



FOREST PRODUCTS COMMISSION

Annual Report 2012–13



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Statement of compliance

For year ended 30 June 2013

Hon Terry Redman MLA, Minister for Forestry

In accordance with section 63 of the *Financial Management Act 2006*, we hereby submit for your information and presentation to Parliament, the Annual Report of the Forest Products Commission for the financial year ended 30 June 2013.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006* and any other relevant written law.



Robert Fisher AM, JP
Chairman of Accountable Authority

12 September 2013



Robert McDonald
Member of Accountable Authority

12 September 2013

From the Chairman



The 2012-13 year has been successful with an operating profit of \$4.6 million. This has been despite difficulties experienced in the plantation and South West native forest sectors. The latter has been impacted by uncertainty caused by the expiry of the current Forest Management Plan (FMP) on 31 December 2013. Although a new FMP is in the process of being developed the industry is unsure over the quantity, quality and location of timber under the proposed 10 year FMP. As a result there has been reluctance by the industry to undertake any new investment and it has become increasingly difficult to retain staff in the sector. One major sawmiller has indicated its intention to exit its business which is creating genuine concern and anxiety in the community in which the mill is located.

The softwood industry has also experienced a very difficult year as a result of the high Australian dollar and the slow recovery in housing markets. Sales and profits in this sector are down significantly. While there are encouraging signs resulting from the recent fall in the value of the Australian dollar together with an increase in housing starts, recovery is expected to be slow.

The sandalwood business has performed well despite the negative impact that illegal activities have had on this sector. The Forest Products Commission (FPC) is working closely with the Western Australian Police Service and the Department of Parks and Wildlife (formerly Department of Environment and Conservation) to address this problem.

There were several changes to the FPC Board during the year with Commissioners Mike Gurry (Chair), Karen Gadsby (Deputy Chair) and Bob Smith's terms expiring on 15 November 2012. I was appointed as the new Chair of the FPC and Bob Pearce and Stuart Morgan appointed as Commissioners, with current Commissioner Ed Valom appointed as Deputy Chair. The new Commissioners bring with them considerable expertise in the business of government and the timber industry.

Ensuring a strong, viable forest industry while achieving a balance between positive social and economic outcomes on the one hand and environmental outcomes on the other, is not easy. The FPC has dealt with many such challenges during 2012-13 and has been successful in retaining its environmental accreditation under the Australian Forestry Standard (AFS) and the Environmental Management System (EMS) while also continuing to operate at a profit.

The forest products industry has played a significant role in the development of Western Australia. From the early 1830s timber and timber products have been a major export earner for the State. The industry currently contributes approximately \$1.6 billion to the Western Australian economy, provides direct employment for over 3,400 people and it supports the ongoing viability of many regional communities.

I would like to thank all of the Commissioners for the contribution which they have made during the year. I would also acknowledge the enthusiastic support which the Board has received from David Hartley the General Manager, his Executive team and the entire staff in the FPC.

Finally I would like to thank the Hon Terry Redman MLA, Minister for Forestry, for his very strong support of the industry and his guidance to the Board throughout the year.

A handwritten signature in black ink, reading "Robert Fisher". The signature is written in a cursive style and is positioned above a horizontal line that extends to the left.

Robert Fisher AM, JP
Chairman

Executive summary



The FPC has continued its focus of ensuring a strong, sustainable and commercially viable forest industry. While there have been some significant challenges during the 2012-13 year, both the forest industry and the FPC remain in a very sound position.

The South West native forest industry has had a difficult year which has included the announcement of the closure of the Blueleaf Mill in Greenbushes. This announcement, along with the knowledge that there are some challenges with overall log quality and forest yield associated with native forest products under the proposed new FMP has necessitated significant work on determining the most efficient structure for the industry into the future.

The FPC will continue to work closely with industry to ensure adjustment continues and the best possible outcome from the available resource is achieved.

The softwood industry has experienced a significant drop in sales at both a State and national level over the last 12 months, impacting on FPC's revenue. While a recovery is expected during the 2013-14 year, the FPC continues to have a very strong focus on identifying market opportunities to ensure a long-term viable industry. Once again, the FPC is working closely with the industry to achieve the best possible outcomes.

The harvest and haul contracts for Central and Southern plantation regions were awarded on 1 July 2013 for an initial five year term. The deployment of new technology in harvesting equipment was mandatory for new contractors and will enable FPC to both track and improve the recovery of high value material from harvesting operations. Awarding the new contracts ends an era for contractor Pine Hauliers and the FPC would like to acknowledge their support and professionalism over a period of more than 20 years. Following the 2010 restructure, the FPC had a backlog of second rotation plantings which I am pleased to advise has been largely completed over the past three years.

The sandalwood industry continues to be strong and profitable despite some difficulties associated with illegal sales. The industry is expected to remain sound and the strong US dollar should ensure that revenue is maintained or increases over the coming year.

The FPC has managed a number of important administrative, management and governance matters during the year. These include:

- A review of FPC's Outcomes Based Management Framework and formal Key Performance Indicators.
- A review of the delivery of the internal audit function leading to the introduction of a new model for this core internal oversight function for 2013-14.
- Recertification for a further three years to AFS and the international standard for Environmental Management Systems ISO 14001.

Work will also continue in the coming year on a strategic planning process to ensure that the industry structure and contractual arrangements will maximise benefits to the State and industry.

Overall, the Western Australian forest industry continues to operate in a highly dynamic and changing environment that presents ongoing challenges for the FPC Board and management. Despite this, the industry is strong and viable and FPC continues to focus on achieving sound commercial outcomes while also ensuring the industry is environmentally sustainable, profitable and returns social and economic benefits to Western Australia.

To achieve this, the FPC is totally dependent on its staff, their skills and commitment. I would like to thank all staff for their ongoing commitment to both FPC and the forest industry and for the highly professional manner in which they carry out their duties.



David Hartley

General Manager

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Governance and compliance



West Manjimup Nursery and Seed centre



Agency overview

The Forest Products Commission (FPC) is a government owned statutory authority responsible for the sustainable management, commercial harvesting and sale of timber assets from State-owned native forests and plantations in the Western Australia.

The FPC maintains a comprehensive Integrated Forest Management System (IFMS) which includes requirements for environmental and safety management that are compatible with internationally recognised standards. The FPC is accredited to the Australian Forestry Standard (AS 4708) and the international standard ISO 14001 for its Environmental Management System (EMS).

Enabling legislation

The FPC was established on 16 November 2000 and operates under the *Forest Products Act 2000* and sections of the *Forest Management Regulations 1993*.

Responsible Minister

The Hon Terry Redman MLA, Minister for Forestry.

Other key legislation impacting on activities

In the performance of its functions, the FPC has complied with requirements of the relevant legislation, as originally enacted and as variously amended. The relevant legislation is listed in Appendix 1.

Ministerial directives

No ministerial directives were received during the financial year.

Strategic direction

Vision

To build and maintain an environmentally sustainable and commercially viable forest products industry that provides economic and social benefits to the people of Western Australia.

Mission

FPC's mission is to contribute to Western Australia's economic and regional development with:

- the sustainable harvesting and regeneration of the State's plantation and native forest resources;
- promoting innovation in forest management and local value adding for timber resources; and
- generating positive returns to the State from the State-owned plantations and native forest resources.

Values

The FPC operates responsibly, ethically and sustainably. Our products and services provide renewable resources.

We are committed to achieving results and delivering excellent service to our customers, partners, the community and each other.

We commit to a safe workplace for our staff and contractors and put the wellbeing and professional development of our people at the forefront of our business.

Objectives

The *Forest Products Act 2000* outlines the functions to be undertaken by the FPC. They include both commercial and non-commercial activities, which describe the outcomes that the FPC must achieve in meeting the Government's Strategic Goals, including:

- Social and environmental responsibility;
- Financial and economic responsibility;
- Regional focus; and
- Results based service delivery.

The Act also establishes two principles and outcomes under which the FPC operates:

- The long-term viability of the forest products industry.
- The application of the principles of ecologically sustainable forest management set out in Section 12(2) of the *Forest Products Act 2000*, in the management of indigenous forest products located on public land.

The *Forest Products Act 2000* also requires the FPC to achieve a profit that is consistent with the planned targets while ensuring the following key goals and outcomes are met.

The alignment of FPC's Goals to the Government's Strategic Goals is detailed in the table on the following page.

Government goal
Social and environmental responsibility – Ensuring that economic activity is managed in a socially and environmentally responsible manner for the long-term benefit of the State.
FPC Goal 1 – Ensure that the environmental outcomes of harvesting and regeneration of the State’s plantation and native forest resources are managed to meet FMP and legislative requirements.
Government goal
Financial and economic responsibility – Responsibly managing the State’s finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector. Regional focus – Greater focus on service delivery, infrastructure investment and economic development to improve the overall quality of life in remote and regional areas.
FPC Goal 2 – Facilitate a viable forest industry to deliver social and economic benefits to the people of Western Australia.
Government goal
Results based service delivery – Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.
FPC Goal 3 – Ensure the efficient and effective delivery of core business outcomes.

Sustainable forest management

The principles of sustainable forest management are embedded in the culture of the FPC. It is our aim to ensure that future generations are endowed with a healthy, productive and valuable forest estate.

Our commitment to continuous improvement and management planning are integral to our everyday operations and activities. The FPC’s continual improvement of its administrative and operational activities and Environmental Management System (EMS) is recognised through certification to internationally recognised standards for sustainable forest management (ISO 14001 for its EMS). The FPC has certification to the Australian Forestry Standard (AFS) for all areas managed under the current FMP, with the exception of areas covered by active mining tenements.

Accountability framework

The FPC operates in accordance with a Strategic Development Plan (SDP) (five year business plan) and Statement of Corporate Intent (SCI) (annual operating plan) as agreed between its Board and the Minister for Forestry.

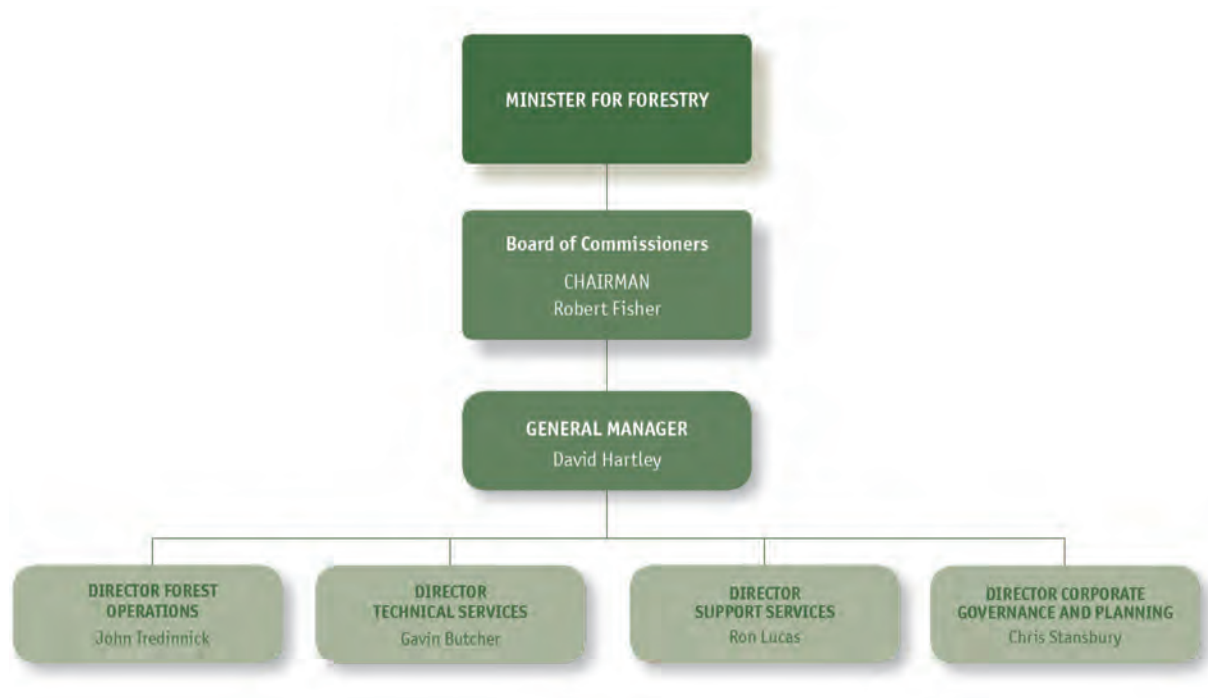
These plans are required under the *Forest Products Act 2000* and set out FPC’s strategic goals and objectives, proposed achievements within each financial year, financial requirements and overall business strategy.

The FPC submits its annual budget, financial accounts and strategic plan for approval to the Board of Commissioners each year. Monthly performance and business reports are also provided to the Board of Commissioners. The Board has an Audit and Risk Committee which meets at least three times a year and out of session meetings are held as required.

The SDP and SCI also provide the foundation for more specific operational planning. The annual operational plan outlines the nature and scope of the proposed work to be performed during the financial year for each of the core deliverables and provides the performance targets and other measures by which performance may be judged. The FPC's key performance indicators, as presented further in this report, measure the key effectiveness and efficiencies in achieving these outcomes.

The Minister is provided with an evaluation of performance and financial outcomes in the Half Year and Annual Reports as well as updates throughout the year where there are material variations. In addition, the FPC submits quarterly reports to the Department of Treasury on its financial performance.

Organisational chart



Commissioners

The seven-member Board of Commissioners is responsible to the Minister for Forestry and is the governing body of the FPC.

In accordance with the *Forest Products Act 2000*, the role of the Commission is to determine strategic direction, monitor performance and control the agency's business affairs. The current members of the Board are:



Mr Robert Fisher AM, JP (Chairman)

Commissioner and Chairman from 16 November 2012. Term expires 15 November 2015.

Mr Fisher was a member of the Australian Trade Commission Service from 1970 to 1980 and his overseas postings included Lima, London, Moscow, New Delhi and San Francisco. From 1980 to 2001 Mr Fisher was the CEO of a range of State government departments including Industrial and Regional Development, Trade and Family and Children's Services. During this period he was also Chairman of the Industrial Lands Development Authority and the Regional Development Council, a member of the Western Australian Overseas Projects Authority, the Australian Manufacturing Council and the Australian Trade Development Council.

In 2001 he was appointed the State's Agent General based in London where he was responsible for expanding Western Australia's exports of goods and services into Europe and for encouraging further European investment into Western Australia. Mr Fisher has two degrees from the University of Western Australia and post-graduate qualifications in Administration and in Russian. He is also the Chairman of the Government's Aquatic Advisory Committee.



Mr Ewald (Ed) Valom (Deputy Chairman)

Commissioner from 6 September 2011. Deputy Chairman from 16 November 2012. Term expires 30 June 2014.

Through a career spanning 50 years, Mr Valom brings extensive timber industry experience to the post of Commissioner. Joining Bunnings in 1961 under a Management Cadet program, Mr Valom's career began at the grassroots of timber processing. He was later to become responsible for the operations of a number of timber mills in the South West of Western Australia, before taking on the role of managing the Manjimup Production Centre, where he remained for some 12 years. As Manager of Timber Operations in hardwood and pine sawmills, Mr Valom directed the manufacture of truss, frame and laminated products, as well as the manufacture of furniture. From 2006 to 2009, he managed Plantation Pulpwood Terminals at Albany's woodchip export facility. Over the past half-century, Mr Valom has acquired first-hand knowledge in the evolution of an industry in transition.



Ms Zelinda Bafile LLB, FAICD

Commissioner from 16 November 2007. Term expires 15 November 2013. Co-Chair of the Audit and Risk Committee from 15 February 2013.

Ms Bafile has practiced as a lawyer for almost 30 years and has over 20 years commercial experience and governance expertise in the banking and finance industry. She has served on a number of Boards and her current appointments include Pro-Chancellor of Curtin University and Community First International Ltd.



Mr Rob Delane

Commissioner from 22 November 2010. Term expires 15 November 2013.

Mr Rob Delane is Director General of the Department of Agriculture and Food Western Australia (DAFWA). During 2008-09 he held the position of Deputy Secretary, Bio-security Services Group with the Commonwealth Department of Agriculture, Fisheries and Forestry (DAFF). Mr Delane has considerable knowledge of Australia's agricultural industry development, research and development, bio-security and natural resource management, policy and regulation.

Mr Delane holds a Master of Science (Agricultural Science) and a Bachelor of Science (Agricultural Science). Mr Delane is a graduate member of the Australian Institute of Company Directors and in 2007 received a Public Service Medal for outstanding service to the agricultural industries and community of Western Australia.



Mr Rob McDonald B.Bus CPA MAICD

Commissioner from 6 September 2011. Term expires 30 June 2014. Co-Chair of the Audit and Risk Committee from 15 February 2013.

Mr McDonald spent 32 years working in a variety of different roles across the State public sector, including more than 20 years in senior executive positions. His previous positions include Executive Director, WA Police; Chief Executive Officer, State Supply Commission; Director, State Treasury; and Director of Finance, WA Police.

Mr McDonald currently provides consultancy services in the fields of management, business case review, financial and budgetary advice and has completed a number of public sector agency organisational reviews. Mr McDonald is a non-executive Director of the Centre for Cerebral Palsy, Community First International Ltd, Rottneest Island Authority and Chair of the Governing Council for the North Metropolitan Health Service.



Mr Robert Pearce

Commissioner from 16 November 2012. Term expires 15 November 2015.

Mr Pearce commenced his career as a school teacher and was elected as a member of the Legislative Assembly in 1977. He held a number of Ministerial portfolios including Environment (Forestry), Education and Transport. He retired from Parliament in 1993.

In 1998 Mr Pearce took on the position of Executive Director, Forest Industries Federation of Western Australia (FIFWA). He resigned from this position in October 2012. Mr Pearce has been particularly active in the forest industry sitting on a range of committees and boards.



Mr Stuart Morgan AM, BE (Hons), C Eng. FIE Aust, FTSE

Commissioner from 16 November 2012. Term expires 15 November 2015.

Mr Morgan is an engineer with extensive experience in the timber processing industry since 1967. During his career he has held a wide range of positions with strong focus on industry development. Some of the more significant positions he has held are:

- Chairman, Western Australian Regional Development Council;
- Chairman, South West Development Commission;
- Chairman/CEO, Western Aerospace Ltd;
- Managing Director (and founder), Westintech Ltd;
- Chairman, State Energy Commission of Western Australia;
- General Manager and Director, Westralian Plywoods Pty Ltd; and
- Group General Manager/Director, Westralian Forest Industries Ltd.

Mr Morgan currently works as a company director, engineer and beef farmer.

The following Commissioners retired from the Board in 2012.



Mr Michael Gurry BSc, FAIM, FAICD, SF Fin.

Commissioner from 16 November 2007. Deputy Chairman from 1 July 2009. Chairman from 8 March 2011 to 15 November 2012.

Mr Gurry has considerable experience in corporate governance, having served on numerous boards. He has extensive commercial experience in Australia and internationally.



Ms Karen Gadsby B.Comm (UWA); FCA; MAICD

Commissioner from 11 August 2009. Deputy Chair from 8 March 2011 and Chair of the Audit and Risk Committee. Retired 15 November 2012.

Ms Gadsby is a qualified chartered accountant who has worked as an executive for a multi-national resources company in the roles of GM Finance, CFO and company secretary.



Dr Robert Smith BScFor (Hons), MBA, MSc, PhD

Commissioner from 16 November 2007 to 15 November 2012.

An experienced forester whose knowledge of sustainable and profitable use of natural resources spans more than forty years. Dr Smith has held senior management positions in NSW and Victorian government agencies in forestry, natural resource management and finance, including Managing Director of State Forests (NSW) and Director-General NSW Department of Land and Water Conservation.

The Board appointed Ms Amelia Yam as a co-opted Commissioner to strengthen the financial expertise on the Audit and Risk Committee.



Ms Amelia Yam BComm (Murdoch), CA, GAICD

Co-opted Commissioner from April 2013 to April 2014

Ms Yam has held senior management positions in finance, business advisory and consulting whilst working with Price Waterhouse Chartered Accountants, government trading entities and other industries. Her expertise covers strategic planning, project management, business planning, risk management, business process improvement and financial management. Ms Yam was previously Chief Financial Officer of Horizon Power and the University of Notre Dame Australia as well as Director of Amaroo Care Inc. Ms Yam is currently consulting in financial management and business process improvements.

Ms Yam is a member of the Institute of Chartered Accountants Australia and the Australian Institute of Company Directors.

Board meetings

The Commissioners met nine times during the year, at which time they were furnished with detailed monthly reports to assist in monitoring the performance of the agency.

Commissioner	Meetings attended	Eligible to attend	Term status
Mr Robert Fisher	5	5	Chairman from 16 November 2012
Mr Ewald Valom	9	9	Commissioner throughout the financial year and Deputy Chair from 16 November 2012
Ms Zelinda Bafile	8	9	Commissioner throughout the financial year
Mr Rob Delane	6	9	Commissioner throughout the financial year
Mr Rob McDonald	8	9	Commissioner throughout the financial year
Mr Stuart Morgan	5	5	Appointed as Commissioner on 16 November 2012
Mr Robert Pearce	5	5	Appointed as Commissioner on 16 November 2012
Mr Michael Gurry	4	4	Chairman to 15 November 2012
Ms Karen Gadsby	3	4	Deputy Chair to 15 November 2012
Dr Robert Smith	3	4	Commissioner to 15 November 2012

Board committees

The Audit and Risk Committee met formally four times during the year and there were two special meetings. The Audit and Risk Committee makes recommendations to the Board on the adequacy of internal and external audit arrangements, financial statements, financial administration policies, internal control systems, business policies and practices, compliance with laws, monitoring business risk and reporting procedures.

Audit and Risk Committee members

Commissioner	Meetings attended	Eligible to attend	Term status
Mr Rob McDonald	5	6	Committee member throughout the financial year. Co-Chair of the Committee from 15 February 2013.
Ms Zelinda Bafile	5	6	Committee member throughout the financial year. Co-Chair of the Committee from 15 February 2013.
Ms Amelia Yam (co-opted commissioner)	1	1	Committee member from 2 April 2013.
Ms Karen Gadsby	2	3	Chair of the Committee to 15 November 2012.

Appointment of Commissioners

On the Minister's recommendation, Commissioners are appointed by the Governor for a term of up to three years. Individuals are nominated for a position on the Board based on expertise and business acumen relevant to the core functions of the FPC. Commissioners are eligible for reappointment.

Board remuneration

Remuneration, travel expenses and other allowances of the Commissioners are determined by the Minister for Forestry on the recommendation of the Minister for Public Sector Management.

Disclosure of interests

The *Forest Products Act 2000* requires Commissioners to disclose the nature of all material personal interests in a matter being considered, or about to be considered, by the Commissioners, as soon as possible after the relevant facts have come to the knowledge of the Commissioners.

Insurance premiums paid to indemnify members of the Board

An insurance policy has been taken out to indemnify members of the Board against any liability incurred under sections 13 or 14 of the *Statutory Corporations (Liability of Directors) Act 1996*. The amount of the insurance premium paid for 2012-13 was \$20,091 (including GST).

Board training

Commissioner Valom completed a five-day company director's course run by the Australian Institute of Company Directors providing practical tools and frameworks for use in his role on the FPC Board.

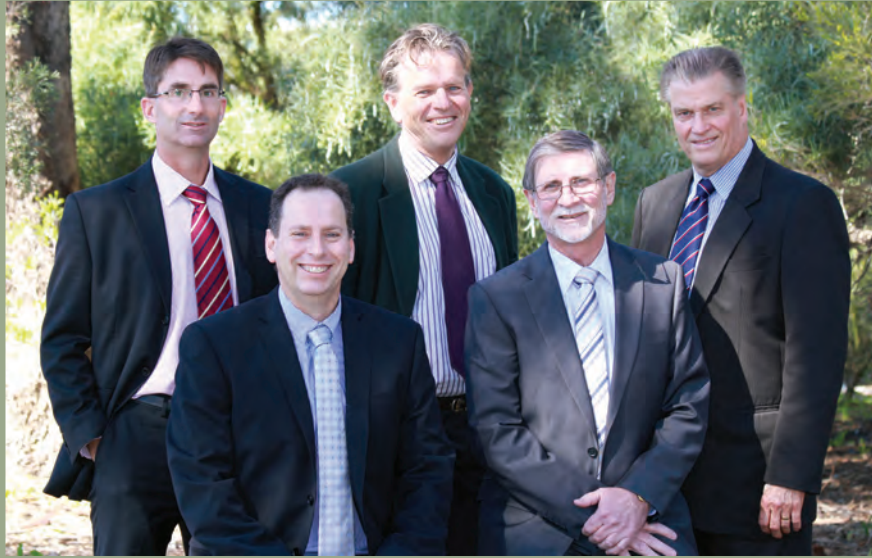
In December 2012, members of the Board and the Executive attended a Public Sector Governance Essentials half-day workshop focusing on leadership, accountable and ethical decision making, conflicts of interest, contract and procurement obligations, and the principles of good governance.

The Board and members of the Executive attended an awareness session in May 2013 which reviewed current environmental and safety management standards based on requirements for continual improvement. Australian Forestry Standard (AFS) sets performance requirements for sustainable forest management and nominates the specific activities that must be performed in order for that outcome to be achieved. AFS consists of nine criteria, Environmental Management System covers criterion one of the AFS and is the management system that supports FPC's forest management and safety policies.



Corporate Executive

Meetings of the Executive are held weekly and are attended by the General Manager, Director Technical Services, Director Forest Operations, Director Support Services and Director Corporate Governance and Planning.



Left to right: Chris Stansbury, John Tredinnick, Gavin Butcher, David Hartley and Ron Lucas

David Hartley

General Manager

Mr Hartley joined the FPC as Acting General Manager in 2010 and was subsequently appointed to the position in February 2012. His background is in agriculture, economics and natural resource management and he has over 30 years' experience in management with a range of State and Commonwealth government agencies.

Gavin Butcher BScFor

Director, Technical Services

With a career in plantation and native forest management spanning more than 33 years, Mr Butcher's particular strengths are in the strategic, analytical and financial fields of forestry management. Mr Butcher holds a Bachelor of Science in Forestry and has lectured at Edith Cowan University. His previous position was Executive Manager Operations, prior to which he was Plantations Group Manager with the Department of Conservation and Land Management.

John Tredinnick BScFor; MSc

Director, Forest Operations

Mr Tredinnick has over 30 years' experience working in the forest sectors of Western Australia, the eastern states of Australia, and internationally. Most of his previous work has been in the private sector and includes management positions with Bunnings Forest Products and URS Forestry. His experience has covered both the plantation and native forestry sectors. Roles have included resource management, forest valuation, forest certification and management of due-diligence projects associated with several large forest transactions. Mr Tredinnick is a previous Director of the Institute of Foresters of Australia.

Ron Lucas BBus CPA

Director, Support Services

Mr Lucas is a Certified Practising Accountant appointed to the FPC in June 2011. Prior to joining the FPC, Mr Lucas held the Chief Finance Officer's position with DAFWA. Mr Lucas brings a strong business services background to the FPC and has extensive experience in corporate services and financial management throughout his employment in senior management roles in the tourism, transport, information technology, agriculture and not for profit sectors.

Dr Chris Stansbury BA (Hons), PhD, GDipPubSecM

Director, Corporate Governance and Planning

Dr Stansbury joined the FPC in January 2013. He spent the last seven years working in senior management roles with both the Office of the Public Sector Standards Commission and more recently the Public Sector Commission. These roles have focused on leading programs to evaluate governance compliance across the WA public sector. During 2010 Dr Stansbury received a Federal Government Endeavour Executive Award to research program evaluation methodologies focussing on governance systems based in Singapore. Prior to this Dr Stansbury spent over 10 years working for the University of Western Australia, the CSIRO, DAFWA and the Queensland Department of Natural Resources and Mines in scientific and Post-Doctoral research roles.

Corporate governance performance

Our people

The Commission has 151 full time equivalents (FTE) employees who work with industry, local communities and other stakeholders to ensure that Western Australia's timber resources are sustainably managed.

Staff numbers and locations as at 30 June 2013

Location	By employment type			Total	Headcount	
	Full-time salaried staff	Part-time salaried staff	Seconded staff		Male	Female
Albany	8	0	0	8	6	2
Bunbury	21	1.6	3	25.6	14	13
Carnarvon	1	0	0	1	1	0
Collie	4	0	0	4	2	2
Esperance	2	0	0	2	2	0
Gnangara	6	0.6	0	6.6	6	1
Harvey	21	2.4	0	23.4	18	7
Kalgoorlie	5	0	0	5	4	1
Kensington	33	2.7	1	36.7	17	22
Manjimup	18	0.5	0	18.5	14	5
West Manjimup	9	0.6	0	9.6	7	3
Nannup	10	0.6	0	10.6	8	3
Totals	138	9	4	151	99	59

Equal Employment Opportunity

Under the *Equal Opportunity Act 1984*, all government entities are required to consider the principles of equal employment opportunity for all diversity groups including women, Aboriginal Australians, people with a disability, people from culturally diverse backgrounds and youth when recruiting staff. The Director of Equal Opportunity in Public Employment sets benchmarks for employment of each diversity group based on their representation in the general community. Public sector entities are required to set their own benchmarks based on community representation as well as the representation of each diversity group within their client population.

When compared to the public sector average the table below shows that the FPC fares well with respect to the employment of people from culturally diverse backgrounds and people with a disability. The employment of women in senior management roles and Aboriginal Australians is somewhat less than the public sector average and this will be an area for consideration within the Strategic Workforce Plan being developed in 2013-14.

Diversity Group	Public Sector Average - as at March 2013	Representation within FPC - June 2013
Women in Management Tier 2	35%	33.3%
Women in Management Tier 3	41.4%	23.1%
Women in Management Tier 2 & 3 combined	39.8%	26.3%
Indigenous Australians	3%	0.0%
People from culturally diverse backgrounds	12.5%	12.5%
People with a disability	2.5%	4.2%
Youth	5.4%	2.7%
Mature (aged 45 and over)	51.7%	54.5%

Aboriginal Australians employment through contracting arrangements

Since approximately 2006 the FPC has had in place a Sandalwood Harvesting Private Treaty Plan for the harvesting of dead sandalwood on pastoral leases and in other remote areas. These private treaty arrangements have only been available to pastoral leaseholders and remote Aboriginal communities. There are currently four such contracts with FPC where people of Aboriginal heritage have either been awarded a contract or are employed by pastoral companies to undertake the harvesting activities.

Consultation with Aboriginal communities

On a number of occasions throughout each year the FPC engages with representatives of the Aboriginal Community to consult about FPC's activities in areas of forest that contain registered sites of significance. The FPC pays a fee to the representatives that we consult in accordance with native title legislation requirements.

In addition the FPC has also hired Aboriginal people as monitors to oversee forestry activities in areas where artefacts may be present. This has included running specialised workshops in the presence of Aboriginal elders for operational staff on the importance of and sensitivity associated with heritage sites.

Staff training and development

During the reporting period a training and development database was established and populated to record all positions, roles and required skills, as well as the corresponding level of training achieved by individual staff. Physical records are also maintained which contain copies of formal qualifications, records of formal inductions, performance reviews and development plans.

A training calendar was also made available on the intranet for employees and managers to review training needs and schedule required training or refreshers.

The training undertaken during the current reporting period fell into two categories - job specific and mandatory corporate training. Examples of the job specific training were first aid, four wheel driving and tree felling. Corporate training included Accountable and Ethical Decision Making, EMS and records management training. The EMS training was integral to meeting specific environmental certification standards with a focus on continuous improvement and managing environmental risks and was compulsory for all staff.

Occupational safety and health

The FPC's Executive continues to regard the provision of a safe and healthy work environment as a primary commitment to its staff. That commitment is demonstrated in the Occupational Safety and Health (OSH) Policy Statement. The Policy commits the FPC to developing and maintaining an OSH management system that complies with the *Occupational Safety and Health Act 1984* and AS/NZS 4801 OSH Management Systems Standard.

The FPC's employee induction process reinforces the organisation's commitment to safety and health. Copies of the policy statement are also prominently posted in FPC offices and accessible on the organisation's intranet.

Assessment of the occupational safety and health system

An internal assessment of the OSH system was undertaken in January 2012 to identify system gaps against AS/NZS 4801. An additional assessment with the *Occupational Safety and Health Act 1984* and potential gaps with the proposed work health and safety legislation was also undertaken.

Occupational safety and health system training

During the last year, staff participated in a compulsory one day OSH system workshop that included basic risk management, job safety analysis, incident reporting and investigation procedures.

Managers, safety and health representatives and other key staff also participated in a two day workshop, which included training for incident investigation techniques, contractor monitoring, emergency response planning and conflict management. The objectives of both training sessions were to increase awareness about employee and management responsibilities and assist managers to effectively implement the system in their area of responsibility. Both sessions were also used to engage staff in consultation workshops for new and modified system processes.

The effectiveness of the training was assessed through a staff survey which indicated high awareness levels of existing OSH policies and procedures (92 per cent) and staff were highly confident the relevant procedures would be adequately implemented in the workplace (84 per cent).

Occupational safety and health performance

The table below provides a summary of workplace injuries resulting in lost time from work, as well as, the proportion of managers who have received OSH and injury management training.

Indicator*	Target*	2011–12	2012–13	Target achieved
Number of fatalities	0	0	0	Yes
Lost time injury/disease incident rate	0 or 10% reduction	6.25	3.95	Yes
Lost time injury severity rate	0 or 10% improvement	0	0	Yes
Percentage of injured workers returned to work within (i) 13 weeks and (ii) 26 weeks	Report actual %	i) 100% ii) 100%	i) 100% ii) 100%	Yes
Percentage of managers trained in OSH and injury management	80% or greater	> 80%	> 80%	Yes

* The statistics are reported in accordance with the Public Sector Commission's Circular 2012-05 Code of Practice OSH in the Western Australian Public Sector.

Occupational safety and health consultation

The FPC is committed to establishing an organisational culture with a high level of safety and health awareness. The FPC's OSH consultation process is facilitated through:

- Safety and Health Representatives (SHReps);
- work centre safety managers;
- quarterly work centre safety committees;
- weekly Executive meetings; and
- monthly meetings for operational employees.

OSH communications are delivered through several mediums including: weekly email alerts/newsletters, FPC's intranet and office notice boards.

Injury management

The FPC's injury management practices comply with the requirements of the *Workers' Compensation and Injury Management Act 1981*. The practices emphasise early intervention and early return to work according to the limitations established by the employee's medical practitioner. Employees are initially informed about FPC's injury management practices during employee inductions and associated policies and procedures are available on the FPC's intranet.

Risk management

The FPC is committed to effective risk management to support our strategic and operational objectives. FPC's Risk Management Framework has recently been reviewed along with the risk management policy and procedure to ensure compliance with Treasurer's Instructions and public sector guidelines.

All strategic risks are managed through RiskBase which is supported by RiskCover WA. FPC's environmental and operational risks are currently managed through a separate process, however it is intended that the two systems will be integrated during 2013-14.

The status of FPC's risk registers is reported at each Audit and Risk Committee meeting. FPC's critical and high strategic risks are reported to the Board each month. Significant risks associated with the Environmental Management System (EMS) and certification processes are integrated into the strategic and operational planning process to ensure risks are managed.

The principles of risk management are also integrated within core business processes including contract development and management and general project management. Contract specific risks as well as legal risks are also reported as separate items to the Board and the Audit and Risk Committee.

Business continuity planning

Consistent with Western Australian Government guidelines on business continuity management (BCM) the FPC is working to establish and implement a structured process to effectively manage and respond to any major business disruptions in a timely manner.

FPC is developing and implementing BCM strategies and plans for each of its offices. To date plans have been developed for FPC's Kensington and Bunbury offices. Plans will be developed for other FPC offices and will be progressively rolled out.

Internal Audit Function

For the last three years the FPC's internal audit function was outsourced to an external provider. During this period 11 audits were conducted, one of which was carried out in 2012-13 focusing on Risk Management. The 2012-13 year was the last year of this three year contract.

The FPC also conducts internal environmental compliance audits separate to the above process. The schedule of audits was aligned to key aspects (risks) identified through FPC's EMS. Internal audits undertaken during 2012-13 covered nine different functions and locations within FPC. This included: executive support, people and development, GIS and mapping, plantation resource assessment, road and transport, plantation silviculture, southern plantation operations, native forest management, and native forest harvesting operations. The audits followed required standards set out by ISO 19011 (Guidelines for auditing management systems), ISO 14001:2004 (EMS) and the AS4708:2007 (AFS).

To ensure that audit recommendations are actively addressed the FPC maintains an audit log that tracks whether audit recommendations have been implemented by the agreed dates of completion. Information on the internal audit program, implementation of recommendations and audit log are reported to the FPC Executive, the Audit and Risk Committee and the Board.

In 2013-14 the FPC will be moving to a new model for delivering its internal audit function. The new model will adopt a combined approach whereby established senior operational staff will be directly involved in undertaking operational compliance audits within divisions other than their own. These staff will be led by a Lead Auditor who will report audit findings independently to the Director Corporate Governance and Planning and the General Manager. The delivery of the internal audit function will be supplemented by external auditing professionals undertaking internal audits in high risk areas. This will for example include (but not be limited to) financial management audits and contract probity audits.

Code of conduct

The FPC complies with the Public Sector Code of Ethics, through its own Code of Conduct which addresses issues such as conflict of interest, fraud, corruption, confidentiality, recordkeeping responsibilities and expected standards of behaviour. During 2012-13 the Code of Conduct was reviewed to consolidate an existing suite of policies and procedures. This process concluded with all staff members receiving a copy and signing a declaration that they had read and understood the Code of Conduct.

The FPC participated in the Public Sector Commission administered Employee Perception Survey program in 2013. The survey asked employees about their awareness of both the Public Sector Code of Ethics and the FPC's Code of Conduct. FPC employees' awareness levels of these fundamental guides on ethical standards were extremely positive with 91 per cent and 97 per cent indicating they were aware of each code, respectively.

Managing interests

The following key decision making bodies are requested to declare any potential, real or perceived conflicts of interest prior to the commencement of formal meetings.

- Board Commissioners
- Audit and Risk Committee members
- Executive
- Tender panel members
- Recruitment and selection panels

Contracts with Senior Officers

At the date of reporting, other than normal contracts of employment of service, no senior officers, or firms of which senior officers are members, or entities in which senior officers have substantial interests, had any interests in existing or proposed contracts with the FPC.

Compliance with Public Sector standards and ethical codes

During the reporting period one breach was lodged internally in relation to the Employment Standard in Human Resource Management. The breach was investigated and found to be unsubstantiated. In addition each selection process was subject to an internal review to minimise the potential for a breach claim. Compliance with Human Resource Standards will also be the subject of an internal audit which is scheduled to be undertaken in 2013-14.

Record keeping plans

Every government organisation is required to have a Recordkeeping Plan (RKP) under s10 of the *State Records Act 2000*. The RKP is to provide an accurate reflection of the recordkeeping program within the organisation and must be complied with by the organisation and its officers. Under Part 3, Division 4 of the *State Records Act 2000*, the organisation must review its RKP every five years or when there is any significant change to organisational functions.

A revised RKP was submitted to the State Records Commission and approved on the 31 May 2013.

The past year has seen the FPC continue to adhere to the *State Records Act 2000* and FPC's RKP with an increasing strategic focus on the needs of electronic document management. The FPC is committed to meeting its regulatory and best practice requirements, ensuring proper and adequate records are maintained. It is also dedicated to improving recordkeeping practices to achieve optimum business efficiency.

In reviewing the effectiveness and efficiency of the recordkeeping training program the FPC has updated its training program. This included rolling out the interactive online recordkeeping awareness training package to all staff to ensure that they maintain their awareness of their roles and responsibilities in regards to compliance with the RKP. As part of the FPC's induction program, all new staff are required to attend an induction session and pass their online records management training to ensure that they are aware of their responsibilities to comply with the RKP.

Staff awareness of recordkeeping responsibilities was also assessed through the staff survey, indicating high awareness levels. This was reinforced with 88 per cent of staff agreeing they receive appropriate training or have access to information that enables them to meet their recordkeeping responsibilities.

Freedom of Information Act

The FPC complies with the requirements of the *Freedom of Information Act 1992* and maintains the agency's Information Statement which provides data about the nature of documents held and the procedures to be followed in obtaining those documents. The Information Statement is available on the FPC's website www.fpc.wa.gov.au.

Statistics about FOI applications are provided to the Office of the Information Commissioner as required by Section 111(3)(a) of the *Freedom of Information Act 1992*. The statistics are published in that agency's annual report which is publicly available from the Office of the Information Commissioner's website www.foi.wa.gov.au.

Promotion and awareness

The FPC actively promotes Western Australia's sustainably managed forests and forest products and supports many industry events and activities. The FPC is also committed to educating the broader community about forest management and the many environmental benefits of utilising timber products.

Western Australian and Australian Furniture of the Year Awards 2012

The FPC is a proud sponsor of both the Western Australian and the Australian Furniture of the Year Awards.

The Western Australian awards ceremony was held in June 2012 at the Matilda Bay Restaurant in Crawley. Sponsored by the FPC, the category for 'Excellence in Furniture using Australian Native Timber' was awarded to joint winners Jahroc Furniture for the Tan Office Suite, and Sunrise Furniture Manufacturers for a Subiaco surgery fit out. The FPC also sponsored the category for 'Excellence in Dining Furniture (table and chairs)' which was won by Jamel House of Fine Furniture for their Mrs Natural Edge Table and Mojo Stools.

Following the State awards, local award-winning companies Jahroc Furniture and Jamel House of Fine Furniture went on to win their categories at the Australian Furniture of the Year Awards. Held in July at the Sofitel Hotel in Melbourne, the event recognises excellence in the Australian furnishing industry at a national level. Both award winning pieces were made from marri, a Western Australian species renowned for its delicate honey tones and characteristic gum veins.

WA Wood Show

The FPC has been an exhibitor at the WA Wood Show and a sponsor of the Fine Wood Work Association's premier woodworking competition 'Out of the Woods' for over 10 years. The Show, which runs over three days in August, attracts wood enthusiasts of all ages from the home handyman to professional renovators as well as high school and tertiary students. As part of this event the FPC sponsored awards for student categories for years 7 to 10, and separate furniture and artistic categories for years 11 and 12. The 'Out of the Woods' competition and exhibition encourages woodworkers and artists of all ages to showcase their skills. The event is a great opportunity to showcase Western Australia's unique timbers and promote FPC's sustainable forest management practices.

State Biosecurity Forum 2012

In November 2012, the FPC presented at the 2012 State Biosecurity Forum in Fremantle. The one-day public forum brought together experts from a range of biosecurity professions to discuss emerging biosecurity threats and their proposed management strategies. The FPC presentation used the experiences it has gained over the past two years with the national program on Myrtle rust, to highlight areas where biosecurity preparedness in the wider community can help both government and businesses cope with potentially devastating diseases.

Forest and timber industry reunion

The FPC was a sponsor of the forest and timber industry reunion which took place at the Manjimup Timber Park in April 2013. With forestry having a long and proud history in the South West, the family day was well attended attracting over 150 past and present timber workers representing many decades of the forest industry.

Biosecurity seminars

A series of public information seminars were held in Perth, Bunbury and Albany during May 2013 to raise awareness of Myrtle rust and the threat it poses for native flora. The seminars were presented by the Australian Network for Plant Conservation in association with the Royal Botanic Gardens and Domain Trust (Sydney) and sponsored by DAFWA, the Department of Parks and Wildlife (DPaW) and the FPC.

Timber auctions

Throughout the year, three specialty timber auctions were held at the FPC's Harvey Mill. Extensive selections of species from around the State, many salvaged from various land clearing projects, were offered for sale to the public. These auctions are designed to accommodate small commercial operators, craftspeople and hobbyists who require varying amounts of craftwood and feature timbers.

Education initiatives

Timber from our sustainably managed forests is a renewable resource with significant environmental, social and economic benefits for all Western Australians. The FPC participates in a number of events and initiatives to further educate the broader community of these benefits.

Key initiatives and highlights:

- As a partner of the Forest Learning national education website, the FPC continues to work with other forestry organisations from around Australia to develop and provide school teachers, students and the public with information and resources on Australian forests and forest-based products. In 2012-13, the FPC assisted in recruiting science, geography and technology teachers as part of a research project to help develop better and more useful curriculum and educational resources for teachers to use in the classroom.
- The FPC offers a practical and 'hands-on' experience for silviculture and environmental management students studying a Bachelor of Science degree at Edith Cowan University. The annual field trip to the South West, which is organised by the FPC, allows the next generation of environmental managers to understand the different aspects of forestry and the important role that trees play in the landscape.
- In November 2012, a group of students from St Joseph's Primary School in Pemberton went on a field tour with the FPC to learn how forests in their region are managed sustainably for timber production. The students also looked at the environmental benefits of using timber and wood products from sustainably managed forests.
- A number of South West students with an interest in forestry were given the opportunity to step out of the classroom and gain practical experience in the workplace. The students spent time working with FPC staff in the field to learn the different aspects of the forest and timber industry.

Stakeholder management and consultation

Engaging with the forest industry and key stakeholders to identify opportunities to market and promote the benefits and uniqueness of Western Australia's forest products is a major priority of the FPC. The forest industry is a major contributor to the economic and social well-being within the community, particularly for rural and regional communities. The engagement of these stakeholders is an integral part of the FPC's core business and outcomes.

In 2012-13 the FPC reviewed its stakeholder management framework with the aim of better understanding key stakeholders. A centralised stakeholder engagement database was established for the purpose of recording interactions between stakeholders and FPC staff. Further work will continue to capture new and existing stakeholder relationships in response to changing internal and external environments as well as managing stakeholder issues as they arise.

As part of its stakeholder management and engagement review, the FPC has also developed a 'Community Engagement and Good Neighbour Charter' which is available on FPC's website. The Charter outlines FPC's commitment and processes in managing stakeholders and ensuring the impact of its operations has a minimal effect on neighbours and the local community.

Community consultation

The FPC consulted a range of stakeholders with respect to its native and plantation harvesting plans and operations. Stakeholder groups included the public, property owners, indigenous representatives, shires, parliamentary members, corporations, conservation groups, students and government agencies.

The FPC ensured prior notification was provided via media notices, direct mail and email when required. Coupe maps, site visits and follow-up contacts were also provided by FPC staff on request.



Advertising and marketing expenditure

In accordance with Section 175ZE of the *Electoral Act 1907*, the FPC incurred the following expenditure in advertising, market research, polling, direct mail and media advertising:

- Total expenditure for 2012–13 was \$29,224 (excluding GST).
- Expenditure was incurred in the following areas:

Expenditure type	Organisation	Purpose	Amount
Advertising agencies	N/A	N/A	Nil
Market research organisations	N/A	N/A	Nil
Polling organisations	N/A	N/A	Nil
Direct mail organisations	N/A	N/A	Nil
Media advertising organisations		Contracts and tenders	\$12,613
	Adcorp	Recruitment	\$2,739
		Timber harvest areas	\$2,119
		ABG Pages	Contact listings in the Australian Business and Government Pages
	Institute of Foresters	Recruitment	\$404
	Innovatek	Contracts and tenders	\$900
		Recruitment	\$429
	Ryan Media	Contracts and tenders	\$322
	Seek	Recruitment	\$94
	Sensis	Contact listings in the White Pages	\$6,764

Significant issues impacting the agency



Softwood pine plantation inventory



Significant issues impacting the agency

Forest Management Plan

As the current Forest Management Plan (FMP) comes to an end in December 2013, the native forest sector has been operating in a climate of increasing uncertainty. Future resource availability will not be known until late 2013 when the new FMP (FMP 2014-23) is finalised, making it difficult for processors, contractors and the FPC to invest or plan for the future.

The draft FMP 2014-23 indicates that there may be equivalent volumes of wood available over the next 10 years. However, there are uncertainties over the location, quality and yield of the areas of jarrah forest that have been made available for harvesting. It appears unlikely that all of the available jarrah sawlog resource will be suitable for processing by the current industry. Changes to the structure of existing mill operations as well as the way that the FPC grades and sells its log products may be required. The FPC will be working closely with all stakeholders to ensure that there continues to be a strong and financially viable industry.

The softwood plantation estate

The long-term viability of the State's softwood plantation industry is contingent upon achieving an estate of appropriate size, age structure and geographical distribution. A major long-term threat to the plantation sector is the progressive reduction in available supply as plantation land is converted to other uses. The combined impact of drought and fires in past years has also impacted on the softwood plantation estate. Without new plantings on additional land, the scale of the softwood industry will be substantially reduced over time.

Over the last two years the FPC has been placing a focus on measuring and modelling the State's softwood plantation resource. The models are being used to plan for the future requirements of the plantation processing industry and management strategies are being developed to improve the productivity of the plantations. The most important of these is an initiative to increase the rate of thinning and fertilising through the development of new markets and lower cost harvesting methodologies.

Illegally harvested timber

The importation of illegally harvested timber products threatens employment in the Western Australian timber industry through unfair competition with legally and sustainably harvested products. The Commonwealth *Illegal Logging Prohibition Act 2012* is expected to reduce the impact of illegal timber on Western Australia's domestic processing industry. The Act and associated regulations is also expected to complement efforts that are being made to eliminate the illegal harvesting of sandalwood in the Western Australian rangelands. This activity is impacting on the sustainability of the native forest resource and causing a negative impact on prices for the sandalwood harvested and sold by the FPC.

Service level agreements

In recent years the FPC has shifted its business focus to concentrate primarily on its three areas of core business - native forests, plantations and sandalwood. This functional restructure was in part aimed at rationalising FPC business with the objective of maintaining cost efficient operations and returning consistent dividends to government. This change also resulted in staff reductions within the FPC and a review of all major costs that impact on FPC's bottom line. One of the major costs relates to services provided by the DPaW following the split of the two organisations in 2000.

Since 2000 DPaW has provided a number of services to the FPC under a Memorandum of Understanding (MOU). As part of the MOU, the FPC is required to purchase several categories of services from DPaW. To facilitate greater efficiency in the delivery of services by DPaW, Cabinet agreed in 2010 that the Minister for Forestry and the Minister for Environment, with the assistance of Treasury, undertake a review of these charges. The Department of Treasury has agreed to facilitate the independent review of these charges and it is anticipated that this review will be finalised during 2013-14.

Agency performance



Premium jarah furniture and timber



Operational performance

The FPC's core business is to harvest and deliver forest products to industry in accordance with the *Forest Products Act 2000* and the associated regulatory framework. Operational activities on State forest land are governed by the FMP 2004-13 prepared by the Conservation Commission of Western Australia. The FMP also determines the quantity of south west native timbers that will be made available to industry. The current FMP is due to expire at the end of 2013.

South West Native Forests

The native forest industry directly employs over 1,000 people in South West communities and provides downstream employment for more than 1,400 full time employees in manufacturing sectors, such as furniture, flooring and cabinetry. The industry is a major economic driver in regional communities contributing to approximately \$1 billion annually in social and economic benefits.

The South West Native Forests branch manages the harvest activities in Western Australia's publicly owned native forests. The primary species harvested are *Eucalyptus marginata* (jarrah), *Eucalyptus diversicolor* (karri) and *Corymbia calophylla* (marri). There are also smaller volumes of other species produced, such as *Eucalyptus patens* (blackbutt), *Eucalyptus astringens* (brown mallet) and *Allocasuarina fraseriana* (sheoak). Logs are supplied under contracts of sale to processors that are located throughout the South West.

There was an increase in demand for native forest logs during the year with a total of 155,766 cubic metres being harvested during 2012-13, an increase of 3.6 per cent on the volume harvested during 2011-12. The increase in demand extended to low grade log products with higher volumes of jarrah and karri third grade sawlogs being sold than in previous years and improved sales of jarrah residue logs for domestic and industrial purposes.

The reopening of the Deanmill sawmill under the new ownership of Auswest Timbers supported the increase in jarrah sawlog sales. However, the mill suffered a major setback in August 2012 when fire destroyed a large section of the plant. The company has since rebuilt the mill and in June 2013 commenced processing in the new facility. Despite this setback the company continued to purchase and process jarrah logs at its Pemberton facility.

Ongoing development of a market for brown mallet timber products resulted in sawlog being harvested at Dryandra Plantation and milled at Donnybrook before being processed into finished flooring products. This program has continued with the ongoing support and assistance from the Wheatbelt Region of DPaW based at Narrogin.

The industry finished the year amidst growing uncertainty associated with a changing resource base and the lack of security created by expiry of the current FMP in December 2013. Under the *Forest Products Act 2000*, the FPC is not able to enter into any contracts beyond the life of the current FMP. This means that by the end of 2013 all contracts associated with the harvesting, haulage, and sale of timber must be renegotiated with customers.

Notwithstanding this uncertainty, there continues to be keen interest from existing and new players in the industry to secure access to the native timber products.

Plantations

The Plantations branch is responsible for growing, harvesting and marketing products from pine, eucalypt and sandalwood plantations that are either owned by the State or managed as part of sharefarm arrangements with private landowners. The FPC manages a plantation estate of over 100,000 hectares predominately in the South West corner of the State and supplies in the order of 800,000 tonnes of plantation products annually into the domestic and export markets.

Over the past year markets have continued to be influenced by pressures associated with a slower than expected recovery in domestic housing and the strong Australian dollar. There is an expectation that demand will strengthen in 2013-14 as the dollar weakens and a strengthening US economy provides an alternative market for European wood products that have competed strongly in Australian markets.

The FPC has surplus volumes of lower grade residue products available from the thinning of its plantations. Most of the surplus volume is currently exported as woodchips and the agency continues to work on other market opportunities, including the potential for new markets based on biomass for energy production.

There is a lack of new investment by public and private organisations in new plantation land. As a consequence the plantation estate is shrinking due to increasing competition from urban encroachment and other land uses such as water catchments, road networks, mining, infrastructure development and conservation. The FPC is developing a strategy to address this decline so that a viable industry can be maintained into the future.

Western Australia experienced a long and at times testing fire season during 2012-13. Lightning caused wildfires in February, which resulted in extensive damage to 860 hectares of FPC plantations as well as several hundred hectares of private pine and hardwood plantations in the Blackwood Valley and Quinninup regions. The FPC reprioritised harvesting schedules to these areas to ensure damaged plantations were salvaged where possible. The FPC also assisted private growers with the salvage of their plantations by foregoing some of its access to markets in favour of private resource.

Sandalwood

Western Australian native sandalwood (*Santalum spicatum*) is a highly sought after product in the domestic and international marketplace. Sandalwood oil is extracted from high grade wood and used in perfumes and therapeutic products. The FPC sells approximately 25 per cent of its production into the domestic market via a contract with Mount Romance. The balance is processed into products that are exported to produce agarbatti powders and religious ceremonial items. The FPC is the world's leading legal trader of wild sandalwood. This is a market that returns a valuable income to the State and enables significant investment into regeneration of the species in its natural environment.

The FPC has completed development and construction of a sandalwood seeder. The seeder has been engineered specifically for the purpose of sowing 10 tonnes of sandalwood seed per annum into the Western Australian Rangelands. It is anticipated that the new seeder will introduce new efficiencies to the seeding and regeneration program allowing for significant expansion of regenerated works in the Rangelands.

The illegal harvest and trade of sandalwood continues to threaten the industry with respect to its longer term viability as well as its impact on market conditions. The recent criminal charges for illegal sandalwood harvesting appear to have reduced such activities in the second half of the financial year.

Research and development

The core role of FPC research is to provide the evidence base for Western Australian forestry practices and to support innovation in the industry. The FPC continues to engage with industry, universities, government agencies and other research providers to transfer knowledge actively and appropriately.

Continued collaboration with the Forest and Wood Products Association (FWPA), Australian Forest Products Association (AFPA) and FIFWA has provided the FPC with continued input into industry research priorities.

New collaborations and partnerships with the Southern Tree Breeding Association (STBA), the Integrated Pest Management Group (IPMG) and the Australian Forest Operations Research Alliance ensure that the FPC remains at the forefront of research and development and maximises the benefits of collaborative research partnerships in Australia.

Research and development highlights:

- Development of a genetic improvement and deployment program with STBA.
- Annual Research Day to ensure knowledge transfer between research institutes and FPC operations.
- A collaborative research trial looking at the potential for LiDAR remote sensing for forestry agencies.
- The integration of pest and pathogen identification through the IPMG group and reporting to FPC operations.
- Drought management incident reporting system established.

Environmental performance



In the management of its operations the FPC ensures the principles of ecologically sustainable forest management and its environmental policy are met. It achieves this through its Integrated Forest Management System (IFMS) which is scrutinised through independent certification and through the publication of the annual Forest Management Plan compliance report. Following the most recent End-of-Term Audit, the Conservation Commission found that most Key Performance Indicators and planned achievements had been met, and only two major environmental incidents occurred. In 2012-13 the FPC reported two major environmental incidents. The first involved a 777 hectare loss of plantation from the Southampton, Lewana and Dalgarpur estates. This loss was due to a fire which started from a lightning strike late on 12 February 2013. In response to this, a harvest salvage plan was developed and implemented to maximise the return from the degraded areas. Re-establishment of the affected plantation estate is planned for the upcoming planting season.

The second major incident was the accumulation of several lower level incidents including minor oil spills and failure to observe clean-on-entry requirements attributable to an FPC contractor. To rectify this situation, the management and supervision of contractors was increased by implementing a management plan and updating the contract conditions to ensure better compliance.

Commitment to sustainability

The FPC is committed to managing the forest resource in a sustainable manner to ensure that Western Australia's unique timber products will be available into the future, and that our forests continue to provide a wide range of environmental, economic and social values.

The procurement of goods and services to support the FPC's activities also takes into account its commitment to sustainability. The FPC relies heavily on contractors for establishment, maintenance and harvesting operations. All contractors are required to meet stringent standards to comply with the FPC's requirements and to ensure that forest management is undertaken in a sustainable manner. Field officers regularly monitor contractor activities to ensure compliance. However, the FPC recognises that more can be achieved in this area and in future years the FPC will be devoting more attention to compliance monitoring as a part of contract development, contractor performance monitoring and contract renewals.

Integrated Forest Management System

The FPC maintains a comprehensive Integrated Forest Management System (IFMS) which includes requirements for environmental and safety management that are compatible with internationally recognised standards including; a continuous improvement approach, a monitoring and audit system, regular reviews of environmental and safety performance and an effective reporting system. Training is provided in the application of the standards, developing operational procedures, and internal audit processes to ensure compliance with the standards.

A network of operational IFMS liaison officers, Corporate Executive, Branch Managers and other key staff members regularly liaise to ensure consistency throughout the agency and to assist with management reviews, incident reporting, and monitoring of environmental outcomes against performance targets.

An integral aspect of the IFMS is continuous improvement. Environmental incidents or audit findings are dealt with through the FPC's incident reporting procedures and audit log. These procedures require an investigation of the incident and its cause followed by implementation of appropriate corrective and preventative actions. Incidents are risk rated into minor, moderate, major or catastrophic categories.

Compliance with Forest Management Plan 2004–2013

The FPC remains committed to maintaining compliance with the requirements of the FMP 2004-2013 and its guiding documents.

There were no instances of significant non-compliance recorded during the 2012 calendar year. DPaW's environmental audit released in December 2012, (Audit number 2013_5, issued November 2012) reported a high level of compliance (99 per cent) with the requirements for protection of informal reserves during timber harvesting operations. The audit also reported a high level of compliance with habitat tree and habitat log marking and retention requirements, as well as meeting the limits required for crop tree damage. The audit did however reveal that tree top disposal requirements (around retained trees) were five per cent below the target of 95 per cent. This will be an area for attention during 2013.

The FPC reports annually on the compliance of its staff and contractors as required by action 32.5 of the FMP. The full compliance report is available at www.fpc.wa.gov.au.

Australian Forestry Standard and Environmental Management System certification

To demonstrate sustainable forest management, the FPC has acquired Australian Forestry Standard (AFS) certification for its native timber and plantation operations in Western Australia. AFS certification applies to all of FPC's operations under the FMP 2004-13 with the exception of areas covered by active mining tenements.

The AFS criteria requires that all aspects of forest management activities are properly planned, conducted, monitored and regularly reviewed before certification is awarded by an accredited external auditing body. The criteria of the AFS are outlined in the diagram below.

FPC undertakes its operations to ensure that they meet the principles of ecologically sustainable forest management and its environmental policy. It has an Integrated Forest Management System (IFMS) which defines performance requirements and establishes monitoring and measurement and reporting of its outputs.

The IFMS is independently certified against various national and international standards to provide assistance as to its effectiveness and for the customers of its products. The specific obligations under the Forest Management Plan (FMP) are assessed and reported annually.

The outcome of environmental management has also been reviewed by the Conservation Commission of Western Australia in its End of Term Audit of the FMP. This report indicated a high level of compliance.

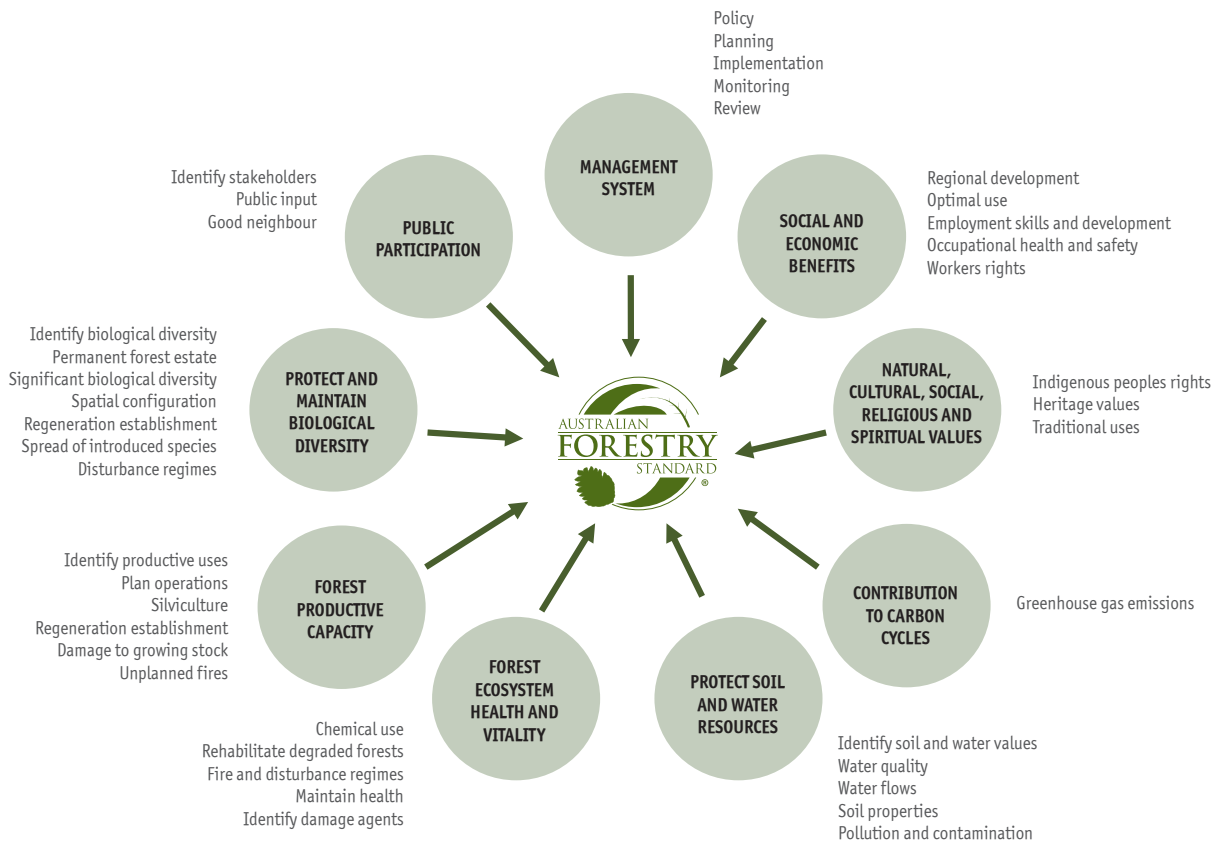


Diagram 1: Diagrammatic representation of the Australian Forestry Standard

The FPC is also certified to the international standard (ISO 14001) for Environmental Management Systems (EMS) which is subject to the same scrutiny from an external certification body.

To maintain certification to the EMS and AFS standards, external surveillance audits are conducted on a nine month rotation with a re-certification audit conducted every three years. The FPC underwent a recertification audit in April 2013 and was successfully recertified until June 2016.

Financial performance

For the financial year 2012-13 the FPC is pleased to report an operating profit of \$4.6 million. This is despite experiencing difficulties in the softwood market and the continued strength of the Australian dollar impacting on export sales. Continued strong sales in the South West native forest and higher sandalwood prices have assisted in maintaining the positive operating profit to the State Government. However, the net comprehensive return for the year has had a dramatic turn, in comparison to the previous financial year. This loss is primarily driven by the negative movement in the valuation of the FPC's biological assets, turning a \$12 million profit last financial year into an \$8 million loss this financial year.

The FPC is required, under the Australian Accounting Standard 141 Agriculture, to value its biological assets annually and to report the increase/decrease in movement in its annual report. Each year, the movements in valuation are impacted by changes in timber volume, yields, prices, production costs and discount rate. This year, the change in the discount rate alone devalued the FPC's biological assets by nearly \$11 million. Had it not been for the increase in the rate (refer to Note 26.0 for comparative rates), the value of the FPC's assets would have remained relatively stable in comparison to financial year 2012.

While this loss must be recognised and disclosed in the FPC's annual report, the FPC stresses that the positive operating performance of the agency continues to be maintained, while at the same time, seeking further improvements in the effectiveness and efficiencies of its programs and processes. Finally, the FPC is also pleased to advise that payments to State Government, in the form of taxes and dividends remained positive, with \$4.1 million returned during the year.

Pricing arrangements

Pricing arrangements are determined by a variety of factors including requirements under the *Forest Products Act 2000*. Section 59 prescribes the costs that are to be factored into a price for forest products. More recently, contracts have been negotiated based on a 'fixed' price. This has presented a degree of financial risk to FPC although most contract prices include indexation or an alternate escalation mechanism.

Financial administration

A Financial Management Manual is maintained in accordance with Treasurer's Instruction 701. A Delegations of Authority Register, which records the FPC's delegation of powers, obligations and duties is regularly reviewed and maintained.

Financial targets

	2012-13 Target \$000	2012-13 Actual \$000	Variation \$000
Total expenses (sourced from Statement of Comprehensive Income)	103,825	103,585	(240)
Total income (sourced from Statement of Comprehensive Income)	105,505	108,188	2,683
Total equity (Sourced from Statement of Financial Position)	345,763	337,221	(8,542)
Net increase / (decrease) in cash held (sourced from Statement of Cash Flows)	(813)	1,161	1,973
Approved full time equivalent (FTE) staff level	145	149.4	4.4

As specified in the Budget Statements further explanations are contained in Note 39 'Explanatory statement' to the financial statements.

Certification of key performance indicators

We hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Forest Products Commission's performance, and fairly represent the performance of the Forest Products Commission for the financial year ended 30 June 2013.



Robert Fisher AM, JP
Chairman of Accountable Authority

12 September 2013



Robert McDonald
Member of Accountable Authority

12 September 2013

Key performance indicators

Since 2009 there has been a shift in FPC's focus to concentrate more on the core businesses of plantations, forests and sandalwood and to move away from sharefarms which now form part of the exit estate. While the goals and key outcomes of the business have not changed significantly the organisation has undergone significant structural change over the last two years resulting in a reduction in FTE employees.

As a direct result of these changes the FPC's Key Performance Indicators (KPIs) did not adequately reflect the current focus of the business. In recent years effectiveness and efficiency indicators focused mostly on commercial performance and KPIs focussing on sustainability and forest regeneration were limited and did not offer the same rigour as the financial KPIs. Given that the FPC devotes significant resources to ensuring sustainability and effective environmental management FPC reviewed its indicators during 2012-13 to address these shortfalls.

The table below outlines the FPC's Outcomes Based Management Framework (OBMF) and highlights the linkages between Government Goals and agency core services and strategic goals and outcomes. This is followed by each key effectiveness and efficiency indicator. New indicators focussing on sustainability and forest regeneration are also highlighted.

Table 1: Outline of linkage between FPC Services and Strategic Goals with Government Goals

Government Goal	Services provided by the FPC	FPC Strategic Goals and outcomes for 2013-14
Social and Environmental Responsibility Ensuring that economic activity is managed in a socially and environmentally responsible manner for the long-term benefit of the State.	To build and maintain an environmentally sustainable forest products industry that provides social benefits to the people of Western Australia.	Goal 1: Ensure that the environmental outcomes of harvesting and regeneration of the State's plantation and native forest resources are managed to meet FMP and legislative requirements.
Financial and Economic Responsibility Responsibly managing the State's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector.	To build and maintain a commercially viable forest products industry that provides economic benefits to the people of Western Australia.	Goal 2: Facilitate a viable forest industry to deliver social and economic benefits to the people of Western Australia.
Regional focus Greater focus on service delivery, infrastructure investment and economic development to improve the overall quality of life in remote and regional areas.	Build and strengthen stakeholder relationships including facilitating new partnerships and investment opportunities in regional areas.	Support innovation through the development of new markets and processing technologies.
Results-Based Service Delivery Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.	Ensure compliance with legislative requirements in administration, management and governance to ensure compliance, efficiency and commercial performance.	Goal 3: Ensure the efficient and effective delivery of core business outcomes.

Effectiveness indicators

1. Quantity of native forest hardwood log timber compared to sustainable levels and targets

Native forest harvesting levels are based on an annual average yield allowable and are determined by the FMP. The performance measures are a comparison of cumulative removals of jarrah and karri first and second grade sawlogs and other log grades for marri, compared to the average annual sustainable yield.

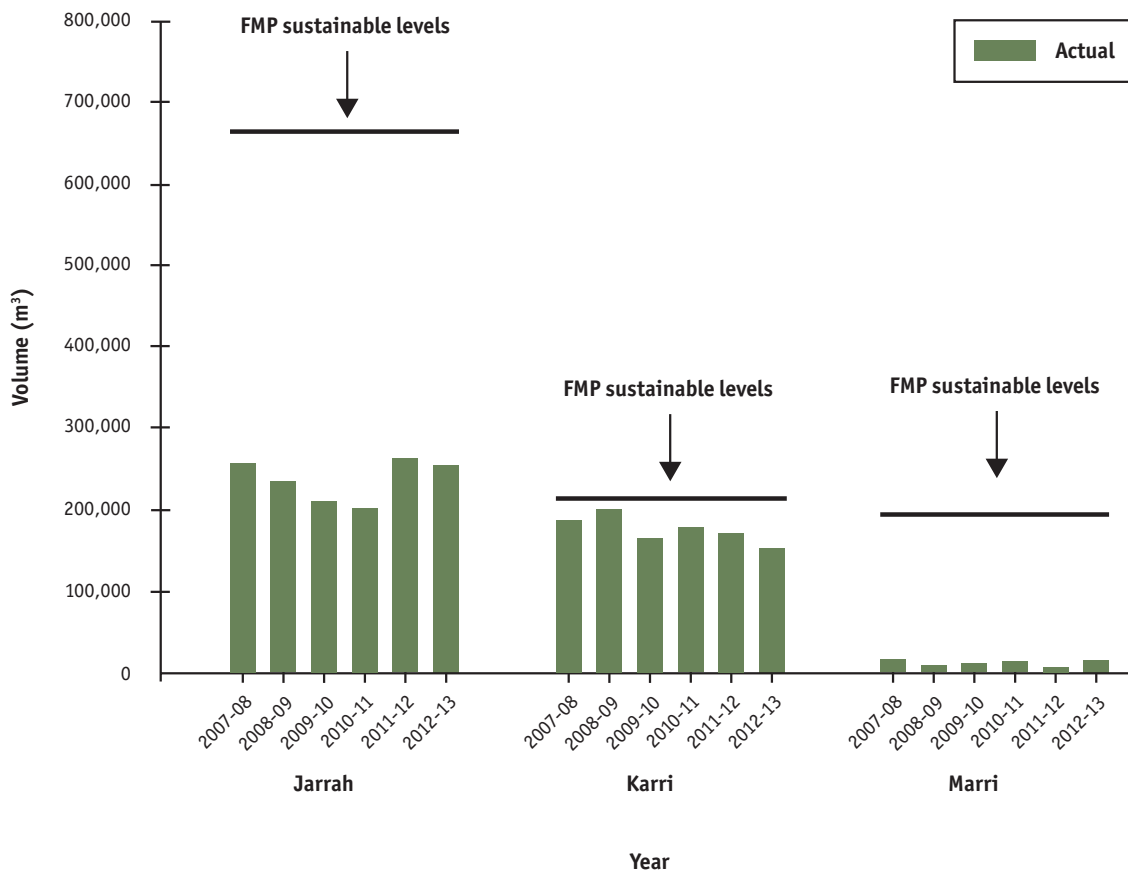
Bole volume for jarrah, karri and marri

For the period 2004-13, the annual sustained yield of bole volume (including first and second grade sawlogs) for jarrah and karri is 665,000 m³ and 214,000 m³ respectively (Note: The FMP was amended on 1 November 2011, backdated to the commencement of the FMP, to allow for an increase in karri other bole yield from 117,000 to 160,000). For all marri bole logs the total is 196,000 m³.

The target (FMP sustainable level) is the average allowable annual harvest over the 10 years of the FMP. This reflects compliance with the FMP set target over a period of three years.

The lower actual harvest levels for jarrah and marri are due to a lack of markets for low-grade logs.

The karri harvest was consistent with the allowable average sustained yield level of bole volume under the FMP due to the inclusion of non-bole material (crown logs).

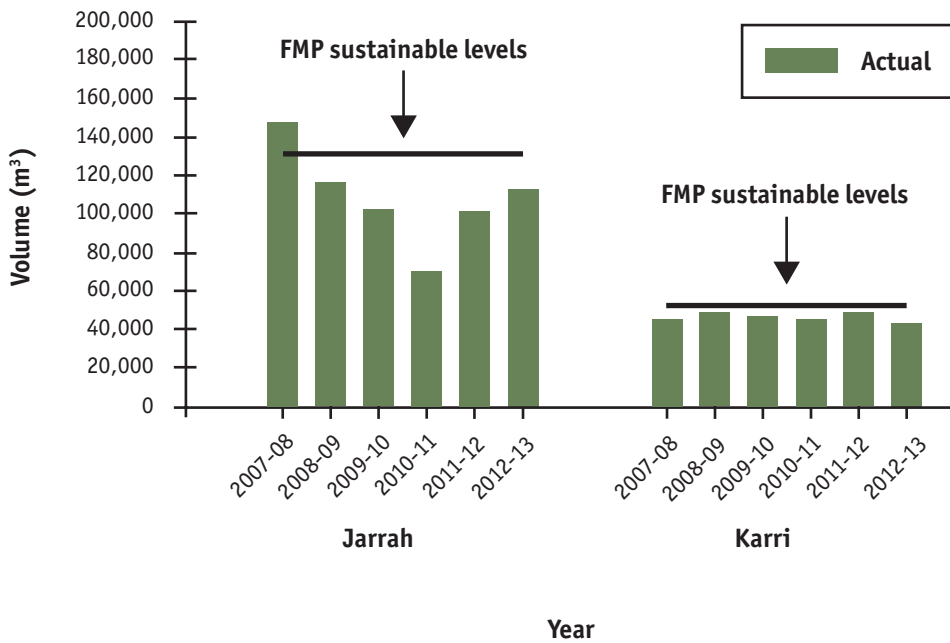




First and second grade sawlogs 2004-13

The average annual level of sawlogs harvested must be consistent with the allowable quantities in the FMP. The annual allowable sustainable yield of first and second grade sawlogs for jarrah and karri is 131,000 m³ and 54,000 m³, respectively (marri sawlogs are part of the 196,000 m³ identified for marri bole logs).

The quantity of jarrah and karri sawlogs harvested in 2012-13 was below the allowable cut reflecting reduced customer demand for sawlog during the year.



Figures for karri do not incorporate adjustments to raw delivery data to reflect changes to minimum sawlog size requested by customers. When this adjustment is incorporated, FPC is restricted to a maximum delivery target of 43,019 m³ during the 2013 calendar year.

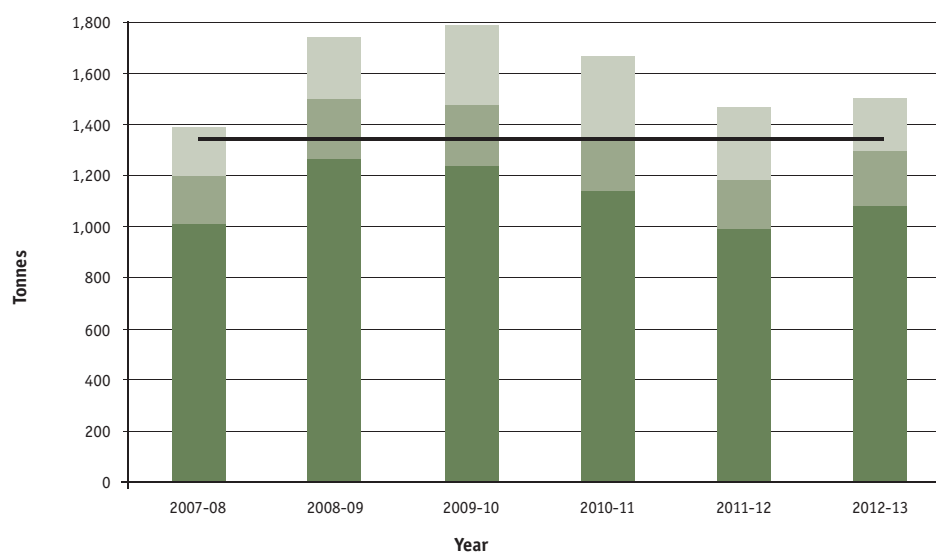
2. Harvest of green sandalwood maintained at sustainable levels

The annual allowable harvest for green sandalwood is determined by the *Sandalwood Order 1996* and is currently 1,500 tonnes per annum; 1,350 tonnes of which is allocated to the FPC.

The graph below shows the actual volume of green sandalwood harvested in 2012-13, including third grade green wood (twigs) and a portion of the roots, was 1,505 tonnes.

In previous years third grade green wood (twigs) and green roots were not included in the total harvest and were reported as separate volumes. This was because prior to 2006, twigs and roots were not able to be efficiently harvested and marketed and were largely discarded as waste. Since 2006, improved harvesting techniques have resulted in more efficient and cost effective harvesting resulting in close to full utilisation of sandalwood products. While this is an excellent outcome in terms of efficiency it has resulted in the FPC exceeding its allowable cut.

During 2012-13, the FPC recognised that these additional products do fall within the allowable limits set by the *Sandalwood Order 1996* and that the FPC needed to reduce the total volume harvested annually to back within allowable limits. To achieve this, the FPC has reviewed all current sandalwood contracts and will continue to closely monitor harvesting activities to ensure future harvest volumes do not exceed allowable limits.



	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Green third grade	185	249	304	320	293	208
Roots	193	232	242	207	182	211
Green first & second grade	1,008	1,261	1,239	1,139	997	1,086
Total allowable	1,350	1,350	1,350	1,350	1,350	1,350

3. Measure: Extent of native karri forest regenerated relative to area harvested (Improved KPI for 2012–13)

Karri regeneration

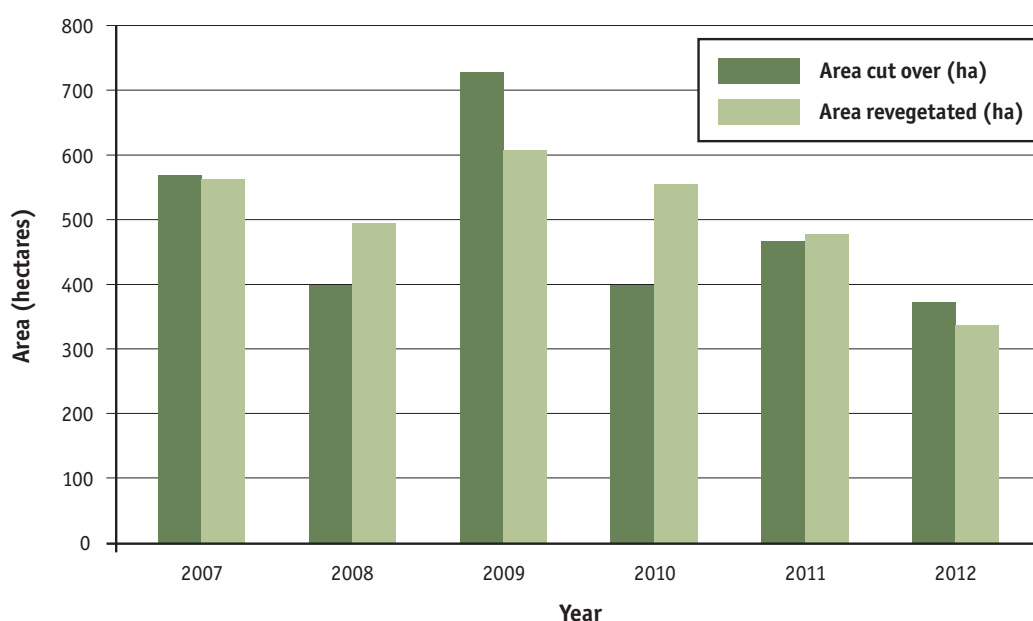
This effectiveness indicator has been adjusted from previous years and is now expressed as the area of native karri forest regenerated relative to total karri forest harvested (excludes roads, mine sites and areas of harvested forest not requiring treatment).

In 2012 the area of karri forest clear-felled or partially harvested was 372 hectares (2011: 468 ha). A total of 650 hectares was thinned (2011: 853 ha).

Regeneration was completed on 338 hectares (2011: 478 ha) which was harvested in either the current or previous years. There is an existing backlog of forest to be replanted and this is partly reflected by the area planted in some years exceeding the area harvested.

The areas reported are the net area cut over, which is equal to the entire coupe area less the area of informal reserves and other uncut patches within the coupe. The target is that the area of native forest regenerated is equivalent to or exceeds the area harvested (excluding area thinned) and that the backlog of area requiring revegetation does not increase.

Over the last six years the area of karri forest regenerated has on average exceeded the area harvested.



Source: FMP 2004-13 end of term audit, Conservation Commission.

Note: The area harvested refers to what was harvested in the calendar year reported. The area regenerated is the area prepared and planted in the winter of the same calendar year. So the area planted is drawn from the area harvested in the previous year as well as any areas harvested in the early part of the current calendar year.

The amount of area regenerated in any one year could be above or below the total area harvested the previous year. This could be due to: regeneration treatments in any one year including parts of areas harvested over a number of preceding years, or unsuitable site conditions for revegetation, or some sites being scheduled for imminent mine-site clearing activities.

Jarrah regeneration

In 2012 the area of jarrah forest harvested for regeneration was 4,531 hectares (2011: 3,097 ha), excluding areas cleared for mining or utilities such as roads and power lines.

Treatments to achieve regeneration were completed for 1,380 hectares (2011: 517 ha).

Treatment operations following harvesting are not always necessary to achieve a regeneration outcome. Consequently, the area treated for regeneration should not be used as a measure of regeneration success following harvesting. In some cases the harvesting operation itself is sufficient to achieve the objective without any follow up treatment. Treatments will not be required where areas are not secure from disturbance (e.g. mining in the short-term).

During 2013-14 consideration will be given to including an improved indicator for jarrah forest regeneration. Currently regeneration programs are dependent on controlled burning works following harvesting and these are managed by DPaW.

Wandoo regeneration

There was no harvesting of wandoo forest during 2012 and there was also no regeneration undertaken from previous years harvesting.

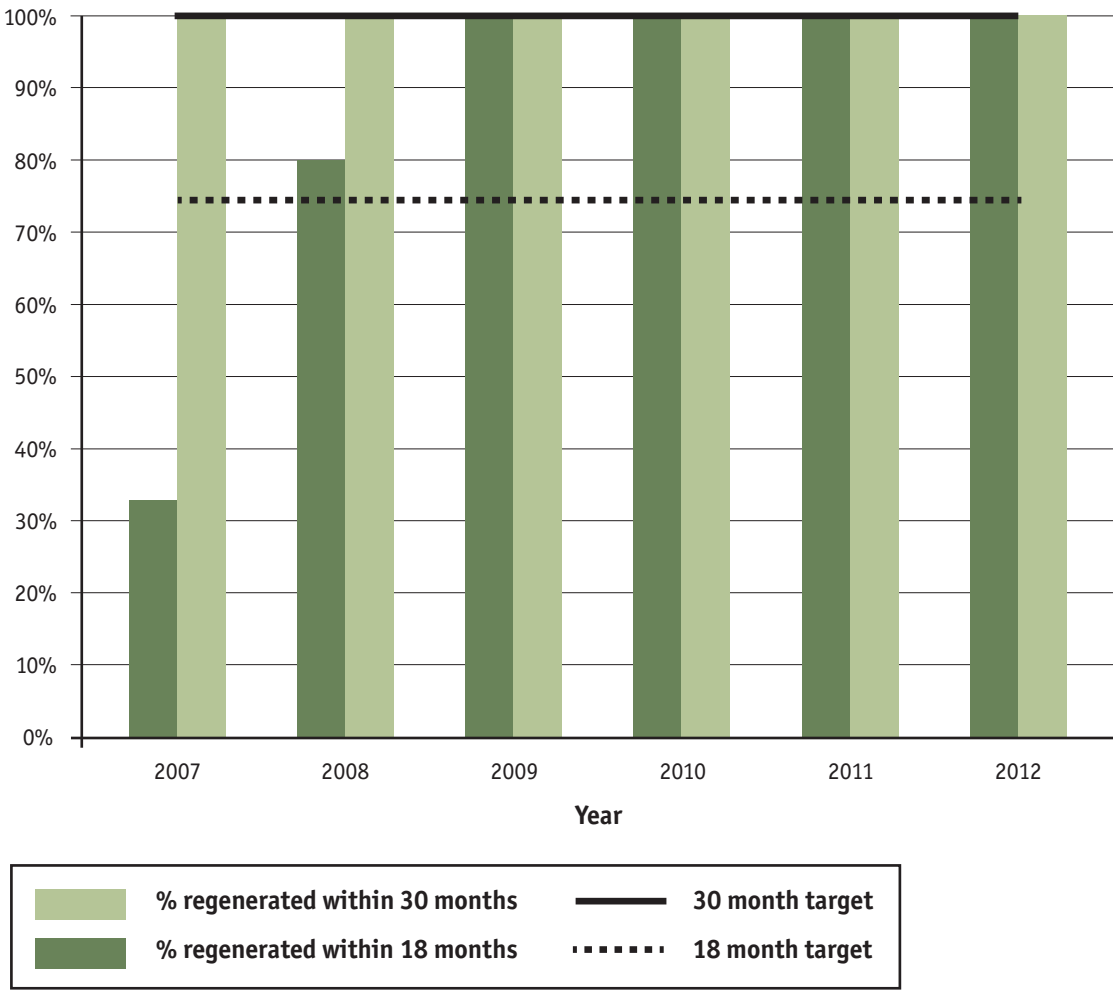


4. Timeliness of native karri forest regeneration (New KPI for 2012–13)

Timeframes for replanting karri forest are determined by the FMP and are a compliance requirement. The FMP requires replanting of karri forest immediately following harvesting. This ensures a level of immediate habitat maintenance and the sustainability of the industry in the longer term. Timing of planting is dependent on winter rains and this may impact on the availability of data for the most recent year being reported.

The area of native karri forest regenerated is measured within specified timeframes following harvesting. The targets are 75 per cent of the area requiring treatment completed within 18 months following harvesting (excluding areas thinned) and 100 per cent completed within 30 months following harvesting. Per cent revegetated is based on a sample of coupes.

Since 2008 the FPC has met or exceeded these targets. Since 2009, 100 per cent of the area requiring revegetation has been completed within 18 months.

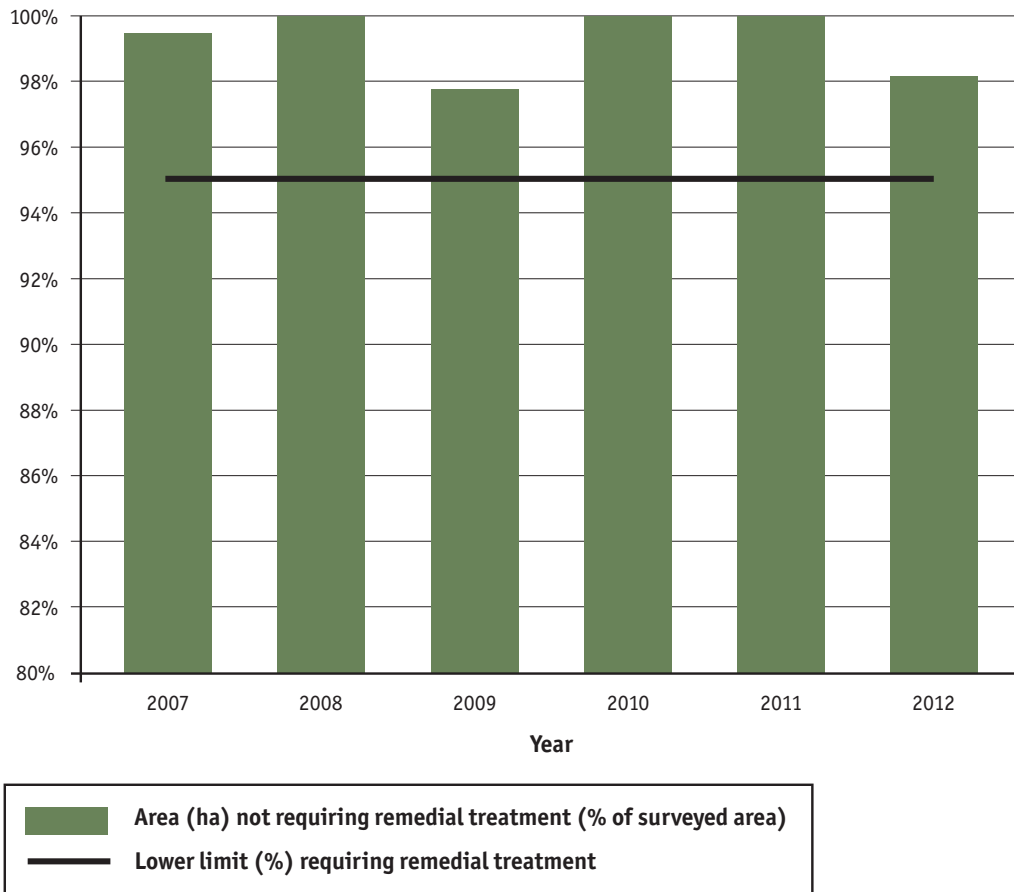


5. Effectiveness of regeneration of native karri forest (New KPI for 2012–13)

Regeneration success is critical to ensure sustainability, particularly given the drying climate, risk of fires and spread of pests and diseases. Compliance with the FMP requires FPC to closely monitor forest regeneration work and monitor seedling survival rates. The first year following planting is also considered critical to long term seedling survival hence the importance of an indicator that measures the survival rate of seedlings planted.

This chart measures the percentage of the sampled annual regeneration release program (hectares) that does not meet the seedling stocking standard set out in the Silviculture Guidelines. The target is that no more than five per cent of the area regenerated requires remedial action through additional planting. There is an inherent lag period of one year in data for this KPI.

Over the last six years FPC has met the seedling stocking standard set out in the Silviculture Guidelines.



Agency performance

6. The achievement of early thinning schedules in native karri forest that underpin future yield is achieved as per prescribed silviculture practices (New KPI for 2012–13)

Efforts to achieve annual thinning schedules impact on forest productivity and harvest timeframes as well as the ability to supply future contracts and markets. It is therefore imperative that thinning prescribed in silviculture guidelines is achieved. This indicator is also used as a part of the compliance monitoring conducted by DPaW.

The chart below depicts scheduled thinning (green bar) at the prescribed stand development stage for each year. The blue bar represents the area actually thinned. The lower and upper benchmarks refer to the area thinned being within 10 per cent of the area scheduled for thinning in silviculture guidelines.

The FMP 2004-13 prescribes the area provisionally scheduled for thinning each year. To avoid wastage and to ensure maximum utilisation of forest products, thinning is only carried out when markets are available for thinned wood. Over the last two years the markets for karri thinning have been limited due to reduced product demand and competition from other overseas suppliers. To ensure future areas scheduled for thinning are thinned FPC actively seeks new markets for this product.

Over the last six years the average area scheduled for thinning is equal to 923 hectares per annum. The average area actually thinned each year is approximately 800 hectares and is on average 3.3 per cent below the lower threshold target.

Year	Area (ha) provisionally prescribed for first thinnings	Area (ha) thinned	Upper thinning threshold (ha)	Lower thinning threshold (ha)
2007	560	880	620	500
2008	560	610	620	500
2009	560	880	620	500
2010	1360	1190	1490	1220
2011	1250	660	1380	1120
2012	1250	590	1380	1120

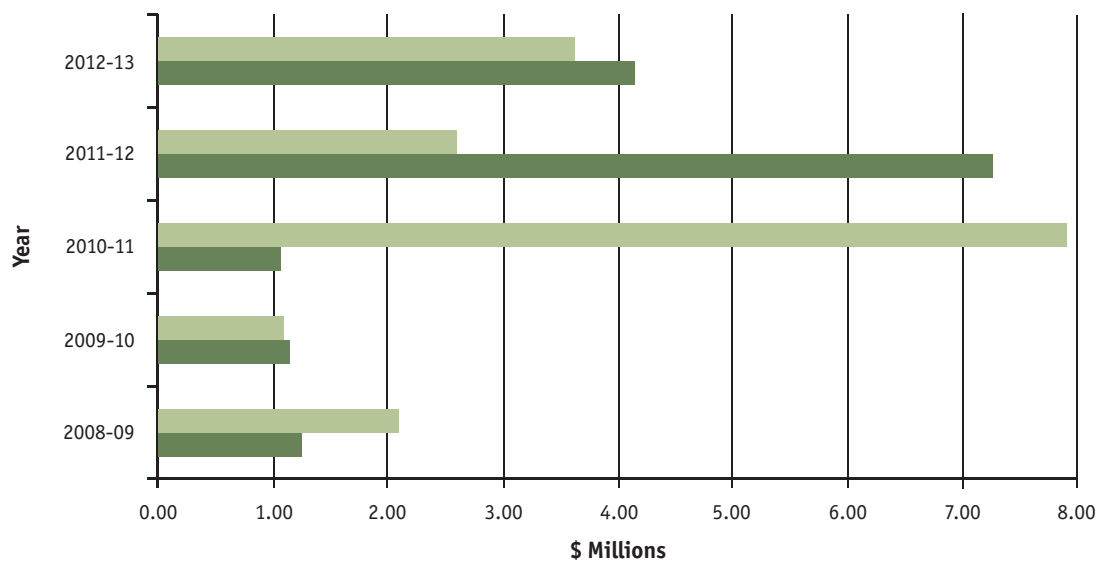
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7. Total payments to Government (provide a return on investment to Government)

This measure highlights the direct financial return to the Government in the form of dividends and taxes.

The FPC paid a dividend of \$3.3 million to Government in 2012-13.



	2008-09	2009-10	2010-11	2011-12	2012-13
Target	2.1	1.1	7.9	2.6	3.6
Actual	1.3	1.2	1.1	7.3	4.1

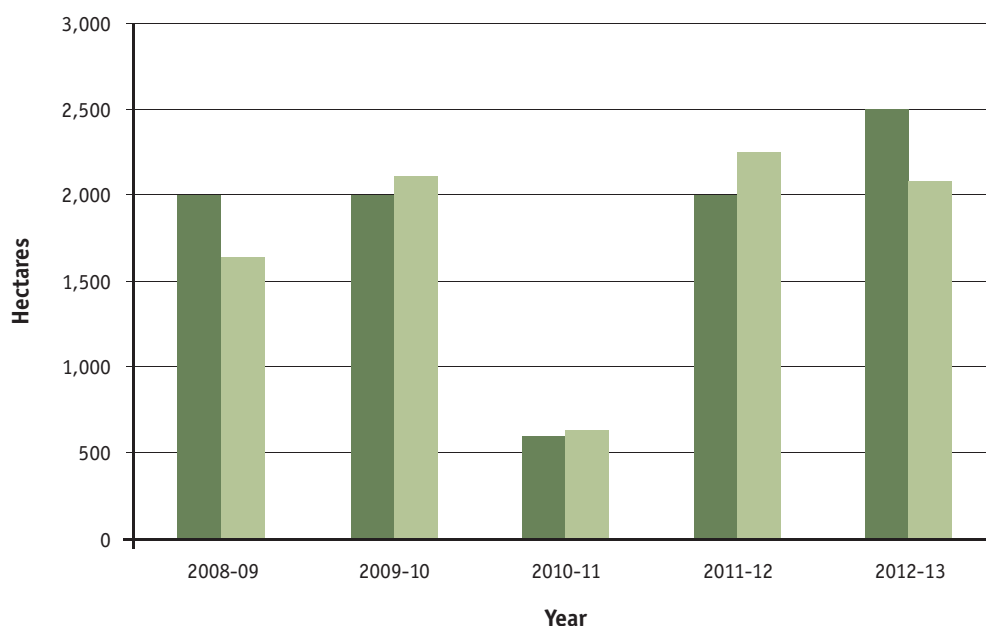
8. Area of plantation established against target

The planting of second and third rotation plantation pine species is critical to ensure the supply of softwood to the timber industry into the future. This is increasingly important given that the area of land available for replanting is decreasing in some regions of the State.

Plantation establishment operations are carried out during winter and straddle the financial year. Therefore areas of establishment reported in the Annual Report are those established during the previous winter.

The establishment of first rotation eucalypt and sandalwood plantations was reported in previous years. Following the change in Government policy during 2009–10, which resulted in FPC exiting its role in sharefarm establishment, no further first rotation eucalypt and sandalwood plantations are being established. Therefore the KPI for area of plantation establishment now only focuses on plantation pine species.

Since 2008–09 FPC has exceeded plantation establishment targets in three of the last five years. In 2012–13 establishment was approximately 17 per cent below the target of 2,500 hectares. This was in part due to contractor capacity as three of FPC’s main clean-up contractors had difficulty sourcing experienced operators due to the seasonality of the work. In addition, DPaW’s burning restrictions resulted in approximately 200 hectares not being burnt and therefore not replanted.

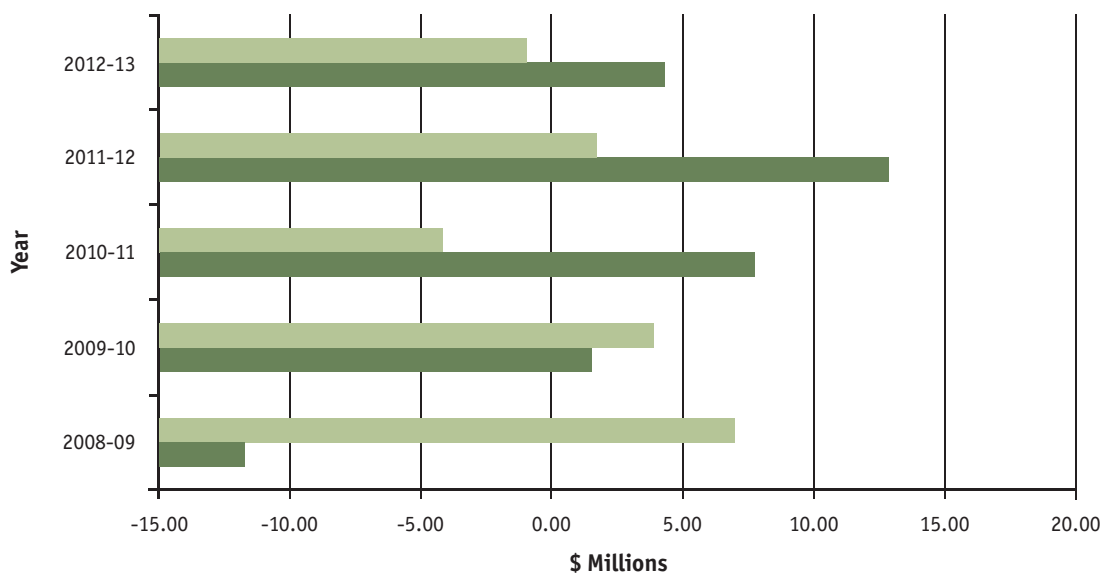


	2008-09	2009-10	2010-11	2011-12	2012-13
Target	2,000	2,000	600	2,000	2,500
Area established	1,644	2,112	636	2,252	2,083

9. Net profit before interest and tax

Earnings before interest and tax are calculated on profit and loss before income tax, less change in natural resource assets, onerous contracts, commonwealth grants and contributions, adjustments in doubtful debts and change in provision for native forest regeneration.

Earnings before interest and tax for 2012-13 (\$4.4 million) was down compared to 2011-12 (\$12.9 million). The 2011-12 figure included revenue from the settlement of a legal matter of \$4.9 million.



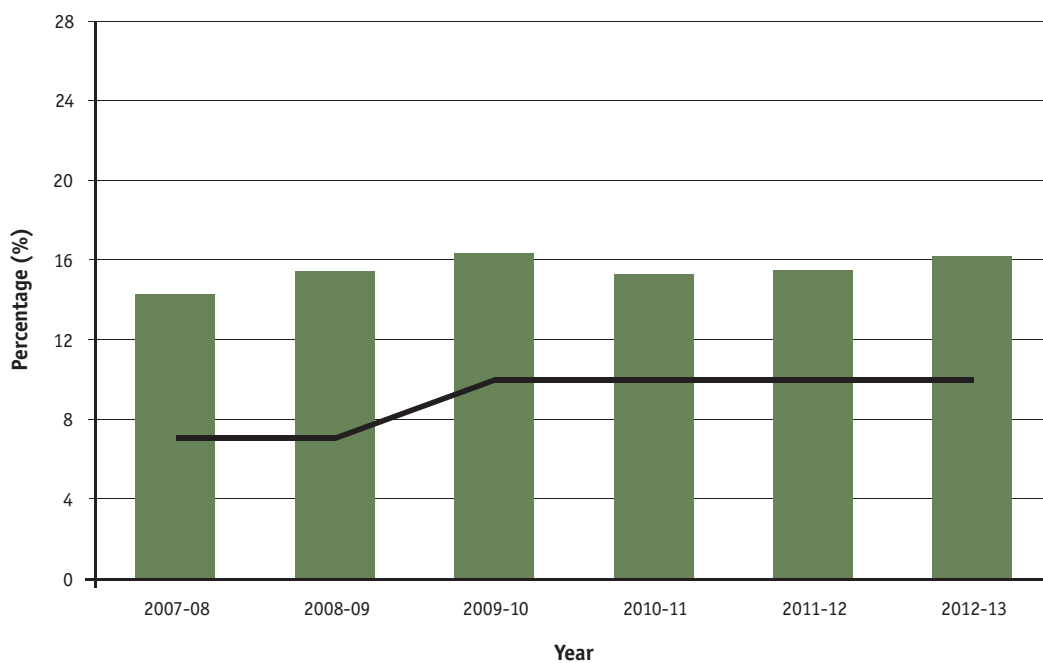
	2008-09	2009-10	2010-11	2011-12	2012-13
Target	7.1	4.0	-4.1	1.8	-0.9
Actual	-11.6	1.5	7.8	12.9	4.4

Efficiency indicators

1. Percentage of green sandalwood roots as a percentage of green sandalwood harvested

The FPC has a minimum target percentage of total sandalwood harvest from the roots of the trees. The FPC continues to beat the minimum targets set as a result of improvements in harvesting techniques.

Given that there is a limit to the volume of sandalwood that can be harvested each year in Western Australia, and this volume includes green root material (root material is a valuable wood product containing high oil content), increasing the percentage of root material utilised in the extraction process potentially increases the efficiency and cost effectiveness of the harvesting process.

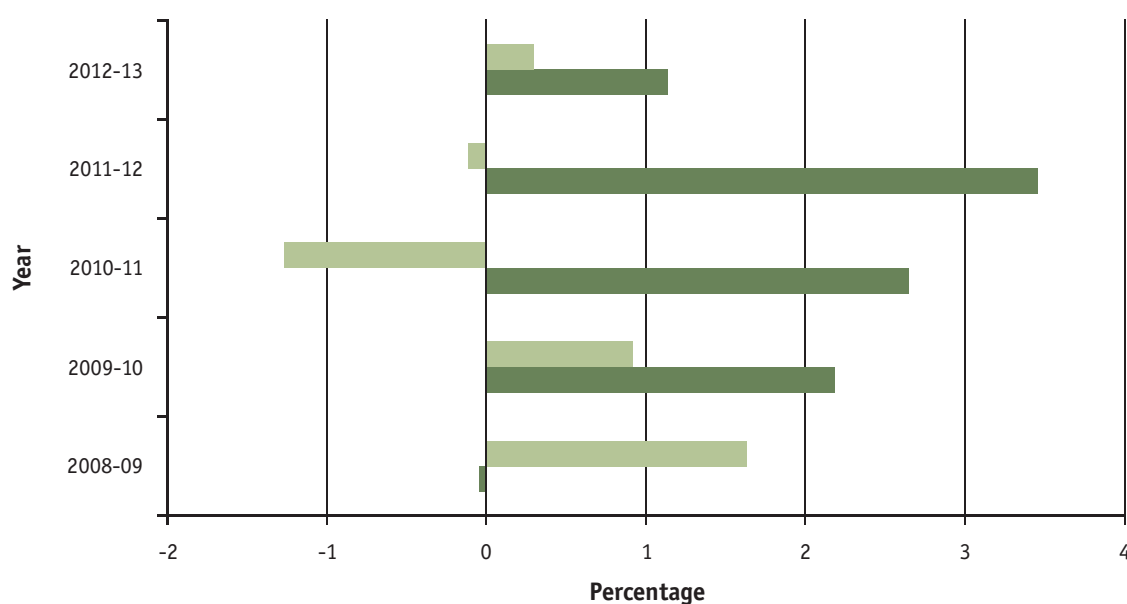


	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Actual	14	16	16	15	15	16
Minimum target	7	7	10	10	10	10

2. Ratio of earnings before interest and tax to total assets (return on total assets)

This indicator measures how efficient the Commission is in using its assets to generate earnings. It is expressed as earnings before interest, tax and valuation changes over total assets.

Return on total assets decreased from 3.4 per cent in 2011–12 down to 1.14 per cent in 2012–13. This follows three years of improvements. This largely reflects the reduction in earnings before interest and tax as well as the devaluation in total assets. The return on total assets did however exceed the forecast for 2012–13.

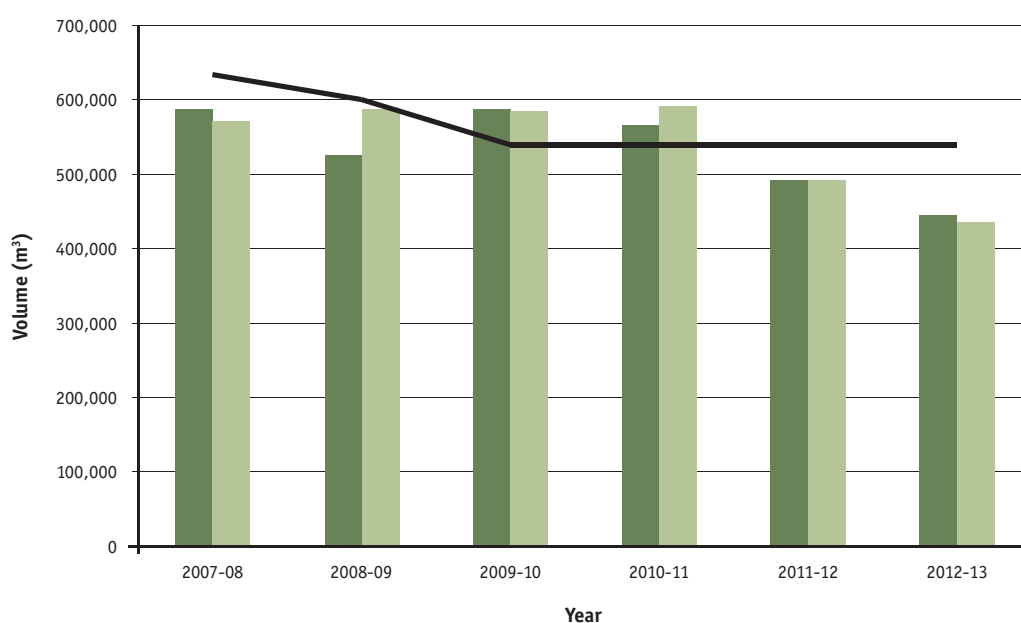


	2008-09	2009-10	2010-11	2011-12	2012-13
Target	1.6	0.9	-1.3	-0.1	0.3
Actual	0	2.2	2.7	3.4	1.14

3. Production consistent with contracted supply to industry

(a) Plantation sawlog

The contractual demand for sawlogs represents the actual physical demand during the financial year. Actual sawlog production and delivery in 2011–12 closely matched contractual demand, (contractual demand was down in 2011–12 due to market conditions). The projected yield is assessed as an average of the supply output for the following five years.



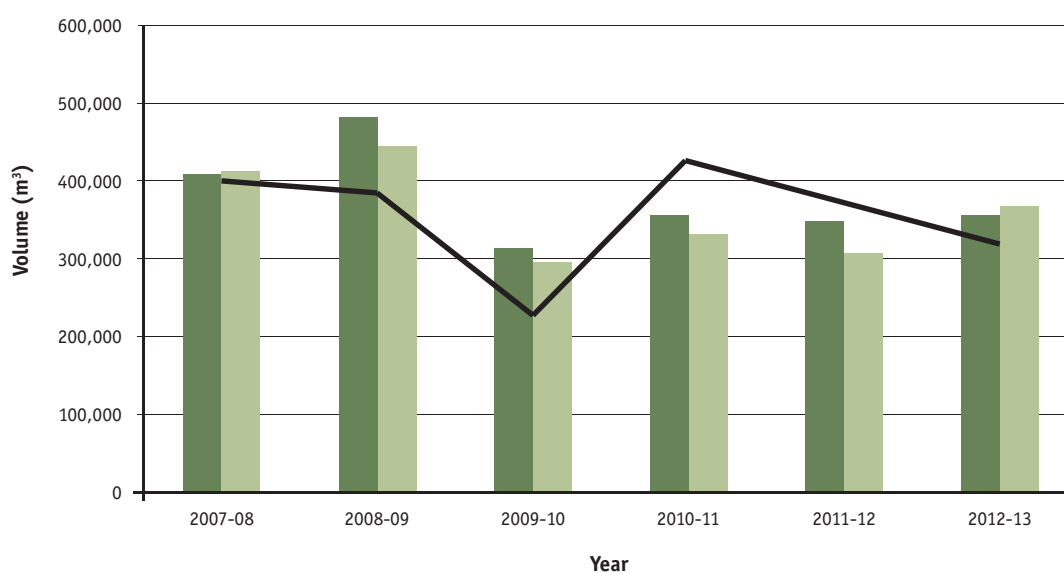
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Actual supply	588,262	526,802	586,734	567,610	494,113	444,392
Budgeted demand	571,000	590,000	582,000	591,431	495,000	435,500
Forecasted yield	631,000	601,000	535,000	538,000	540,000	538,334

It is recognised that FPC is able to produce a similar efficiency indicator for forest log production consistent with contracted supply to industry. During 2013-14 the logistics of introducing this new indicator will be considered. This will include investigating the most efficient way the supporting data can be extracted from existing systems.

(b) Plantation industrial wood

The contractual demand for industrial wood represents the actual physical demand during financial year 2012. Actual supply of industrial wood during 2011–12 exceeded contractual demand as new markets for wood chips were advanced. The projected yield is assessed as an average of the supply output for the following five years.

The difference between contractual demand and actual supply is a result of a combination of factors. The need for drought salvage has necessitated short-term export sales into spot markets that are not shown in the contractual demand. Offsetting this, other contracts for industrial wood and biomass have not yet started, or only began late in the financial year.



	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Actual supply	409,264	482,527	314,720	356,357	349,295	355,963
Budgeted demand	412,992	447,000	295,540	331,658	307,500	368,500
Forecasted yield	400,000	390,000	226,000	428,000	369,000	320,387

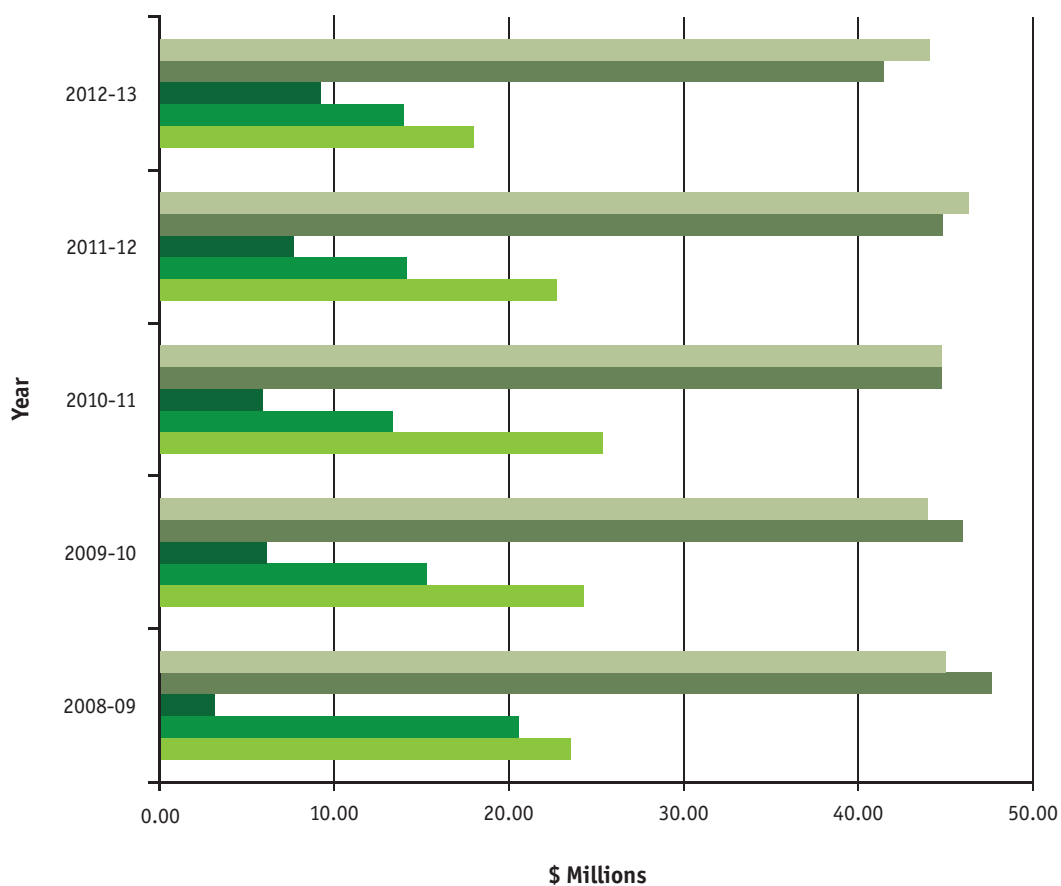
4. Stumpage revenue

The stumpage revenue for FPC is the timber sales revenue less charges for in forest administration, roading and harvest and haulage costs.

Total stumpage revenue in 2012–13 (\$41.46 million) was slightly lower than the target (\$44.1 million) as well as the actual from the previous year (\$44.75 million).

There was a drop of 20.8 per cent within the plantation business and this accounted for the majority of the decline in actual stumpage revenue for 2012–13. This is the second consecutive year that the plantation business has been operating in difficult international trading conditions.

The downward trend in the plantation business was offset by a much improved result in sandalwood.



	2008-09	2009-10	2010-11	2011-12	2012-13
Target total	\$45.00	\$44.00	\$44.80	\$46.30	\$44.10
Actual total	\$47.63	\$46.02	\$44.81	\$44.75	\$41.46
Sandalwood	\$3.33	\$6.30	\$5.95	\$7.83	\$9.31
South West forests	\$20.70	\$15.38	\$13.41	\$14.18	\$14.13
Plantations	\$23.60	\$24.34	\$25.46	\$22.74	\$18.02



WA sandalwood seedlings and seed



Independent audit opinion



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

FOREST PRODUCTS COMMISSION

Report on the Financial Statements

I have audited the accounts and financial statements of the Forest Products Commission.

The financial statements comprise the Statement of Financial Position as at 30 June 2013, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

Commission's Responsibility for the Financial Statements

The Commission is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Commission determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Commission, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Forest Products Commission at 30 June 2013 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Report on Controls

I have audited the controls exercised by the Forest Products Commission during the year ended 30 June 2013.

Controls exercised by the Forest Products Commission are those policies and procedures established by the Commission to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

Commission's Responsibility for Controls

The Commission is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Forest Products Commission based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that the Commission complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the controls exercised by the Forest Products Commission are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2013.

Report on the Key Performance Indicators

I have audited the key performance indicators of the Forest Products Commission for the year ended 30 June 2013.

The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide information on outcome achievement and service provision.

Commission's Responsibility for the Key Performance Indicators

The Commission is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such controls as the Commission determines necessary to ensure that the key performance indicators fairly represent indicated performance.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Commission's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the key performance indicators of the Forest Products Commission are relevant and appropriate to assist users to assess the Commission's performance and fairly represent indicated performance for the year ended 30 June 2013.

Independence

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing and Assurance Standards, and other relevant ethical requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Forest Products Commission for the year ended 30 June 2013 included on the Commission's website. The Commission's management is responsible for the integrity of the Commission's website. This audit does not provide assurance on the integrity of the Commission's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
13 September 2013

Financial statements

Certification of financial statements

For the year ended 30 June 2013

The accompanying financial statements of the Forest Products Commission 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 2013 and the financial position as at 30 June 2013.

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.



Linda Kut
Chief Finance Officer

12 September 2013



Robert McDonald
Member of Accountable Authority

12 September 2013



Robert Fisher AM, JP
Chairman of Accountable Authority

12 September 2013

Statement of comprehensive income

For the year ended 30 June 2013

	Note	2013 \$000	2012 \$000
Income			
Revenue			
Sales	7.1	103,560	108,084
Commonwealth grants and contributions	8.0	964	152
Interest revenue	9.0	1,283	1,059
Other revenue	10.0	2,381	7,003
Gains			
Gains on disposal of non-current assets		-	7
Total income		108,188	116,305
Expenses			
Cost of sales	7.2	62,136	64,055
Employee benefits expense	11.0	16,853	15,892
Supplies and services	12.0	21,352	20,400
Depreciation and amortisation expense	13.0	1,132	1,050
Finance costs	14.0	30	1,864
Accommodation expenses	15.0	521	851
Loss on disposal of non-current assets		1	-
Other expenses	16.0	1,560	42
Total expenses		103,585	104,154
Profit before change in natural resource assets valuation, onerous contracts and grants and subsidies from State government		4,603	12,152
Biological asset decrease	17.0	(17,632)	(2,228)
Onerous Contracts	18.0	338	2,480
(Loss)/ Profit before Grants and subsidies from State Government		(12,691)	12,403
Grants and Subsidies from State Government	19.0	1	-
(Loss)/ Profit before income tax equivalent benefit		(12,690)	12,403
Income tax equivalent benefit	41.0	3,923	518
(Loss)/ Profit after income tax equivalent benefit		(8,767)	12,921
(Loss)/ Profit for the year		(8,767)	12,921
Other comprehensive income			
Items not reclassified subsequently to profit or loss			
Changes in asset revaluation surplus	33.2	843	(597)
Income tax on items of other comprehensive income		(253)	179
Items reclassified subsequently to profit or loss			
Changes in cashflow hedge reserve	33.2	190	(84)
Income tax on items of other comprehensive income	33.2	(57)	26
Total other comprehensive income / (loss)		723	(476)
Total comprehensive (loss) / income for the year		(8,044)	12,445

* The 'Statement of comprehensive income' should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2013

	Note	2013 \$000	2012 \$000
Assets			
Current assets			
Cash and cash equivalents	34.1	23,293	22,132
Inventories	20.0	6,968	4,266
Receivables	21.0	20,198	20,952
Biological assets	25.0	34,248	26,248
Other current assets	22.0	552	170
Total current assets		85,259	73,768
Non-current assets			
Property, plant and equipment	23.0	21,577	21,285
Deferred tax assets	42.0	10,830	7,218
Biological assets	25.0	287,936	306,817
Intangible assets	24.0	13	-
Total non-current assets		320,356	335,320
Total assets		405,615	409,088
Liabilities			
Current liabilities			
Payables	28.0	16,765	15,184
Provisions	31.0	1,875	2,097
Employee benefits	29.0	3,579	3,124
Deferred revenue	32.0	646	646
Total current liabilities		22,865	21,051
Non-current liabilities			
Payables	28.0	18,106	19,330
Employee benefits	29.0	1,206	1,475
Provisions	31.0	2,705	1,680
Deferred revenue	32.0	23,512	22,772
Total non-current liabilities		45,529	45,257
Total liabilities		68,394	66,308
Net assets		337,221	342,780
Equity			
Contributed equity	33.0	337,578	331,782
Reserves		8,648	7,926
Retained earnings		(9,005)	3,072
Total equity		337,221	342,780

* 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 2013

	Note	Contributed equity	Reserves	Retained earnings	Total equity
		\$000	\$000	\$000	\$000
Balance at 1 July 2011		260,195	8,402	(8,349)	260,248
Total comprehensive income for the period	33.0	-	(476)	12,921	12,445
Transactions with owners in their capacity as owners:					
Dividends paid	33.3	-	-	(1,500)	(1,500)
Other contributions by owners	33.1	71,587	-	-	71,587
Balance at 30 June 2012		331,782	7,926	3,072	342,780
Balance at 1 July 2012		331,782	7,926	3,072	342,780
Total comprehensive income for the period	33.0	-	722	(8,767)	(8,045)
Transactions with owners in their capacity as owners:					
Dividends paid	33.3	-	-	(3,310)	(3,310)
Other contributions by owners (repayment)	33.1	(4,877)	-	-	(4,877)
Other contributions by owners	33.1	10,673	-	-	10,673
Closing balance at 30 June 2013		337,578	8,648	(9,005)	337,221

* 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 2013

	Note	2013 \$000	2012 \$000
Cash flows from operating activities			
Receipts			
Sale of goods and services		117,077	108,080
Interest received		1,283	1,059
Other receipts		2,043	6,935
Payments			
Employee benefits		(16,715)	(15,769)
Supplies and services		(25,225)	(11,185)
Forest management expenditure		(74,049)	(73,938)
Finance costs		-	(2,807)
Net cash provided by operating activities	34.2	4,414	12,375
Cash flows from investing activities			
Receipts			
Proceeds from sale of non-current physical assets		-	7
Payments			
Purchase of non-current physical assets		(541)	(868)
Purchase of investments			
Investment in new plantations		(5,200)	(4,813)
Net cash used in investing activities		(5,741)	(5,673)
Cash flows from financing activities			
Payments			
Repayment of borrowings		-	(82,807)
Net cash used in financing activities		-	(82,807)
Cash flows (to) / from State Government			
Other grants and subsidies		1	15,922
State contribution (repayments)		(4,877)	-
State contribution (equity injection)		10,673	71,587
Dividends paid		(3,310)	(1,500)
NTER tax payments		-	(5,016)
Net cash provided by State Government		2,487	80,993
Net increase in cash and cash equivalents		1,161	4,888
Cash and cash equivalents at the beginning of year		22,132	17,244
Cash and cash equivalents at the end of period	34.1	23,293	22,132

* The 'Statement of cash flows' should be read in conjunction with the accompanying notes.

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Notes to the financial statements

1.0 Australian Accounting Standards

General

The Commission's financial statements for the year ended 30 June 2013 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 Commission has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

Early adoption of standards

The Commission cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the Commission for the annual reporting period ended 30 June 2013.

2.0 Summary of significant accounting policies

2.01 General statement

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

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

2.02 Basis of preparation

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

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

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

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

2.03 Reporting entity

The reporting entity comprises the Commission.

2.04 Contributed equity

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the

time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed equity.

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

2.05 **Income**

Revenue recognition

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

Sale of goods

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

Provision of services

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

Interest

Revenue is recognised as the interest accrues.

Grants, donations, gifts and non-reciprocal contributions

Revenue is recognised at fair value when the Commission 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.

Gains

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

Deferred Revenue

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

2.06 **Income tax**

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

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

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rate expected to

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

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

Current and deferred tax balances attributable to amounts recognised in other comprehensive income are recognised in other comprehensive income, and directly in equity are recognised directly in equity.

2.07 Property, plant and equipment, and infrastructure

Capitalisation / expensing of assets

Items of property, plant and equipment and infrastructure costing \$1,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment and infrastructure costing less than \$1,000 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).

The FPC has obtained an exemption, from the Department of Treasury and Finance, from the required capitalisation threshold of \$5,000 or more. The FPC's asset capitalisation threshold has remained at a threshold of \$1,000 or more.

Initial recognition and measurement

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

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

Subsequent measurement

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

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

In the absence of market-based evidence, fair value of land and buildings is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use 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.

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

Fair value of infrastructure has been determined by reference to the depreciated replacement cost (existing use basis) as the assets are specialised and no market-based evidence of value is available.

Land under infrastructure is included in land reported under note 23 Property, plant and equipment. Independent valuations are obtained every three to five years.

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

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

Derecognition

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

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets as described in note 23 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 on other assets is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Buildings	20 to 40 years
Computer equipment	4 years
Heavy fleet vehicles	5 years
Infrastructure	20 years
Motor vehicles	3 to 7 years
Office equipment	6 to 7 years
Office furniture	6 to 7 years
Plant and machinery	4 to 10 years
Software ^(a)	2.5 years

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

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

Land is not depreciated.

2.08 Intangible assets

Capitalisation / Expensing of assets

Acquisitions of intangible assets costing \$1,000 or more and internally generated intangible assets costing \$50,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

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

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

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

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

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

Licences

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

Development costs

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

Computer Software

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than \$1,000 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, to the extent that they represent probable future economic benefits that can be reliably measured, are capitalised.

2.09 Impairment of assets

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

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

Intangible assets 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.

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.

2.10 Leases

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

2.11 Financial Instruments

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

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

Financial instruments have been disaggregated into the following classes:

Financial Assets:

- Cash and cash equivalents
- Receivables

Financial Liabilities:

- Payables
- Bank overdraft
- Amounts due to the Treasurer

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

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

2.12 Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents (and restricted cash and cash equivalents) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are included at note 34.0 Notes to the Statement of Cash Flows.

2.13 Accrued salaries

Accrued salaries (see note 28.0 Payables) represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Commission considers the carrying amount of accrued salaries to be equivalent to its net fair value.

2.14 Inventories

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

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

2.15 Receivables

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

2.16 Investments and other financial assets

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

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates are classified as held-to-maturity when management has a positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

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

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

2.17 Biological assets

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

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

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

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

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

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

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

Plantation timber

The FPC manages pine plantations across a broad geographic area of approximately 72,696 hectares. The value of the softwood plantation is based on a forest estate model that forecasts supply from all sources to each market. This model also forecasts the revenues and costs associated with the forest estate.

Standing timber less than three years old is carried at cost less impairment where applicable, as the net market value of those assets is not reasonably assessable.

Native timber

Native forest is managed in accordance with the FMP 2004–13, under which there are limitations and requirements in regards to harvesting limits and regeneration (sustainability). Sustainable yield means that the volume harvested will approximate, over long-term harvest cycles, annual forest growth of the harvestable forest areas.

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

Sandalwood

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

The annual harvest limits are set by Executive Council under the *Sandalwood Limitation Order (1996)*, however there is no formal mechanism to apportion sandalwood harvest within the Order in Council between the FPC and other users of the resource.

FPC harvests 1,350 tonnes of green sandalwood each year. FPC also harvests dead sandalwood but this is not included in the biological valuation as it is not a living asset.

Valuation of Biological Assets

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

Finally, by applying a discount rate, the Net Present Value (NPV) of those cash flows is assessed. The NPV is the amount that one would pay today to receive the future cash flows from the harvest of forest products and management of the asset till harvest. NPV is calculated as the net of the future cash inflows and outflows associated with forest production activities, discounted back to current values at the specified real pre-tax Weighted Average Cost of Capital (WACC). The WACC is assessed by the Western Australian Treasury Corporation (WATC) at each financial year end.

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

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

2.18 Payables

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

2.19 Borrowings

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

2.20 Provisions

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

(i) Provisions – employee benefits

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

Annual leave

The liability for annual leave that is expected to be settled within 12 months after the end of the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liability is settled.

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

Long service leave

The liability for long service leave that is expected to be settled within 12 months after the end of the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liability is settled.

Long service leave that is not expected to be settled within 12 months after the end of the reporting period 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.

Unconditional long service leave provisions are classified as current liabilities as the Commission 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 Commission has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Superannuation

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

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

Employees commencing employment prior to 16 April 2007 who are not members of either the Pension Scheme or the GSS became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). From 30 March 2012, existing members of the WSS or GESBS and new employees have been able to choose their preferred superannuation fund provider. The Commission 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 Commission's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

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

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

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

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

(ii) Provisions – other

Employee 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 Commission's 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

Native Forest Regeneration Provision

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

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived to the Commission from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Dividends

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

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

2.21 Superannuation expense

The superannuation expense of the defined benefit plans consists of the following elements:

- Current service cost
- Interest cost (unwinding of the discount)
- Actuarial gains and losses; and
- Past service cost

Actuarial gains and losses of the defined benefit plans are recognised immediately as income or expense in profit and loss.

The superannuation expense of the defined contribution plans is recognised as and when the contributions fall due.

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

Assets or services received free of charge or for nominal cost that can be reliably measured are recognised as income at the fair value of the assets and/or the fair value of those services that the Commission would otherwise pay for. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of Financial Position.

2.23 Comparative figures

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

3.0 Other accounting policies

3.01 Segment information

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

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

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

3.02 Foreign currency translation, derivative financial instrument and hedge accounting

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

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

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

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

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

3.03 Goods and services tax

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

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

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

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

4.0 Key Sources of estimation uncertainty

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

4.01 Long service leave

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

4.02 Biological assets

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

Calculations performed in assessing the value of the biological assets incorporate uncertainty with discount rates and harvest yields. See note 26.2 for sensitivity analysis around these estimates.

5.0 Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Commission has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2012 that impacted on the Commission:

AASB 2011-9	<i>Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]</i>
	This Standard requires the grouping of items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). There is no financial impact.

6.0 Future impact of Australian Accounting Standards not yet operative

The Commission cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. Consequently, the Commission has not applied early any following Australian Accounting Standards that have been issued that may impact the Commission. Where applicable, the Commission plans to apply these Australian Accounting Standards from their application date:

		Operative for reporting periods beginning on / after
AASB 9	<i>Financial Instruments</i> This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , introducing a number of changes to accounting treatments. AASB 2012-6 <i>Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures</i> amended the mandatory application date of this Standard to 1 January 2015. The Commission has not yet determined the application or the potential impact of the Standard.	1 January 2015

Notes to the financial statements continued

AASB 10	<p><i>Consolidated Financial Statements</i></p> <p>This Standard supersedes requirements under AASB 127 <i>Consolidated and Separate Financial Statements</i> and Int 112 <i>Consolidation – Special Purpose Entities</i>, introducing a number of changes to accounting treatments.</p> <p>Mandatory application of this Standard was deferred by one year for not-for-profit entities by AASB 2012-10 <i>Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments</i>. The Commission has not yet determined the application or the potential impact of the Standard.</p>	1 January 2014
AASB 11	<p><i>Joint Arrangements</i></p> <p>This Standard supersedes AASB 131 <i>Interests in Joint Ventures</i>, introducing a number of changes to accounting treatments.</p> <p>Mandatory application of this Standard was deferred by one year for not-for-profit entities by AASB 2012-10. The Commission has not yet determined the application or the potential impact of the Standard.</p>	1 January 2014
AASB 12	<p><i>Disclosure of Interests in Other Entities</i></p> <p>This Standard supersedes disclosure requirements under AASB 127 <i>Consolidated and Separate Financial Statements</i> and AASB 131 <i>Interests in Joint Ventures</i>.</p> <p>Mandatory application of this Standard was deferred by one year for not-for-profit entities by AASB 2012-10. The Commission has not yet determined the application or the potential impact of the Standard.</p>	1 January 2014
AASB 13	<p><i>Fair Value Measurement</i></p> <p>This Standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. There is no financial impact.</p>	1 January 2013
AASB 119	<p><i>Employee Benefits</i></p> <p>This Standard supersedes AASB 119 (October 2010), making changes to the recognition, presentation and disclosure requirements.</p> <p>Actuarial gains and losses of the defined benefit plans will be recognised in other comprehensive income (currently in profit or loss). This will impact profit or loss but not total comprehensive income for the period.</p> <p>The effect of discounting annual leave and long service leave liabilities that were previously measured at the undiscounted amounts is not material.</p>	1 January 2013

AASB 127	<p><i>Separate Financial Statements</i></p> <p>This Standard supersedes requirements under AASB 127 <i>Consolidated and Separate Financial Statements</i>, introducing a number of changes to accounting treatments.</p> <p>Mandatory application of this Standard was deferred by one year for not-for-profit entities by AASB 2012-10. The Authority has not yet determined the application or the potential impact of the Standard.</p>	1 January 2014
AASB 128	<p><i>Investments in Associates and Joint Ventures</i></p> <p>This Standard supersedes AASB 128 <i>Investments in Associates</i>, introducing a number of changes to accounting treatments.</p> <p>Mandatory application of this Standard was deferred by one year for not-for-profit entities by AASB 2012-10. The Authority has not yet determined the application or the potential impact of the Standard.</p>	1 January 2014
AASB 1053	<p><i>Application of Tiers of Australian Accounting Standards</i></p> <p>This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. There is no financial impact.</p>	1 July 2013
AASB 1055	<p><i>Budgetary Reporting</i></p> <p>This Standard specifies the nature of budgetary disclosures, the circumstances in which they are to be included in the general purpose financial statements of not-for-profit entities within the GGS. The Authority will be required to disclose additional budgetary information and explanations of major variances between actual and budgeted amounts, though there is no financial impact.</p>	1 July 2014
AASB 2010-2	<p><i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Int 2, 4, 5, 15, 17, 127, 129 & 1052]</i></p> <p>This Standard makes amendments to Australian Accounting Standards and Interpretations to introduce reduced disclosure requirements for certain types of entities. There is no financial impact.</p>	1 July 2013

AASB 2010-7	<p><i>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]</i></p> <p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.</p> <p>AASB 2012-6 amended the mandatory application date of this Standard to 1 January 2015. The Commission has not yet determined the application or the potential impact of the Standard.</p>	1 July 2015
AASB 2011-2	<p><i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & 1054]</i></p> <p>This Standard removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards for reduced disclosure reporting. There is no financial impact.</p>	1 July 2013
AASB 2011-6	<p><i>Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [AASB 127, 128 & 131]</i></p> <p>This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity comply with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements. There is no financial impact.</p>	1 July 2013
AASB 2011-7	<p><i>Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Int 5, 9, 16 & 17]</i></p> <p>This Standard gives effect to consequential changes arising from the issuance of AASB 10, AASB 11, AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures. For not-for-profit entities it applies to annual reporting period beginning on or after 1 January 2014. The Commission has not yet determined the application or the potential impact of the Standard.</p>	1 July 2013

AASB 2011-8	<p><i>Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Int 2, 4, 12, 13, 14, 17, 19, 131 & 132]</i></p> <p>This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011. There is no financial impact.</p>	1 July 2013
AASB 2011-10	<p><i>Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Int 14]</i></p> <p>This Standard makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 119 in September 2011. There is limited financial impact</p>	1 January 2013
AASB 2011-11	<p><i>Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements</i></p> <p>This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements for AASB 119 (September 2011). There is no financial impact.</p>	1 July 2013
AASB 2012-1	<p><i>Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements [AASB 3, 7, 13, 140 & 141]</i></p> <p>This Standard establishes and amends reduced disclosure requirements for additional and amended disclosures arising from AASB 13 and the consequential amendments implemented through AASB 2011-8. There is no financial impact.</p>	1 July 2013
AASB 2012-2	<p><i>Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & 132]</i></p> <p>This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity’s financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity’s recognised financial assets and recognised financial liabilities, on the entity’s financial position. There is no financial impact.</p>	1 January 2013

Notes to the financial statements continued

AASB 2012-3	<p><i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]</i></p> <p>This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. There is no financial impact.</p>	1 January 2014
AASB 2012-5	<p><i>Amendments to Australian Accounting Standards arising from Annual Improvements 2009-11 Cycle [AASB 1, 101, 116, 132 & 134 and Int 2]</i></p> <p>This Standard makes amendments to the Australian Accounting Standards and Interpretations as a consequence of the annual improvements process. There is no financial impact.</p>	1 January 2013
AASB 2012-6	<p><i>Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, 2009-11, 2010-7, 2011-7 & 2011-8]</i></p> <p>This Standard amends the mandatory effective date of AASB 9 Financial Instruments to 1 January 2015. Further amendments are also made to consequential amendments arising from AASB 9 that will now apply from 1 January 2015 and to consequential amendments arising out of the Standards that will still apply from 1 January 2013. There is no financial impact.</p>	1 January 2013
AASB 2012-7	<p><i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 7, 12, 101 & 127]</i></p> <p>This Standard adds to or amends the Australian Accounting Standards to provide further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general financial statement. There is no financial impact.</p>	1 July 2013

AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049, & 2011-7 and Int 12]* 1 January 2013

This Standard makes amendments to AASB 10 and related Standards to revise the transition guidance relevant to the initial application of those Standards, and to clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

The Standard was issued in December 2012. The Commission has not yet determined the application or the potential impact of the Standard.

AASB 2012-11 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments [AASB 1, 2, 8, 10, 107, 128, 133, 134 & 2011-4]* 1 July 2013

This Standard makes various editorial corrections to Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2). These corrections ensure that the Standards reflect decisions of the AASB regarding the Tier 2 requirements.

This Standard also extends the relief from consolidation and the equity method (in the new Consolidation and Joint Arrangements Standards) to entities complying with Australian Accounting Standards – Reduced Disclosure Requirements. There is no financial impact.

7.0 Trading Profit

7.1 Sales

	2013	2012
	\$000	\$000
Harvesting operations	52,452	55,399
Recovery of harvesting costs	50,830	52,191
Plant Propagation Center Revenue	278	494
Total Sales	103,560	108,084

7.2 Cost of sales

Harvesting Costs	(60,478)	(60,071)
Roading Maintenance and Construction	(4,360)	(3,605)
Inventory movement	2,702	(379)
Cost of Goods Sold	(62,136)	(64,055)
Trading Profit	41,424	44,029

Notes to the financial statements continued

	2013	2012
	\$000	\$000
8.0 Commonwealth grants and contributions		
Recognition of Commonwealth Government contribution to National Action Plan for Salinity and Water Quality	964	152
	964	152
9.0 Interest revenue		
Interest Revenue	1,283	1,059
	1,283	1,059
10.0 Other revenue		
Contracts and Other	669	352
Fire Settlement Claim ¹	-	4,877
Revenue from Cost Recovery Operations ²	1,712	1,774
	2,381	7,003
¹ An insurance payment was received from Western Power following a fire in a Balingup plantation.		
² Revenue from cost recovery operations is due mainly to services to the Department of Parks and Wildlife (DPaW) for fire support and the Department of Agriculture and Food (DAFWA) for services associated with pest control. Expenses associated with these contributions are included in expenses from ordinary activities.		
11.0 Employee benefits expense		
Wages and Salary	12,254	11,716
Fringe Benefits Tax	7	32
Leave Expense	2,482	2,184
Superannuation	1,325	1,142
Payroll Tax	832	710
Superannuation - defined benefit plans (Note 30)	(47)	109
	16,853	15,892

The employment on-costs liability is included at note 29.0 Employee benefits

	2013	2012
	\$000	\$000
12.0 Supplies and services		
Travel	253	298
Sundry Supplies and Services	535	1,006
Operating Lease	1,756	1,982
Other Services	92	157
Legal Fees and Consultants	101	266
DPaW Service Level Agreements	9,229	7,900
Materials	572	615
Forest Management Expenses	6,271	5,617
Fire Salvage and Remedial Works	2,106	2,178
Repairs and Maintenance	424	356
Vehicle Expenses	12	26
	21,352	20,400
13.0 Depreciation and amortisation expense		
Plant, equipment, vehicles, office equipment and nursery infrastructure	718	657
Buildings	412	392
	1,132	1,050
14.0 Finance costs		
Interest on WA Treasury Corporation loans	-	1,548
Interest on contract obligations	475	412
Foreign Exchange Gain	(445)	(97)
	30	1,864
15.0 Accommodation expenses		
Lease rentals and accommodation	292	682
Other Property	229	169
	521	851
16.0 Other expenses		
Audit fees - Auditor General	161	161
Audit Fees - Other	82	37
Increase / (Decrease) in allowance for doubtful debts	(213)	(1,661)
Telephone, Postage, Communications	621	744
Workers Compensation Insurance	378	502
Other Administration Costs	531	259
	1,560	42

Notes to the financial statements continued

	2013	2012
	\$000	\$000
17.0 Biological asset decrease		
Revaluation decrease	(17,632)	(2,228)
	(17,632)	(2,228)
Reconciliation of decrease on revaluations to Movement of Biological assets		
Gross Movement on Biological assets	(10,881)	3,788
Movement in annuity liabilities	(1,551)	(1,293)
Impairment of New plantations	(5,200)	(4,723)
	(17,632)	(2,228)
18.0 Onerous Contracts		
Annuity obligations associated with immature sharefarms considered onerous	338	2,480
	388	2,480
19.0 Grants and Subsidies from State Government		
Grants and Subsidies from State Government	1	-
	1	-
20.0 Inventories		
<i>Current</i>		
Inventories held for resale at cost ¹ :		
- Plant Propagation Centre	949	1,261
- Sandalwood	4,324	1,825
- Timber on forest landings	1,694	1,179
	6,968	4,266

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

	2013	2012
	\$000	\$000
21.0 Receivables		
<i>Current</i>		
Trade and other receivables	21,579	22,546
Allowance for doubtful debts	(1,381)	(1,594)
	20,198	20,952
Reconciliation of change in the allowance for impairment of receivables		
Balance at start of year	(1,594)	(3,256)
Amounts written off during the year	170	331
Doubtful debts expense recognised in the Statement of Comprehensive Income	42	1,331
Balance at end of year	(1,381)	(1,594)
22.0 Other assets		
<i>Current</i>		
Prepayments	84	83
Derivative asset	262	72
Accrued Revenue	206	15
	552	170

Notes to the financial statements continued

	2013	2012
	\$000	\$000
23.0 Property, plant and equipment		
23.1 Land and buildings		
Freehold land at fair value ¹	11,596	11,281
	<u>11,596</u>	<u>11,281</u>
Buildings at fair value	8,050	7,889
Accumulated depreciation	(3,120)	(2,711)
	<u>4,930</u>	<u>5,177</u>
Total land and buildings	<u>16,527</u>	<u>16,459</u>
¹ Commission owned land was revalued as at 1 July 2012 in accordance with an independent valuation by the Western Australian Land Information Authority (Valuation Services). The valuations were performed during the year ended 30 June 2013 and recognised at 30 June 2013. The fair value of all land and buildings has been determined by reference to recent market transactions.		
23.2 Plant, equipment and vehicles		
Nursery infrastructure	12,664	12,138
Accumulated depreciation	(8,470)	(8,073)
	<u>4,194</u>	<u>4,065</u>
Nursery infrastructure		
Plant, equipment and vehicles at cost	4,303	4,118
Accumulated depreciation	(3,861)	(3,696)
	<u>442</u>	<u>422</u>
Office equipment at cost	2,004	1,912
Accumulated depreciation	(1,590)	(1,573)
	<u>414</u>	<u>339</u>
Total plant, equipment and vehicles	<u>5,050</u>	<u>4,826</u>
Nursery infrastructure was revalued at 30 June 2012 on a 'written down replacement value' basis by independent valuers McGarry Associates Pty Ltd.		
23.3 Carbon Asset		
The cost of plantation establishment for carbon sequestration	-	7,849
Derecognition	-	(7,849)
	<u>-</u>	<u>-</u>
Total Property, plant and equipment	<u>21,577</u>	<u>21,285</u>

23.4 Reconciliations

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

	Carbon Asset	Freehold land	Buildings	Nursery infrastructure	Plant equipment and vehicles	Office equipment	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost							
Balance at 1 July 2011	7,166	11,963	7,869	12,138	4,088	1,956	45,180
Additions	683	-	20	-	73	92	868
Disposals	-	-	-	-	(43)	(136)	(179)
Revaluation decrease	-	(682)	-	-	-	-	(682)
Balance at 30 June 2012	7,849	11,281	7,889	12,138	4,118	1,912	45,188
Balance at 1 July 2012	7,849	11,281	7,889	12,138	4,118	1,912	45,188
Additions	-	-	121	-	222	198	541
Disposals	-	-	(6)	-	(44)	(107)	(157)
Revaluation decrease	-	315	46	526	7	1	895
Balance at 30 June 2013	7,849	11,596	8,050	12,664	4,303	2,004	46,466
Depreciation and impairment losses							
Balance at 1 July 2011	-	-	(2,318)	(7,787)	(3,516)	(1,554)	(15,175)
Depreciation	-	-	(393)	(286)	(223)	(148)	(1,050)
Derecognition	(7,849)	-	-	-	-	-	(7,849)
Disposal	-	-	-	-	43	129	171
Balance at 30 June 2012	(7,849)	-	(2,711)	(8,073)	(3,696)	(1,573)	(23,903)
Balance at 1 July 2012	(7,849)	-	(2,711)	(8,073)	(3,696)	(1,573)	(23,903)
Depreciation	-	-	(411)	(397)	(175)	(18)	(1,001)
Disposal	-	-	3	-	10	1	14
Balance at 30 June 2013	(7,849)	-	(3,120)	(8,470)	(3,861)	(1,590)	(24,890)
Carrying Amounts							
At 1 July 2011	7,166	11,963	5,551	4,351	572	402	30,005
At 30 June 2012	-	11,281	5,177	4,065	422	339	21,285
At 1 July 2012	-	11,281	5,177	4,065	422	339	21,285
At 30 June 2013	-	11,596	4,930	4,194	442	414	21,577

24.0 Intangible assets	2013	2012
	\$000	\$000
24.1 Carbon rights		
Carbon rights at cost	-	6,805
Derecognition	-	(6,805)
	<u>-</u>	<u>-</u>
24.2 Software		
Software - cost	362	348
Software - accumulated amortisation	(349)	(348)
	<u>13</u>	<u>-</u>
Total Intangible assets	<u>13</u>	<u>-</u>

Reconciliation

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

Cost	Intangible assets
	\$000
Balance at 1 July 2011	7,113
Additions from external sources	49
Disposals	(9)
Balance at 30 June 2012	<u>7,153</u>
Balance at 1 July 2012	7,153
Additions from external sources	14
Disposals	(1)
Balance at 30 June 2013	<u>7,166</u>
Amortisation and impairment losses	
Balance at 1 July 2011	(356)
Derecognition	(6,805)
Disposals	8
Balance at 30 June 2012	<u>(7,153)</u>
Balance at 1 July 2012	(7,153)
Amortisation of software costs	-
Disposals	-
Balance at 30 June 2013	<u>(7,153)</u>
Carrying Amounts	
At 1 July 2011	<u>6,757</u>
At 30 June 2012	<u>-</u>
At 1 July 2012	<u>-</u>
At 30 June 2013	<u>13</u>

	2013	2012
	\$000	\$000
25.0 Biological assets		
Current		
<i>Biological assets at valuation</i>		
<i>Native Forest</i>		
Native forest standing timber	10,674	11,483
Sandalwood standing timber	5,639	4,354
Native forest Biological assets at valuation	<u>16,313</u>	<u>15,837</u>
<i>Plantations</i>		
Plantations Biological assets at valuation	17,935	10,411
Total Biological assets at valuation current	<u>34,248</u>	<u>26,248</u>
Non-Current		
<i>Biological assets at valuation</i>		
<i>Native Forest</i>		
Native forest standing timber	86,379	109,752
Sandalwood standing timber	54,380	49,793
Native forest Biological assets at valuation	<u>140,759</u>	<u>159,545</u>
<i>Plantations</i>		
Mature standing timbers	137,259	138,766
Immature standing timbers	9,918	8,506
Plantations Biological assets at valuation	<u>147,177</u>	<u>147,272</u>
Total Biological assets at valuation non-current	<u>287,936</u>	<u>306,817</u>
Total Biological assets at valuation	<u>322,184</u>	<u>333,065</u>
<i>The Plantations estate is represented by:</i>		
Commission plantations standing timber	150,943	137,718
Share farm standing timber	14,169	19,965
Total Plantations Biological assets at valuation	<u>165,112</u>	<u>157,683</u>
Reconciliation of changes in the carrying amount of biological assets at the beginning and the end of the year		
Carrying amount at start of year	333,065	329,277
(Loss) / Gain from changes in fair value	(13,844)	1,092
Add purchases (<i>annuities contra</i>)	(47)	-
Add 2R capitalisation	5,200	4,723
less 2R impairment	(3,787)	(3,311)
Other (<i>additional land annuities capitalised</i>)	1,598	1,293
Other (<i>removal of capitalised crop share liability</i>)	-	(8)
Carrying amount at end of year	<u>322,184</u>	<u>333,065</u>

	Hectares under management	
	2013	2012
25.1 Hectares under management		
Plantations		
Mature plantations	74,811	74,314
Immature plantations	33,826	34,369
Total plantation hectares under management	108,637	108,683

26.0 Biological assets risk analysis

26.1 Discount rates

The Commission is required, under the Australian Accounting Standard 141 Agriculture, to value its biological assets annually. The value of biological assets is dependent on assumptions underpinning the Commission's growth models and cash flow assumptions. As the Commission's biological assets have a 30 (Plantation) or 50 (Native/Sandalwood) year life span, a discount rate is applied to all future cash flows in order to give a present value.

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

	2013	2012
30 year discount rate	11.20%	10.00%
50 year discount rate	11.70%	10.60%

The discount rate, which is real and pre-tax, is based on the Commission's weighted average cost of capital (WACC). The WA Treasury Corporation provided an update of the Commission's WACC as at 30 June 2013.

26.2 Sensitivity analysis

The following sensitivity analysis has been provided to assist in the assessment of the impact of variances in these assumptions. The discount rate has been adjusted to take account of significant risk factors not adjusted directly through cash flows.

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

			2013	2012
			\$000	\$000
			Increase/ (decrease)	Increase/ (decrease)
Discount rate:	+ 300 bpts	Total Biological assets at valuation	(48,180)	(59,447)
	- 300 bpts	Total Biological assets at valuation	71,897	92,082
Future prices:	+ 3%	Total Biological assets at valuation	19,371	23,438
	- 3%	Total Biological assets at valuation	(19,372)	(23,438)
Future costs:	+ 3%	Total Biological assets at valuation	(10,430)	(13,902)
	- 3%	Total Biological assets at valuation	10,429	13,902

26.3 Cash flows

- (a) Cash flows are real and pre tax.
- (b) Inflation is expected to continue at the current rate.
- (c) Where revenues/costs are expected to increase or decrease other than in line with inflation, the nominal increase/decrease is included in cash flows.
- (d) Cash flows are discounted to balance date from their expected date of occurrence at rates set out under 26.1 above.
- (e) Cash flows are expected to occur over the following periods:

<i>Category</i>	<i>Years</i>
Native forest standing timber	50
Standing sandalwood	50
Plantations standing timber	30

26.4 Insurance

The Commission does not insure its Biological assets.

27.0 Impairment of assets

There were no indications of impairment to property, plant and equipment, infrastructure or intangible assets at 30 June 2013.

The Commission 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 2013 have either been classified as assets held for sale or written-off.

28.0 Payables

Current

	2013	2012
	\$000	\$000
Trade payables	4,390	5,615
GST payable	55	(598)
Payroll tax accrual	68	60
Accrued logging costs	2,888	2,971
Other accruals	6,878	4,588
Accrued salaries and wages	293	348
Land annuity obligations	2,192	2,200
	16,765	15,184

Non-Current

Land annuity obligations	18,106	19,330
	18,106	19,330

Notes to the financial statements continued

		2013	2012
		\$000	\$000
29.0	Employee benefits		
	<i>Current</i>		
	Compensated absences - Annual leave	1,271	1,435
	Compensated absences - Long service leave	2,308	1,690
		3,579	3,124
	<i>Non-current</i>		
	Compensated Absences - Long service leave	1,038	1,240
	Provision for unfunded superannuation liability	168	235
		1,206	1,475

The Commission has a provision for the unfunded liability associated with those employees who are currently members of Gold State Superannuation Scheme. Refer Note 30.0 below.

30.0 Gold State Superannuation Scheme

2013	2012
\$000	\$000

30.1 Scheme information

Some former Pension Scheme members have transferred to Gold State Super. In respect of their transferred benefit the members receive a lump sum benefit at retirement, death or invalidity which is related to their salary during their employment and indexed during any deferral period after leaving public sector employment.

The following disclosures are in respect of the employer-financed benefits only.

Reconciliation of the Present Value of the Defined Benefit Obligation

Financial year ending	30-Jun-13	30-Jun-12
<i>(Gold State Super)</i>		
Present value of defined benefit obligations at the beginning of the year	235	134
(+) Interest costs	7	7
(+) Actuarial (gains) / losses	(47)	109
(-) Benefits paid	(27)	(15)
Present value of defined benefit obligations at the end of the year	168	235

These defined benefit obligations are wholly unfunded, as there are no Assets. The Commission contributes as required to meet benefits paid.

Reconciliation of the Fair Value of Scheme Assets:

Financial year ending	30-Jun-13	30-Jun-12
Fair value of Scheme Assets at the beginning of the year:	-	-
(+) Employee contributions	27	15
(-) Benefits paid	(27)	(15)
Fair value of Scheme Assets at the end of the year	-	-

Reconciliation of the Assets and Liabilities recognised in the Statement of Financial Position:

Financial year ending	30-Jun-13	30-Jun-12
Defined Benefit Obligation	168	235
Net Liability	168	235

Expense recognised in the Statement of Comprehensive Income:

Financial year ending	30-Jun-13	30-Jun-12
Interest cost	7	7
Actuarial (gain) / loss	(47)	109
Superannuation (income) / expense	(40)	116

2013	2012
\$000	\$000

30.1 Scheme information (continued)

Gold State

Scheme Assets

There are no assets in Gold State Super for current employees to support benefits. Hence there are:

- ~ No fair value of Scheme Assets
- ~ No asset allocation of Scheme Assets
- ~ No assets used by the employer
- ~ No expected return of Scheme Assets
- ~ No actual return on Scheme Assets

Principal Actuarial Assumptions Used:

Financial year ending	30-Jun-13	30-Jun-12
<i>(Gold State Super)</i>		
Discount rate (active members)	3.38%	2.84%
Expected salary increase rate	5.00%	5.50%

The discount rate is based on the 10 year Government bond rate at the relevant date. The decrement rates used (e.g. mortality and retirement rates), are based in those used at the last actuarial valuation for the Schemes.

Historical Information:

Financial year ending	30-Jun-13	30-Jun-12	30-Jun-11	30-Jun-10	30-Jun-09
<i>(Gold State Super)</i>					
Present value of defined benefit obligation	168	235	134	82	136
Fair value of Scheme assets	-	-	-	-	-
Deficit in Scheme	168	235	134	82	136
Experience adjustments (gain)/ loss - Scheme liabilities	(7)	18	77	(15)	9

The experience adjustment for Scheme liabilities represents the actuarial loss (gain) due to a change in the liabilities arising from the Scheme's experience (e.g. membership movements, unit entitlements) and excludes the effects of changes in assumptions (e.g. movements in bond rates).

<i>Expected contributions:</i>	30-Jun-14
<i>(Gold State Super)</i>	\$000
Expected employer contributions	5

		2013	2012
		\$000	\$000
31.0 Provisions			
<i>Current</i>	Note:		
Provision for regeneration of Native Forest	a	1,586	1,661
Unearned revenue	b	289	436
		1,875	2,097
<i>Non-Current</i>			
Provision for regeneration of Native Forest	a	2,705	1,680
		2,705	1,680
Explanations:			
a	The Commission has an obligation under the FMP (2004–13) to ensure that re-growth native forest harvested are restored.		
b	Unearned Revenue received by the FPC for the delivery of forestry services to be delivered in the future.		
Net movement in provisions			
Opening balance at 1 July 2012		3,777	3,550
<i>Provisions utilised</i>			
Regeneration		678	560
		678	560
<i>Provisions reversed</i>			
Deferred income		147	398
		147	398
<i>Provisions raised</i>			
Regeneration		1,628	1,185
		1,628	1,185
Closing balance at 30 June 2013		4,580	3,777
32.0 Deferred revenue			
<i>Current</i>			
National Action Plan for Salinity Revenues		388	388
Contractual obligations		258	258
		646	646
<i>Non-Current</i>			
Contractual Obligations		7,118	6,882
National Action Plan for Salinity Revenues		3,096	4,060
Forward Sold Log Supply		13,298	11,830
		23,512	22,772

2013	2012
\$000	\$000

33.0 Equity

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

33.1 Contributed equity

Balance at the start of the year	331,782	260,195
Restructure costs	10,673	71,587
Equity repayment	(4,877)	-
Balance at the end of year	337,578	331,782

33.2 Reserves*Asset Revaluation Surplus*

Balance at start of year	7,875	8,293
Net land revaluation increase (decrease):	843	(597)
Income tax	(253)	179
Balance at end of year	8,465	7,875

Land revaluations are supplied by the Department of Land Information (Valuation Services) and are net of tax.

Cashflow Hedge Reserve

Balance at start of year	50	109
Net movement in reserve	190	(84)
Income tax	(57)	25
Balance at end of year	183	50

Forward exchange contracts are held to hedge against fluctuations in US dollars. (Note 3.02)

<i>Reserves total</i>	8,648	7,926
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33.3 Retained Earnings

Balance at the start of year	3,072	(8,349)
Result for the year	(8,767)	12,921
Dividend paid	(3,310)	(1,500)
Balance at end of year	(9,005)	3,072

34.0 Notes to the Statement of Cash Flows

2013	2012
\$000	\$000

34.1 Reconciliation of cash

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

Petty Cash	4	4
Commonwealth Bank - Cash Management Account	18,759	18,422
Commonwealth Bank - USD Bank Account	4,530	3,707
	23,293	22,132

34.2 Reconciliation of profit from ordinary activities after income tax to net cash flows (used in) / provided by operating activities:

Profit from ordinary activities after income tax	(8,767)	12,921
<i>Non-cash items:</i>		
Depreciation and amortisation expense	1,132	1,050
Movement in provision for doubtful debts	(213)	(1,662)
Change in fair value of biological assets	17,632	2,228
Grants and subsidies from State Government	(1)	-
<i>Decrease / (increase) in assets:</i>		
Current inventories	(2,702)	380
Current receivables	967	3,704
Other current assets	(8,382)	15,699
Other assets	1,940	12,219
<i>Increase/(decrease) in liabilities:</i>		
Payables	1,581	(801)
Employee benefits	186	34
Unearned revenue and deferred income	(594)	13,124
Other liabilities	1,634	(40,666)
Movement in tax balances	-	(5,855)
Net cash provided by operating activities	4,414	12,375

2013	2012
\$000	\$000

34.3 Borrowing facilities

The Commission had access to the following lines of credit as at reporting date:

Credit cards	750	750
Bank overdraft facility	9,000	9,000
	9,750	9,750

Facilities in use as at reporting date:

Credit cards	146	80
	146	80

Available facilities not in use as at reporting date:

Credit cards	604	670
Bank overdraft facility	9,000	9,000
	9,604	9,670

35.0 Services provided free of charge

Department of Treasury and Finance - Building Management and Works

	-	5
	-	5

36.0 Commitments

The commitments below are inclusive of GST where relevant.

36.1 Lease commitments

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

Within 1 year	216	290
Later than 1 year and not later than 5 years	1,244	1,000
Later than 5 years	1,245	1,018
	2,705	2,308

Non-cancellable operating leases

	2,705	2,308
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These commitments are inclusive of GST.

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

36.2 Guarantees and undertakings

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

37.0 Contingent liabilities and contingent assets

Contingent liabilities

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

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

Contingent assets

- b) During the financial year 2009–10, the FPC experienced a bushfire which impacted the plantation estate in the Badgingarra region. The value of compensation estimated that may flow to the Commission as a result of this fire has not been finalised but is estimated to be in excess of \$0.4 million.

38.0 Events occurring after the end of the reporting period

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

39.0 Explanatory statement

Significant variations between estimates and actual results for 2013 and between the actual results for 2013 and 2012 are shown below. Significant variations are considered to be those greater than 10 per cent or \$5 million.

39.1 Significant variances between estimate and actual for 2013

2013 Actual	2013 Estimate ¹	Variance from Estimate	Explanation:
\$000	\$000	\$000	

Income

Interest revenue	1,283	1,086	197	a
Other revenue	2,381	533	1,848	b

Expenses

Employee benefits expense	16,853	18,548	1,695	c
Finance costs	30	468	438	d

Explanation:

- a Increased revenues combined with lowered expenditure and insurance proceeds resulted in better than expected cash balances for the FPC. In addition, the FPC has recovered nearly \$2 million in overdue debt during the financial year, which also improved the cash position for the Commission. Altogether, this has returned a better than expected interest revenue to the Commission.
- b Other revenue is comprised of cost recovery operations due mainly to services to DPaW for fire support and DAFWA for services associated with pest control, as well as the receipt of insurance funds for fire.
- c Lower staffing levels than budgeted.
- d Interest expense on forward sold log supply was offset by gains from hedge positions on sandalwood sales.

¹Estimates are sourced from the 2012–13 budget

39.2 Significant variances between actual results for 2013 and 2012.

2013	2012	Variance	Explanation:
\$000	\$000	\$000	

Income

Commonwealth grants and contributions	964	152	812	a
Interest revenue	1,283	1,059	224	b
Other revenue	2,381	7,003	(4,622)	c

Expenses

Finance costs	30	1,864	(1,834)	d
Accommodation expenses	521	851	(330)	e
Other expenses	1,560	42	1,518	f
Decrease from revaluations	(17,632)	(2,228)	(15,404)	g

Explanation:

- a The recognition of revenue received for the National Action Plan for Salinity (see note 32.0) is higher than 2011–12, reflecting an increased level of infill activity undertaken in 2012–13 financial year.
- b A higher average cash balance during the 2012–13 financial year, compared to 2011–12, resulted in the higher interest revenue.
- c Other revenue is lower compared to 2011–12 due to Insurance proceeds received in 2011–12 for a fire at a Balingup plantation.
- d The Commission negotiated a financial restructure with Treasury in 2012, resulting in reduced debt payment costs.
- e The Commission has now completed relocation of its head office from Rivervale to Kensington, resulting in significant cost savings.
- f The increase in other expenses has largely resulted from a smaller reduction in the provision for doubtful debts expense in 2012–13.
- g The 2012–13 biological asset valuation decrease is as a result of a combination of changes in timber volume, timber prices, production costs (including management, marketing and selling costs) and changes in the WACC rate (refer Note 2.17).

40.0 Financial instruments

(a) Financial risk management objectives and policies

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

Credit Risk

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

The maximum exposure to credit risk at the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at note 40.1 Credit Risk, Liquidity Risk and Interest Rate Risk Exposure and note 21.0 Receivables.

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

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

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

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

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

Liquidity risk

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

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Commission's income or the value of its holdings of financial instruments. The Commission's policy in regard to managing foreign exchange risks through the use of financial exchange contracts is dealt with in Note 41.2

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

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

Currency risk

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

At any point in time the Commission hedges 75 per cent of its estimated foreign currency exposure in respect of forecasted sales over the following six months. In addition, the Commission hedges at least 75 per cent of all trade receivables denominated in a foreign currency. The Commission uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

The Commission also holds a USD commercial bank account which exposes the Commission to foreign currency risk. The balance of this account at 30 June 2013 is USD 4.201 million (2012: USD 3.778 million).

Interest rate risk

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

Categories of Financial Instruments

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

	2013	2012
	\$000	\$000
Financial Assets		
Cash and cash equivalents	23,293	22,132
<i>Loans and receivables:</i>		
Trade Receivables	20,198	20,952
	<u>43,491</u>	<u>43,085</u>
Financial Liabilities		
<i>Financial liabilities measured at amortised cost</i>		
Trade payables	14,573	12,984
Land annuity obligations	20,298	21,530
Forward Exchange Contracts	262	72
	<u>35,133</u>	<u>34,587</u>

40.1 Credit Risk, Liquidity Risk and Interest Rate Risk Exposure

The following table details the exposure to liquidity risk and interest rate risk as at the balance date. The Commission's maximum exposure to credit risk at the balance sheet date is the contractual cash flows in the following table. Except for Land Annuities Payable and deferred rental, the contractual cash flows is the carrying amount as at balance sheet date. The carrying amount of land annuity payments is \$30.192 million (2012: \$32.297 million).

		2013					
		\$000					
Note	Effective Interest Rate %	Total	0 - 12 months	1 - 2 years	2 - 5 years	More than 5 years	
Financial assets							
Commonwealth Bank Cash Management Account	34.1	3.06%	18,759	18,759	-	-	-
Commonwealth Bank USD Account	34.1	0.00%	4,530	4,530	-	-	-
Trade Receivables	21.0		21,579	21,579	-	-	-
Provision for Doubtful Debts	21.0		(1,381)	(1,381)			
Collateral security held - cash	40.5		2,323	2,323	-	-	-
Collateral security held - non cash			5,550	5,550			
Total credit exposure - Trade Receivables			28,072	28,072	-	-	-
Foreign Exchange Contracts	22.0		262	262	-	-	-
			51,622	51,622	-	-	-
Financial liabilities							
Trade Payables	28.0		4,390	4,390			
Land Annuities Payable			30,236	2,249	2,209	6,483	19,295
			34,626	6,639	2,209	6,483	19,295

		2012					
		\$000					
Note	Effective Interest Rate %	Total	0 - 12 months	1 - 2 years	2 - 5 years	More than 5 years	
Financial assets							
Commonwealth Bank Cash Management Account	34.1	4.27%	18,422	18,422	-	-	-
Commonwealth Bank USD Account	34.1	0.00%	3,707	3,707	-	-	-
Trade Receivables	21.0		22,546	22,546	-	-	-
Provision for Doubtful Debts	21.0		(1,594)	(1,594)			
Collateral security held - cash	40.5		2,384	2,384	-	-	-
Collateral security held - non cash			5,550	5,550			
Total credit exposure - Trade Receivables			28,886	28,886	-	-	-
Foreign Exchange Contracts	22.0		72	72	-	-	-
			51,087	51,087	-	-	-
Financial liabilities							
Trade Payables	28.0		5,615	5,615	-	-	-
Land Annuities Payable			32,297	2,257	2,257	6,651	21,133
			37,912	7,872	2,257	6,651	21,133

40.2 Forward foreign exchange contracts

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

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

Sell currency	Value date	USD sell amount \$'000	Historic forward rate	Buy currency	Buy amount \$'000	Current forward points	Current forward rate	Revalued buy currency 30 June 2012	Revalued buy amount 30 June 2012 \$'000	Variance currency	Variance amount \$'000
USD	30-Sep-132	2,340	1.0312	AUD	2,269	0.138201	1.169415	AUD	2,001	AUD	(268)
USD	31-Dec-13	2,340	0.9140	AUD	2,269	-0.002059	0.911925	AUD	2,566	AUD	6
		<u>4,680</u>			<u>4,829</u>				<u>4,567</u>		<u>(262)</u>

40.3 Sensitivity Analysis

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

	2013				
	Carrying amount \$'000	-1% change		+1% change	
		Profit \$'000's	Equity \$'000's	Profit \$'000's	Equity \$'000's
<i>Interest rate sensitivity analysis</i>					
Financial Assets					
Cash and cash equivalents	23,289	(131)	(131)	163	163
Financial Liabilities					
Land Annuities Payable	20,298	(3,479)	(3,479)	(775)	(775)

	2013				
	Carrying amount \$000's	-10% change		+10% change	
		Profit \$000's	Equity \$000's	Profit \$000's	Equity \$000's
<i>Currency sensitivity analysis</i>					
Financial Assets					
USD Bank Account	4,530	352	352	(288)	(288)
USD rate used in this analysis was the spot rate as at 30 June 2013: 1 AUD = 0.9275					

	2012				
	Carrying amount \$000's	-1% change		+1% change	
		Profit \$000's	Equity \$000's	Profit \$000's	Equity \$000's
<i>Interest rate sensitivity analysis</i>					
Financial Assets					
Cash and cash equivalents	22,128	(129)	(129)	155	155
Financial Liabilities					
Land Annuities Payable	21,530	(2,617)	(2,617)	87	87

	2012				
	Carrying amount \$000's	-10% change		+10% change	
		Profit \$000's	Equity \$000's	Profit \$000's	Equity \$000's
<i>Currency sensitivity analysis</i>					
Financial Assets					
USD Bank Account	3,707	288	288	(236)	(236)
USD rate used in this analysis was the spot rate as at 30 June 2012 - AUD = USD 1.0191					

40.4 Credit risk concentrations

Accounts receivable consists largely of timber debtors, for which deposits and securities equivalent to an average of six weeks' deliveries are required to be lodged in favour of the Commission under timber contracts of sale. These deposits and securities are held in trust until the expiry or default of contracts. As at 30 June 2013, the value of deposits and securities was less than overdue accounts by **\$0.097 million** (deposits and securities was less than overdue accounts by \$1.884 million at 30 June 2012).

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

The Commission's credit risk exposure at 30 June is illustrated by the aged debtors table below:

	2013 Number of customers	2013 Value over- due ¹ : \$000	2013 Impairment: \$000	2012 Number of customers	2012 Value overdue ¹ : \$000	2012 Impairment: \$000
1 to 30	33	2,722	86	34	3,661	-
31 to 60	15	1,864	344	14	1,339	(759)
Greater than 60	21	2,968	881	34	3,309	759
All overdue accounts	44	7,554	1,311	53	8,309	-

¹ Overdue beyond the Commission's agreed trading terms.

The likelihood of recovery as at 30 June 2013 was estimated and factored into the amounts provided for impairment of receivables (refer note 21.0). Where applicable, interest is charged under the terms of the customer's supply contract.

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

Maximum exposure to credit risk for trade receivables by type of customer

	2013	2012
State Government	-	-
Forest Product Manufacture/Supply	20,198	20,952
	20,198	20,952

40.5 Funds held in trust

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

	2013	2012
Opening balance	2,384	1,989
Receipts	491	506
Payments	(552)	(111)
Closing balance	2,323	2,384

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

40.6 Fair values

The carrying amount of financial assets and financial liabilities recorded in the financial statements are determined in accordance with the accounting policies in note 2.

41.0 Taxation

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

	2013	2012
Profit / (Loss) from ordinary activities before Income tax	(12,690)	12,403
Income tax calculated at 30% of operating profit / (loss)	(3,807)	3,721
Reversal of net deferred asset	-	(3,555)
Underprovided / (overprovided) in prior periods	(116)	(684)
	(3,932)	(518)
Current tax expense		
Current year	-	(839)
	-	(839)
Deferred tax expense		
Relating to origination and reversal of temporary differences	(3,923)	321
	(3,923)	(518)
Total income tax expense in the Statement of Comprehensive Income	(3,923)	(518)

Notes to the financial statements continued

Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
	\$000	\$000	\$000	\$000	\$000	\$000
Receivables	(415)	(478)	-	-	(415)	(478)
Inventories	-	(126)	-	-	-	(126)
Land	(87)	(87)	1,609	1,514	1,522	1,427
Buildings	(251)	(220)	1,602	1,602	1,351	1,382
Nursery infrastructure	(975)	(1,032)	417	259	(558)	(773)
Plant, equipment and vehicles	(154)	(122)	-	-	(154)	(122)
Biological assets	(3,533)	(3,976)	18,097	21,363	14,564	17,387
Intangible asset	(2,041)	(2,041)	-	-	(2,041)	(2,041)
Employee provisions	(1,436)	(1,379)	-	-	(1,436)	(1,379)
Share farm annuities	(9,550)	(8,816)	-	-	(9,550)	(8,816)
Auditing fees provision	(62)	(45)	-	-	(62)	(45)
Restoration provision	(1,288)	(1,003)	-	-	(1,288)	(1,003)
Deferred income	(5,290)	(5,368)	-	-	(5,290)	(5,368)
Incentive payments provision	(6,089)	(6,459)	-	-	(6,089)	(6,459)
Hedge Contract	-	-	79	22	79	22
Tax value of loss carry-forwards recognised	(5,451)	(4,813)	-	-	(5,451)	(4,813)
Unrecognised net deferred asset	3,988	3,988	-	-	3,988	3,988
Net tax (assets) / liabilities	(32,634)	(31,978)	21,804	24,760	(10,830)	(7,218)

Movement in temporary differences during the year

	Balance 1 July 11	Recognised in income	Recognised in equity	Balance 30 June 12	Balance 1 July 12	Recognised in income	Recognised in equity	Balance 30 June 13
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Receivables	(977)	499	-	(478)	(478)	63	-	(415)
Inventories	(614)	488	-	(126)	(126)	126	-	-
Land	1,632	(205)	-	1,427	1,427	95	-	1,522
Buildings	1,414	(32)	-	1,382	1,382	(31)	-	1,351
Nursery infrastructure	(831)	58	-	(773)	(773)	215	-	(558)
Plant, equipment and vehicles	(102)	(20)	-	(122)	(122)	(32)	-	(154)
Biological assets	15,774	1,613	-	17,387	17,387	(2,823)	-	14,564
Intangible asset	-	(2,041)	-	(2,041)	(2,041)	-	-	(2,041)
Employee provisions	(1,369)	(10)	-	(1,379)	(1,379)	(57)	-	(1,436)
Share farm annuities	(8,083)	(733)	-	(8,816)	(8,816)	(734)	-	(9,550)
Auditing fees provision	(45)	-	-	(45)	(45)	(17)	-	(62)
Restoration provision	(816)	(187)	-	(1,003)	(1,003)	(285)	-	(1,288)
Deferred income	(7,335)	1,967	-	(5,368)	(5,368)	78	-	(5,290)
Incentive payments provision	(7,548)	1,089	-	(6,459)	(6,459)	370	-	(6,089)
Reserves	47	180	(205)	22	22	(253)	310	79
Tax value of loss carry- forwards recognised	(6,024)	1,211	-	(4,813)	(4,813)	(638)	-	(5,451)
Unrecognised tax losses	7,543	(3,555)	-	3,988	3,988	-	-	3,988
	(7,333)	321	(205)	(7,218)	(7,218)	(3,923)	310	(10,830)

Unrecognised net deferred tax asset

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

	Assets		Liabilities	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
Intangible asset	(2,041)	(2,041)	-	-
Tax value of loss carry-forwards recognised	(1,947)	(1,947)	-	-
Net tax (assets) / liabilities	(3,988)	(3,988)	-	-

Provision for taxation

Opening	-	5,855
Provision raised / (reversed)	-	(839)
Tax Paid	-	(5,016)
Closing	-	-

42.0 Remuneration of members of the Accountable Authority and Senior Officers

2013	2012
\$000	\$000

42.1 Remuneration of members of the Accountable Authority

The number of Members of the Accountable Authority (Commissioners) whose total of fees, salaries, superannuation¹, non-monetary benefits and other benefits for the financial year which fall within the following bands are:

\$	2013	2012
0 - 10,000	4	-
10,000 - 20,000	1	1
20,000 - 30,000	4	3
30,000 - 40,000	1	-
50,000 - 60,000	-	1
	10	5

Total remuneration of Members of the Accountable Authority for the financial period was

178,343	140,660
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Remuneration of Members of the Accountable Authority was comprised of:

Base remuneration and super received in relation to 2013	170,908	129,311
Other benefits	7,435	11,349
	178,343	140,660

The total remuneration includes the superannuation expense incurred by the Commission in respect of members of the accountable authority.

¹ No member of the Accountable Authority is a member of the Pension Scheme.

42.2 Remuneration of Senior Officers

The number of Senior Officers (Executive Managers) other than Members of the Accountable Authority, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits received for the financial year which fall within the following bands are:

\$	2013	2012
	\$000	\$000
0 - 10,000	1	-
20,001 - 30,000	-	1
130,001 - 140,000	-	1
140,001 - 150,000	-	1
150,001 - 160,000	1	-
160,001 - 170,000	1	1
170,001 - 180,000	1	-
240,001 - 250,000	-	1
250,001 - 260,000	1	-
	5	5

Notes to the financial statements continued

2013	2012
\$000	\$000

42.2 Remuneration of Senior Officers (continued)

Total remuneration of senior officers for the financial period was

973,332	720,914
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Remuneration of Senior Officers was comprised of:

Base remuneration and super received in relation to 2013	733,325	618,345
Annual leave and long service leave accruals	219,305	43,085
Other benefits	20,702	59,484
	973,332	720,914

The total remuneration includes the superannuation expense incurred by the Commission in respect of senior officers other than senior officers reported as members of the accountable authority.

43.0 Related bodies

The Commission has no related bodies as defined by TI 951 (3) to (4).

44.0 Remuneration of auditor

2013	2012
\$000	\$000

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	161	161
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45.0 Supplementary financial information

2013	2012
\$000	\$000

45.1 Write-offs

Debtors	155	301
Assets	14	-
Total	169	301

45.2 Losses through theft, defaults and other causes

-	-
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45.3 Gifts of public property

-	-
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46.0 Schedule of income and expenses by service

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

Main operating segments:

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

Arid Forest - Responsible for harvesting and regeneration activities associated with sandalwood and other arid timbers.

Plant Propagation Centre - Responsible for seed orchard production, collection of seed from the wild and production of seedlings to meet internal and external demand.

Plantations - Responsible for all harvesting, replanting and maintenance of the Commission's mature estate plantations as well as the maintenance of sharefarms plantations in the low rainfall zone. The objective of the sharefarms is to maintain establishments that sustain and develop the timber industry; ameliorate salinity and address soil degradation.

Unallocated:

Corporate and Support Services - This sector provides corporate management and business administration (human resources, contract administration and finance) support to the operating arms of the business as well as the business development activities of marketing, expert services in the exploration and analysis of business opportunities.

Notes to the financial statements continued

	2013							
	South West Forest	Arid Forest	Plant Propagation Centre	Plantations	Unallocated	Capitalisation	Eliminations	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue								
External Segment Revenues	39,048	16,905	371	49,428	624	-	-	106,376
Inter-Segment Sales	-	-	1,813	-	-	-	(1,813)	-
Total Revenue	39,048	16,905	2,184	49,428	624	-	(1,813)	106,376
Expenses								
Employee Expenses	(3,152)	(773)	(1,394)	(4,329)	(7,205)	-	-	(16,853)
External Segment Expenses	(32,407)	(8,712)	(1,580)	(48,315)	(1,851)	6,163	1,813	(84,889)
Finance Charges	-	(30)	-	-	-	-	-	(30)
Total Expenses	(35,559)	(9,515)	(2,974)	(52,644)	(9,056)	6,163	1,813	(101,772)
	3,489	7,390	(790)	(3,216)	(8,432)	6,163	-	4,604
Biological Asset Valuation								
Increase / Decrease	(24,182)	5,872	-	678	-	-	-	(17,632)
Onerous Contracts	-	-	-	338	-	-	-	338
Profit / (Loss) before Tax	(20,693)	13,262	(790)	(2,200)	(8,432)	6,163	-	(12,690)
Allocation of Income Tax	6,208	(3,979)	237	660	797	-	-	3,923
Profit / (Loss) for the year	(14,485)	9,283	(553)	(1,540)	(7,635)	6,163	-	(8,767)
Total Segment Assets	99,783	64,407	5,338	174,711	61,376	-	-	405,615
Total Segment Liabilities	4,291	-	267	42,264	21,572	-	-	68,394

2012								
	South West Forest	Arid Forest	Plant Propagation Centre	Plantations	Unallocated	Capitalisation	Eliminations	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue								
External Segment Revenues	38,248	16,843	866	54,074	4,756	-	-	114,787
Inter-Segment Sales	-	-	1,518	-	-	-	(1,518)	-
Total Revenue	38,248	16,843	2,384	54,074	4,756	-	(1,518)	114,787
Expenses								
Employee Expenses	(3,251)	(705)	(1,554)	(3,696)	(6,186)	366	-	(15,026)
External Segment Expenses	(31,128)	(10,233)	(2,500)	(48,690)	53	5,233	1,518	(85,746)
Interest	-	-	-	(1,864)	-	-	-	(1,864)
Total Expenses	(34,379)	(10,938)	(4,054)	(54,249)	(6,132)	5,599	1,518	(102,636)
	3,869	5,905	(1,670)	(175)	(1,376)	5,599	-	12,152
Biological Asset Valuation								
Increase/Decrease	2,026	5,262	-	(9,516)	-	-	-	(2,228)
Onerous Contracts	-	-	-	2,480	-	-	-	2,480
Profit / (Loss) before Tax	5,895	11,167	(1,670)	(7,211)	(1,376)	5,599	-	12,403
Allocation of Income Tax	(1,769)	(3,350)	501	2,163	2,973	-	-	518
Profit / (Loss) for the year	4,126	7,817	(1,169)	(5,048)	1,597	5,599	-	12,921
Total Segment Assets	123,669	56,039	5,562	166,297	57,521	-	-	409,088
Total Segment Liabilities	3,341	-	267	42,748	19,952	-	-	66,308

47.0 Additional information

Domicile and legal form:

The FPC is a Government Trading Enterprise domiciled in Western Australia.

Principal office:

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

Operations and principal activities:

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

Parent entity:

Government of Western Australia.

5

Appendices



Regrowth jarrah forest



Appendix 1 - Relevant acts and key legislation

Government Agreements Acts relevant to the FPC

- *Wood Processing (WESFI) Agreement Act 2000*
- *Wood Processing (Wesbeam) Agreement Act 2002*
- *Dardanup Pine Log Sawmill Act 1992*
- *Silicon (Kemerton) Agreement Act 1987*
- *Bunbury Treefarm Project Agreement Act 1995*
- *Collie Hardwood Plantation Agreement Act 1995*
- *Tree Plantation Agreements Act 2003*

Key legislation impacting on the FPC's activities

- *Agriculture and Related Resources Protection (European House Borer) Regulations 2006*
- *Auditor General Act 2006*
- *Biosecurity and Agriculture Management Act 2007*
- *Bush Fires Act 1954*
- *Conservation and Land Management Act 1984*
- *Control of Vehicles (Off-Road Areas) Act 1978*
- *Corruption and Crime Commission Act 2003*
- *Dangerous Goods Safety Act 2004*
- *Disability Services Act 1993*
- *Electoral Act 1907*
- *Electronic Transactions Act 2003*
- *Emergency Management Act 2005*
- *Environmental Protection Act 1986*
- *Equal Opportunity Act 1984*
- *Financial Management Act 2006*
- *Firearms Act 1973*
- *Freedom of Information Act 1992*
- *Government Employees Housing Act 1964*



- *Government Financial Responsibility Act 2000*
- *Health Act 1911*
- *Heritage of Western Australia Act 1990*
- *Industrial Relations Act 1979*
- *Land Administration Act 1997*
- *Minimum Conditions of Employment Act 1993*
- *Occupational Safety and Health Act 1984*
- *Public Interest Disclosure 2003*
- *Public Sector Management Act 1994*
- *Sandalwood Act 1929*
- *State Records Act 2000*
- *State Superannuation Act 2000*
- *State Supply Commission Act 1991*
- *Statutory Corporations (Liability of Directors) Act 1996*

Appendix 2 - Trends in the area of native forest harvested (hectares)

Year	Jarrah forest	Mixed jarrah/karri forest	Jarrah/wandoo forest	Karri forest	
				Clearfelled or partially cut	Thinned
1976-77	32,320		1,170	2,610	
1977-78	26,020		740	4,450	
1978-79	25,540		530	2,710	
1979-80	25,150		860	2,110	60
1980-81	22,930		1,440	2,080	180
1981-82	24,680		610	2,180	320
1982-83	23,740		330	990	190
1983-84	21,540		580	1,490	260
1984-85	20,010		1,440	2,360	500
1985-86	22,640		650	1,590	340
1986	19,340		1,150	1,090	490
1987	17,180		1,380	1,310	700
1988	23,400		490	1,180	840
1989	15,130		200	1,510	910
1990	12,960		100	1,560	340
1991	10,910			1,920	230
1992	13,990		30	1,540	310
1993	14,250		40	1,630	80
1994	14,050		50	1,440	
1995	17,830		30	2,410	
1996	22,320		50	1,300	60
1997	18,240		60	1,870	60
1998	19,250		60	1,970	320
1999	14,200		50	1,890	360
2000	20,570		10	1,310	70
2001	15,130*			1,380	120
2002	12,870*		30	700	350
2003	8,520*			720	485
2004	8,860*			330	920
2005	6,220*		30	460	1,070
2006	8,425*	33	380	363	1,127
2007	7,189*	16	59	547	999
2008	6,583*	36	0	347	661
2009	8,993*	94	0	650	921
2010	4,522*	33	0	371	1,212
2011	6,149*	7	35	465	853
2012	6,762*	28	0	344	650

* Figures do not include areas cleared for mining or utilities.

- Forests are regenerated according to the principles of ecologically sustainable forest management in the FMP 2004-13.

Appendix 3- Area of coniferous (pine) plantations as at 31 December 2012 (hectares)

Year	Commission owned								Commission managed sharefarms		Total
	Pinus radiata				Other pine				1st rotation		
	1st rotation		Subsequent rotations		1st rotation		Subsequent rotations		Pinus radiata	Other pine	
	State	Sharefarm	State	Sharefarm	State	Sharefarm	State	Sharefarm			
Pre1970	276		26		3,462		46				3,811
1970	38				1,008		19				1,065
1971	119				345						464
1972	187				292						479
1973	56		18		402		3				478
1974	243				207		5				455
1975	142				1,177						1,318
1976	174		4		862		1				1,041
1977	29		30		841						900
1978	236				195						431
1979	140		18								158
1980	36				611						647
1981	585		93		724		12				1,414
1982	1,159		59		428		5				1,651
1983	1,187		36		531		66				1,819
1984	1,790		3		473		9				2,275
1985	1,713	25	4		476		2				2,220
1986	872	168			399						1,438
1987	667	586	150		517		0				1,920
1988	428	1,097	120	1	41						1,687
1989	581	358	373	23	22		22				1,378
1990	221	596	244				16				1,076
1991	58	910	507	0	4		17				1,497
1992	11	1,574	473				245				2,303
1993	8	673	1,014		133	5	192				2,026
1994	127	396	507		17		335				1,383
1995	63	95	913		7	277	136				1,493
1996	35	9	1,051		162	506	31				1,795
1997	64	2	999			1,171	165			17	2,418
1998	16	82	79		3	1,469				307	1,956
1999	28	186	772		6	2,036	197	39	19	342	3,626
2000	5	123	907		30	3,794	13	3	5	274	5,155
2001		1	830			2,995			1	327	4,155
2002	38	177	607		3	613				211	1,648
2003		560	919	25	0	825	69			315	2,712
2004	106		1,083		437	609	138			132	2,505
2005	12	26	1,237		120	417	83			238	2,134
2006	4	55	1,506		48	1,453				97	3,162
2007	52		1,413			2,489	49			242	4,246
2008	2	536	1,628	25	0	1,234					3,424
2009	2	35	2,067	9		482	6				2,599
2010			570	66		8	14				657
2011			2,252			5					2,258
2012			2,083								2,083
Total	11,510	8,270	24,594	148	13,985	20,389	1,896	42	26	2,501	83,359

Appendix 4 - Area of broadleaved (eucalypt) plantations as at 31 December 2012 (hectares)

Year	Commission owned				Commission managed		Total
	Eucalyptus globulus		Other eucalypts		Eucalyptus globulus	Other Eucalypts	
	State	Sharefarms	State	Sharefarms	State	State	
Pre1988	6		6,468		1		6,476
1988		3	10				13
1989		36	2				37
1990	26		24		23		73
1991	0		36				36
1992	6	104					110
1993		41	6				47
1994	3		2				5
1995	12		1				13
1996		4	6		3		13
1997	2		1		9		12
1998	24	20	2		8		53
1999		1	10		1		12
2000		56	31		2		89
2001		44			32		76
2002		27	1		480	20	529
2003	13	16	27		277		333
2004		172	144		544		860
2005	4		36		241		281
2006			16		1,067		1,083
2007	3		16		1,152		1,171
2008	1		0		640		642
2009	3	24	4		6,834		6,865
2010	1		0		15		15
Total	106	549	6,842	11,328	0	20	18,845

Appendix 5 - Area of sandalwood (*spicatum/album*) plantations as at 31 December 2012 (hectares)

Year	Commission owned		Commission managed	Total
	State	Sharefarms	Sharefarms	
1932	0.3			0.3
1997		2.4		2.4
1998		2.2	19.2	21.4
2000		23.6		23.6
2001		45.6		45.6
2002		93.5	11.2	104.7
2003	3.3	59.8	20.6	83.7
2004	35.8	135.7	4.2	175.7
2005	39.0	173.8		212.7
2006	21.9	507.0	0.8	529.7
2007	46.2	1,503.2		1,549.5
2008	0.6	2,557.5		2,558.1
2009	0.7	641.9		642.9
2010				
2011	2.1			2.1
Total	149.9	5,746.2	56.0	5,952.0

Appendix 6 - Log production from Crown land and private property

Product type	Crown land		Private property		Total	
	m ³	tonnes	m ³	tonnes	m ³	tonnes
Sawlog timber						
Jarrah	147,545	192,572	-	-	147,545	192,572
Karri	46,067	57,124	-	-	46,067	57,124
Marri	3,691	4,577	-	-	3,691	4,577
Blackbutt	1,595	2,084	-	-	1,595	2,084
Wandoo	23	31	-	-	23	31
Sheoak	1,160	1,160	-	-	1,160	1,160
Other	69	86	-	-	69	86
Total native forest sawlogs	200,150	257,634	-	-	200,150	257,634
Yellow Stringybark	500	658	-	-	500	658
Brown Mallet	187	223	-	-	187	223
			-	-	0	0
Total plantation hardwood sawlogs	687	881	-	-	687	881
Pinaster	97,939	97,939	-	-	97,939	97,939
Radiata	318,004	318,004	18,631	18,631	336,635	336,635
Plantation softwood sawlogs & veneer logs	415,943	415,943	18,631	18,631	434,574	434,574
Total sawlogs	616,780	674,458	16,631	18,631	635,411	693,089
Other log material						
Native forests						
Chiplogs	124,038	147,953	-	-	124,038	147,953
Firewood/charcoal logs	142,549	166,366	-	-	142,549	166,366
Sandalwood	2,525	2,525	-	-	2,525	2,525
other *	11,254	13,937	-	-	11,254	13,937
Sub-total native forest other	280,366	330,781	-	-	280,366	330,781
Plantation hardwood						
Chiplogs**	-	-	-	-	-	-
Firewood/charcoal logs	416	416	-	-	416	416
other *	-	-	-	-	-	-
Sub-total hardwood plantation other	416	416	0	0	416	416
Plantation softwood						
Industrial wood	191,786	194,006	3,963	3,963	195,749	197,969
Woodchips	151,192	151,207	-	-	151,192	151,207
Other	20,699	20,699	497	497	21,196	21,196
Pine rounds	8,929	8,929	93	93	9,022	9,022
Sub-total plantation softwood other	372,606	374,841	4,553	4,553	377,159	379,394
Total other material	653,388	706,038	4,553	4,553	657,941	710,591
Total log timber	1,270,168	1,380,496	23,184	23,184	1,293,352	1,403,680

Includes logs from Crown land sold under minor production contracts.

* Includes poles, bridge timbers, burls, chopping logs, mining timber, craftwood, pegging logs and fencing material.

** Includes woodchips.

Appendix 7 - Native forest sawlog production 2012–13

Species	High quality sawlogs m ³	1st & 2nd grade sawlogs m ³	Bole sawlogs m ³	Other sawlogs m ³	Total m ³
Jarrah	843	33,955	94,260	18,487	147,545
Karri	0	42,700	0	3,367	46,067
Marri	147	0	0	3,544	3,691
Other species	76	0	1,442	1,329	2,847
Total	1,066	76,655	95,702	26,727	200,150

Species	tonnes	tonnes	tonnes	tonnes	tonnes
Jarrah	1,045	44,651	123,952	22,924	192,572
Karri	0	59,949	0	4,175	57,124
Marri	182	0	0	4,395	4,577
Other species	94	0	1,897	1,370	3,361
Total	1,321	97,600	125,849	32,864	257,634

Includes logs from Crown land sold under minor production contracts.

Appendix 8 - Native forest chiplog production

Species	Crown land 2010–11		Crown land 2011–12		Crown land 2012–13	
	(m ³)	(tonnes)	(m ³)	(tonnes)	(m ³)	(tonnes)
Marri	2,310	2,865	1,151	1,427	10,218	12,615
Karri	128,511	152,901	114,338	136,192	107,136	127,518
Other	7,967	9,321	4,338	5,075	6,684	7,820
Total	138,788	165,087	119,827	142,694	124,038	147,953

Appendix 9 - Native forest fuelwood production

Product type	2010-11	2011-12	2012-13
	(tonnes)	(tonnes)	(tonnes)
Firewood logs	61,353	54,762	62,032
Charcoal logs	117,764	145,378	104,334
Total	179,177	200,140	166,366

Appendix 10 - Sandalwood production by the FPC from Crown land

Product type	2010-11	2011-12	2012-13
	(tonnes)	(tonnes)	(tonnes)
Green (excl. roots & 3rd grade)	1,139	997	1,086
Roots	207	182	211
3rd grade green	320	293	208
Dead	867	1,061	1,020
Bark	50	-	-
Total	2,583	2,533	2,525

Note: Branch wood and 56 per cent of the roots are additional to the volume of green wood licenced to the FPC (1,350 tonnes).

Glossary

Bole log	Trunk or main stem of tree
Broadleaved	Hardwood, flowering species
Butt log	A log cut from the butt or lower end of the bole
Carbon sequestration	Process where trees take up carbon dioxide from the atmosphere and store carbon in their leaves, branches, stem and roots.
Clearfall	A silvicultural system in which all trees in an area are removed at one time to allow regeneration to establish and develop as an even age stand.
Coniferous	Softwood, cone bearing species
Crown	A tree's canopy or foliage
Cubic metre (m ³)	Measure of timber volume
Falling or felling	Cutting down trees
ha	Hectares
Hardwood	Tree species which is a flowering plant or angiosperm, or the timber from it.
Harvesting	Felling of trees as part of a silvicultural operation.
Low grade logs	Logs unsuitable for sawmilling but suitable for other uses including manufacturing of reconstituted wood products, wood chipping, charcoal and energy generation.
Plantation	A planted forest
Residues	Part of trees other than bole or trunk including branches, needles and tree stumps.
Sharefarming	Contractual agreement with a farmer or landowner over an agreed period of years to use cleared land for commercial tree cropping.
Silviculture	Theory and practice of managing stands of trees for establishment, quality and growth.
Softwood	Tree species, of the gymnosperm group, or the timber from it. Most commonly conifers (cone-bearing).
Thinning	Felling of a proportion of the trees in an immature stand for the purpose of improving the growth of trees that remain without permanently breaking the canopy and encouraging regeneration.
Timber	General term used to describe sawn wood suitable for building, furniture construction and other purposes.
Sustainable yield	Sustainable yield of a forest is the maximum level of commercial harvest that can be maintained under a given management regime.
Veneer logs	High quality logs that can be sliced or peeled to produce veneer.

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