Income						
Commonwealth Grants						
South West Hub	-	439	439	439	647	(208)
Royalties						
Petroleum – State	416	3,578	3,162	3,578	4,674	(1,096)
Iron Ore	3,295,969	4,708,473	1,412,504	4,708,473	3,600,301	1,108,172
Diamonds	24,358	12,972	(11,386)	12,972	17,382	(4,410)
Alumina	76,323	83,720	7,397	83,720	80,806	2,914
Mineral sands	15,563	13,416	(2,147)	13,416	16,627	(3,211)
Nickel	52,675	42,907	(9,768)	42,907	45,906	(2,999)
Gold	250,611	266,791	16,180	266,791	250,055	16,736
Other	126,507	140,516	14,009	140,516	109,895	30,621
Lease rentals	90,381	99,091	8,710	99,091	91,644	7,447
Service to industry component	2,770	-	(2,770)	-	-	-
Total Royalties	**3,935,573**	**5,371,464**	**1,435,891**	**5,371,464**	**4,217,290**	**1,154,174**

Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation.

Summary of Consolidated Account Appropriations and Income Estimates (continued)

For the year ended 30 June 2017

	2017 Estimate	2017 Actual	Variance	2017 Actual	2016 Actual	Variance
	$000	$000	$000	$000	$000	$000
Regulatory Fees						
Regulatory Fees and Fines	4	208	204	208	2,218	(2,010)
	4	**208**	**204**	**208**	**2,218**	**(2,010)**
Other						
Appropriations	29,438	29,711	273	29,711	32,554	(2,843)
Other Revenue	403	746	343	746	427	319
GRAND TOTAL	**3,965,418**	**5,402,568**	**1,437,150**	**5,402,568**	**4,253,136**	**1,149,432**

Note 47 'Explanatory statement for Administered Items' provides details of any significant variations between estimates and actual results for 2017 and between the actual results for 2017 and 2016.

Notes to the Financial Statements

For the year ended 30 June 2017

Note 1. Australian Accounting Standards

General

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

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

Early adoption of standards

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

Note 2. Summary of significant accounting policies

(a) General statement

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

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

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

(b) Basis of preparation

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

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

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

Note 3 'Judgements made by management in applying accounting policies' discloses judgements that have been made in the process of applying the department's accounting policies resulting in the most significant effect on the amounts recognised in the financial statements.

Note 4 'Key sources of estimation uncertainty' discloses key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(c) Reporting entity

The reporting entity comprises the department.

Mission

The Department's mission is to facilitate sustainable resource sector development and responsible operations management for the long-term benefit of Western Australia.

The department is predominantly funded by Parliamentary appropriations. A net appropriation agreement between the Treasurer and the Accountable Authority is in place to allow the department to retain its operating revenue. Details of expenditure and revenues retained as per the agreement are disclosed in note 2(e).

Notes to the Financial Statements

For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

Services

The department provides the following services:

Service 1: Providing resource sector information and advice to the industry, community and government

The department is charged with ensuring that the resources industry conducts its business in a responsible manner and that the community receives a fair return for its resources. The department contributes to responsible development through effective regulation of the resources sector, including the timely processing of applications, and mining and petroleum safety regulation. It also facilitates and manages access to land and offshore areas for the exploration and development of mineral and energy deposits.

Service 2: Managing land access for resource related activities

The Department is committed to protecting employees and the community. The services provided by Resource Safety are aimed at promoting best practice in the areas of occupational safety and health with companies (and their employees) involved in the dangerous goods, mining and onshore petroleum industries.

The department administers the *Dangerous Goods Safety Act 2004*, covering the manufacture, storage, handling, transport and use of dangerous goods, including the operations of major hazard facilities.

Service 3: Regulating resource sector development for Health and Safety, Social Responsibility, Environment and Dangerous Goods

The department provides benefits to the Western Australian community through the provision of public geological information to encourage exploration, and the promotion of opportunities for high risk private sector investment in mineral and energy exploration and development, thereby sustaining investment in the industry for future generations.

The department maintains an up-to-date geological archive of the State and its mineral and petroleum resources, with products and services including:

- Acquiring new geoscience and mineral and energy resource information;
- Providing access to a developing archive of geoscientific and resource exploration information;
- Assessment of mineral and petroleum resources and resource potential as a basis for decision making by Government; and
- Assistance and advice on land use matters.

The department administers assets, liabilities, income and expenses on behalf of Government which are not controlled by, nor integral to the function of the department. These administered balances and transactions are not recognised in the principal financial statements of the department but schedules are prepared using the same basis as the financial statements and are presented at Note 46 'Disclosure of administered income and expenses by service' and Note 48 'Administered assets and liabilities'.

(d) Contributed equity

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

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

(e) Income

Revenue recognition

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

User Charges and Fees

Revenue from licences and other regulatory fees are recognised at the time the money is received. Where a licence fee extends over multiple years then future year revenue is treated as prepaid revenue.

Mines Safety, Mining Rehabilitation Fund and Petroleum and Geothermal Energy Safety Levy revenues are recognised in the period to which the levy relates.

Notes to the Financial Statements

For the year ended 30 June 2017

Note 2.Summary of significant accounting policies (continued)

Sale of goods

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

Provision of services

Revenue is recognised by reference to the stage of completion of the transaction.

Interest

Revenue is recognised as the interest accrues.

Service appropriations

Service Appropriations are recognised as revenues at fair value in the period in which the department gains control of the appropriated funds. The department gains control of appropriated funds at the time those funds are deposited to the bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury.

See also Note 19 'Income from State Government' for further information.

Net Appropriation Determination

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the department. In accordance with the most recent determination as quantified in the 2016-17 Budget Statements, the department retained $79.27 million ($82.27 million in 2016) from the following:

- Proceeds from user fees, charges and levies;
- Other departmental revenue; and
- Commonwealth special purpose grants and contributions.

Grants, donations, gifts and other non-reciprocal contributions

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

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

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

Gains

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

Administered revenue recognition

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the relevant legislation and agreements. A liability to pay a royalty arises upon receipt of a declaration and/or payment based on the self-assessment method and also upon issue of an amended assessment resulting from a verification process.

Royalties include:

- Mineral Royalties payable under the *Mining Act 1978* and various State Agreements
- Petroleum Royalties payable under various Acts and Agreements

Mining Leases and Licenses

Mining leases and license applications are recognised at the time the money is received.

(f) Translation of foreign currency transactions

Foreign currency transactions are translated at the exchange rate applicable on the date the transactions occur. Exchange gains and losses are brought to account in determining the result for the year.

Notes to the Financial Statements

For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(g) Property, plant and equipment

Capitalisation/expensing of assets

Items of property, plant and equipment 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 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 are initially recognised at cost.

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

Subsequent measurement

Subsequent to initial recognition of an asset, the revaluation model is used for the measurement of land and buildings and historical cost for all other property, plant and equipment. Land and buildings are carried at fair value less accumulated depreciation (buildings only) and accumulated impairment losses. All other items of property, plant and equipment 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, the fair value of land and buildings is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use 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.

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.

The most significant assumptions and judgements in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated economic life. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

De-recognition

Upon disposal or de-recognition 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 as described in note 24 'Property, plant and equipment'.

Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Notes to the Financial Statements

For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

Buildings	33-50	years
Leasehold Improvements	10	years
Furniture	5	years
Office equipment	3-5	years
Computer servers	3	years
Software [(a)]	3-5	years
Scientific equipment	7	years
Motor vehicles	3-5	years
Plant and equipment	5-25	years

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

Land is not depreciated.

(h) Intangible assets

Capitalisation/expensing of assets

Acquisitions of intangible assets over $200,000 or more and internally generated intangible assets costing $200,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful lives. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

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

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

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

The expected useful life for each class of intangible asset is:

Software [(a)]	3-10	years

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

Computer Software

Software that is an integral part of the related hardware is recognised as property, plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset. Software costing less than $200,000 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 reliable measured, are capitalised to the extent that they represent probable future economic benefits.

(i) Impairment of assets

Property, plant and equipment and intangible assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income. As the department is a not-for-profit entity, unless a specialised asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

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

Notes to the Financial Statements

For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

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

See Note 26 'Impairment of assets' for the outcome of impairment reviews and testing.

(j) Leases

Finance lease rights and obligations are initially recognised, at the commencement of the lease term, as assets and liabilities equal in amount to the fair value of the leased item or, if lower, the present value of the minimum lease payments, determined at the inception of the lease. The assets are disclosed as plant, equipment and vehicles under lease, and are depreciated over the period during which the department is expected to benefit from their use. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability, according to the interest rate implicit in the lease.

Operating leases are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

(k) Financial instruments

In addition to cash, the department has two categories of financial instrument:

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

Financial instruments have been disaggregated into the following classes:

- Financial Assets
  - Cash and cash equivalents
  - Restricted cash and cash equivalents
  - Receivables
  - Amounts receivable for services
- Financial Liabilities
  - Payables
  - Amounts due to the Treasurer

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.

(l) Cash and cash equivalents

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

(m) Accrued salaries

Accrued salaries (see Note 27 'Payables') represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight of the reporting period end. Accrued salaries are settled within a fortnight of the reporting period end. The department considers the carrying amount of accrued salaries to be equivalent to its fair value.

The accrued salaries suspense account (See Note 20 'Restricted cash and cash equivalents') consists of amounts paid annually, from Departmental appropriations for salaries expense, into a suspense account to meet the additional cash outflow for employee salary payments in reporting periods with 27 pay days instead of the normal 26. No interest is received on this account.

(n) Amounts receivable for services (holding account)

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

Notes to the Financial Statements

For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(o) Receivables

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

(p) Payables

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

(q) 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.

See also Note 31 'Provisions'.

Provisions – employee benefits

All annual leave and long service leave provisions are in respect of employees' services up to the end of the 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 department does not have an unconditional right to defer settlement of the liability for at least 12 months after 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 and is therefore recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the 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 department 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 department 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.

Notes to the Financial Statements

For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

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, varies according to commencement and implementation dates.

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

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension Scheme or the GSS became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). From 30 March 2012, existing members of the WSS or GESBS and new employees have been able to choose their preferred superannuation fund provider. The department makes contributions to GESB or other fund providers on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish the Department's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

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

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

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

Provisions – other

Employment on-costs

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

(r) Superannuation expense

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

(s) Assets and services received free of charge or for nominal value

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

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

(t) Comparative figures

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

(u) Amounts due to the Treasurer

The amount due to the Treasurer is in respect of a Treasurer's Advance. Initial recognition and measurement, and subsequent measurement, are at the amount repayable. Although there is no interest charged, the amount repayable is equivalent to fair value as the period of the borrowing is for less than 12 months with the effect of discounting not being material.

See also Note 30 'Amounts due to the Treasurer'.

Notes to the Financial Statements

For the year ended 30 June 2017

Note 3. Judgements made by management in applying accounting policies

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

Operating lease commitments

The department has entered into a number of leases for buildings for branch office accommodation. Some of these leases relate to buildings of a temporary nature and it has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, these leases have been classified as operating leases.

Note 4. 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 assets and liabilities within the next reporting period.

Long Service Leave

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

Valuation of land and buildings

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 useful 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.

Note 5. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Department has applied the following Australian Accounting Standards effective, or adopted, for annual reporting periods beginning on or after 1 July 2016 that impacted on the Department. These standards did not have any material impact.

AASB 1057	*Application of Australian Accounting Standards* This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. There is no financial impact.
AASB 2014-3	*Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & 11]* The Department establishes Joint Operations in pursuit of its objectives and does not routinely acquire interests in Joint Operations. Therefore, there is no financial impact on application of the Standard.
AASB 2014-4	*Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]* The adoption of this Standard has no financial impact for the Department as depreciation and amortisation is not determined by reference to revenue generation, but by reference to consumption of future economic benefits.
AASB 2014-9	*Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1,127 & 128]* This Standard amends AASB 127, and consequentially amends AASB 1 and AASB 128, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. As the department has no joint ventures and associates, the application of the Standard has no financial impact.

Notes to the Financial Statements

For the year ended 30 June 2017

Note 5. Disclosure of changes in accounting policy and estimates (continued)

AASB 2015-1	*Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 & 140]* These amendments arise from the issuance of International Financial Reporting Standard Annual Improvements to IFRSs 2012-2014 Cycle in September 2014, and editorial corrections. The Department has determined that the application of the Standard has no financial impact.
AASB 2015-2	*Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]* This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. There is no financial impact.
AASB 2015-6	*Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]* The amendments extend the scope of AASB 124 to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities. There is no financial impact.
AASB 2015-10	*Amendments to Australian Accounting Standards – Effective date of Amendments to AASB 10 & 128* This Standard defers the mandatory effective date (application date) of amendments to AASB 10 & 128 that were originally made in AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016. There is no financial impact.

Future impact of Australian Accounting Standards not yet operative

The Department 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 department has early adopted AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities. Where applicable, the department plans to apply the following Australian Accounting Standards from their application date. The department has not yet determined the potential impact of the standards noted below.

		Operative for reporting periods beginning on/after
AASB 9	*Financial Instruments* This Standard supersedes AASB 139 *Financial Instruments: Recognition and Measurement*, introducing a number of changes to accounting treatments. The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2014-1 *Amendments to Australian Accounting Standards.* The Department has not yet determined the application or the potential impact of the Standard.	1 Jan 2018
AASB 15	*Revenue from Contracts with Customers* This Standard establishes the principles that the Department shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.	1 Jan 2019

Notes to the Financial Statements

For the year ended 30 June 2017

Note 5. Disclosure of changes in accounting policy and estimates (continued)

		Operative for reporting periods beginning on/after
	The department's income is principally derived from appropriations which will be measured under AASB 1058 *Income of Not-for-Profit Entities* and will be unaffected by this change. However, the department has not yet determined the potential impact of the Standard on 'User charges and fees' and 'Sales' revenues. In broad terms, it is anticipated that the terms and conditions attached to these revenues will defer revenue recognition until the department has discharged its performance obligations.	
AASB 16	*Leases*	1 Jan 2019
	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 the AASB 16 has not yet been quantified, the entity currently has operating lease commitments for $29,921,701. The Department 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.	

		Operative for reporting periods beginning on/after
AASB 1058	*Income of Not-for-Profit Entities*	1 Jan 2019
	This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability, a performance obligation (a promise to transfer a good or service), or, an obligation to acquire an asset. The Department has not yet determined the application or the potential impact of the Standard.	
AASB 2010-7	*Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]*	1 Jan 2018
	This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.	
	The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. The Department has not yet determined the application or the potential impact of the Standard.	
AASB 2014-1	*Amendments to Australian Accounting Standards*	1 Jan 2018
	Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. It has not yet been assessed by the Department to determine the application or potential impact of the Standard.	

Notes to the Financial Statements

For the year ended 30 June 2017

Note 5. Disclosure of changes in accounting policy and estimates (continued)

		Operative for reporting periods beginning on/after
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 mandatory application date of this Standard has been amended by AASB 2015-8 to 1 January 2018. The Department has not yet determined the application or the potential impact of the Standard.	1 Jan 2018
AASB 2014-7	*Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The Department has not yet determined the application or the potential impact of the Standard.	1 Jan 2018
AASB 2014-10	*Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & 128]* This Standard amends AASB 10 and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The mandatory effective date (application date) for the Standard has been deferred to 1 Jan 2018 by AASB 2015-10. The Department has determined that the Standard has no financial impact.	1 Jan 2018

		Operative for reporting periods beginning on/after
AASB 2015-8	*Amendments to Australian Accounting Standards – Effective Date of AASB 15* This Standard amends the mandatory effective date (application date) of AASB 15 *Revenue from Contracts with Customers* so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. For Not-for-Profit entities, the mandatory effective date has subsequently been amended to 1 January 2019 by AASB 2016-7. The Department has not yet determined the application or the potential impact of AASB 15.	1 Jan 2019
AASB 2016-2	*Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* This Standard amends AASB 107 *Statement of Cash Flows* (August 2015) to require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. There is no financial impact.	1 Jan 2017
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 Department has not yet determined the application or the potential impact.	1 Jan 2018

Notes to the Financial Statements

For the year ended 30 June 2017

Note 5. Disclosure of changes in accounting policy and estimates (continued)

		Operative for reporting periods beginning on/after
AASB 2016-4	*Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities* This Standard clarifies that the recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 *Fair Value Measurement*. The Department has not yet determined the application or the potential impact.	1 Jan 2017
AASB 2016-7	*Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities* This Standard amends the mandatory effective date (application date) of AASB 15 and defers the consequential amendments that were originally set out in AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15* for not-for-profit entities to annual reporting periods beginning on or after 1 January 2019, instead of 1 January 2018. There is no financial impact.	1 Jan 2017
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
AASB 2017-2	*Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle* This Standard clarifies the scope of AASB 12 by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5. There is no financial impact.	1 Jan 2017

	2017	2016
	$000	$000
Note 6. Employee benefits expense		
Wages and salaries [(a)]	84,665	86,073
Superannuation – defined contribution plans [(b)]	8,320	8,687
	92,985	**94,760**

(a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component, leave entitlements including superannuation contribution component.

(b) Defined contribution plans include West State, Gold State and GESB Super Scheme (contributions paid).

Employment on-costs expenses, such as workers' compensation insurance, are included at Note 12 'Other expenses'.

Employment on-costs liability is included at Note 31 'Provisions'.

Notes to the Financial Statements

For the year ended 30 June 2017

Note 7. Compensation of Key Management Personnel

The department has determined that key management personnel include Ministers and senior officers of the department. However the department is not obligated to compensate Ministers and therefore disclosures in relation to Minister's compensation may be found in the *Annual Report on State Finances*. Total compensation for senior officers of the Department for the reporting period are presented within the following bands:

	2017 $000	2016 $000
Compensation Band $		
60 001 to 70 000	1	-
80 001 to 90 000	1	-
180 001 to 190 000	1	-
200 001 to 210 000	2	3
210 001 to 220 000	1	-
220 001 to 230 000	-	1
240 001 to 250 000	2	2
270 001 to 280 000	1	-
280 001 to 290 000	-	3
290 001 to 300 000	1	-
320 001 to 330 000	1	-
390 001 to 400 000	-	1

	2017 $000	2016 $000
Short-term employee benefits	2,105	2,219
Post-employment benefits	199	246
Other long-term benefits	36	113
Termination benefits	-	-
Total compensation of senior officers	2,340	2,577

Note 8. Supplies and services

	2017 $000	2016 $000
Consultants and contractors	31,022	31,324
Advertising and promotion	666	692
Travel	1,649	1,767
Communication	396	517
Consumables	895	865
Maintenance	1,589	1,312
Insurance	519	546
Lease rent & hire costs	1,994	2,089
Utilities	871	1,072
Other	3,511	3,743
	43,112	**43,927**

Notes to the Financial Statements

For the year ended 30 June 2017

	2017 $000	2016 $000
Note 9. Depreciation and amortisation expense		
Depreciation		
Buildings	1,126	1,117
Leasehold Improvements	67	-
Furniture, plant, equipment and vehicles	419	390
Computer hardware and software	1,199	1,024
Scientific equipment	38	37
Total depreciation	**2,849**	**2,568**
Amortisation		
Intangible assets	263	263
Total amortisation	**263**	**263**
Total depreciation and amortisation	**3,112**	**2,831**
Note 10. Accommodation expenses		
Lease rentals	3,543	3,144
Repairs and maintenance	1,316	1,327
Cleaning	678	668
	5,537	**5,139**

	2017 $000	2016 $000
Note 11. Grants and subsidies		
Co-Funded Drilling Scheme (Exploration Incentive Scheme)	4,274	3,757
Mineral Research Institute of WA (MRIWA)	4,162	2,049
Other Grants and Subsidies	700	-
	9,136	**5,806**
Note 12. Other expenses		
Doubtful debts expense	69	505
Audit Fees	243	319
Minor Plant & Equipment	966	1,021
Employment On Costs	(4)	25
Refunds of prior years revenues	11	177
Other expenses	14	33
	1,299	**2,080**

Notes to the Financial Statements

For the year ended 30 June 2017

	2017 $000	2016 $000

Note 13. Related Party Transactions

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

Related parties of the department include:

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

Significant transactions with government related entities

Significant transactions include:

- service appropriations (Note 19)
- capital appropriations (Note 33 Equity)
- services received free of charge from the following entities:
  - Landgate
  - State Solicitors Office
  - Department of Treasury and Finance
- superannuation payments to GESB (Note 6)
- accommodation expense payments to the Department of Finance

Material transactions with related parties

The department had no material related party transaction with Ministers, Senior Officers or their close family members or their controlled or jointly controlled entities for disclosure.

Note 14. User charges and fees

	2017 $000	2016 $000
Petroleum annual licenses	4,781	6,014
Mining, prospecting and exploration licenses	5,764	5,732
Explosives and dangerous goods licenses and fees	6,602	6,453
Mining Safety Levy	24,994	25,036
Petroleum Safety	4,126	4,592
Mining Rehabilitation Fund	27,555	27,832
Other fees	704	876
	74,526	**76,535**

Note 15. Interest revenue

	2017 $000	2016 $000
Mining Rehabilitation Fund Interest	1,733	1,336
	1,733	**1,336**

Note 16. Other revenue

	2017 $000	2016 $000
Miscellaneous revenue	561	835
Other Revenue – Recoups	2,427	2,432
	2,988	**3,267**

Notes to the Financial Statements

For the year ended 30 June 2017

	2017 $000	2016 $000
Note 17. Commonwealth grants and contributions		
Other funding contributions	-	1,100
	-	1,100
Note 18. Net gain/(loss) on disposal of non-current assets		
Proceeds from disposal of non-current assets		
Plant equipment and vehicles	20	28
Costs of disposal of non-current assets		
Plant equipment and vehicles	-	-
Net gain/(loss)	**20**	**28**
Note 19. Income from State Government		
Appropriation received during the period:		
Service appropriation [a]	83,955	91,568
	83,955	**91,568**
Services received free of charge [b]		
Determined on the basis of the following estimates provided by agencies:		
State Solicitors Office		
– legal services	1,435	1,632
Department of Treasury and Finance		
– procurement and accommodation services	47	208
Landgate		
– land dealings, land information, valuation services and products	242	133
Department of Water		
– land dealings and provision of data services and products	-	322
	1,724	**2,295**
State grants and subsidies – Specific Purpose [c]	100	-
	100	**-**
Royalties for Regions Fund:		
District Allowance [d]	80	80
	80	**80**
	85,859	**93,943**

(a) Service appropriations fund the net cost of services delivered. Appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the budgeted depreciation expense for the year and any agreed increase in leave liabilities during the year.

(b) Assets or services received free of charge or for nominal cost are recognised as revenue at fair value of the assets and/or services that can be reliably measured and which would have been purchased if they were not donated.

Notes to the Financial Statements

For the year ended 30 June 2017

	2017 $000	2016 $000
Note 19. Income from State Government (continued)		

(c) Annual contribution from the Gorgon Venturers to meet some of the costs to monitor and review the carbon dioxide sequestration activities associated with the Gorgon Gas project.

(d) This is a sub-fund within the over-arching 'Royalties for Regions Fund'. District Allowances, funded by Royalties for Regions Regional Community Services fund, are paid to employees based in regional areas of the state.

Note 20. Restricted cash and cash equivalents

	2017 $000	2016 $000
Current		
Safety Levies [(a)]	(16,376)	(10,413)
Mining Rehabilitation Fund [(b)]	92,400	63,377
	76,024	**52,964**
Non-current		
Accrued salaries suspense account [(c)]	316	-
	316	**-**

(a) The recoup of the costs of administering the Safety reforms cannot be invoiced until after the end of the financial year. Treasury approval is obtained for any overdrawn accounts. (Refer Note 44)

(b) These funds are applied for regulatory services under the *Mining Rehabilitation Fund Act 2012*. (Refer to Note 44)

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

Note 21. Receivables

	2017 $000	2016 $000
Current		
Receivables	10,300	9,160
Allowance for impairment of receivables	(820)	(751)
Accrued interest revenue	439	360
GST receivable	755	443
Total Current	**10,674**	**9,212**
Reconciliation of changes in the allowance for impairment of receivables:		
Balance at start of period	751	245
Doubtful debts expense	69	483
Amounts written off during the year	-	32
Amount recovered during the year	-	(9)
Balance at end of period	**820**	**751**

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

Note 22. Amounts receivable for services (Holding Account)

	2017 $000	2016 $000
Current	480	962
Non-current	17,720	16,413
	18,200	17,375

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

Notes to the Financial Statements

For the year ended 30 June 2017

	2017 $000	2016 $000
Note 23. Other current assets		
Current		
Prepayments	1,065	1,570
Total current	**1,065**	**1,570**
Note 24. Property, plant and equipment		
Land		
At fair value [a]	69,585	70,211
Buildings		
At fair value [a]	58,791	54,934
Leasehold Improvements		
At cost	730	-
Accumulated depreciation	(67)	-
	663	-
Furniture, plant, equipment and vehicles		
At cost	7,818	7,701
Accumulated depreciation	(4,349)	(3,931)
	3,469	3,770
Computer hardware and software		
At cost	6,952	6,343
Accumulated depreciation	(5,750)	(4,995)
	1,202	1,348
Scientific equipment		
At cost	423	289
Accumulated depreciation	(159)	(121)
	264	168
Works in progress		
At cost	2,788	4,300
	136,762	**134,731**

(a) Land and buildings were revalued as at 1 July 2016 by the Western Australian Land Information Authority (Valuation Services). The valuations were performed during the year and recognised at 30 June 2017. In undertaking the revaluation, fair value was determined by reference to market values for land: $33,725,000 (2016: $33,741,600) and buildings: $38,816,000 (2016: $38,850,300). For the remaining balance, fair value of land and 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).

Notes to the Financial Statements

For the year ended 30 June 2017

Note 24. Property, plant and equipment (continued)

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

2017	Land $000	Buildings $000	Leasehold Improvements $000	Furniture, plant, equipment and vehicles $000	Computer hardware and software $000	Scientific equipment $000	Works in Progress $000	Total $000
Carrying amount at the start of year	70,211	54,934	-	3,770	1,348	168	4,300	134,731
Additions	-	-	-	118	1,053	134	3,878	5,183
Transfers from work in progress	-	4,660	730	-	-	-	(5,390)	-
Other Disposals	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-
Revaluation increments/(decrements)	(626)	323	-	-	-	-	-	(303)
Depreciation	-	(1,126)	(67)	(419)	(1,199)	(38)	-	(2,849)
Carrying amount at end of year	**69,585**	**58,791**	**663**	**3,469**	**1,202**	**264**	**2,788**	**136,762**

2016	Land $000	Buildings $000	Leasehold Improvements $000	Furniture, plant, equipment and vehicles $000	Computer hardware and software $000	Scientific equipment $000	Works in Progress $000	Total $000
Carrying amount at the start of year	72,873	55,632	-	3,886	1,541	184	490	134,606
Additions	-	-	-	274	831	21	3,810	4,936
Transfers from work in progress	-	-	-	-	-	-	-	-
Other Disposals	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-
Revaluation increments/(decrements)	(2,662)	419	-	-	-	-	-	(2,243)
Depreciation	-	(1,117)	-	(390)	(1,024)	(37)	-	(2,568)
Carrying amount at end of year	**70,211**	**54,934**	**-**	**3,770**	**1,348**	**168**	**4,300**	**134,731**

Notes to the Financial Statements

For the year ended 30 June 2017

Note 24. Property, plant and equipment (continued)

Fair Value Measurements

Reconciliations of the fair value measurements of property, plant and equipment at the end of the reporting period are set out in the table below:

Assets measured at fair value:	Level 1	Level 2	Level 3	Fair Value at end of period
2017	$000	$000	$000	$000
Land (Note 24)	-	33,725	35,860	69,585
Buildings (Note 24)	-	38,816	15,316	54,132
Carrying amount at end of year	**-**	**72,541**	**51,176**	**123,717**

Assets measured at fair value:	Level 1	Level 2	Level 3	Fair Value at end of period
2016	$000	$000	$000	$000
Land (Note 24)	-	33,742	36,469	70,211
Buildings (Note 24)	-	38,850	16,084	54,934
Carrying amount at end of year	**-**	**72,592**	**52,553**	**125,145**

There were transfers between Levels 2 and 3 during the current and previous periods.

Fair value measurements using significant unobservable inputs (Level 3)

	Land	Buildings
2017	$000	$000
Fair Value at start of period	36,469	16,084
Additions	-	-
Revaluation increments/(decrements) recognised in Other Comprehensive Income	(739)	(439)
Transfers (from/(to) Level 2)	130	-
Disposals	-	-
Depreciation expense	-	(329)
Fair Value at end of period	35,860	15,316

	Land	Buildings
2016	$000	$000
Fair Value at start of period	37,972	17,282
Additions	-	-
Revaluation increments/(decrements) recognised in Other Comprehensive Income	(1,690)	(140)
Transfers (from/(to) Level 2)	187	(727)
Disposals	-	-
Depreciation expense	-	(331)
Fair Value at end of period	36,469	16,084

Notes to the Financial Statements

For the year ended 30 June 2017

Note 24. Property, plant and equipment (continued)

Valuation processes

There were no changes in valuation techniques during the period.

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

Land *(Level 3 fair values)*

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

Buildings and Infrastructure *(Level 3 fair values)*

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.

Valuation using depreciated replacement cost utilises the significant Level 3 input, consumed economic benefit/obsolescence of asset which is estimated by the Western Australian Land Information Authority (Valuation Services). The fair value measurement is sensitive to the estimate of consumption/obsolescence, with higher values of the estimate correlating with lower estimated fair values of buildings and infrastructure.

Significant Level 3 inputs are derived and evaluated as follows:

Historical cost per square metre floor area (m^2)

The costs of constructing specialised buidlings with similar utility are extracted from financial records, then indexed by movements in CPI.

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).

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.

Notes to the Financial Statements

For the year ended 30 June 2017

Note 24. Property, plant and equipment (continued)

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

Description	Fair value as at 30 June 2017 (30 June 2016)	Valuation techniques	Unobservable inputs	Relationship to unobservable inputs to fair value
Land	(2016 Fair Value: $36,469)	Selection of land with similar approximate utility	Selection of land with similar approximate utility	Higher value of similar land increases estimated fair value
	2017 Fair Value: $35,860			
Buildings	(2016 Fair Value: $16,084)	Depreciated Replacement Cost	Consumed economic benefit/ obsolescence of asset	Greater consumption of economic benefit or increased obsolescence lowers fair value
	2017 Fair Value: $15,316		Historical cost per square metre floor area (m²)	Higher historical cost per m² increases fair value

Reconciliations of the opening and closing balances are provided in Note 24.

	2017 $000	2016 $000
Note 25. Intangible assets		
Computer software		
At cost	4,144	4,144
Accumulated amortisation	(3,771)	(3,508)
Total intangible assets	**373**	**636**
Reconciliation:		
Computer software		
Carrying amount at start of period	636	899
Amortisation expense	(263)	(263)
Carrying amount at end of period	**373**	**636**

Note 26. Impairment of assets

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

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

All surplus assets at 30 June 2017 have been written-off.

Notes to the Financial Statements

For the year ended 30 June 2017

	2017 $000	2016 $000
Note 27. Payables		
Current		
Trade payables	6,395	3,326
Other payables	2,381	763
Accrued salaries	416	-
Total current	**9,192**	**4,089**
Note 28. Other current liabilities		
Unclaimed monies	1,181	1,799
	1,181	**1,799**
Note 29. Revenue received in advance		
Licenses and fees	2,023	2,085
	2,023	**2,085**
Note 30. Amounts due to the Treasurer		
Non-current		
Amounts due to the Treasurer – Mining Rehabilitation Fund	5,330	5,330
	5,330	**5,330**

	2017 $000	2016 $000
Note 31. Provisions		
Current		
Employee benefits provision		
Annual leave [(a)]	7,282	7,897
Long service leave [(b)]	11,369	10,793
Deferred salary scheme [(d)]	34	59
	18,685	18,749
Other provisions		
Employment on-costs provision [(c)]	126	126
	126	126
	18,811	**18,875**
Non-current		
Employee benefits provision		
Long service leave [(b)]	3,791	4,374
	3,791	4,374
Other provisions		
Employment on-costs provision [(c)]	25	29
	25	29
	3,816	**4,403**

Notes to the Financial Statements

For the year ended 30 June 2017

	2017 $000	2016 $000
Note 31. Provisions (continued)		
(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of end of reporting period	5,325	5,777
More than 12 months after the end of the reporting period	1,957	2,120
	7,282	**7,897**
(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. Assessments indicate that actual settlement of the liabilities will occur as follows:		
Within 12 months of the end of the reporting period	4,367	4,443
More than 12 months after the end of the reporting period	10,793	10,724
	15,160	**15,167**

(c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers compensation insurance. The provision is the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is disclosed in note 12 'Other expenses'.

(d) Deferred salary scheme liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the reporting period. Actual settlement of the liabilities will occur as follows:

	2017 $000	2016 $000
Within 12 months of the end of the reporting period	34	59
	34	59
Movements in other provisions		
Employment on-cost provision		
Carrying amount at start of period	155	130
Additional provisions recognised	155	155
Payments/other sacrifices of economic benefits	(159)	(130)
Carrying amount at end of period	**151**	**155**
Note 32. Other Non-current Liabilities		
Non-current Lease provision [(a)]	320	-
	320	**-**

Lease payments for the Adelaide Terrace office accommodation have been recognised on a straight-line basis over the term of the lease. The lease agreement which incorporates a 3.75% annual increase is expected to expire in August 2026.

Note 33. Equity

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

Notes to the Financial Statements

For the year ended 30 June 2017

	2017 $000	2016 $000
Note 33. Equity (continued)		
Contributed equity		
Balance at start of period	43,287	42,787
Contributions by owners		
Capital appropriation	7,249	500
Other contributions by owners:		
Mining Rehabilitation Fund	-	-
Total contributions by owners	**7,249**	**500**
Distributions to owners		
Transfer of land	-	-
Total distributions to owners	**-**	**-**
Balance at end of period	**50,536**	**43,287**
Reserves		
Asset revaluation surplus		
Balance at start of period	114,037	116,280
Land	(626)	(2,662)
Buildings	323	419
Balance at end of period	**113,734**	**114,037**

	2017 $000	2016 $000
Accumulated Surplus		
Balance at start of period	30,917	9,251
Result for the period	9,945	21,666
Balance at the end of period	**40,862**	**30,917**
Total Equity at the end of period	**205,132**	**188,241**

Note 34. Notes to the Statement of Cash Flows

Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2017 $000	2016 $000
Cash on hand	5	5
Operating account	2,386	8,329
Cash and cash equivalents	2,391	8,334
Restricted cash assets (refer note 20)	76,340	52,964
	78,731	61,298

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

	2017 $000	2016 $000
Net cost of service	(75,914)	(72,277)
Non-cash items		
Depreciation and amortisation expense	3,112	2,831
Resources received free of charge	1,724	2,295
Net (gain)/loss on disposal of non-current assets	(20)	(28)

Notes to the Financial Statements

For the year ended 30 June 2017

	2017 $000	2016 $000
Note 34. Notes to the Statement of Cash Flows (continued)		
(Increase)/Decrease in assets		
Current Receivables [(a)]	(1,151)	332
Other assets	505	928
Increase/(decrease) in liabilities		
Current payables [(a)]	5,102	(1,276)
Other liabilities	(618)	(304)
Revenue received in advance	(62)	(15)
Provisions – employee benefits	(651)	(363)
Other non-current liabilities	320	-
Net GST payments [(b)]	1,155	(818)
Change in GST in receivables/payables [(c)]	312	(619)
Net cash used in operating activities	**(66,186)**	**(69,314)**

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

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

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

	2017 $000	2016 $000
Note 35. Services provided free of charge		
During the period the following services were provided to other agencies free of charge for functions outside the normal operations of the department:		
MRIWA (Building services, parking, conferences) (Previously known as MERIWA)	47	47
Department of Local Government	42	-
Department of Planning	84	-
Main Roads	79	-
	252	**47**
Note 36. Commitments		
Capital expenditure commitments		
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	914	7,070
Later than 1 year and not later than 5 years	2,742	3,122
	3,656	**10,192**
The capital commitments include amounts for:		
Computer hardware and software	3,656	10,192
	3,656	**10,192**

Notes to the Financial Statements

For the year ended 30 June 2017

	2017	2016
	$000	$000
Note 36. Commitments (continued)		
Lease commitments		
Commitments in relation to leases contracted for at the end of the reporting period but not recognised in the financial statements are payable as follows:		
Within 1 year	3,560	3,001
Later than 1 year and not later than 5 years	13,053	12,425
Later than 5 years	13,309	17,627
	29,922	**33,053**
Representing:		
Non-cancellable operating leases	**29,922**	**33,053**

These commitments are exclusive of GST.

Note 37. Contingent liabilities and contingent assets

Contingent liabilities:

The following contingent liabilities are additional to the liabilities included in the financial statements:

Contaminated sites

Under the *Contaminated Sites Act 2003*, the department is required to report known and suspected contaminated sites to the Department of Environment and Conservation (DEC). In accordance with the Act, DEC classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as *contaminated – remediation required or possibly contaminated – investigation required*, the department may have a liability in respect of investigation or remediation expenses. During the year the department did not identify any further potential contaminated sites.

In 2010 the department, in its previous form as the Department of Industry and Resources reported of a number of sites as being known or suspected of being a contaminated site to the DEC. Of those sites reported in 2010 three potentially contaminated sites are yet to be classified by the DEC, now known as the Department of Environment Regulation (DER). The department is unable to assess the likely outcome of the classification process, and accordingly, it is not practicable to estimate the potential financial effect or to identify the uncertainties relating to the amount or timing of any outflows.

Whilst there is no possibility of reimbursement of any future expenses that may be incurred in the remediation of these sites, the department may apply for funding from the Contaminated Sites Management Account to undertake further investigative work or to meet remediation costs that may be required.

Other matters of uncertainty

The department is currently involved in seven (7) legal cases, largely involving mine site safety. Depending on the outcomes of these matters this may result in an estimated Contingent Liability for costs of $679k, or an estimated Contingent Benefit of $950k for legal fees, fines and court costs.

Note 38. Events occurring after the end of the reporting period

As of July 1, 2017 a name change has been applied to the Department of Mines and Petroleum (DMP). The former DMP and most of the former Department of Commerce were joined together to form the Department of Mining, Industry Regulation and Safety (DMIRS).

Presentation of the annual financial statements as at 30 June 2018 will be an amalgamation of these former entities.

Note 39. Explanatory Statement

All variances between estimates (original budget) and actual results for 2017, and between the actual results for 2017 and 2016 are shown below. Narratives are provided for key variations selected from observed major variances, which are generally greater than:

- 10% and $10.0 million for the Statements of Comprehensive Income and Cash Flows; and,
- 10% and $10.0 million for the Statement of Financial Position.

Notes to the Financial Statements

For the year ended 30 June 2017

Note 39. Explanatory Statement (continued)

	Variance Note	Original Budget 2017 $000	Actual 2017 $000	Actual 2016 $000	Variance between estimate and actual $000	Variance between actuals for 2017 and 2016 $000
Statement of Comprehensive Income (Controlled Operations)						
Employee benefits expenses		97,660	92,985	94,760	4,675	(1,775)
Supplies and services	1	36,008	43,112	43,927	(7,104)	(815)
Depreciation and amortisation expense	2	1,787	3,112	2,831	(1,325)	281
Accommodation expenses		7,711	5,537	5,139	2,174	398
Grants and subsidies	A	9,198	9,136	5,806	62	3,330
Other expenses	3	11,303	1,299	2,080	10,004	(781)
Total cost of services		**163,667**	**155,181**	**154,543**	**8,486**	**638**
Revenue						
User charges and fees	4	93,436	74,526	76,535	18,910	(2,009)
Commonwealth Grants received		100	–	1,100	100	(1,100)
Interest revenue		2,310	1,733	1,336	577	397
Other revenue		1,853	2,988	3,267	(1,135)	(279)
Total Revenue		**97,699**	**79,247**	**82,238**	**18,452**	**(2,991)**
Gain on disposal of non-current assets		-	20	28	(20)	(8)
Total Gains		**-**	**20**	**28**	**(20)**	**(8)**
Total income other than income from State Government		**97,699**	**79,267**	**82,266**	**18,432**	**(2,999)**
NET COST OF SERVICES		**(65,968)**	**(75,914)**	**(72,277)**	**(9,946)**	**3,637**

Notes to the Financial Statements

For the year ended 30 June 2017

Note 39. Explanatory Statement (continued)

	Variance Note	Original Budget	Actual	Actual	Variance between estimate and actual	Variance between actuals for 2017 and 2016
		2017	2017	2016		
		$000	$000	$000	$000	$000
Income from State Government						
Service appropriation	B	84,064	83,955	91,568	109	(7,613)
Services received free of charge		1,490	1,724	2,295	(234)	(571)
State Grant and Subsidies		-	100	-	(100)	100
Royalties for Regions Fund		93	80	80	13	-
Total income from State Government		**85,647**	**85,859**	**93,943**	**(212)**	**(8,084)**
SURPLUS/(DEFICIT) FOR THE PERIOD		**19,679**	**9,945**	**21,666**	**(10,158)**	**(11,721)**
OTHER COMPREHENSIVE INCOME						
Items not reclassified subsequently to profit or loss						
Changes in asset revaluation surplus		-	(303)	(2,243)	303	1,940
Gains recognised directly in equity		-	-	-	-	-
Total other comprehensive income		**0**	**(303)**	**(2,243)**	**303**	**1,940**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**19,679**	**9,642**	**19,423**	**(9,855)**	**(9,781)**

Notes to the Financial Statements

For the year ended 30 June 2017

Note 39. Explanatory Statement (continued)

	Variance Note	Original Budget	Actual	Actual	Variance between estimate and actual	Variance between actuals for 2017 and 2016
		2017	2017	2016		
		$000	$000	$000	$000	$000
Statement of Financial Position						
(Controlled Operations)						
ASSETS						
Current Assets						
Cash and cash equivalents		394	2,391	8,334	(1,997)	(5,943)
Restricted cash and cash equivalents	C	77,348	76,024	52,964	1,324	23,060
Receivables		10,164	10,674	9,212	(510)	1,462
Amount receivable for services		982	480	962	502	(482)
Other current assets		2,498	1,065	1,570	1,433	(505)
Total Current Assets		**91,386**	**90,634**	**73,042**	**752**	**17,592**
Non-current Assets						
Restricted cash and cash equivalents		-	316	-	(316)	316
Amounts receivable for services		17,218	17,720	16,413	(502)	1,307
Property, plant and equipment		138,531	136,762	134,731	1,769	2,031
Intangible assets		898	373	636	525	(263)
Other non-current assets	5	7,721	-	-	7,721	-
Total Non-Current Assets		**164,368**	**155,171**	**151,780**	**9,197**	**3,391**
TOTAL ASSETS		**255,754**	**245,805**	**224,822**	**9,949**	**20,983**

Notes to the Financial Statements

For the year ended 30 June 2017

Note 39. Explanatory Statement (continued)

	Variance Note	Original Budget	Actual	Actual	Variance between estimate and actual	Variance between actuals for 2017 and 2016
		2017	2017	2016		
		$000	$000	$000	$000	$000
LIABILITIES						
Current Liabilities						
Payables	6 D	2,806	9,192	4,089	(6,386)	5,103
Other current liabilities	7	19,892	1,181	1,799	18,711	(618)
Revenue received in advance		-	2,023	2,085	(2,023)	(62)
Provisions		18,381	18,811	18,875	(430)	(64)
Total Current Liabilities		**41,079**	**31,207**	**26,848**	**9,872**	**4,359**
Non-Current Liabilities						
Amounts due to the Treasurer		-	5,330	5,330	(5,330)	-
Provisions		4,151	3,816	4,403	335	(587)
Other non-current liabilities		-	320	-	(320)	320
Total Non-Current Liabilities		**4,151**	**9,466**	**9,733**	**(5,315)**	**(267)**
TOTAL LIABILITIES		**45,230**	**40,673**	**36,581**	**4,557**	**4,092**
NET ASSETS		**210,524**	**205,132**	**188,241**	**5,392**	**16,891**

Notes to the Financial Statements

For the year ended 30 June 2017

Note 39. Explanatory Statement (continued)

	Variance Note	Original Budget	Actual	Actual	Variance between estimate and actual	Variance between actuals for 2017 and 2016
		2017	2017	2016		
		$000	$000	$000	$000	$000
EQUITY						
Contributed equity	E	45,537	50,536	43,287	(4,999)	7,249
Reserves		116,280	113,734	114,037	2,546	(303)
Accumulated surplus/(deficit)		48,707	40,862	30,917	7,845	9,945
TOTAL EQUITY		**210,524**	**205,132**	**188,241**	**5,392**	**16,891**
Statement of Cash Flows						
(Controlled Operations)						
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriation	F	82,277	79,991	90,943	2,286	(10,952)
Capital appropriations	8 G	2,250	7,714	500	(5,464)	7,214
Holding account drawdown		962	962	962	-	-
Royalties for Regions Fund		93	80	80	13	-
Net cash provided by State Government		**85,582**	**88,747**	**92,485**	**(3,165)**	**(3,738)**

Notes to the Financial Statements

For the year ended 30 June 2017

Note 39. Explanatory Statement (continued)

	Variance Note	Original Budget	Actual	Actual	Variance between estimate and actual	Variance between actuals for 2017 and 2016
		2017	2017	2016		
		$000	$000	$000	$000	$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee benefits		(97,908)	(94,864)	(99,393)	(3,044)	4,529
Supplies and services		(33,361)	(32,936)	(39,473)	(425)	6,537
Accomodation		(7,641)	(8,076)	(7,839)	435	(237)
Grants and subsidies	H	(9,198)	(9,136)	(5,517)	(62)	(3,619)
Other payments	9	(12,477)	(1,626)	(48)	(10,851)	(1,578)
GST payments on purchases		(4,937)	(4,516)	(5,950)	(421)	1,434
Receipts						
User charges and fees	10	93,436	77,194	77,625	16,242	(431)
Grants and contributions		100	100	-	-	100
Interest received		-	-	-	-	-
GST receipts on sales		99	527	215	(428)	312
GST receipts from ATO	I	4,838	4,167	7,522	671	(3,355)
Other receipts		4,723	2,980	3,544	1,743	(564)
Net cash provided by/(used in) operating activities		**(62,326)**	**(66,186)**	**(69,314)**	**3,860**	**3,128**

Notes to the Financial Statements

For the year ended 30 June 2017

Note 39. Explanatory Statement (continued)

	Variance Note	Original Budget 2017 $000	Actual 2017 $000	Actual 2016 $000	Variance between estimate and actual $000	Variance between actuals for 2017 and 2016 $000
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments						
Proceeds from sale of non-current assets		-	20	28	(20)	(8)
Receipts						
Purchase of non-current physical assets		(7,070)	(5,148)	(4,040)	(1,922)	(1,108)
Net cash provided by/(used in) investing activities		**(7,070)**	**(5,128)**	**(4,012)**	**(1,942)**	**(1,116)**
CASH FLOWS FROM FINANCING ACTIVITIES						
Receipts						
Proceeds from borrowings		5,080	-	800	5,080	(800)
Net cash provided by/(used in) financing activities		**5,080**	**-**	**800**	**5,080**	**(800)**
Net increase/(decrease) in cash and cash equivalents		21,266	17,433	19,959	3,833	(2,526)
Cash balances transferred in		-	-	-	-	-
Cash balances transferred out		-	-	-	-	-
Cash and cash equivalents at the beginning of the period		56,476	61,298	41,339	(4,822)	19,959
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**77,742**	**78,731**	**61,298**	**(989)**	**17,433**

Notes to the Financial Statements

For the year ended 30 June 2017

Note 39. Explanatory Statement (continued)

Major Variance Narratives (Controlled Operations)

Variances between estimate and actual

1) Supplies and services were over the original budget by $7.1 million (19.7%) due to the reclassification of costs for regional airbourne gravity surveys relating to Kidson and Tanami King Leopoid projects. These cost were reallocated between Supplies and Services expenses and Other expenses.
2) Depreciation and amortisation costs were over the original budget by $1.3 million (74.1%) due to budget figures not being aligned with asset held by the Department as a result of the valuation of land and buildings.
3) Other expenses were under the original budget by $10 million (88.5%) due to the reclassification of costs between Other Expenses to Supplies and Services as per point (1) above. Savings measures were also initiated during the year in response to a reduction in cash held by the department. Cash held is also in direct response to a reduction in collection of revenue streams due to the volatility of the sector. Refer to point (4) below.
4) User charges and fees were under the original budget by $18.9 million (20.2%) due to reduced collections of revenue by the Resources Sector. Mines Safety levies, Mineral Title fees, Petroleum Title fees and Dangerous Good licensing fees were all lower than expected due to the downturn in the industry.
5) This amount represents the budgeted amounts for the upgrade to the Mineral House lifts and façade, and the Core Library expansion to the viewing platform in Carlisle. The budget figures recognise these as assets, but as the projects are not due to be concluded until the 2018 Financial year, these are currently still categorised as Works In Progress.
6) Payables were over the original budget by $6.4 million (227%) due to the capture of invoices relating to the reporting period. In addition to this, invoices were paid in accordance with their terms.
7) Other current liabilities were under the original budget by $18.7 million (94%) due to the classification of $5.33m Treasurer's Advance between current and non-current for reporting and and budget purposes. While the amount is classified as current for budget purposes, repayment isn't expected to be made until future reporting years. In additional to this, $15.1m is made up of the extension to Treasurer's Advance for the administration of the Mine Rehabilitation Fund.
8) Capital appropriations were over the original budget by $5.4 million (242%) as a one off $5 million increase was required to offset unexpected shortfalls in revenue. Refer to point (4) above.
9) Other expenses were under the original budget by $10.8 million (87%) due to the reclassification of costs between Other Expenses to Supplies and Services. Refer to point (1) above. Savings measures were also initiated in response to a reduction in cash collection from the departments revenue sources as a result in the downturn in the industry. Refer to point (4) above.
10) User charges and fees were under the original budget by $16.2 million (17.3%) due to reduced collections of the departments revenue streams. This is a result of the downturn in the industry experienced by the Resources Sector. Mines Safety levies, Mineral Title fees, Petroleum Title fees and Dangerous Good licensing fees were all lower than expected. Refer to point (4) above).

Variances between actual results for 2017 and 2016

A) Grants and subsidies increased by $3.3 million (57.3%) due to an increase in co-funded drilling exploration grants and one off contributions to studies on the health effects of nano diesel particulate matter.

B) Service appropriations decreased by $7.6 million (8.3%) as in 2016 a one off $8 million increase in appropriations was required to offset an unexpected shortfall in revenue.

C) Restricted cash and cash equivalents increased by $23.06 million (43.5%) due to $27m in collections for the Mining Rehabilitation Fund levy for the financial year. This increase was partially reduced lower than budgeted contributions of Safety levy revenue.

D) Payables increased by $5.1 million (125%) as a result of the department ensuring that payments were made in accordance with the payment terms of all invoices. Refer to point (6) above.

E) Contributed Equity increased by $7.2 million (16.8%) due to increased Capital Appriopations for the funding of the Perth Core Liarary expansion, Mineral House facade and Mineral House lift upgrade projects.

F) Service appropriations decreased by $10.9 million (12%) as in 2016 a one off $8 million increase in appropriations was required to offset an unexpected shortfall in revenue.

Notes to the Financial Statements

For the year ended 30 June 2017

Note 39. Explanatory Statement (continued)

G) The increase in capital appropriation from the 2016 17 Budget to the 2016 17 Estimated Actual was due to an approved $5 million working capital cash injection. This was required to offset unexpected shortfalls in regulatory fees revenue. Additional capital injections include amounts for the upgrade to the Core Libaray viewing area at Carlisle and the repair work to the Mineral House facade.

H) Grants and subsidies increased by $3.6 million (65.6%) due to an increase in co-funded drilling exploration grants and one off contributions to studies on the health effects of nano diesel particulate matter.

I) GST receipts from the ATO has decreased by $3.355m (44.6%) due to an adjustment to receipts from ATO in the 2016 Financial year. The receipts from ATO amount in the 2017 Financial year better aligns with the budgeted amount for receipts.

	2017	2016
	$000	$000
Note 40. Remuneration of Auditor		
Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:		
Auditing the accounts, financial statements and performance indicators.	155	167

Note 41. Financial instruments

(a) Financial risk management objectives and policies

Financial instruments held by the department are cash and cash equivalents, restricted cash and cash equivalents, loans and receivables, payables, WATC/Bank borrowings, finance leases and Treasurer's advances. The department has limited exposure to financial risks. The department's overall risk management program focuses on managing the risks identified below.

Credit risk

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

The maximum exposure to credit risk at the end of the 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 41 (c) and note 21 'Receivables'.

Credit risk associated with the department's financial assets is minimal because the main receivable is the amounts receivable for services (holding account) and Safety Levies. For receivables other than government, the department trades only with recognised, creditworthy third parties. The department has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the department's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

Notes to the Financial Statements

For the year ended 30 June 2017

Note 41. Financial instruments (continued)

Liquidity risk

Liquidity risk arises when the department is unable to meet its financial obligations as they fall due. The department is exposed to liquidity risk through its trading in the normal course of business.

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

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the department's income or the value of its holdings of financial instruments. The department does not trade in foreign currency and is not materially exposed to other price risks. Other than as detailed in the interest rate sensitivity analysis table at Note 41 (c), the department is not exposed to interest rate risk because the majority of cash and cash equivalents and restricted cash are non-interest bearing and it has no borrowings other than the Treasurer's advance (non interest bearing).

(b) Categories of financial instruments

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

	2017	2016
	$000	$000
Financial Assets		
Cash and cash equivalents	2,391	8,334
Restricted cash and cash equivalents	76,340	52,964
Loans and receivables [(a)]	28,119	26,145
Financial Liabilities		
Financial liabilities measured at amortised cost	15,703	11,219

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

Notes to the Financial Statements

For the year ended 30 June 2017

Note 41. Financial instruments (continued)

(c) Financial instrument disclosures

Credit risk

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

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

Ageing analysis of financial assets

			Past due but not impaired					
	Carrying Amount	Not past due and not impaired	up to 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Impaired financial assets
	$000	$000	$000	$000	$000	$000	$000	$000
2017								
Cash and cash equivalents	2,391	2,391	-	-	-	-	-	-
Restricted cash and cash equivalents	76,340	76,340	-	-	-	-	-	-
Receivables	9,919	7,922	35	32	487	623	-	820
Amounts receivable for services	18,200	18,200	-	-	-	-	-	-
	106,850	**104,853**	**35**	**32**	**487**	**623**	**-**	**820**
2016								
Cash and cash equivalents	8,334	8,334	-	-	-	-	-	-
Restricted cash and cash equivalents	52,964	52,964	-	-	-	-	-	-
Receivables	8,769	6,024	62	341	1,148	443	-	751
Amounts receivable for services	17,376	17,376	-	-	-	-	-	-
	87,443	**84,698**	**62**	**341**	**1,148**	**443**	**-**	**751**

Notes to the Financial Statements

For the year ended 30 June 2017

Note 41. Financial instruments (continued)

Liquidity risk and interest rate exposure

The following table discloses the department's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

Interest rate exposure and maturity analysis of financial assets and financial liabilities [(a)]

			Interestrate exposure				Maturity dates				
	Weighted Average Effective Interest Rate	Carrying Amount	Fixed Interest Rate	Variable Interest Rate	Non-interest Bearing	Nominal Amount	up to 1 month	1-3months	3 months to 1 year	1-5years	More than 5 years
	%	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
2017											
Financial Assets											
Cash and cash equivalents	-	2,391	-	-	2,391	2,391	-	-	-	-	-
Restricted cash and cash equivalents	1.98	76,340	-	92,400	(16,060)	76,340	-	-	-	-	-
Receivables [(a)]	-	9,919	-	-	9,919	9,919	8,741	68	487	623	-
Amounts receivable for services	-	18,200	-	-	18,200	18,200	-	-	480	17,720	-
		106,850	**-**	**92,400**	**14,450**	**106,850**	**8,741**	**68**	**967**	**18,343**	
Financial Liabilities											
Payables	-	9,192	-	-	9,192	9,192	9,192	-	-	-	-
Unclaimed monies	-	1,181	-	-	1,181	1,181	1,181	-	-	-	-
Amounts due to the Treasurer	-	5,330	-	-	5,330	5,330	-	-	-	5,330	-
		15,703	**-**	**-**	**15,703**	**15,703**	**10,373**	**-**	**-**	**5,330**	**-**

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

Notes to the Financial Statements

For the year ended 30 June 2017

Note 41. Financial instruments (continued)

Interest rate exposure and maturity analysis of financial assets and financial liabilities [(a)]

			Interestrate exposure				Maturity dates				
	Weighted Average Effective Interest Rate	Carrying Amount	Fixed Interest Rate	Variable Interest Rate	Non-interest Bearing	Nominal Amount	up to 1 month	1-3months	3 months to 1 year	1-5years	More than 5 years
	%	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
2016											
Financial Assets											
Cash and cash equivalents	-	8,334	-	-	8,334	8,334	–	–	–	–	–
Restricted cash and cash equivalents	2.30	52,964	–	63,378	(10,414)	52,964	–	–	–	–	–
Receivables [(a)]	-	8,769	-	–	8,769	8,769	6,837	341	1,148	443	–
Amounts receivable for services	-	17,376	-	–	17,376	17,376	–	–	963	16,413	–
	-	87,443	-	63,378	24,065	87,443	6,837	341	2,111	16,856	–
Financial Liabilities											
Payables	–	4,089	-	-	4,089	4,089	4,089	–	–	–	–
Unclaimed monies	-	1,799	-	–	1,799	1,799	1,799	–	–	–	
Amounts due to the Treasurer	–	5,330	–	–	5,330	5,330	–	–	–	5,330	–
	–	**11,218**	**–**	**–**	**11,218**	**11,218**	**5,888**	**–**	**–**	**5,330**	**–**

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

Notes to the Financial Statements

For the year ended 30 June 2017

Note 41. Financial instruments (continued)

Interest rate sensitivity analysis

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

		-100 basis points		+100 basis points	
	Carrying Amount	Surplus	Equity	Surplus	Equity
	$000	$000	$000	$000	$000
2017					
Financial Assets					
Restricted cash and cash equivalents	92,400	(924)	(924)	924	924
Receivables [a]	-	-	-	-	-
Amounts receivable for services	-	-	-	-	-
Financial Liabilities					
Payables	-	-	-	-	-
Unclaimed monies	-	-	-	-	-
Amounts due to the Treasurer	-	-	-	-	-
	92,400	**(924)**	**(924)**	**924**	**924**

		-100 basis points		+100 basis points	
	Carrying Amount	Surplus	Equity	Surplus	Equity
	$000	$000	$000	$000	$000
2016					
Financial Assets					
Restricted cash and cash equivalents	63,378	(634)	(634)	634	634
Receivables [a]	-	-	-	-	-
Amounts receivable for services	-	-	-	-	-
Financial Liabilities					
Payables	-	-	-	-	-
Unclaimed monies	-	-	-	-	-
Amounts due to the Treasurer	-	-	-	-	-
	63,378	**(634)**	**(634)**	**634**	**634**

Fair Values

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

Notes to the Financial Statements

For the year ended 30 June 2017

	2017 $000	2016 $000
Note 42. Related bodies		
The department had no related bodies as defined in the *Financial Management Act 2006* and Treasurer's Instruction 951.		
Note 43. Affiliated bodies		
The department had no affiliated bodies as defined in the *Financial Management Act 2006* and Treasurer's Instruction 951.		
Note 44. Special purpose accounts		
Special Purpose Accounts – section 16 (1)(c) of FMA		
Survey of Leases under the *Mining Act (1978)* Fund		
Survey fees collected under the *Mining Act (1978)* are paid into this account. The actual cost of surveys is charged to the Consolidated Account, and fees previously collected are transferred to the Consolidated Account. If the applicant decides not to proceed with the survey, the fee collected is refunded.		
Balance at start of period	123	123
Add Receipts	-	-
Less Payments	123	-
Balance at end of period	**-**	**123**
Departmental Receipts in Suspense Fund		
This account is to hold monies temporarily, pending identification of the purpose for which the funds were received.	-	-

	2017 $000	2016 $000
Environmental Called-In Performance Bond Money Fund		
The account is to hold called-in performance bond monies received in respect to section 126 of the *Mining Act (1978)*. Funds are to be used to provide for the rehabilitation of mining sites.		
Balance at start of period	4,748	4,748
Add receipts		
Bonds, Securities	341	-
	341	-
Less payments		
Operational expenses	26	-
	26	-
Balance at end of period	**5,063**	**4,748**
Special Projects Fund		
The account was created to hold funds for the purpose of participating in significant projects with other countries, the Commonwealth and the private sector to the mutual benefit of the other participants and the State of Western Australia.		
This account includes an agreement between the Commonwealth and the department to carry out inspection services at Christmas Island. With an opening balance of $45,180, $78,743 receipts and $112,354 payments, giving a closing balance of $11,569.		

Notes to the Financial Statements

For the year ended 30 June 2017

	2017 $000	2016 $000
Note 44. Special purpose accounts (continued)		
Balance at start of period	3,174	10,793
Add receipts		
Contribution from Government & Industry	1,004	563
	1,004	563
Less payments		
Salaries	90	63
Consultants	249	2,501
Grants	68	306
Refund of Contributions	-	5,273
Other	257	39
	664	8,182
Balance at end of period	**3,514**	**3,174**
Mines Safety Levy		
This fund is to hold all levies received from mining companies and is to be applied to the cost of administering the *Mines Safety and Inspection Act 1994*.		
Balance at start of period	(9,845)	(3,461)
Add receipts		
Contribution from Industry	25,261	24,425
	25,261	24,425

	2017 $000	2016 $000
Less payments		
Salaries	11,739	12,700
Operational Expenditure	18,450	18,109
	30,189	30,809
Balance at end of period	**(14,773)**	**(9,845)**
Treasury approval was obtained for the account to be overdrawn in the 2016 Financial year.		
Petroleum and Geothermal Energy Safety Levy		
This fund is to hold all levies which are applied to the cost of administering the Petroleum and Geothermal Energy Safety Levies for regulatory services under the *Petroleum and Geothermal Energy Resource Act 1967* (PGERA67) and the *Petroleum Pipelines Act 1969* (PPA69).		
Balance at start of period	(568)	(637)
Add receipts		
Contribution from Industry	4,098	4,743
	4,098	4,743
Less payments		
Salaries	2,224	2,142
Operational Expenditure	2,909	2,532
	5,133	4,674
Balance at end of period	**(1,603)**	**(568)**
The Levy invoices are not collected until after the end of the financial year. Treasury approval was obtained for the overdrawn account.		

Notes to the Financial Statements

For the year ended 30 June 2017

	2017 $000	2016 $000
Note 44. Special purpose accounts (continued)		
Mining Rehabilitation Fund Levy		
This fund is to hold all levies which are applied to the cost of administering the Mineing Rehabilitation Fund Levies for regulatory services under the *Mining Rehabilitation Fund Act 2012*.		
Balance at start of period	63,377	35,141
Add receipts		
Contribution from Industry	28,348	27,098
Treasurer's Advance	-	800
Interest	1,654	1,175
Other Revenue	16	-
	30,018	29,073
Less payments		
Salaries	163	-
Operational Expenditure	832	837
	995	837
Balance at end of period	**92,400**	**63,377**

	2017 $000	2016 $000
Note 45. Supplementary financial information		
(a) Write Offs		
During the financial year the following amounts were written off under the authority of:		
The Director General of the Department of Mines and Petroleum	14	32
	14	**32**
(b) Losses Through theft, defaults and other causes		
Losses of public money and public and other property through theft or default.		
Amount recovered	-	-
	-	-
(c) Gifts of Public Property		
Gifts of public property provided by the department	-	-

Notes to the Financial Statements

For the year ended 30 June 2017

Note 46. Disclosure of administered income and expenses by service

	Providing resource sector information and advice to the industry, community and government		Managing land access for resource related activities		Regulating resource sector development for Health and Safety, Social Responsibility, Environment and Dangerous Goods		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	$000	$000	$000	$000	$000	$000	$000	$000
COST OF SERVICES								
Expenses								
Petroleum (Submerged Lands) Act 1982	-	-	-	-	421	1,293	421	1,293
Refunds of previous years' revenue	28	-	3,765	7,283	42,904	18,005	46,697	25,288
Services and contracts	163	76	845	1,408	598	1,456	1,606	2,940
Receipts paid into Consolidated Account	239	166	75,216	80,597	5,188,694	4,041,683	5,264,149	4,122,446
Grants and subsidies	723	724	114	153	114	153	951	1,030
Total administered expenses	**1,153**	**966**	**79,940**	**89,441**	**5,232,731**	**4,062,590**	**5,313,824**	**4,152,997**
Income								
For transfer:								
Royalties and Rentals [(a)]	-	-	85,218	78,814	5,286,246	4,138,476	5,371,464	4,217,290
Regulatory fees	-	-	169	1,102	39	1,116	208	2,218
Commonwealth Grants	185	368	156	206	98	73	439	647
Appropriations	741	723	24,641	26,262	4,329	5,569	29,711	32,554
Other revenue	98	107	390	229	258	91	746	427
Total administered income	**1,024**	**1,198**	**110,574**	**106,613**	**5,290,970**	**4,145,325**	**5,402,568**	**4,253,136**

Notes to the Financial Statements

For the year ended 30 June 2017

Note 46. Disclosure of administered income and expenses by service (continued)

	2017	2016
	$000	$000
(a) Royalties		
Petroleum – State	3,578	4,674
Iron Ore	4,708,473	3,600,301
Diamonds	12,972	17,382
Alumina	83,720	80,806
Mineral sands	13,416	16,627
Nickel	42,907	45,906
Gold	266,791	250,055
Other	140,516	109,895
Lease rentals	99,091	91,644
Total	**5,371,464**	**4,217,290**

Notes to the Financial Statements

For the year ended 30 June 2017

Note 47. Explanatory Statement for Administered Items

All variances between estimates (original budget) and actual results for 2017, and between the actual results for 2017 and 2016 are shown below. Narratives are provided for key major variances, which are generally greater than 10% or $10m.

	Variance Note	Original Budget	Actual	Actual	Variance between estimate and actual	Variance between actuals for 2017 and 2016
		2017	2017	2016		
		$000	$000	$000	$000	$000
INCOME FROM ADMINISTERED ITEMS						
INCOME						
For transfer:						
Royalties and Rentals	1 A	3,935,573	5,371,464	4,217,290	(1,435,891)	1,154,174
Regulatory fees	B	4	208	2,218	(204)	(2,010)
Commonwealth Grants		-	439	647	(439)	(208)
Appropriations		29,438	29,711	32,554	(273)	(2,843)
Other revenue		403	746	427	(343)	319
Total Administered Income		**3,965,418**	**5,402,568**	**4,253,136**	**(1,437,150)**	**1,149,432**
EXPENSES						
Petroleum (Submerged Lands) Act 1982		45	421	1,293	(376)	(872)
Refunds of previous years' revenue	2 C	28,279	46,697	25,288	(18,418)	21,409
Services and contracts		373	1,606	2,940	(1,233)	(1,334)
Receipts paid into Consolidated Account	3 D	4,055,910	5,264,149	4,122,446	(1,208,239)	1,141,703
Grants and subsidies		741	951	1,030	(210)	(79)
Total Administered Expenses		**4,085,348**	**5,313,824**	**4,152,997**	**(1,228,476)**	**1,160,827**
NET INCOME FROM ADMINISTERED ITEMS		**(119,930)**	**88,744**	**100,139**	**(208,674)**	**(11,395)**

Notes to the Financial Statements

For the year ended 30 June 2017

Note 47. Explanatory Statement for Administered Items (continued)

Major Variance Narratives (Administered Items)

Variances between estimate and actual

1) Royalties and Rentals were over the original budget by $1.4 billion (36%) as a result of the price of iron ore being higher than the budget forecast and a higher than forecasted volume of iron ore being shipped.

2) Refunds of previous years revenue were over the original budget by $18.4 million (65%) mainly due to increased Royalty rebates paid to Magnetite producers who, as a consequence of the higher price of iron ore, paid higher Royalties.

3) Receipts paid into the consolidated account were over the original budget by $1.2 billion (30%) as a result of the iron ore price being higher than the budget forecast and the volume of iron ore shipped was also higher than forecasted. Refer to point (1) above.

Variances between actual results for 2017 and 2016

A) Royalties and Rentals increased by $1.1 billion (27%) as a result of the price of iron ore being higher than the budget forecast and a higher than forecasted volume of iron ore being shipped. Refer to point (1) above.

B) Regulatory Fees decreased by $2 million (90%) mainly due to the collection of ad valorem fees for onshore petroleum registrations in 2016. As these fees are totally dependent on the commercial trading interests of companies they are treated as a windfall to the State.

C) Refunds of previous years revenue increased by $21.4 million (85%) mainly due to increased Royalty rebates paid to Magnetite producers who, as a consequence of the increased price of iron ore, paid higher Royalties. Refer to point (2) above.

D) Receipts paid into the consolidated account increased by $1.1 billion (28%) as a result of the iron ore price being higher than the budget forecast and the volume of iron ore shipped was also higher than forecasted. Refer to point (3) above.

Note 48. Administered assets and liabilities

	2017 $000	2016 $000
Current Assets		
Cash and cash equivalents	20,019	21,402
Restricted cash and cash equivalents	13,117	8,242
Receivables [(a)]	1,281,370	1,172,586
Finance Lease Receivable	617	24,130
Other Current Assets	-	25
Total Administered Current Assets	**1,315,123**	**1,226,385**
Non-Current Assets		
Finance Lease Receivables	5,488	4,361
Total Administered Non-Current Assets	**5,488**	**4,361**
TOTAL ADMINISTRATIVE ASSETS	**1,320,611**	**1,230,746**
Current Liabilities		
Payables	3,739	2,493
Payments received in advance	-	123
Total Current Liabilities	**3,739**	**2,616**
TOTAL LIABILITIES	**3,739**	**2,616**

(a) This mainly represents royalties not collected as at 30 June 2017 on production which occurred prior to balance date.

Notes to the Financial Statements

For the year ended 30 June 2017

Other matters of uncertainty

Mining companies owing royalties of approximately $5.596 million are currently under administration and action is being taken to recover the funds that were due in the quarter that they went into administration. In the event that these funds are not collected, a bad debt may arise.