THE GOVERNMENT OF WESTERN AUSTRALIA

Forest Products Commission
WESTERN AUSTRALIA

Annual Report 2013-14

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Statement of compliance

For year ended 30 June 2014
Hon Mia Davies 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 2014.

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

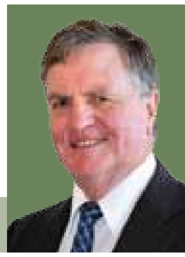
Robert Fisher AM, JP
Chairman of Accountable Authority

12 September 2014

Geoffrey Totterdell
Member of Accountable Authority

12 September 2014

From the Chairman



The Forest Products Commission (FPC) continues to be in a sound position with an operating profit of $6.9 million for 2013-14. The prospects for the foreseeable future are positive even though there are some challenges ahead, particularly in the South West native forest and sandalwood business sectors.

The 10-year 2004-2013 Forest Management Plan (FMP) under which the native forest industry operates expired on 31 December 2013 and a new FMP for 2014-2023 was not gazetted until December 2013. As a result, new contracts could not be issued in a timely manner and uncertainty in the native forest industry affected investment by customers and contractors in plant and equipment. However, the industry is resilient and showing signs of recovery.

The new FMP maintains native forest harvest levels for the next ten years at similar levels to the last FMP. New contracts have now been negotiated with customers and the FPC is in the process of finalising long-term harvest and haulage contracts. As part of this process some established companies reduced their involvement in the industry.

The sandalwood business continues to perform well, although there has been a drop in international sales during the year. This has been due to the illegal harvesting of sandalwood and competition from lower priced products. It is pleasing to note that there has been some significant progress in the control of illegal sandalwood harvesting during the year. The support of the Department of Parks and Wildlife (Parks and Wildlife) and the Western Australian Police in curtailing illegal harvesting is greatly appreciated.

The softwood industry has performed well with a steady recovery over the year. This has been largely due to an improvement in domestic housing starts. There has also been a drop in the value of the Australian dollar and an improvement in overseas markets, both of which have reduced the level of competition. For most of 2013-14, export markets for low value products have been strong. However, there was a substantial drop in the value of export logs over the last few months, but the FPC has a diverse mix of lower value markets that will buffer this impact.

I would like to thank the FPC Commissioners for their contribution to FPC's performance over the year. There is considerable expertise among the Commissioners on both the commercial timber industry and the business of government. This has ensured that the Board has been able to make decisions which balance industry development and commercial outcomes for the FPC. In particular, I would like to thank Zelinda Bafile whose second term as a commissioner expired in November, Rob McDonald whose term expired on 30 June and Rob Delane who has made a decision to step down from the Board.

I would also like to thank the Hon Terry Redman MLA for his support and significant contribution as Minister for Forestry until December 2013. The Hon Mia Davies MLA took over as Minister and has demonstrated her strong commitment to the forest industry. The Board looks forward to working with her into the future.

Finally, I would like to acknowledge David Hartley's tenure as General Manager of the FPC over the last four years. Through David's direction and management the FPC is well placed for the future. I would like to thank David for his professionalism and leadership and wish him well in his future retirement.

Robert Fisher

Robert Fisher AM, JP

Chairman

Executive summary

The FPC has had another successful year and the Western Australian forest industry continues to be both sustainable and commercially viable. As with any industry, there will be ongoing changes in the operating environment. Work is underway in all of the FPC's business sectors that will place the agency in a good position to meet these challenges as they arise.

Contract administration rose to the challenge this year with 116 contracts awarded, valued at approximately $90 million per annum. Of these contracts, 96 per cent were awarded to regional and rural businesses equating to flow-on employment and social benefits to the communities.

The softwood industry has recovered from a difficult period over the last couple of years, and is now trading strongly due to upturn in the domestic housing market. The FPC will continue to work closely with industry on the development of markets that use lower grade logs and residue products.

The decline in land available for softwood plantations is a major issue for the industry. The clearing of softwood plantations to protect public water supplies on the Gnangara mound and competition from other land uses is particularly challenging. The FPC is working on a plantation industry strategy that aims to maintain the existing land base in the central forest region, and further develop the plantation estate to a level that will ensure the future long term viability of the industry. This will involve a combination of second rotation plantings and the establishment of plantations on new land.

Financial performance of the native forest sector has been eroded by the uncertainty associated with the development of the new 10-year FMP, the closure of a major sawmilling and timber processing business, and the decline in the international market price of hardwood woodchips. The issuing of the new contracts should lead to the renewal of confidence and investment within the industry.

As the FPC was unable to enter into any contracts until a new FMP was in place, there was an extended period where the industry was reluctant to put any new investment into the development of markets and infrastructure. While the volume of timber available under the new FMP is unchanged, there is a need to adjust to a change in the quality of timber available. The FPC has been working closely with industry to identify new markets and new technologies, especially those that will utilise the lower grade resource.

The sandalwood sector remains strong despite a drop in international sales during the year. The structure of the industry has been reviewed by a Legislative Council committee and the FPC will work closely with the relevant government agencies to ensure that recommendations from the review are implemented.

A major effort has been made during the year to strengthen the organisation's governance systems and to further develop the FPC's Environmental Management System (EMS). I am pleased to report that this work culminated in a renewal of the FPC's accreditation against the ISO 14001 standard for EMS and to the Australian Forestry Standard. These certifications highlight the FPC's ongoing commitment to sustainable forest management and to continuous improvement.

The agency's successful performance is a reflection of the competence and commitment of the FPC's staff under sometimes difficult circumstances. I would like to thank all staff for their dedicated and professional contribution throughout the year.

David Hartley

General Manager

Our key achievements

Recertified

AFS/01-21-13

PEFC/21-23-13

CERTIFIED ENVIRONMENTAL MANAGEMENT SYSTEM ISO 14001

Accreditation number: E1510196AS

Independently audited

Continuous improvement

Internationally recognised

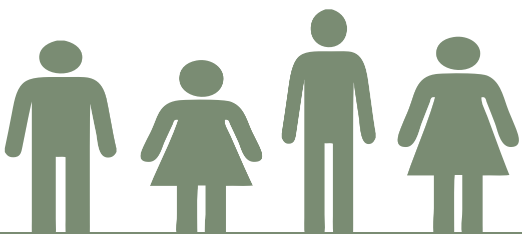
11 tonnes of sandalwood seed

planted over 800 km thanks to FPC s new seeder

Softwood industry performance

Development of:

- ✓ Strategic OSH plan
- ✓ Workforce Diversity plan



+ $60,000 new fire equipment
+ $50,000 invested in fire training
+ 24 fire service medals awarded

has led to **zero** lost time injury in forest operations

116 contracts awarded

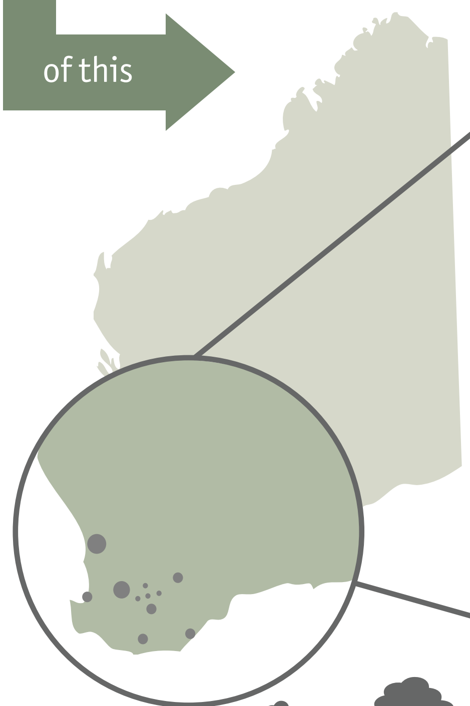
78 contracts for
sale of forest products

38 contracts for
forestry goods and services

Worth approximately

$90 million per year

of this



96% of the contracts were awarded to regional & rural businesses

With significant flow-on employment and social benefits to regional and rural communities

We are committed to ensuring our native forests and plantations are managed responsibly. This ensures that future generations can continue to benefit from Western Australia's highly valued forest resources.

1

Governance and compliance

West Manjimup Nursery and Seed centre

Agency overview

The Forest Products Commission (FPC) is a statutory authority governed by the *Forest Products Act 2000* (the Act) and sections of the *Forest Management Regulations 1993*. The FPC is responsible for the sustainable management and development of Western Australia's forest and timber industry using native forest, plantation and sandalwood products on land owned or leased by the State.

The Act outlines the functions and principles to be undertaken by the FPC, including both commercial and non-commercial activities. It stipulates four fundamental principles the FPC must satisfy in the performance of its operations:

- The long term viability of the forest products industry;
- Application of the principles of ecologically sustainable forest management related to indigenous forest products located on public land;
- Industry development to support the longer term interests of the forest industry and Western Australia; and
- Endeavour to generate a profit from forest products for the State of Western Australia.

To ensure the FPC adheres to these principles, the FPC employs environmental management practices consistent with the principles of ecologically sustainable forest management as described in the *Conservation and Land Management Act 1984* and in the Forest Management Plan 2014-2023 (FMP).

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

The Hon Terry Redman MLA was the Minister for Forestry until 10 December 2013. The Hon Mia Davies MLA is currently Minister for Forestry. The FPC did not receive any Ministerial directives during the 2013-14 reporting period.

Image: Regrowth karri forest north of Pemberton

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

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

- 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.

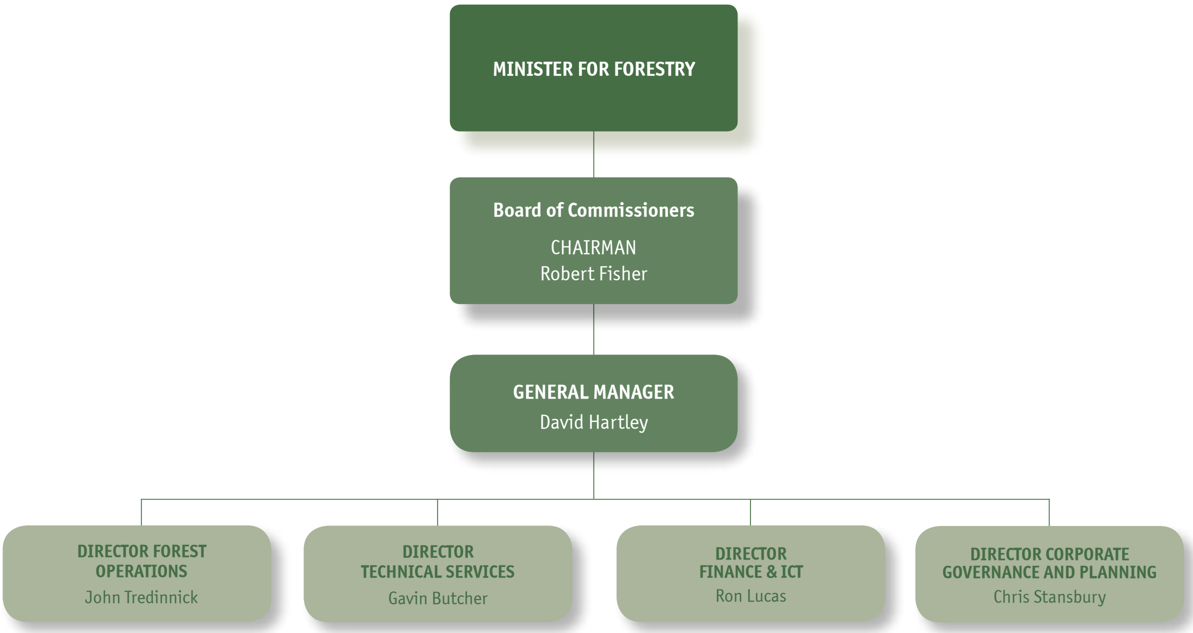
We commit to providing a safe workplace for our staff and contractors and put the wellbeing and professional development of our people at the forefront of our business.

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, supported by effective management planning, is integral to our everyday operations and activities. The FPC's continual improvement of its Environmental Management System (EMS) is recognised through certification to internationally recognised standards for sustainable forest management (ISO 14001 for its EMS). The FPC also 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.

Organisational chart



Commissioners

The FPC's governing body is a Board of seven Commissioners appointed by the Governor, on the Minister for Forestry's recommendation. The Board is responsible to the Minister. Commissioners may hold office for up to three years, and are eligible to be re-appointed. Individuals are nominated for a position on the Board based on expertise and business acumen relevant to the core functions of the FPC.

The role of the Commission is to determine strategic direction, monitor performance and direct the agency's business affairs. Commissioners agree on the key objectives and strategies through a five-year Strategic Development Plan and an annual Statement of Corporate Intent, which requires approval by the Minister. The Board provides the Minister with an evaluation of performance and financial outcomes in the Half Year and Annual Reports as well as updates throughout the year. In addition, quarterly reports are submitted to the Department of Treasury on financial performance and progress against the agency's Accountability Plan. Monthly performance and business reports are provided to the Board.

Current members of the FPC's Board of Commissioners are:

Mr Robert Fisher BA, BEd, AM, JP (Chairman)

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

Robert 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. Reappointed for a further term commencing 1 July 2014 expiring 30 June 2017.

Through a career spanning fifty years, Ed 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.

Mr Rob Delane

Commissioner from 22 November 2010. Resigned 30 June 2014.

Robert Delane is Director General of the Department of Agriculture and Food Western Australia (DAFWA). During 2008-09 he held the position of Deputy Secretary, Biosecurity 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, biosecurity 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 expired 30 June 2014 and did not seek reappointment.

Robert 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, the Rottnest 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.

Robert 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. 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.

Stuart 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:

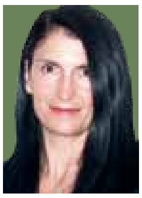
- Chairman, Western Australian Regional Development Council;
- Chairman, South West Development Commission;
- Chairman/CEO, Western Aerospace Ltd;
- Managing Director (and founder), Westintech Ltd;
- Chairman, State Energy Commission of Western Australia;
- General Manager and Director, Westralian Plywoods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

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

Mr Geoffrey Totterdell B.Com FCPA MAICD

Commissioner from 16 November 2013. Term expires 15 November 2016.

Geoff Totterdell retired from a 20 year partnership with an international accounting firm in December 2006 where he was primarily involved in the administration of insolvent companies and in business consultancy. Mr Totterdell has had significant government appointments including Chairman of Swan River Trust from 1994 to 2003, Dairy WA Ltd from 2003 to 2006 and Rottnest Island Authority from 2007 to 2010. He and his wife have enjoyed living in the Peel Region since acquiring their home in South Yunderup some 8 years ago. Mr Totterdell is an active yachtsman and a life member of the Royal Freshwater Bay Yacht Club in Perth.



Ms Zelinda Bafile LLB, FAICD

Commissioner from 16 November 2007. Term expired 15 November 2013 and did not seek reappointment.

Zelinda 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.

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. Term expires 30 June 2016.

Amelia 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.

Conflict of interest disclosure

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.

Indemnity insurance

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 total amount of the insurance premium plus fees and taxes paid for 2013-14 was $13,277 of which the Commissioners collectively contributed one per cent.

Board meetings and remuneration

The Commissioners met eleven times during the year, including two special meetings, at which time they were furnished with detailed monthly reports and strategic material to assist in monitoring the performance of the agency.

Commissioners are remunerated out of FPC funds with remuneration, travel expenses and allowances determined by the Minister for Public Sector Management.

Commissioner	Meetings attended	Eligible to attend	Type of remuneration	Period of membership	Gross remuneration
Mr Robert Fisher (Chair)	9	11	Annual	Chairman throughout the financial year	$50,000
Mr Ewald Valom (Deputy Chair)	11	11	Annual	Deputy Chairman throughout the financial year	$20,850 and travel allowance
Mr Robert Delane (Commissioner)	4	11	Public sector employee	Commissioner throughout the financial year	No remuneration
Mr Robert McDonald (Commissioner)	9	11	Annual	Commissioner throughout the financial year	$20,850
Mr Stuart Morgan (Commissioner)	10	11	Annual	Commissioner throughout the financial year	$20,850
Mr Robert Pearce (Commissioner)	11	11	Annual	Commissioner throughout the financial year	$20,850
Mr Geoffrey Totterdell (Commissioner)	4	5	Annual	Appointed as Commissioner on 16 November 2013	$20,850
Ms Zelinda Bafile (Commissioner)	2	6	Annual	Commissioner to 15 November 2013	$20,850
Ms Amelia Yam (Co-opted Commissioner)	9	11	Annual	Co-opted commissioner throughout the financial year	$20,850

Audit and Risk Committee members

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.

The Audit and Risk Committee met formally four times during the year.

Commissioner	Meetings attended	Eligible to attend	Term status
Mr Robert McDonald	3	4	Chair and committee member throughout the financial year.
Mr Geoffrey Totterdell	2	2	Committee member from 10 February 2014.
Ms Amelia Yam (Co-opted Commissioner)	4	4	Committee member throughout the financial year.
Ms Zelinda Bafile	1	2	Co-Chair and committee member to 15 November 2013.

Corporate Executive

The General Manager of the FPC is responsible for the day-to-day operations of the Commission. The other members of the FPC's Corporate Executive assist the General Manager in this role. Meetings of the Corporate Executive are held weekly.

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

David Hartley

General Manager

David 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. After four years of exemplary service Mr Hartley retired on 8 July 2014.

Gavin Butcher BScFor

Director, Technical Services

With a career in plantation and native forest management spanning more than 34 years, Gavin 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 positions have been Executive Manager Operations (FPC); and Plantations Group Manager with the Department of Conservation and Land Management. Mr Butcher is currently the Chair of the Forest and Forest Products Committee, which reports through to the Commonwealth of Australian Government's Standing Committee on Primary Industries.

John Tredinnick BScFor; MSc

Director, Forest Operations

John Tredinnick has been Director of Forest Operations (FPC) since 2011. 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 currently a Director of Australian Forest Products Association and Southern Tree Breeding Association and a previous Director of the Institute of Foresters of Australia.

Ron Lucas BBus CPA

Director, Finance and Information Communication and Technology

Ron Lucas is a Certified Practicing Accountant and was appointed to the FPC in June 2011. Prior to joining the FPC, Mr Lucas held the Chief Finance Officer's position with the Department of Agriculture and Food, Western Australia (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

Chris Stansbury joined the FPC in January 2013. Dr Stansbury held senior management roles with both the Office of the Public Sector Standards Commission and more recently the Public Sector Commission for seven years. These roles have focused on leading programs to evaluate governance compliance across the Western Australian public sector. Prior to this Dr Stansbury spent over 10 years working for the University of Western Australia, the Commonwealth Scientific and Industrial Research Organisation (CSIRO), the DAFWA and Queensland Natural Resources and Mines in scientific and Post-Doctoral research roles.

2

Significant issues impacting the agency

Regrowth forest at Rainbow Trail out of Pemberton

Significant issues impacting the agency

South West native forests

The uncertainty created by the transition from the old to the new FMP had a significant impact on native forest timber sales during the year. The fixed term nature of the FMP and delays in finalising the plan resulted in the stagnation of business investment and market development throughout all sectors of the native forest industry. This led to a general reduction in activity across the sector, and lower than forecast log sales.

Under the new FMP, over 62 per cent of the South West native forests on crown land are unavailable for timber production. This includes all areas classified as old-growth forests. The remaining 38 per cent of the forests available for harvest include a high proportion of low yielding forests and a poorer quality resource than has been available in past years. This means that businesses will need to invest in new technology and new markets in order to continue processing native forest timber into value added products.

The FPC has endeavoured to secure new investment in the native forest industry but has yet to be successful. One of the limiting factors affecting investment is that the FPC can only offer contracts within the term of a 10-year FMP.

Forest protest activity

The FPC continues to have concerns regarding the unsafe behaviour of protesters that attempt to disrupt native forest harvesting operations. Not only do protestors put their own safety in jeopardy but their behaviour also places the safety and well-being of FPC staff, contractors and members of the public at considerable risk.

Softwood plantation estate

The softwood plantation estate continues to be impacted by long periods of dry weather that result in tree deaths on marginal sites. A significant drought event occurred in autumn 2014, and its impacts are yet to be fully assessed. The pine plantation estate is also reducing as a result of government policy to liquidate the Gnangara, Pinjar and Yanchep plantations. In addition, land is being claimed for other purposes such as new roads or mining activities.

During 2013-14, the FPC commenced development of a softwood industry strategy that aims to maintain a sufficient land base to meet growing market demand for softwood. In addition, the FPC continues to develop options to increase harvest and establishment efficiencies, and improve growth rates through more effective silvicultural practices.

Illegal harvesting of sandalwood

The FPC and Parks and Wildlife continue to work with the Western Australian Police to combat the illegal harvest of sandalwood. The illegal harvest not only impacts the sustainability of the industry but also disrupts the international market. As recognised by the Legislative Council inquiry into the sandalwood industry, current penalties for illegal sandalwood harvest are too low to adequately deter illegal activity. The FPC is supportive of current efforts that are being made to reduce and ultimately eliminate the illegal harvest of wild sandalwood.

3

Agency performance

Plantation operations near Balingup

Corporate performance

Internal audit

The 2013-14 year saw the implementation of a new model for delivering FPC's internal audit function. Under the previous model all internal audits with the exception of environmental compliance audits, were outsourced to external auditing professionals. Under the new model a proportion of the internal audits were conducted using in-house expertise. Internal audits were only outsourced where expertise was not available within the FPC. The 2013-14 internal audit plan included seven audits covering a range of business areas. As at the end of June, six of the seven audits scheduled for the year had either commenced or were completed. Three of these were conducted in-house and three were outsourced.

These included:

- Contract Management Compliance Audit - Internal
- Firearm Safety Compliance Audit – Internal
- Evaluation of compliance operational systems - Internal
- Governance processes review – External
- EMS/AFS surveillance audit - External
- External Assessment of Internal Audit Function - External

The scheduled Firearm Safety Compliance Audit commenced early in 2014 and is anticipated to be completed before the end of the calendar year. One additional internal audit was completed during 2013-14 that was not on the original schedule. This audit was conducted by an external provider and involved a review of native forest biological asset valuation methodology. The remaining scheduled audit for 2013-14 was on the Forest Planning and Management System Pre-Implementation. This audit was deferred due to the project commencing later than anticipated.

A new strategic plan for our workforce

In 2013-14 the FPC invested resources to establish a long-term strategic plan for the workforce. This plan was developed to help ensure FPC's staff can continue to sustain and lead the business, now and in the future. The FPC's new five year Workforce and Diversity Plan 2014–2019 outlines the opportunities, challenges and priorities for the workforce and the initiatives that will be implemented in response. The Workforce and Diversity Plan 2014-2019 came into effect from January 2014. The outcomes achieved in the first six months include:

- a new performance management system, completed by 81 per cent of the staff that identifies how each person contributes to the strategic business objectives;
- a new integrated approach to learning and development that refocused 63 per cent of the funds invested towards technical and functional skills of staff;
- a new capability profile for forest operations staff that identifies the behaviour needed to compliment job skills for superior performance;
- a new scholarship program that has encouraged several staff to commence and progress post-graduate studies in Forestry and International (Asian) Business Management and has produced project work that has directly informed the business;
- a project to procure a contemporary human resource information system was implemented. Treasury approval to proceed was granted and a specification finalised to detail the functionality required to meet the business and compliance needs;

- a new 12 month learning and development calendar that is fully funded and directly links to the performance management system; and
- a comprehensive review of workforce related policy, procedures and processes was undertaken. This helped to ensure policies and processes could be communicated more clearly, and content could be aligned more closely with the employment legislative framework.

Our people

Approximately 70 per cent of FPC's 160 full time equivalent employees are located in regional towns. The FPC's staff work with industry, local communities and a range of stakeholders to ensure Western Australia's timber resources are sustainably managed.

Staff numbers and locations as at 30 June 2014

Location	By employment type			Total	Gender breakdown	
	Full-time salaried staff	Part-time salaried staff	Seconded staff		Male	Female
Albany	7	0	0	7	5	2
Bunbury	25	1.6	2	28.6	16	14
Carnarvon	1	0	0	1	1	0
Collie	2	0.6	0	2.6	1	2
Esperance	2	0	0	2	2	0
Gnangara	6	0.6	0	6.6	6	1
Harvey	21	2.4	0	23.4	17	8
Kalgoorlie	5	0	0	5	4	1
Kensington	37	3.73	4	44.73	27	20
Manjimup	19	1	0	20	16	5
West Manjimup	8	1.2	0	9.2	6	4
Nannup	10	0	0	10	8	2
Totals	143	11.13	6	160.13	109	59

Occupational safety and health

The FPC regards the provision of a safe and healthy work environment as its primary commitment to staff and contractors.

The FPC achieved a milestone in occupational safety and health (OSH) management in 2013-14. It was the first year with a zero lost time injury rate across its forest operations staff. Only one lost time injury incident was recorded for a metropolitan based office worker.

The FPC also developed a new Strategic Occupational Safety and Health Plan for 2014-2017 (OSH Plan), which outlined the progress and requirements to align with AS/NZS 4801:2001 Occupational health and safety management systems and the *Workers' Compensation and Injury Management Act 1981*. In addition, progress will be reviewed annually against the OSH Plan over the next three years. The OSH Plan, effective from January 2014, was developed following the 2013 assessment of FPC's OSH management system. Under the new OSH Plan the FPC has achieved the following:

- A reduced number of lost time injuries and medical time inquiries.
- Staff are reporting more near miss incidents and hazards, as well as ensuring these are actively managed;
- Improved reporting to the Board of Commissioners and Executive Management including a continuous review of preventative actions;
- Increased consultation with staff through OSH committees and OSH representatives, which has helped reinforce a proactive safety culture throughout the organisation;
- Enhanced consultation though providing more information through weekly newsletters, OSH alerts, office notice boards and coaching staff in their work environment;
- New OSH procedures were developed and several were reviewed to increase clarity;
- All high risk contracts have been reviewed to align with government procurement guidelines and strengthen the focus on OSH in the specification to increase the standard of our contractors OSH management systems;
- Significant training in hazard management and incident investigation was implemented to strengthen FPC's approach to contractor performance and ensure unsatisfactory OSH performance is actively managed in partnership with the FPC's contractors.

In addition, the FPC has continued to ensure injury management practices comply with the requirements of the *Workers' Compensation and Injury Management Act 1981* and that plans for return to work are in accordance with limitations outlined by the employee's medical practitioner.

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*	2012–13	2013–14	Target achieved
Number of fatalities	0	0	0	Yes
Lost time injury/disease incident rate	0 or 10% reduction	3.95	3.55	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 Commissioner's Circular 2012-05 Code of Practice OSH in the Western Australian Public Sector.

Image: Contractor engages with FPC forest officer

Our performance under Equal Employment Opportunity (EEO) legislation

The FPC's workforce demographics demonstrate the work achieved in the past for equal employment opportunity (EEO). As outlined in the table below, the FPC is almost 'on par' with the Public Sector averages with a slightly higher proportion of employees with a disability and mature workforce.

Diversity group	Representation within FPC As at June 2014*	Public Sector Average As at June 2014*
Women in Management Tier 2	33.3%	34.2%
Women in Management Tier 3	38.5%	42.5%
Women in Management Tier 2 & 3 combined	36.8%	40.4%
Indigenous Australians	0.0%	2.9%
People from culturally diverse backgrounds	11.8%	12.4%
People with a disability	3.9%	2.4%
Youth	2.1%	4.9%
Mature (aged 45 and over)	55.8%	52.0%

* This data includes casual employees.

The FPC's Workforce and Diversity plan 2014-2019 integrates the EEO Plan and highlights where more work is needed, particularly, for the employment of Indigenous Australians and youth.

The FPC continues to commit to:

- ensuring an organisational culture where employees are treated in a fair and equitable manner in all decisions and processes that affect them;
- fostering a workplace that is free from all forms of discrimination, harassment and victimisation; and
- building a workplace environment that endeavours to accommodate flexible working arrangements considering employee's family structures, age, culture and social backgrounds.

Disability and access inclusion plan

All public authorities including the FPC are required under the *Disabilities Services Act 1993* to implement a Disability and Access Inclusion Plan (DAIP). The DAIP outlines the ways in which the authority will ensure that people with disabilities, their carers and families have equal access to its facilities and services. The FPC is finalising the draft DAIP and expect to release the plan for stakeholder consultation in September 2014.

Compliance to Public Sector Standards and the Code of Conduct

During the reporting period no breaches were lodged in relation to any of the Public Sector Standards. The FPC complies with the Public Sector Code of Ethics, through its own Code of Conduct.

In 2014, the induction process for new staff was reviewed, contemporised and made available online. All staff now directly access policies, procedures and information as they work through and understand the Code of Conduct. FPC's performance management system requires staff to reaffirm they have read and understood the information provided in the Code of Conduct every six months.

Contracts with Senior Officers

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

Image: Staff from FPC's head office in Kensington

Recordkeeping

The FPC continues to be committed to meeting its regulatory and best practice requirements, ensuring proper and adequate records are maintained. Every government organisation is required to have a Recordkeeping Plan under Section 10 of the *State Records Act 2000*. The Recordkeeping Plan is to provide an accurate reflection of the recordkeeping program within the organisation. The FPC reviews its Recordkeeping Plan every five years in accordance with the *State Records Act 2000*.

The FPC has reviewed the effectiveness and efficiency of its recordkeeping training program, and subsequently reintroduced an interactive online recordkeeping awareness training package. This has proved to be an effective way of providing training to all staff throughout the agency. The training ensures staff gain and maintain an awareness of their roles and responsibilities in regards to compliance with the Recordkeeping Plan. This training is incorporated into the FPC's induction program for all new employees.

The continuing focus for 2013-14 reporting period has been on the implementation of the electronic document management system. The FPC has made a major transition from a paper based recordkeeping to greater reliance on electronic recordkeeping. Switching to this system ensures greater efficiencies in capturing and retrieving corporate information. It also improves remote access to corporate information across all of FPC's work centres and will reduce FPC's overhead costs.

Significant ground work in trialling and developing the electronic document management system was undertaken to ensure it suited the FPC's needs and legislative requirements. Subsequently in-house training to FPC staff has commenced, as the system is progressively introduced to individual work units. The implementation of the new system will continue to progress over the next 12 months.

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

Information technology

The focus of FPC's information and communication technology (ICT) efforts were on finalising infrastructure upgrades, working towards improvements in corporate business systems, and making corporate information and electronic data capture available to field staff. There were several noteworthy achievements which included:

- completion of the core infrastructure and server software replacement project;
- significant progress was achieved upgrading the human resource and corporate accounting systems, with implementation scheduled for 2014-15, and finalising specifications and issuing the request for tender for the new forest planning and management system;
- completion of the server software enhancement program which enabled rationalisation of network services and streamline of processes;
- delivery of terminal server services to mobile technology;
- finalisation of the four year desktop refresh program which enabled roll out of Windows 7 to all user devices; and
- trialling electronic field data capture solutions to simplify capture and availability of corporate information.

There were a number of other configuration enhancements implemented and underlying upgrades completed which were needed to take advantage of latest technologies and stabilise ICT service provision to FPC users.

New internal website

During 2013-14, the FPC redesigned and developed a new internal website to:

- improve the quality and integrity of information;
- improve the process by which controlled documents are managed and communicated;
- provide easily-referenced, user friendly web content ;
- create a one-stop-shop working environment readily accessible by all employees, especially those based in remote locations, and for those dealing with the challenges of a disability; and
- comply with the Western Australian Government’s Website Governance and Accessibility Policy.

A comprehensive review and consolidation of FPC’s document control and management process has resulted in a major overhaul of corporate policies and procedures to ensure greater efficiencies, consistency and accuracy of information. This has helped to ensure the agency’s controlled documents are maintained, updated and communicated effectively as processes change and evolve.

The new internal website, as seen below, came into effect from May 2014.

Promotion and awareness

The FPC is committed to ensuring the value of the forests and the forest and timber industry is promoted broadly. The challenge for the FPC is to use limited resources wisely to ensure the public is both kept informed of forest management activities, and has the opportunity to consult with FPC staff. The key messages actively promoted are that the forest and timber industry is based on a biological resource that is natural, renewable and sustainable, and provide significant environmental, social and economic benefits to Western Australia.

During 2013-14, the FPC released a number of information and education materials leading up to World Forestry Day celebrations on 21 March 2014. In addition, the FPC's external website was updated significantly to ensure information was kept up-to-date and provided in a more user friendly format. Key highlights of the 2013-14 reporting period are outlined below.

Highlights for the 2013-14 reporting period include:

A practical 'hands-on' field tour for silviculture and environmental management students, studying a Bachelor of Science degree at Edith Cowan University, was organised by the FPC. The trip showcased sustainable harvest and regeneration operations. This experience allows the next generation of environmental managers to understand the different aspects of forestry and the important role that trees play in the landscape.

Six information sheets about sustainable management and harvesting of the South West native forests were developed in consultation with internal staff and with staff from the Parks and Wildlife. These information sheets were sent to a broad range of stakeholders and uploaded onto the FPC's external website.

As part of Science Week in August 2013, FPC staff shared their expertise during a field activity near Manjimup. Community members learnt about tree stand measurement and carbon storage calculation in natural forest and plantation.

A short video about the management of Western Australia's South West forests was produced and is available on the FPC's external website.

The first of a series of short animations about forest management was produced. The animation explains 'sustainable forest management' and is available on the FPC's external website.

The FPC remains a partner of the Forest Learning national education website. During 2013-14 the FPC provided updates on learning activities in Western Australia. The FPC continues to utilise materials from the Forest Learning website for educational activities and presentations to school groups.

FPC staff participated in the filming of a television series for the Channel 7TWO's 'Going Bush' series. The short documentary about the State's forest industry was aired during February 2014.

In September 2013, the FPC hosted a tour for executives from VicForests which provided opportunities to collaborate and learn from each other and share common business strategies. The tour included interaction with industry and forest operations in the South West.

Presentations on specific forest management topics were provided to various community groups such as natural resource management groups, non-government organisations, Aboriginal groups and Master Tree Grower courses. In addition, presentations were provided to a number of school groups to showcase different aspects of forestry as a career choice, sustainability, forest management, and measuring the economic value of forests.

The FPC facilitated a number of field tours for various community groups and individuals interested in FPC's native forest operations. This image shows members of the Quindanning Action Group discussing their concerns with FPC staff in regard to intended harvesting operations.

The FPC contributed to a number of other promotional, industry development and educational initiatives, which are outlined below.

Western Australian and Australian Furniture of the Year Awards 2013

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

The Western Australian Furniture of the Year award ceremony was held as a cocktail event on 23 August 2013 at the Hyatt Regency. The winner in the category 'Excellence in Furniture using Australian Native Timber' was awarded to Butler Interiors for their Bespoke Bed and Bedside Cabinets. The 'Excellence in Dining Furniture – Table and Chair Setting' was won by Jah Roc Furniture for their Block Dining Table with Filigree Chairs. Jah Roc Furniture also won the award for 'Excellence in Commercial Furniture – Seating, desks and storage' for their 'Branching out desk'.

Following the State awards, the Jah Roc Furniture's 'Branching out desk' also won the Australian Furniture of the Year Awards category. The Awards were held directly after the Western Australian Furniture Awards, which recognises excellence in the Australian furnishing industry at a national level.

Image: Jah Roc Furniture's award winning 'Branching out desk'

WA Wood Show

The FPC has been an exhibitor at the WA Wood Show and a sponsor of the 'Out of the Woods' competition for over 10 years. The Show, which runs over three days in early August, attracts wood enthusiasts of all ages from the home handyman to professional renovators as well as high school and tertiary students. The FPC supports this industry event as it provides a good opportunity for the public to understand more about Western Australia's unique timbers, their environmental friendliness, and the value adding opportunities that are available.

The FPC continues to sponsor the student categories of the 'Out of the Woods' competition and exhibition which encourages woodworkers and artists of all ages to showcase their skills. In 2013, the student competition standard was high with increased participation from schools throughout the State.

National Forest Health Initiative

Forest health remains a priority for the FPC. A meeting in Melbourne in October 2013 brought together forest health professionals from all States and Territories to discuss how collaborative initiatives could be run in the future. With access to trained personnel in this area becoming more limited, the need to pool resources to ensure on-going access to the best information is essential.

Biosecurity awareness and training – Myrtle Rust

The FPC provides training to the forest industry and workers in the natural environment for the identification and incident reporting and management of Myrtle rust (*Puccinia psidii s.l.*). This has included participation in a national Plant Health Australia workshop held in Sydney in July 2013 as well as training for the bluegum industry in Albany in November 2013. Training for smaller community groups has also been carried out throughout the year.

Timber auctions

Throughout the year, four specialty timber auctions were held at FPC's Harvey Mill to provide members of the public with an opportunity to buy high quality native timbers. The auctions help promote Western Australia's unique timbers by providing extensive selections of species from around the State, many of which were salvaged from various land clearing projects. These sales are designed to accommodate small commercial operators, craftspeople and hobbyists who require varying amounts of craftwood and feature timbers.

Image: Participants at the November 2013 timber auction at Harvey.

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 2013–14 was $24,820 (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	Adcorp	Contracts and tenders	$11,445
		Recruitment	$1,338
		Forest operation notices	$2,598
	ABG Pages	Contact listings in the Australian Business and Government Pages	$2,533
	Sensis	Contact listings in the White Pages	$6,906

Stakeholder and community consultation

During the reporting period the FPC consulted with a range of stakeholders as part of its ongoing commitment to ensure effective collaboration and knowledge sharing. In addition, the FPC recognises that engaging with stakeholders helps to ensure more informed and better planned policies and services, and that stakeholders needs and interests are considered to ensure better management outcomes.

The FPC refers to the term 'stakeholder' as all people who have an interest in and/or are impacted by the FPC's operations. The FPC has continued to focus on ensuring all stakeholders are identified, understood, and have an opportunity to provide input into forest management activities.

The FPC's core principles for effective engagement include being respectful, inclusive, transparent, managing expectations, and building and maintaining trusting relationships.

During 2013-14 the FPC continued to consult with a range of stakeholders as part of native forest, sandalwood and plantation operations. These stakeholder groups included a broad range of people and organisations including members of the public, forest industry groups, property owners, Aboriginal groups, local shires, non-government organisations, and Government agencies.

In addition, over the last 12 months, the FPC specifically sought stakeholder feedback for the following two items:

Item	Stakeholder input	Benefit of this engagement to the FPC and stakeholders
In consultation with Parks and Wildlife, three year and one year indicative native forest harvest plans are produced under the requirements of the FMP. Each year both plans are made publically available.	In January 2014, FPC sent notices to a range of stakeholders seeking input into the one-year indicative harvest plans. In addition, the one year indicative harvest plans were advertised in a range of newspapers inviting members of the public to provide feedback.	This enables stakeholders to be kept up-to-date with progress in harvest planning and for the FPC to maintain awareness of stakeholder concerns and interests.
The FPC developed a draft management plan for the karri forest, which includes an assessment of the six high conservation values under the Forest Stewardship Council's (FSC's) Australia's High Conservation Values evaluation framework.	There were two stakeholder consultation periods seeking stakeholder feedback on the plan. The plan was updated five times during 2013-14. In addition, stakeholders were welcome to provide comment on the plan outside of the designated consultation periods.	Through seeking input from those with specialist and local knowledge, the plan is now more comprehensive and provides a more accurate assessment of the values that community members place on the forest.

In addition to the above, the FPC provides information to their neighbours to ensure they are kept informed of FPC's operations. For example, neighbours are sent notifications of proposed harvest operations. Where necessary, the FPC will consult further to ensure good neighbour relations, and manage potential impacts to meet obligations under the 'FPC's Community Engagement and Good Neighbour Charter.'

Consultation with Aboriginal communities

In 2013-14, the FPC continued effective engagement with Aboriginal people. The FPC acknowledges that engagement with Aboriginal people is essential for protecting their rights and values. The FPC engaged with Aboriginal elders representing native title claim groups, to ensure their awareness and feedback on proposed native forest harvest areas. These sites were identified as being of possible cultural value (i.e. including registered sites with the Department of Aboriginal Affairs) and requiring protection measures. In conjunction, a number of FPC staff attended workshops with Aboriginal elders to gain understanding of the importance and sensitivity associated with heritage sites and cultural values.

Currently, the FPC is working with Parks and Wildlife and the South West Aboriginal Land and Sea Council, along with local Aboriginal groups to finalise an engagement commitment document. The document outlines the FPC's statements of commitment for engagement with Noongar peoples in the South West of Western Australia.

The FPC is also an active member of the State Aboriginal Natural Resource Management Task Group. This group looks to encourage a range of activities by which individuals, groups and organisations improve their engagement to increase Aboriginal participation in sustainable natural resource management.

Stakeholder database

The FPC continues to engage with internal staff to enhance skills and raise awareness internally about the importance of effective engagement with stakeholders. During 2013-14 the FPC developed a new stakeholder database, which has been designed to help ensure FPC's gains and maintains meaningful relationships with all their stakeholders.

A component of this database includes a complaints management module. In 2013-14 the FPC conducted further reviews of its complaint management procedure, and as such has integrated its complaints management process within the stakeholder database. This ensures a more efficient approach to managing any stakeholder concerns, grievances or complaints.

Training in the use of the stakeholder database, stakeholder engagement, and complaints management will continue to be provided on an ongoing basis. As of June 2014, workshops were being planned for later in the year. The workshops will help to ensure all FPC staff are familiarised and have the opportunity to provide feedback on the newly developed stakeholder database.

Community service obligations

The FPC is proud to be able to provide a strong contribution to the Western Australian community, through both commercial forest operations and through additional community service obligations.

Contribution to fire management

The FPC continues its commitment to supporting the State's bushfire response capacity and the use of prescribed fire to achieve land management objectives in the varied environments of the state. The FPC values its commitment in terms of social responsibility; however, it should be recognised that this can impact business productivity. FPC personnel provided approximately 3,000 hours of assistance with burning and bushfire response in 2013-14.

Fifty staff members underwent newly developed fire training and fitness testing in 2013-14. In addition, 24 past and present FPC staff were presented with National Fire Medals in recognition of their long and diligent commitment to protecting communities and regions in times of emergency or natural disaster. Two fire trucks had best practice fire protection and sprinkler system fitouts in preparation for the 2014-15 fire season.

In late 2013, the FPC became a Fire and Emergency Services Unit under the *Fire and Emergency Services Act 2005* giving fire fighting staff the same statutory protection as other fire and emergency organisations. The FPC has provided input as part of the review of the fire and emergency services legislation.

Information and assistance

The FPC continues to provide information and support to the general public, Government agencies (State and Federal) and private businesses on a variety of issues including forestry, hydrology, biosecurity and trees.

Operational performance

The FPC is responsible for the production and sale of forest products to industry in accordance with the *Forest Products Act 2000* and the associated regulatory framework. The agency also establishes and manages a plantation estate. Although there are some crossovers, the regulatory framework and operating environment differs between each of the FPC's business sectors of South West native forests, plantations, and sandalwood.

The following details the key achievements and performance in each of the FPC's business sectors.

South West Native Forests

Operational activities on State forest land are managed in accordance with the Forest Management Plan (FMP) 2014-2023, which is prepared by the Conservation Commission of Western Australia. The FMP sets the allowable cut for all products based on a determination of sustained yield.

This year, the performance of the native forest sector was severely impacted by the implementation of the new FMP 2014-2023 and the uncertainty associated with the transition from the old FMP 2004-2013. The new FMP started in January 2014, but was not gazetted until December 2013. As the FPC is unable to enter into any contracts until an FMP is in place, there was an extended period when the industry was reluctant to put any new investment into the development of markets and infrastructure.

The sector was also significantly affected by the closure of a major sawmilling and timber processing business and the decline in the international market price of hardwood woodchips.

During 2013-14 the South West Native Forest branch undertook the following activities:

- A request for proposal process was completed to identify new markets for timber products. The process resulted in 76 new sales contracts being allocated to 48 regional and rural businesses, predominantly in the South West region. Importantly, a number of these proposals identified new options for residue timber products.

- A request for tender evaluation process was completed to allocate new harvesting and haulage contracts. This will result in approximately $30 million per year or up to $285 million for the life of the FMP. The process was focussed on improving efficiency, reducing costs and improving the viability of the industry. It was largely successful in putting in place the settings to achieve this outcome.

- In consultation with the Parks and Wildlife, the FPC reviewed and improved the operating procedures for harvesting, and road construction and maintenance. The outcome has been the development of clearer, more concise documents that are readily updatable when changes are required. The documents also more clearly identify the roles and responsibilities of the contractors.

- Research has been initiated to improve the industry's understanding of the karri regrowth resource. In future years there will be an increasing proportion of logs produced from even aged regrowth forests regenerated since the late 1920s. This work will assist industry to prepare for any necessary changes to technology or processing systems to utilise the available resource.

- Scientific monitoring by Parks and Wildlife, FORESTCHECK, continues to monitor the impact of harvesting over the long term in the native forest. FORESTCHECK provides information on a number of regional level indicators of ecologically sustainable forest management.

Plantations

The FPC manages a plantation estate of over 100,000 hectares, which is located predominately in the lower Mid-West, South West and Great Southern regions of Western Australia. The plantations comprise pine, eucalypt and sandalwood species.

During 2013-14 the Plantation branch was characterised by:

- The domestic market for sawlogs and chip products strengthened substantially during the year. This was a consequence of an upturn in the domestic housing market, a reduction in the value of the Australian dollar, reduced competition from imports due to the strengthening of the United States and European housing market, and an increase in demand for sawlog and chip in Asian markets.

- An increase in export demand for industrial wood has allowed the FPC to focus on previously delayed silvicultural thinning operations, which will enable improvements in the growth rates of younger plantations. In response to this increase in demand, the FPC has developed new markets for small log export from the Port of Bunbury.

- Fortunately, no major fires occurred across the plantation estate during 2013-14. In spite of the long dry summer months, the traditional northerly weather patterns which bring lightening events were not encountered.

- The backlog of plantation establishment, on land harvested, has been successfully completed. Approximately 1,800 hectares were established during 2013-14.

- The FPC continues to work with the Southern Tree Breeding Association (STBA) so that it can deploy genetically improved radiata pine seedlings. This work links the genetic characteristics of available seed with site requirements. It also results in improvements in the quality of seedlings over time by breeding for factors such as increased resistance to phytophthora (dieback) and drought tolerance.

- The FPC continues to be involved with the Australian Forest Products Association (AFPA) Herbicide Consortium. The work undertaken in association with this Consortium increases the productive capacity of our plantations by ensuring the continued availability of effective, environmentally and socially acceptable chemical control options for weeds, pests and diseases.

Sandalwood

Western Australia's wild 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 Australia. The balance is processed into products that are exported to produce agarbatti powders and religious ceremonial items. The FPC has remained 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.

Performance in the Sandalwood branch during 2013-14 was as follows:

- While domestic markets remained strong, there was a slump in international sandalwood sales during the year as a result of competition from illegal harvest activity and lower priced substitute products. The FPC worked closely with its marketing agent to develop new markets and the outcome of this work was showing some positive results by June 2014.
- The FPC deployed its new sandalwood seeder, which sowed 11 tonnes of seed in 800 kilometres of rip lines. The seeder has proven to be more efficient than previous regeneration methods and will enable significant expansion of regeneration works in the Rangelands.

Image: Sandalwood regeneration

- After completion of a successful public tender process in January 2014, the FPC sold its Indian sandalwood (*Santalum album*) resource located at Kununurra. The sandalwood resource was originally established for research purposes.
- During the last 12 months the FPC has identified and reported a number of incidents of suspected sandalwood theft directly to the Parks and Wildlife. The FPC is supportive of the Parks and Wildlife's and WA Police's efforts to reduce and ultimately eliminate the illegal theft of sandalwood.
- The Standing Committee for Environment and Public Affairs released Report 35, *Inquiry into the Sandalwood Industry in Western Australia*. The FPC supports the recommendations and has commenced planning to ensure the recommendations related to the FPC's role within the industry are actioned.
- The FPC commenced the development of an industry development plan. A range of stakeholders will be consulted during this process in order to ensure that there is a clear strategy for the industry when current contractual arrangements come to an end in 2016.

Environmental performance

The FPC is committed to sustainability in its forest operations and the conduct of all its activities. This year, an over-arching governance system incorporating the Integrated Forest Management System (IFMS) has been introduced. The FPC's IFMS now uses a Corporate Governance Framework and online Governance Manager system to ensure that all its legal and other compliance obligations are identified and managed efficiently and effectively across all operational areas.

The online system also includes the requirements of current certifications under the Australian Forestry Standard (AS 4708) and the international standard for Environmental Management Systems (ISO 14001).

The Corporate Governance Framework is built upon a continuous improvement approach incorporating strategic planning, program implementation, monitoring, reporting, and actioning program improvements. The online system compliments the internal audit function and greatly assists with ensuring that the FPC is meeting all of its environmental and safety certifications requirements.

Environmental compliance

A three-tiered process is used to ensure environmental compliance is monitored effectively. This includes:

- FPC internal monitoring and reporting of environmental incidents.
- External monitoring and reporting by independent environmental certification bodies.
- Parks and Wildlife external monitoring and reporting of environmental incidents against FMP compliance.

Image: Softwood pine plantation east of Nannup

Monitoring by the FPC

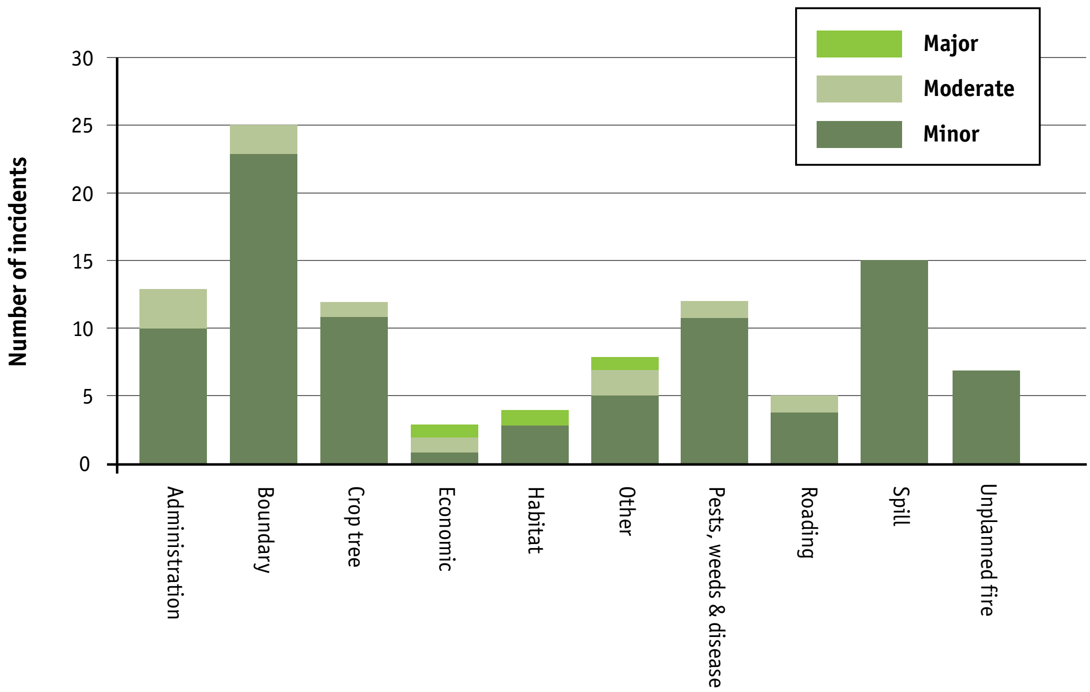
During 2013-14, the FPC experienced 104 environmental incidents, of which 90 were rated minor, 11 moderate, and three major. Minor incidents are addressed immediately and any incidents moderate or above were closely monitored and rectified at the earliest opportunity.

Major incidents during 2013-14 included two weather-related events. One involved severe drought in FPC's Mid-West pine plantations of which total damage is still being assessed. Another incident related to storms in the mature plantations in the Blackwood Valley, Sunklands and the southern region during August/September 2013 with wind gusts in excess of 140 kilometres per hour and rainfall exceeding 100 millimetres, during a 24 hour period.

The third major incident relates to conflicting management objectives for the Swan coastal plain plantations. The FPC has been part of high level inter-agency discussions on managing water in the Gnangara aquifer. As part of the proposed strategy, the FPC has agreed to not replant areas of the current plantation estate and to maintain some plantations to provide a primary food source for Carnaby's black cockatoos.

About 10 per cent of recorded incidents result from factors external to FPC or its contractors. The following table provides a summary of all environmental incidents.

Environmental incidents for 2013-14



The most common incidents relate to native forest boundary issues in which machinery crosses from an operational area into a buffer or reserve, typically for fewer than five metres. This year, the FPC introduced requirements for use of global positioning system (GPS) devices for in-forest equipment to reduce boundary incidents. Many parts of the IFMS, including policies, procedures and staffing, have been revised this year to improve incident prevention, identification and management.

External monitoring under Australian Forestry Standard and Environmental Management System certification

To demonstrate sustainable forest management, the FPC maintains Australian Forestry Standard (AFS) certification for its native timber and plantation operations. AFS certification applies to all of FPC's operations under the FMP with the exception of areas covered by active mining tenements. FPC's Environmental Management System is certified under the ISO 14001 standard, which applies to all of its activities.

As a result of the previous re-certification audit, a significant works program was developed to ensure all environmental and system issues were addressed prior to the surveillance audit which was completed on the 12 May 2014.

The body of work completed leading up to the May audit included:

- The redesign of the governance framework and quality management system that guides the way in which FPC operates.
- The review and re-drafting of operational manuals and developing new core procedures that operationalise FPC's management system.
- Structural changes to ensure adequate resourcing and strengthen communication between branches and the Executive.

The works program was completed over a nine month period with the support and commitment of many staff from all branches. As a result, all previous audit findings were closed and only two new minor non-conformances were raised.

Monitoring by Parks and Wildlife - Compliance with Forest Management Plan 2004–2013

The FPC remains committed to conducting its operations in compliance with the terms of the FMP, and related subsidiary documents.

Parks and Wildlife completed two environmental audits of FPC timber harvesting operations that identified no instances of significant non-compliance during 2013. These included audits of informal reserve protection, retention of habitat legacy elements, damage to trees marked for retention and tops disposal around trees marked for retention. Performance was consistently high across both audits with the exception of tree top disposal. Of note was that for the 10 years of the FMP 2004-2013, the volume of logs harvested remained within the sustained yield allowable limits. For jarrah first and second grade sawlogs 1,157,350 m^3 was harvested as compared to the allowable limit of 1,310,000 m^3. For karri first and second grade sawlogs 539,180 m^3 was harvested as compared to an allowable limit of 540,000 m^3.

The FPC reports annually on the compliance of its staff and contractors as required by Action 32.5 of the FMP 2004-2013. The full compliance report is available at www.fpc.wa.gov.au

Financial performance

The FPC posted an operating profit of $6.9 million, which is an improvement of $2.3 million on last year's result of $4.6 million.

This positive result is driven by strong softwood domestic and export markets. The Sandalwood business continues to provide a solid operating profit contribution, however the contribution was less than expected as a result of a sharp decline in the market for lower value sandalwood products, particularly in Taiwan.

The South West Native Forest business faced significant challenges during the financial year which resulted in an overall operating loss. This is a result of:

- the uncertainty in the industry created during the transition to a new FMP;
- the closure of a major sawmill customer; and
- a decline in the international market price of hardwood woodchips.

Proceeds from the sale of an Indian sandalwood research plantation in Kununurra and revenue from settlement payments received for wildfires in plantations also assisted the operating profit.

The FPC worked closely with its customers to reduce the level of overdue debt resulting in a significant reduction in the provision for doubtful debts and a payment of $3.1 million to the State Government in the form of taxes and dividends.

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. Contracts include indexation or an alternative escalation mechanism to minimise financial risk to the FPC.

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

	2013–14 Target $000	2013–14 Actual $000	Variation $000
Total expenses (sourced from Statement of Comprehensive Income)	105,768	101,495	(4,273)
Total income (sourced from Statement of Comprehensive Income)	113,673	108,363	(5,310)
Total equity (Sourced from Statement of Financial Position)	348,650	337,604	5,468
Net increase / (decrease) in cash held (sourced from Statement of Cash Flows)	4,316	6,819	2,503
Approved full time equivalent (FTE) staff level	160.2	160.1	(0.1)

As specified in the Budget Statements. Further explanations are contained in Note 36.0 '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 2014.

Robert Fisher AM, JP
Chairman of Accountable Authority

12 September 2014

Geoffrey Totterdell
Member of Accountable Authority

12 September 2014

Key performance indicators

The table below 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 Forest Products Commission	Forest Products Commission 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 legislative requirements and relevant environmental standards.
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.	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.
Results-based service delivery: Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.		**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

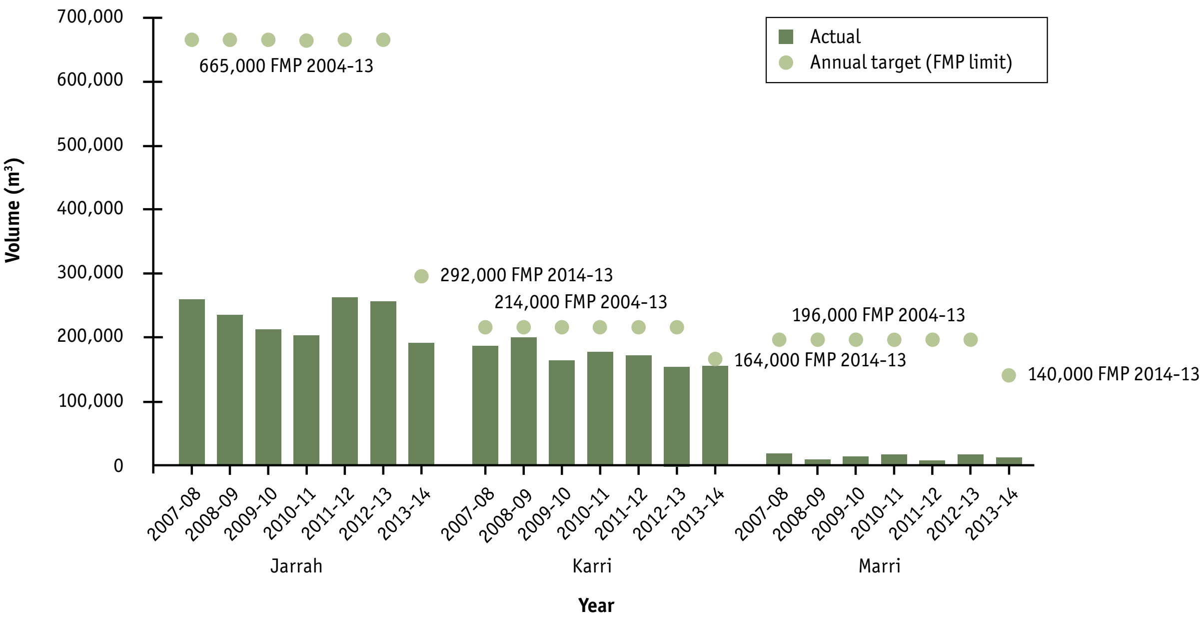
Native forest harvesting levels are based on an annual allowable cut which is determined by the Forest Management Plan (FMP).

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 was 665,000 m^3 and 214,000 m^3 respectively. It should be noted that 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 m^3 to 160,000 m^3. For all marri bole logs the total sustained yield was 196,000 m^3.

The FPC has been operating under the new FMP 2014-2023 since 1 January 2014. Under the new FMP there is an annual upper limit as well as an annual lower limit of available bole volume. The annual upper limit is only accessible through the development of new markets for lower grade wood products and must be approved by the Minister for Environment. The annual upper limit under the new FMP is now 521,000 m^3 for jarrah and 164,000 m^3 for karri. For all marri bole logs the total is 254,000 m^3. The annual lower limit is now 292,000 m^3 for jarrah and 164,000 m^3 for karri (excluding first and second grade sawlogs). For all marri bole logs the total is 140,000 m^3. The FMP lower limits will be used as a benchmark from 2013-14.

The target (FMP sustainable level) is the average allowable annual harvest over the 10 years of the FMP. Data presented below covers a period which overlaps two FMP's. The significantly lower proportion of jarrah (191,334 m^3) and marri (11,447 m^3) relative to karri is due to a lack of markets for low-grade jarrah logs.



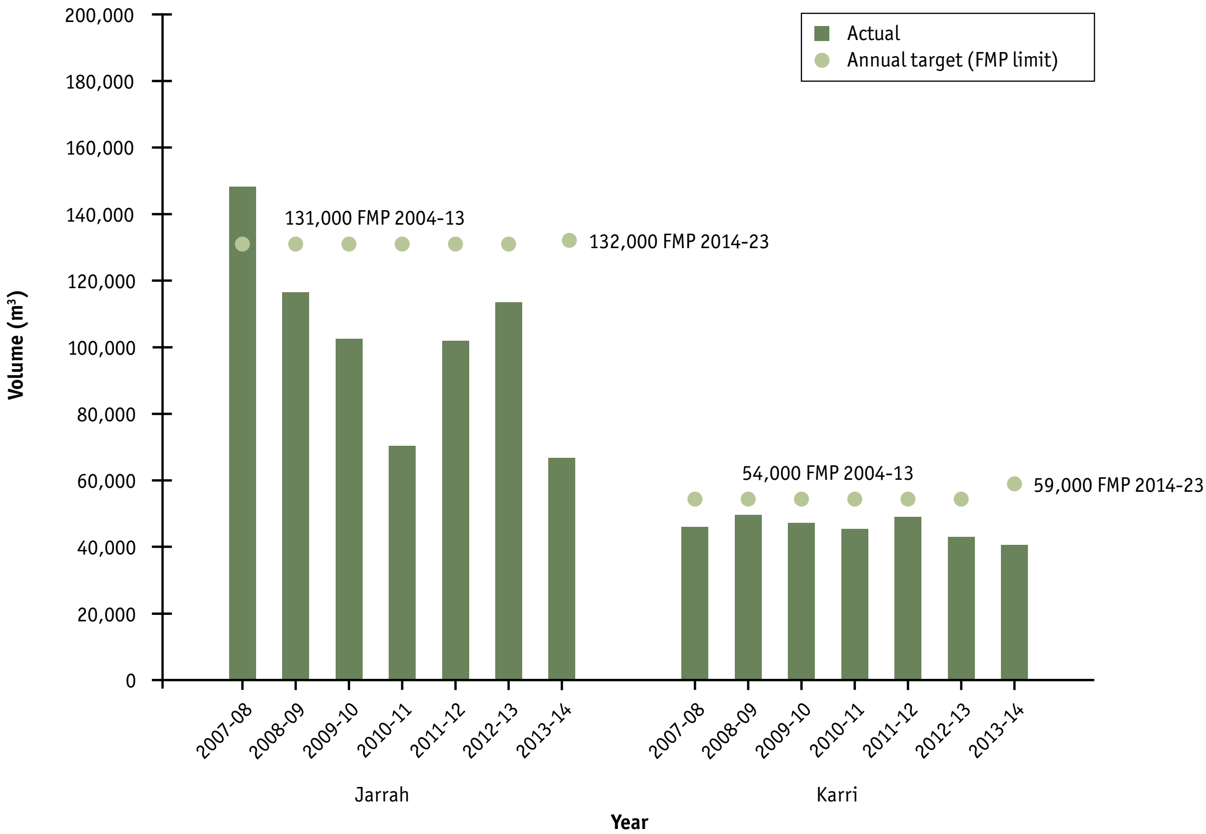
Note: The 2013-14 reporting year covers two FMPs. The new FMP 2014-2023 now has an upper and lower limit for the harvest of graded sawlogs and bole logs. The previous FMP only had a single upper limit for these products. Key performance indicators for bole logs for 2013-14 report actual harvest against the new FMP lower limit. Previous years continue to report annual harvest against the single FMP upper limit.

First and second grade jarrah and karri sawlogs

The quantities of sawlog harvested must be consistent with the allowable cut in the FMP. The allowable cut of first and second grade sawlogs for jarrah and karri under FMP 2004-2013 was 131,000 m^3 and 54,000 m^3, respectively.

Under FMP 2014-2023 the sustainable yield for first and second grade jarrah and karri sawlogs is now 132,000 m^3 and 59,000 m^3, respectively.

The quantity of jarrah sawlogs (66,320 m^3) and karri sawlogs (40,258 m^3) harvested in 2013-14 were significantly below the allowable annual harvest. Uncertainty around the release of the new FMP 2014-2023, closure of a major sawmill, as well as the lengthy procurement process for new customer contracts following the release of the new FMP in December 2013, contributed to reduced customer demand during the financial year.



Note: The 2013-14 reporting year covers two FMPs. This chart compares sawlog volume recorded through FPC's logging operations information system (LOIS) for each financial year. However, the FMP upper limit is monitored each calendar year by Parks and Wildlife who compare FMP modelled sawlog availability against actual volumes harvested. This process may result in adjustments to actual harvested volumes if sawlogs are delivered to different specifications than those used in the FMP modelled sawlog availability. These adjustments are not reflected in the above chart. The adjusted figures are reported in mid-term and end of term audits of the FMP.

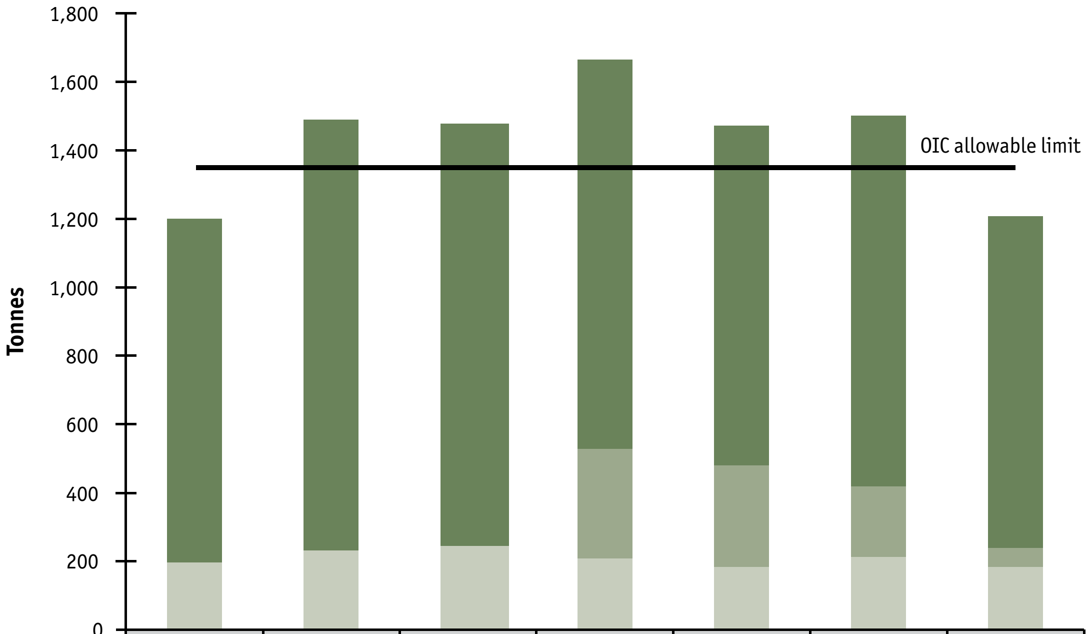
2. Harvest of green sandalwood maintained at allowable cut

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 licensed to the FPC.

The graph below shows the actual volume of green sandalwood harvested in 2013-14.

In previous years third grade green wood (twigs) and a portion of green roots were reported as separate volumes. This was because prior to 2006, these products were not able to be efficiently extracted. Since 2006, improved harvesting techniques have resulted in greater utilisation of sandalwood products. While this is an excellent outcome in terms of efficiency it previously resulted in the FPC unintentionally exceeding its allowable cut.

During 2012-13, the FPC recognised that these additional products fall within the allowable limits set by the *Sandalwood Order 1996* and that the FPC needed to reduce the annual volume harvested to within allowable limits. To achieve this, the FPC reviewed all current sandalwood contracts and closely monitored harvesting activities during 2013-14 to ensure harvest volumes did not exceed allowable limits. In addition, there was a reduction in the production of 3rd grade products due to increased competition in international markets for low grade products.



	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Green 1st & 2nd grade	1,008	1,261	1,239	1,139	997	1,086	968
Green 3rd grade	--	--	--	320	293	208	56
Roots	193	232	242	207	182	211	182
OIC allowable limit	1,350	1,350	1,350	1,350	1,350	1,350	1,350

Year

3. Measure: Extent of native Karri forest regenerated relative to area harvested

Karri regeneration

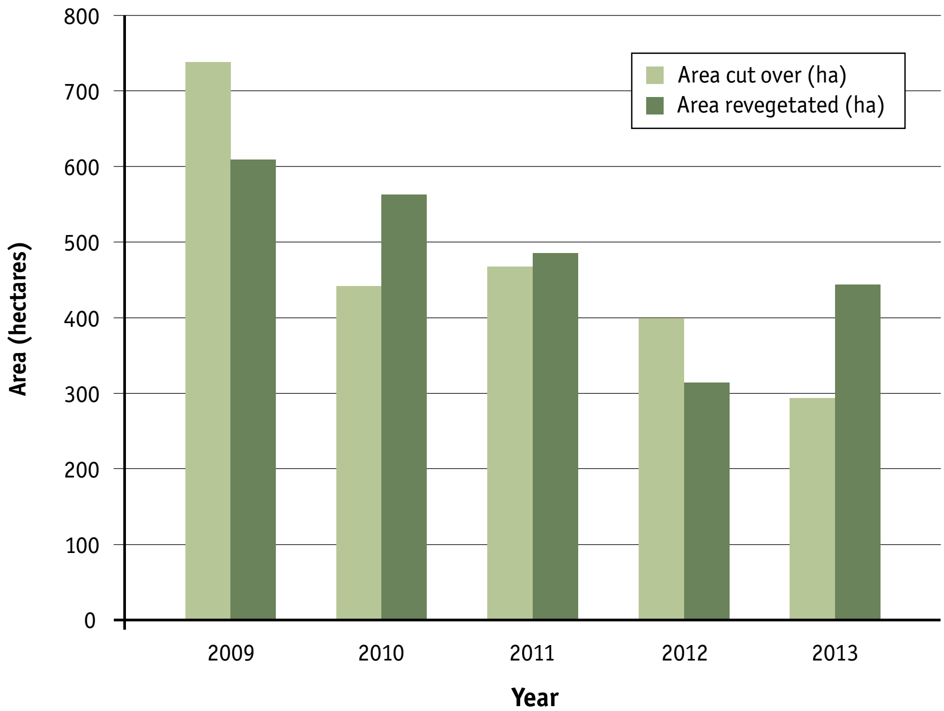
This indicator has been adjusted from previous years and is now expressed as the area of karri forest regenerated relative to total karri forest harvested (excluding roads, mine sites and areas of harvested forest not requiring treatment).

In 2013 the area of karri forest clear-felled or partially harvested was 294 hectares, compared to 372 hectares in 2012. A total of 554 hectares was thinned compared to 650 hectares in 2012.

In 2013 regeneration was completed on 457 hectares, compared to 314 hectares in 2012, which was harvested in either the current or previous years.

The area reported is 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.

Over the last five years the area of karri forest regenerated (2,334 hectares) has exceeded the area harvested (2,201 hectares).



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

The area of jarrah forest harvested for regeneration in 2013 was 2,819 hectares, compared to 4,723 hectares in 2012, excluding areas cleared for mining or utilities such as roads and power lines.

The FPC is required to effectively regenerate native forest following harvesting where this is the required silvicultural outcome. Treatments to achieve regeneration primarily involve prescribed burns which facilitate seed germination. However, Parks and Wildlife have the authority to undertake the prescribed burns for silviculture outcomes and fuel load reduction, and these are paid for by FPC.

In 2013 treatments to achieve regeneration were completed for 797 hectares, compared to 1,380 hectares in 2012.

The required level of post-harvest jarrah prescribed burning to facilitate timely achievement of silvicultural outcomes and fuel reduction requirements was not achieved in 2013-14. At the commencement of the 2014 calendar year FPC records show that the total gross area of jarrah forest subject to harvesting since 2000, which still requires post-harvest prescribed burning, is in the order of 58,000 hectares.

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).

Wandoo regeneration

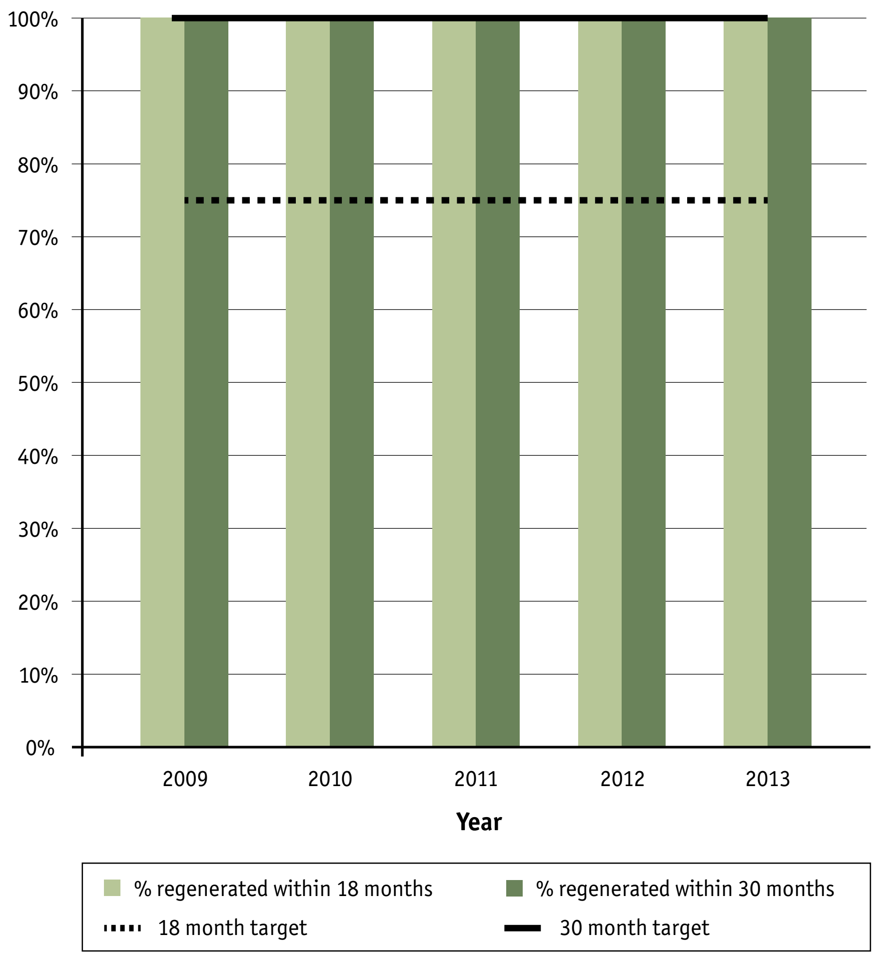
There was no harvesting of wandoo forest during the year and there was also no regeneration undertaken from previous years harvesting.

4. Timeliness of karri forest regeneration

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 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. The percentage revegetated is based on a sample of coupes.

Since 2009, 100 per cent of the area requiring revegetation has been completed within 18 months.

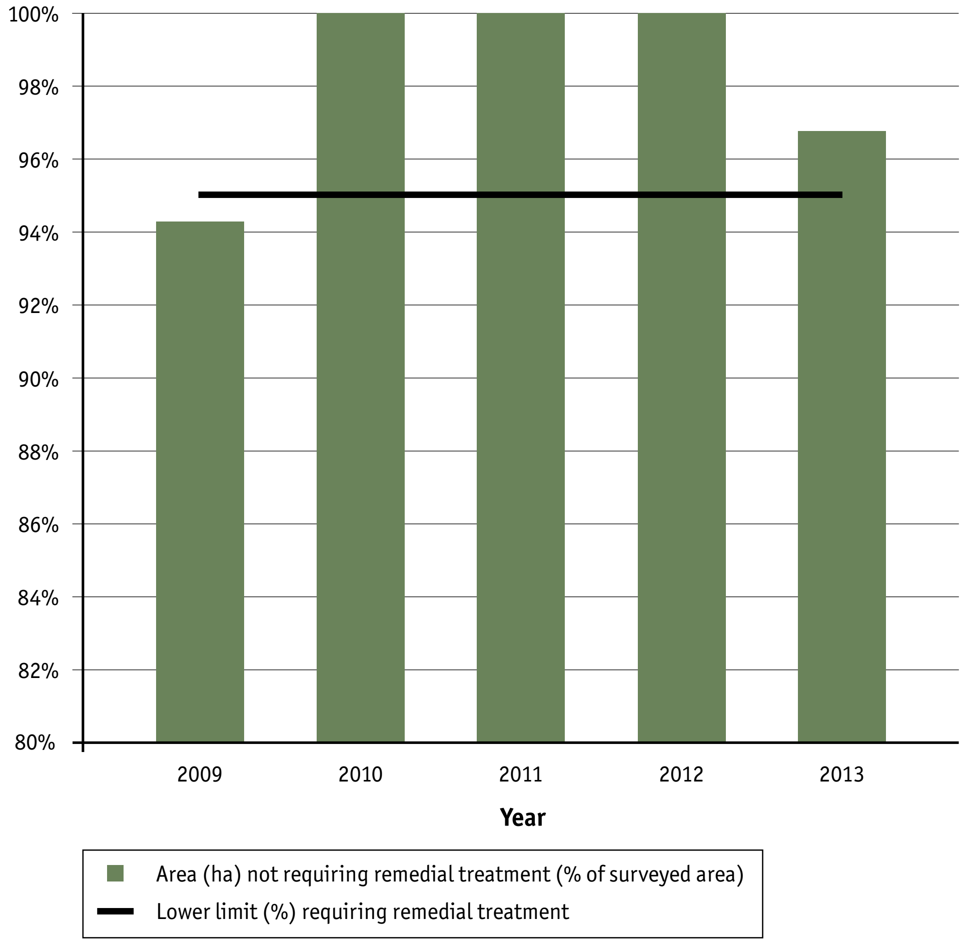


5. Effectiveness of regeneration of native karri forest

Regeneration success is critical to ensure sustainability. The FMP requires FPC to closely monitor forest regeneration work and monitor seedling survival rates. The first year following planting is critical to long term seedling survival.

This chart measures the percentage of the sampled regeneration that does not meet the 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 four years FPC has met the seedling stocking standard set out in the silviculture guidelines.

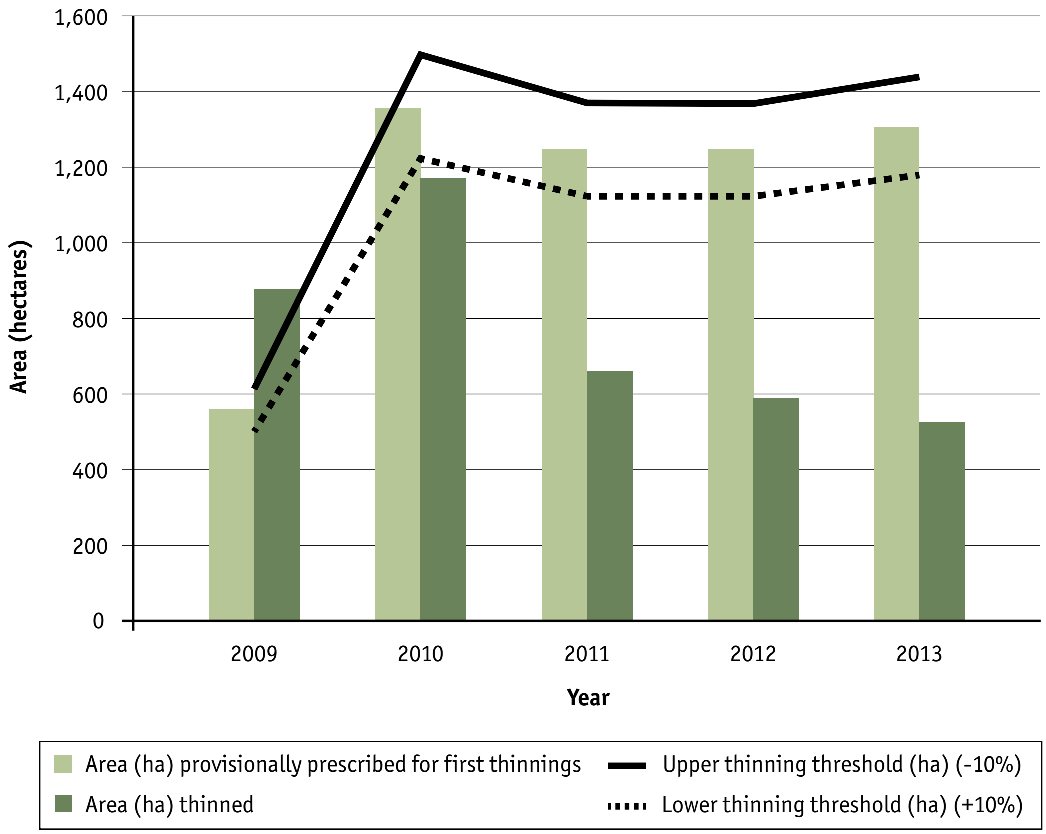


6. The achievement of thinning schedules in karri forest

Thinning promotes forest productivity by removing some of the standing trees.

The chart below depicts the area scheduled for thinning (dark green bar) each year. The light green bar represents the area actually thinned. The lower and upper guides show the area scheduled to be thinned within 10 per cent. Over the last five years the average area scheduled for thinning is equal to 954 hectares per annum. The average area actually thinned each year is approximately 640 hectares.

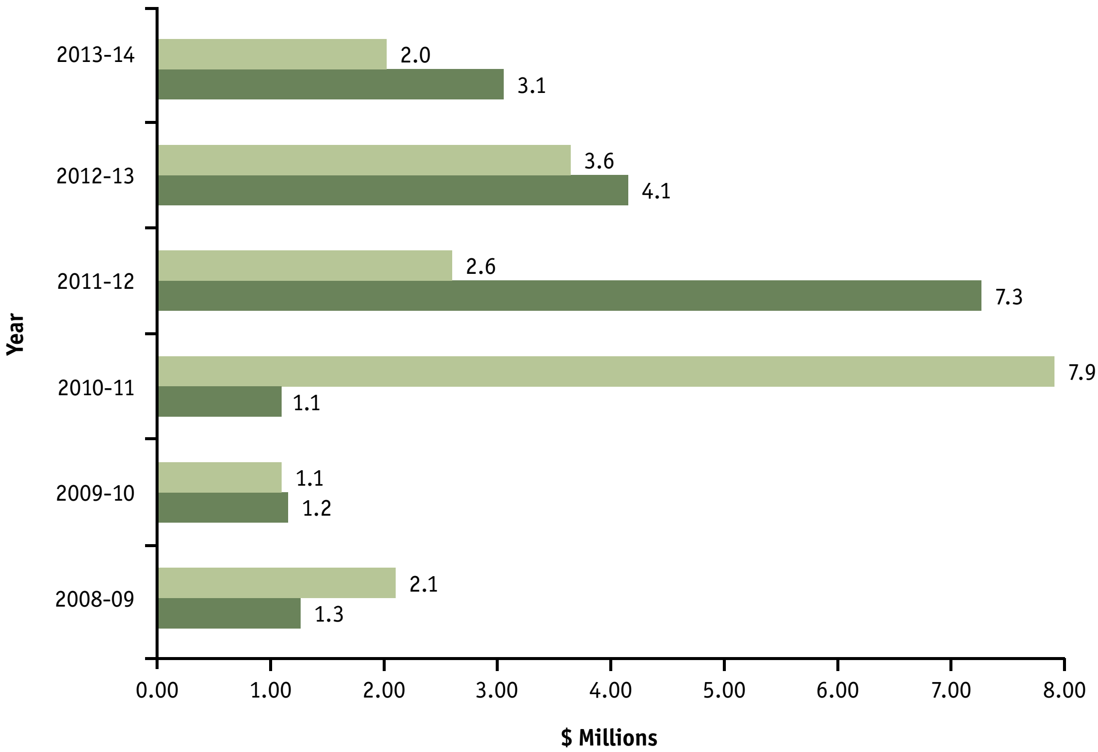
To ensure maximum utilisation of forest products, thinning is only carried out when markets are available for thinned wood. Over the last three years the markets for karri thinning have been limited due to reduced product demand. To ensure future areas scheduled for thinning are completed FPC is seeking new markets for karri residue products.



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 $2.1 million in 2013-14.



	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Target	2.1	1.1	7.9	2.6	3.6	2.0
Actual	1.3	1.2	1.1	7.3	4.1	3.1

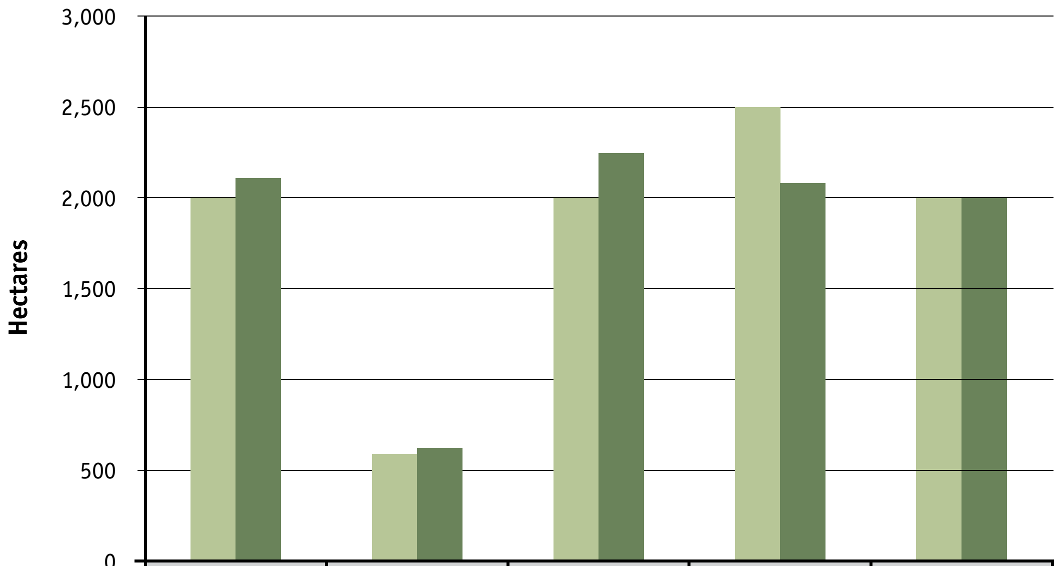
8. Area of plantation established against target

The planting of second and third rotation plantation pine species is critical to ensure the supply of softwood to the timber industry. This is increasingly important given that the area of plantation land 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 ceasing sharefarm establishment, no further first rotation eucalypt and sandalwood plantations are being established. Therefore the KPI for area of plantation establishment now only focusses on plantation pine species.

The FPC has exceeded plantation establishment targets in four of the last five years. During 2013-14 establishment was consistent with the target of 2,000 hectares.



	2009-10	2010-11	2011-12	2012-13	2013-14
Target	2,000	600	2,000	2,500	2,000
Area established	2,112	636	2,252	2,083	2,002

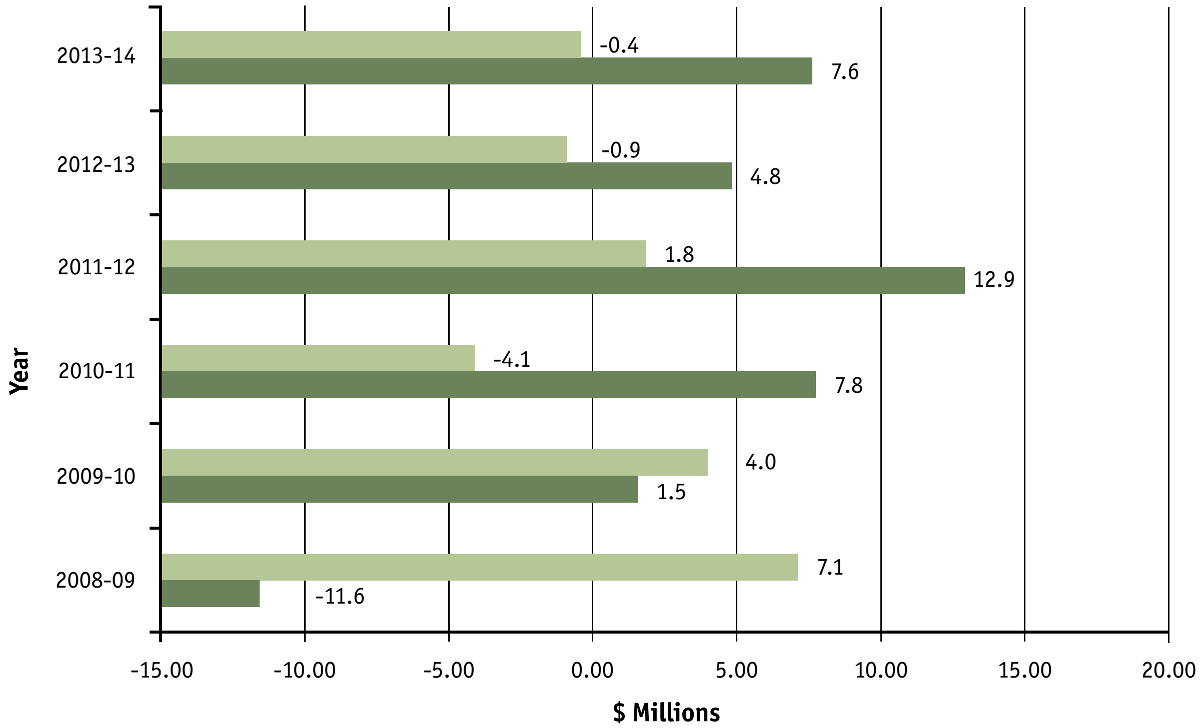
2nd and 3rd rotation pine

Year

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 2013-14 ($7.6 million) were up compared to 2012-13 ($4.8 million). This improved result includes a one-off asset sale and proceeds from wildfire settlements.



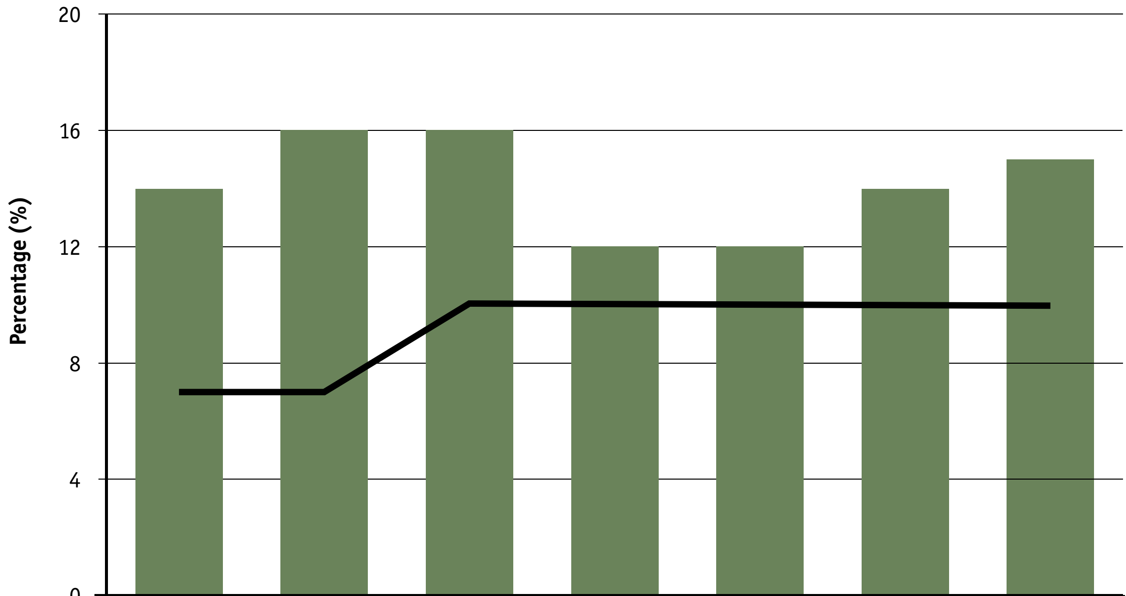
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Target	7.1	4.0	-4.1	1.8	-0.9	-0.4
Actual	-11.6	1.5	7.8	12.9	4.8	7.6

Efficiency indicators

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

The FPC targets a minimum percentage of total sandalwood harvest from the roots of the trees. The FPC has continued to meet 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, and root material contains high oil content, increasing the percentage of root material increases the value of products harvested.



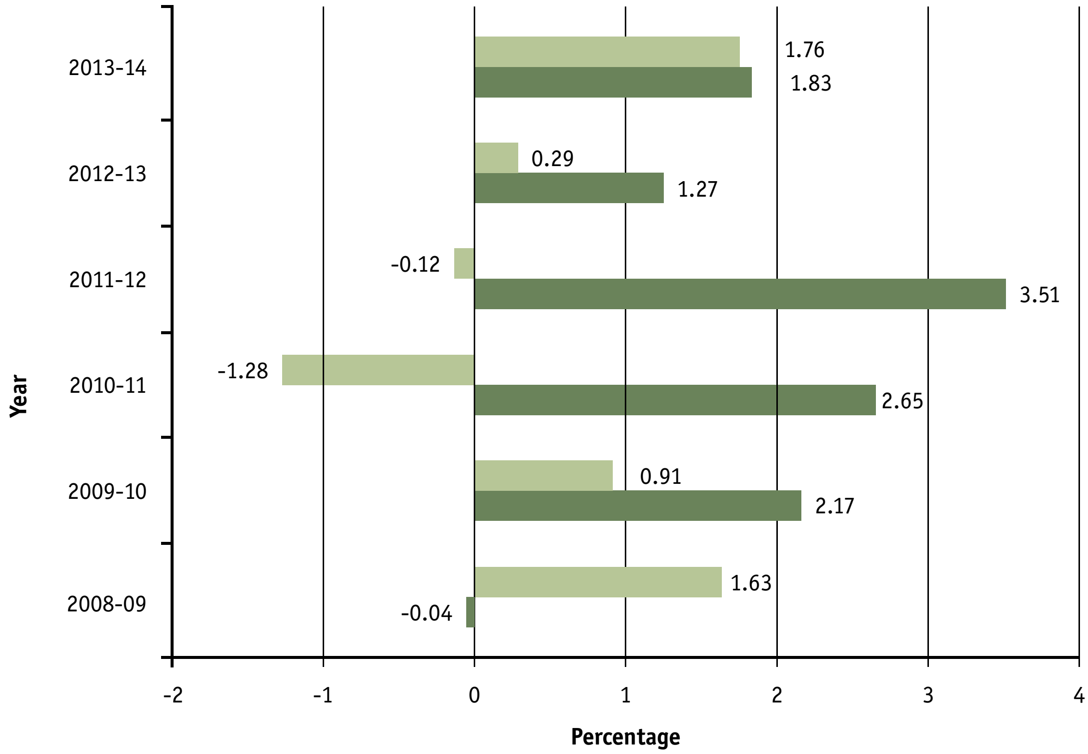
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Actual	14	16	16	12	12	14	15
Minimum target	7	7	10	10	10	10	10

Year

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

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

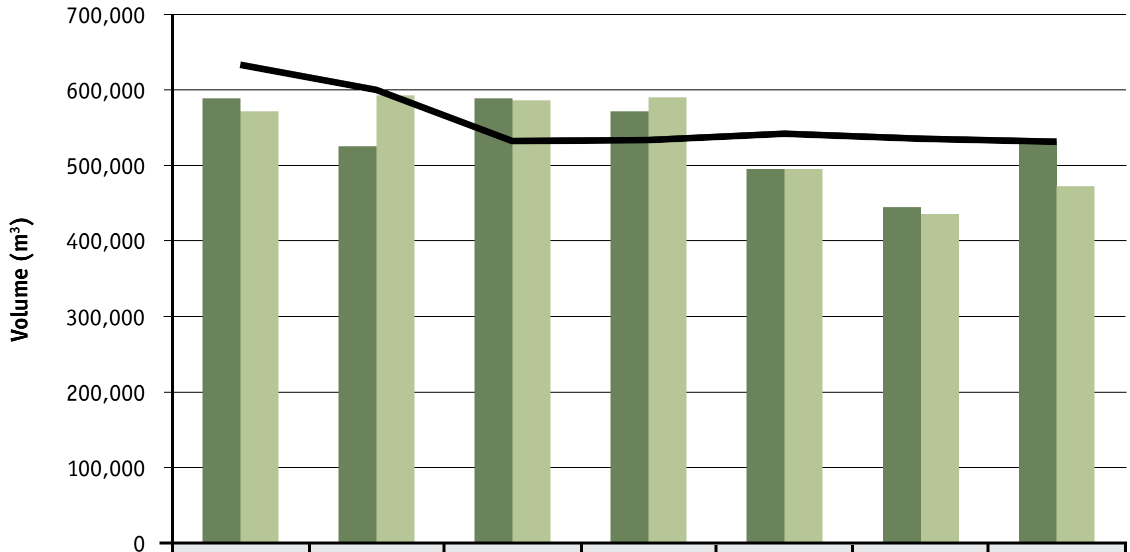
Return on total assets increased from 1.27 per cent in 2012-13 up to 1.83 per cent in 2013-14.



	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Target	1.63	0.91	-1.28	-1.12	0.29	1.76
Actual	-0.04	2.17	2.65	3.51	1.27	1.83

3. Plantation log production consistent with demand from industry

Actual sawlog production and delivery in 2013-14 exceeded contractual demand due to improved market conditions. The forecasted yield is assessed as an average of the supply output for the following five years.



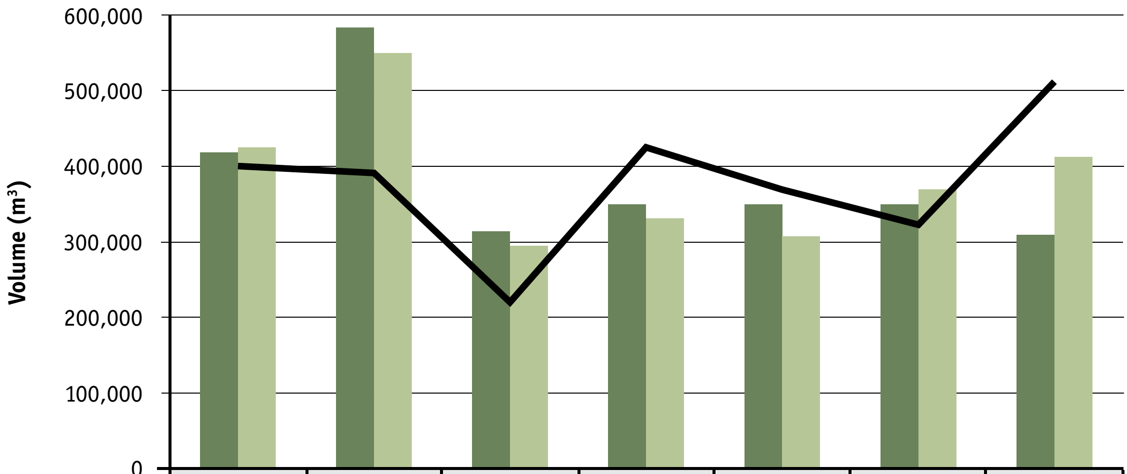
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Actual supply	588,262	526,802	586,734	567,610	494,113	444,392	536,123
Budgeted demand	571,000	590,000	582,000	591,431	495,000	435,500	473,500
Forecasted yield	631,000	601,000	535,000	538,000	540,000	538,334	531,000

Year

Plantation industrial wood production consistent with contracted supply to industry

Actual supply of industrial wood during 2013-14 was down compared to the anticipated contractual demand. 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 continued to necessitate short term export sales into spot markets that are not shown in the contractual demand.



	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Actual supply	409,264	482,527	314,720	356,357	349,295	355,963	309,201
Budgeted demand	412,992	447,000	295,540	331,658	307,500	368,500	413,000
Forecasted yield	400,000	390,000	226,000	428,000	369,000	320,387	507,000

Year

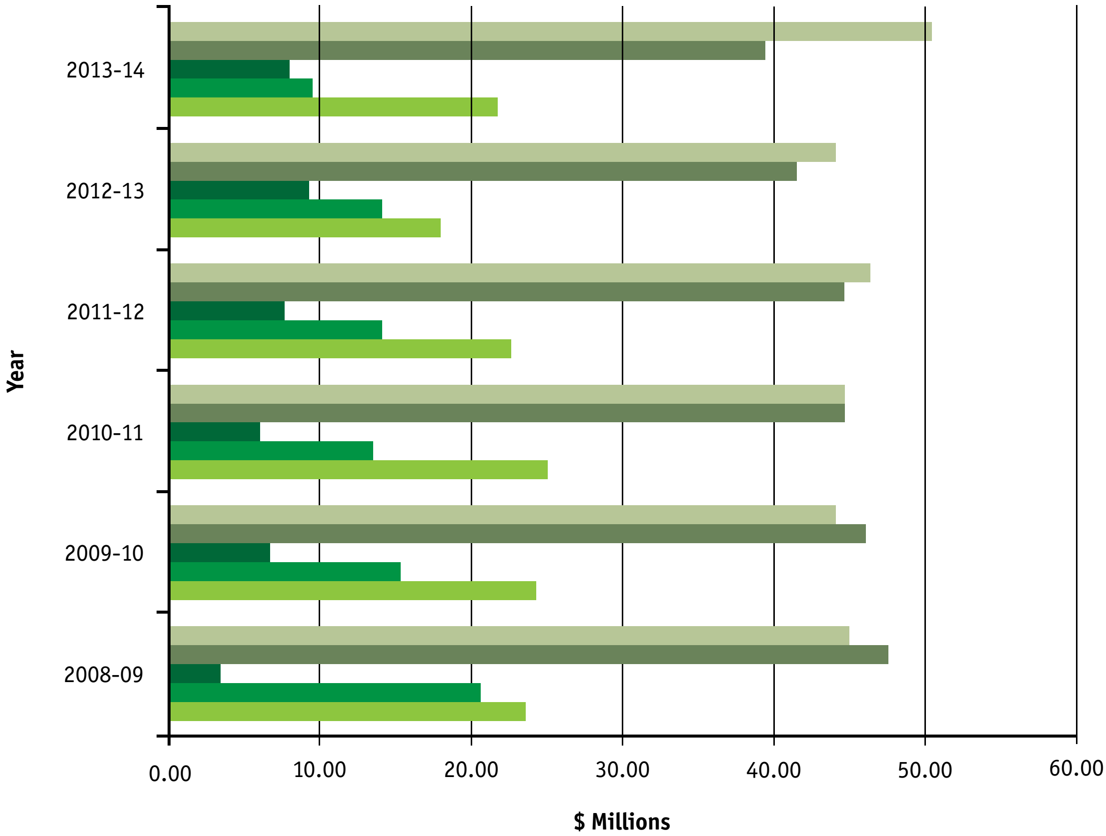
4. Stumpage revenue

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

Total stumpage revenue in 2013-14 ($39.36 million) was 21.7 per cent lower than the target ($50.3 million) and slightly less than the actual from the previous year ($41.46 million).

There was an increase of 21 per cent in the plantation business during the year. However this was offset by a drop of 32.1 per cent within the native forest business and a 14.5 per cent drop in sandalwood business.

The decrease in the native forest stumpage revenue reflects the uncertainty in the industry due to the transition from the old FMP 2004-2013 to the new FMP 2014-2023. This was exacerbated by a lengthy procurement process to establish new sales contracts for native forest products. International markets for sandalwood were lower than expected.



	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Target total	$45.00	$44.00	$44.80	$46.30	$44.10	$50.30
Actual total	$47.63	$46.02	$44.81	$44.75	$41.46	$39.36
Sandalwood	$3.33	$6.30	$5.95	$7.83	$9.31	$7.96
South West forests	$20.70	$15.38	$13.41	$14.18	$14.13	$9.60
Plantations	$23.60	$24.34	$25.46	$22.74	$18.02	$21.80

4

Financial disclosures

South West native forest operations

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 2014, 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 2014 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.

7th Floor Albert Facey House 469 Wellington Street Perth MAIL TO: Perth BC PO Box 8489 Perth WA 6849 TEL: 08 6557 7500 FAX: 08 6557 7600

Report on Controls
I have audited the controls exercised by the Forest Products Commission during the year ended 30 June 2014.

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 2014.

Report on the Key Performance Indicators
I have audited the key performance indicators of the Forest Products Commission for the year ended 30 June 2014.

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 2014.

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 2014 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.

GLEN CLARKE
ACTING AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
16 September 2014

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Financial statements

Certification of financial statements

For the year ended 30 June 2014

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 2014 and the financial position as at 30 June 2014.

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.

Ron Lucas
Chief Finance Officer

12 September 2014

Geoffrey Totterdell
Member of Accountable Authority

12 September 2014

Robert Fisher AM, JP
Chairman of Accountable Authority

12 September 2014

Statement of comprehensive income

For the year ended 30 June 2014

	Note	2014 $000	2013 $000
Income			
Revenue			
Sales	6.1	97,632	103,560
Commonwealth grants and contributions	7.0	996	964
Interest revenue	8.0	690	1,283
Other revenue	9.0	9,024	2,414
Gains			
Gains on disposal of non-current assets		21	-
Total income		**108,363**	**108,221**
Expenses			
Cost of sales	6.2	57,677	62,136
Employee benefits expense	10.0	17,958	16,907
Supplies and services	11.0	21,947	21,352
Depreciation and amortisation expense	12.0	1,132	1,132
Finance costs	13.0	599	23
Accommodation expenses	14.0	618	521
Loss on disposal of non-current assets		3	1
Other expenses	15.0	1,561	1,593
Total expenses		**101,495**	**103,665**
Profit before change in biological assets valuation, onerous contracts and grants and subsidies from State Government		**6,868**	**4,556**
Biological asset increase/(decrease)	16.0	6,634	(17,818)
Onerous contracts	17.0	(4,972)	338
Profit/(Loss) before grants and subsidies from State Government		8,530	(12,924)
Grants and subsidies from State Government	18.0	-	1
Profit/(Loss) before income tax equivalent (expense)/benefit		**8,530**	**(12,923)**
Income tax equivalent (expense)/benefit	38.0	(3,166)	3,979
Profit/(Loss) after income tax equivalent (expense)/benefit		**5,364**	**(8,944)**
Profit/(Loss) for the year		**5,364**	**(8,944)**
Other comprehensive income			
Items not reclassified subsequently to profit or loss			
Remeasurements of defined benefit liability		(49)	47
Changes in asset revaluation surplus	30.2	109	843
Income tax on items of other comprehensive income		(33)	(253)
Items reclassified subsequently to profit or loss			
Changes in cashflow hedge reserve	30.2	(333)	190
Income tax on items of other comprehensive income	30.2	100	(57)
Total other comprehensive (loss)/income		**(206)**	**770**
Total comprehensive income/(loss) for the year		**5,158**	**(8,174)**

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

Statement of financial position

As at 30 June 2014

	Note	2014 $000	2013 $000
Assets			
Current assets			
Cash and cash equivalents	32.1	30,112	23,293
Inventories	19.0	8,989	6,968
Receivables	20.0	14,525	20,198
Biological assets	24.0	26,552	34,248
Other current assets	21.0	267	552
Total current assets		**80,445**	**85,259**
Non-current assets			
Property, plant and equipment	22.0	20,882	21,577
Deferred tax assets	38.0	10,895	13,994
Biological assets	24.0	293,452	277,391
Intangible assets	23.0	32	13
Total non-current assets		**325,261**	**312,975**
Total assets		**405,706**	**398,234**
Liabilities			
Current liabilities			
Payables	27.0	15,465	16,765
Provisions	28.0	7,383	5,454
Deferred revenue	29.0	512	646
Total current liabilities		**23,360**	**22,865**
Non-current liabilities			
Payables	27.0	17,611	18,106
Provisions	28.0	4,468	3,911
Deferred revenue	29.0	22,663	23,512
Total non-current liabilities		**44,742**	**45,529**
Total liabilities		**68,102**	**68,394**
Net assets		**337,604**	**329,840**
Equity	30.0		
Contributed equity		342,278	337,578
Reserves		8,491	8,648
Retained earnings		(13,165)	(16,386)
Total equity		**337,604**	**329,840**

* 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 2014

	Note	Contributed equity $000	Reserves $000	Retained earnings $000	Total equity $000
Balance at 1 July 2012		**331,782**	**7,926**	**(4,179)**	**335,529**
Profit/(Loss)		-	-	(8,944)	(8,944)
Other comprehensive income		-	722	47	769
Total comprehensive income for the year	30.0	-	722	(8,897)	(8,175)
Transactions with owners in their capacity as owners:					
Dividends paid	30.3	-	-	(3,310)	(3,310)
Other contributions by owners (repayment)	30.1	(4,877)	-	-	(4,877)
Other contributions by owners	30.1	10,673	-	-	10,673
Balance at 30 June 2013		**337,578**	**8,648**	**(16,386)**	**329,840**
Balance at 1 July 2013		**337,578**	**8,648**	**(16,386)**	**329,840**
Profit/(Loss)		-	-	5,364	5,364
Other comprehensive income		-	(157)	(49)	(206)
Total comprehensive income for the year	30.0	-	(157)	5,315	5,158
Transactions with owners in their capacity as owners:					
Dividends paid	30.3	-	-	(2,094)	(2,094)
Other contributions by owners	30.1	4,700	-	-	4,700
Closing balance at 30 June 2014		**342,278**	**8,491**	**(13,165)**	**337,604**

* 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 2014

	Note	2014 $000	2013 $000
Cash flows from operating activities			
Receipts			
Sale of goods and services		113,777	117,077
Interest received		690	1,283
Other receipts		9,063	2,043
Payments			
Employee benefits		(17,906)	(16,715)
Supplies and services		(25,519)	(25,225)
Forest management expenditure		(70,904)	(74,049)
Net cash provided by operating activities	32.2	**9,201**	**4,414**
Cash flows from investing activities			
Receipts			
Proceeds from sale of non-current physical assets		21	-
Payments			
Purchase of non-current physical assets		(312)	(541)
Purchase of investments			
Investment in new plantations		(4,697)	(5,200)
Net cash used in investing activities		**(4,988)**	**(5,741)**
Cash flows (to)/from State Government			
Other grants and subsidies		-	1
State contribution (repayments)		-	(4,877)
State contribution (equity injection)		4,700	10,673
Dividends paid		(2,094)	(3,310)
Net cash provided by State Government		**2,606**	**2,487**
Net increase in cash and cash equivalents		6,819	1,161
Cash and cash equivalents at the beginning of year		23,293	22,132
Cash and cash equivalents at the end of year	32.1	**30,112**	**23,293**

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

Index of notes to the financial statements

For the year ended 30 June 2014

Notes to the financial statements

1.0 Australian Accounting Standards

General

The FPC’s financial statements for the year ended 30 June 2014 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

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

Early adoption of standards

The FPC cannot early adopt an Australian Accounting Standard unless specifically permitted by Treasurer's Instructions TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the FPC for the annual reporting period ended 30 June 2014.

2.0 Summary of significant accounting policies

2.01 General statement

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

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

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

2.02 Basis of preparation

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

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

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

Note 4.0 'Key sources of estimation uncertainty' discloses key assumptions made concerning the future and other key source of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2.03 Reporting entity

The reporting entity comprises the FPC.

2.04 Contributed equity

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

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

2.05 Income

Revenue recognition

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

- **Sale of goods**

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

- **Provision of services**

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

- **Interest**

  Revenue is recognised as the interest accrues.

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

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

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

- **Gains**

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

- **Deferred revenue**

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

2.06 Income tax

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

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

The income tax expense equivalent, or income, for the 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 income tax equivalents are recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

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

2.07 Property, plant and equipment, and infrastructure

Capitalisation / expensing of assets

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

Initial recognition and measurement

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

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

Subsequent measurement

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

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

In the absence of market-based evidence, fair value of land and buildings is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use buildings is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost. Where the fair value of buildings is determined on the depreciated replacement cost basis, the gross carrying amount and the accumulated depreciation are restated proportionately. Fair value for restricted use land is determined by comparison with market evidence for land with similar approximate utility (high restricted use land) or market value of comparable unrestricted land (low restricted use land).

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

Fair value of infrastructure has been determined by reference to the depreciated replacement cost (existing use basis) as the assets are specialised and no market-based evidence of value is available. Land under infrastructure is included in land reported under Note 22.0 'Property, plant and equipment'. Independent valuations are obtained every three to five years for infrastructure.

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

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

Derecognition

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

Asset revaluation surplus

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets as described in Note 22.0 'Property, plant and equipment'.

Depreciation

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

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

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 FPC 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 $5,000 or more and internally generated intangible assets costing $50,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred below these thresholds are immediately expensed directly to the 'Statement of comprehensive income'.

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

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

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

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

Software[(a)]	2.5 years

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

Licences

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

Development costs

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

Computer software

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

Website costs

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

2.09 Impairment of assets

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

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

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

2.11 Financial instruments

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

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

Financial instruments have been disaggregated into the following classes:

Financial assets:

- Cash and cash equivalents
- Receivables

Financial liabilities:

- Payables
- Bank overdraft
- Amounts due to the Treasurer

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

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

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 31.0 'Notes to the statement of cash flows.

2.13 Accrued salaries

Accrued salaries (see Note 27.0 '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 FPC considers the carrying amount of accrued salaries to be equivalent to its fair value.

2.14 Inventories

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

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

2.15 Receivables

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

2.16 Investments and other financial assets

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

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

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

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

2.17 Biological assets

The AASB 141 Agriculture Standard 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 141 defines a group of biological assets as an aggregation of similar living animals or plants. Therefore, the FPC determines that it 'holds' three types of biological assets: (1) 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 FPC's valuations are not intended for estimating other values inherent in or provided by forests, such as unpriced goods or services and the forests' ecological benefits.

Plantation timber

The FPC values pine plantations that are managed across a broad geographic area of approximately 75,500 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.

Native timber

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

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 limit set by the Executive Council under the *Sandalwood Limitation Order (1996)* is 1,500 tonnes of green and 1,500 tonnes of dead sandalwood.

The FPC is licenced to harvest up to 1,350 tonnes of green and 1,350 of dead sandalwood each year. Dead sandalwood is not included in the biological valuation as it is not a living asset.

Valuation of biological assets

Change in accounting estimate

- **Plantation timber**

  The FPC to 30 June 2013 valued its Plantation estate on a fair value basis with the immature (less than seven years of age) estate being valued on a cost basis and the mature estate on a discounted cash flow basis.

  For the 30 June 2014 valuation the FPC engaged Indufor Asia Pacific Ltd to establish the valuation for its Plantation estate, mature and immature. Indufor is a New Zealand based company providing forest and forest industry valuation services internationally. The methodology utilised by Indufor, which considers three approaches in determining the valuation (comparable sales, expectation and cost) and includes new information that was previously not available to the FPC, has been adopted by the FPC and has resulted in a change in accounting estimate under AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'.

  Therefore, in accordance with the requirements of AASB 108, the change in accounting estimate has been adjusted in the current year 'Statement of comprehensive income' rather than being retrospectively adjusted. This change in accounting estimate has resulted in an increase in the plantation estate of $9.0 million (refer to Note 24.0). This change in accounting estimate arising from the change in methodology will impact future periods, however, it is impracticable to estimate the future effect.

- **Native forest and sandalwood**

  The FPC valued the native forest and sandalwood estates to 30 June 2013 on a fair value basis utilising the expectation of net cash to be derived from the forest estate in each year of the projected holding period of the asset discounted to a net present value. The discount rate adopted for the net present value calculation was derived from a Weighted Average Cost of Capital (WACC) determined via a Capital Asset Pricing Model (CAPM) framework.

For the 30 June 2014 valuation the FPC has adopted a discount rate recommended by Indufor Asia Pacific Ltd which takes into consideration new information that was previously not available to the FPC. This includes consideration of discount rates adopted by forest owners. This change in discount rate methodology has resulted in a change in accounting estimate under AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Therefore, in accordance with the requirements of AASB 108, the change in accounting estimate has been adjusted in the current year 'Statement of comprehensive income' rather than being retrospectively adjusted. This change in accounting estimate for discount rate has resulted in a decrease for native forest of $14.5 million and an increase for sandalwood of $9.2 million (refer Note 24.0). This change in accounting estimate arising from the change in methodology will impact future periods, however, it is impracticable to estimate the future effect.

- **Fair value**

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

  Finally, by applying a discount rate, the Net Present Value (NPV) of those cash flows is assessed. The NPV is 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).

  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
  - changes in the WACC rate

2.18 Payables

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

2.19 Borrowings

All loans payable are initially recognised at fair value, being the 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**

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

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

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

- **Long service leave**

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

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

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

- **Deferred leave**

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

- **Superannuation**

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

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

  Employees commencing employment prior to 16 April 2007 who are not members of either the Pension Scheme or the GSS became non-contributory members of the West State Superannuation

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

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

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

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

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

(ii) Provisions – other

- **Employment on-costs**

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

- **Native forest regeneration provision**

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

- **Onerous contracts**

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

- **Dividends**

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

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

2.21 Superannuation expense

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

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

- Profit or loss:
  - current service cost;
  - past service cost; and
  - interest cost.
- Other comprehensive income:
  - actuarial gains and losses.

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

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

2.23 Comparative figures

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

3.0 Other accounting policies

3.01 Segment information

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

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

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

3.02 Foreign currency translation, derivative financial instrument and hedge accounting

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

Forward foreign exchange contracts are entered into as hedges to 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 FPC's long service leave provision include expected future salary rates, discount rates, employee retention rates and expected future payments. Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

4.02 Biological assets

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

Calculations performed in assessing the value of the biological assets incorporate uncertainty with discount rates and harvest yields. See Note 25.3 for sensitivity analysis around these estimates.

5.0 Disclosure of changes in accounting policy and estimates

5.01 Initial application of an Australian Accounting Standard

The FPC has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2013 that impacted on the FPC:

AASB 13	*Fair value measurement* This Standard defines fair value, sets out a framework for measuring fair value and requires additional disclosures for assets and liabilities measured at fair value. There is no financial impact.
AASB 119	*Employee benefits* This Standard supersedes AASB 119 (October 2010), making changes to recognition, presentation and disclosure requirements. The FPC assessed employee leave patterns to determine whether annual leave is short-term or other long-term employee benefit. The resultant discounting of annual leave liabilities that were previously measured at the undiscounted amounts is not material.
AASB 1048	*Interpretation of standards* This Standard supersedes AASB 1048 (June 2012), enabling references to the Interpretations in all other Standards to be updated by reissuing the service Standard. There is no financial impact.
AASB 2011-8	*Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 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]* 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.
AASB 2011-10	*Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Int 14]* This Standard makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 119 in September 2011. The resultant discounting of annual leave liabilities that were previously measured at the undiscounted amounts is not material.
AASB 2012-2	*Amendments to Australian Accounting Standards – Disclosures - Offsetting Financial Assets and Financial Liabilities [AASB 7 & 132]* 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.

AASB 2012-5	*Amendments to Australian Accounting Standards arising from Annual Improvements 2009-11 Cycle [AASB 1, 101, 116, 132 & 134 and Int 2]* This Standard makes amendments to the Australian Accounting Standards and Interpretations as a consequence of the annual improvements process. There is no financial impact.
AASB 2012-6	*Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, 2009-11, 2010-7, 2011-7 & 2011-8]* This Standard amends the mandatory effective date of AASB 9 Financial Instruments to 1 January 2015 (instead of 1 January 2013). Further amendments are also made to numerous consequential amendments arising from AASB 9 that will now apply from 1 January 2015. There is no financial impact.
AASB 2012-9	*Amendment to AASB 1048 arising from the Withdrawal of Australian Int 1039* The withdrawal of Int 1039 Substantive Enactment of Major Tax Bills in Australia has no financial impact for the Commission during the reporting period and at balance date. Measurement of tax assets and liabilities continues to be measured in accordance with enacted or substantively enacted tax law pursuant to AASB 112.46-47.
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]* This Standard introduces a number of editorial alterations and amends the mandatory application date of Standards for not for profit entities accounting for interests in other entities. There is no financial impact.
AASB 2013-9	*Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments.* Part A of this omnibus Standard makes amendments to other Standards arising from revisions to the Australian Accounting Conceptual Framework for periods ending on or after 20 December 2013. Other Parts of this Standard become operative in later periods. There is no financial impact for Part A of the Standard.

5.02 Future impact of Australian Accounting Standards not yet operative

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

		Operative for reporting periods beginning on/after
Int 21	*Levies* This Interpretation clarifies the circumstances under which a liability to pay a government levy imposed should be recognised. There is no financial impact for the FPC at reporting date.	1 January 2014
AASB 9	*Financial Instruments* This Standard supersedes AASB 139 *Financial Instruments: Recognition and Measurement*, introducing a number of changes to accounting treatments. The mandatory application date of this Standard was amended to 1 January 2018 by AASB 2014-1. The FPC has not yet determined the application or the potential impact of the Standard.	1 January 2018
AASB 10	*Consolidated Financial Statements* This Standard, issued in August 2011, supersedes AASB127 *Consolidated and Separate Financial Statements* and Int 112 *Consolidation - Special Purpose Entities*, introducing a number of changes to accounting treatments. Mandatory application of this Standard was deferred by AASB 2012-10 *Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments*. The adoption of the new Standard has no financial impact for the FPC as it does not impact accounting for related bodies and the FPC has no interests in other entities.	1 January 2014
AASB 11	*Joint Arrangements* This Standard, issued in August 2011, supersedes AASB 131 *Interests in Joint Ventures*, introduces new principles for determining the type of joint arrangement that exists, which are more aligned to the actual rights and obligations of the parties to the arrangement. Mandatory application of this Standard was deferred for not-for-profit entities by AASB 2012-10. There is no financial impact for the FPC as the new standard continues to require the recognition of the FPC's share of assets and share of liabilities for the unincorporated joint operation.	1 January 2014

AASB 12	*Disclosure of Interests in Other Entities* This Standard, issued in August 2011, supersedes disclosure requirements in AASB 127 *Consolidated and Separate Financial Statements*, AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*. Mandatory application of this Standard was deferred for not-for-profit entities by AASB 2012-10. There is no financial impact.	1 January 2014
AASB 14	*Regulatory Deferral Accounts* The FPC has not yet determined the application or the potential impact of the Standard.	1 January 2016
AASB 127	*Separate Financial Statements* This Standard, issued in August 2011, supersedes AASB 127 *Consolidated and Separate Financial Statements*, removing the consolidation requirements of the earlier standard whilst retaining accounting and disclosure requirements for the preparation of separate financial statements. Mandatory application was deferred for not-for-profit entities by AASB 2012-10. There is no financial impact.	1 January 2014
AASB 128	*Investments in Associates and Joint Ventures* This Standard, issued in August 2011, supersedes AASB 128 *Investments in Associates*, introducing a number of clarifications for the accounting treatments of changed ownership interest. Mandatory application of this Standard was deferred for not-for-profit entities by AASB 2012-10. The adoption of the new Standard has no financial impact for the FPC as it does not hold investments in associates and the accounting treatments for joint operations is consistent with current practice.	1 January 2014
AASB 1031	*Materiality* This Standard supersedes AASB 1031 (February 2010) removing Australian guidance on materiality not available in IFRSs and refers to guidance on materiality in other Australian pronouncements. There is no financial impact.	1 January 2014
AASB 1055	*Budgetary Reporting* This Standard requires specific budgetary disclosures in the general purpose financial statements of not-for-profit entities within the General Government Sector. The FPC will be required to disclose additional budgetary information and explanations of major variances between actual and budgeted amounts, though there is no financial impact.	1 July 2014

AASB 2009-11	*Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Int 10 & 12]* (modified by AASB 2010-7)	1 January 2014
AASB 2010-7	*Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]* This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. The FPC has not yet determined the application or the potential impact of the Standard.	1 January 2015
AASB 2011-7	*Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Int 5, 9, 16 & 17]* This Standard gives effect to consequential changes arising from the issue of AASB 10, AASB 11, AASB 127 Separate Financial Statements and AASB 128 *Investments in Associates and Joint Ventures*. Mandatory application was deferred for not-for-profit entities by AASB 2012-10. The FPC has analysed the suite of Consolidation and Joint Arrangements Standards and determined that no financial impact arises from adopting the various Standards.	1 January 2014
AASB 2012-3	*Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]* 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. The FPC does not routinely hold financial assets and financial liabilities that it intends to settle on a net basis, therefore there is no financial impact.	1 January 2014
AASB 2013-3	*Amendments to AASB 136 - Recoverable Amount Disclosure for Non-Financial Assets.* This Standard introduces editorial and disclosure changes. There is no financial impact.	1 January 2014

AASB 2013-4	*Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]*. This Standard permits the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. The FPC does not routinely novate derivatives or hedges, therefore there is no financial impact.	1 January 2014
AASB 2013-8	*Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities - Control and Structured Entities [AASB 10, 12 & 1049]*. The amendments, issued in October 2013, provide significant guidance in determining whether a not-for-profit entity controls another entity when financial returns are not a key attribute of the investor's relationship. The Standard has no financial impact in its own right, rather the impact results from the adoption of the amended AASB 10.	1 January 2014
AASB 2013-9	*Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments*. This omnibus Standard makes amendments to other Standards arising from the deletion of references to AASB 1031 in other Standards for periods beginning on or after 1 January 2014 (Part B), and, defers the application of AASB 9 to 1 January 2017 (Part C). The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB 2014-1. The FPC has not yet determined the application or the potential impact of AASB 9, otherwise there is no financial impact for Part B.	1 January 2014 1 January 2017
AASB 2014-1	*Amendments to Australian Accounting Standards* The FPC has not yet determined the application or the potential impact of the Standard.	1 January 2014 1 January 2015 1 January 2016 1 January 2018

		2014 $000	2013 $000
6.0	**Trading profit**		
	6.1 Sales		
	Harvesting operations	50,098	52,452
	Recovery of harvesting costs	47,433	50,830
	Plant propagation centre revenue	101	278
	Total sales	**97,632**	**103,560**
	6.2 Cost of sales		
	Harvesting costs	(56,199)	(60,478)
	Roading maintenance and construction	(3,499)	(4,360)
	Write back of inventory to net realisable value	2,021	2,702
	Cost of goods sold	**(57,677)**	**(62,136)**
	Trading profit	**39,955**	**41,424**
7.0	**Commonwealth grants and contributions**		
	Recognition of Commonwealth Government contribution to National Action Plan for Salinity and Water Quality	996	964
		996	**964**
8.0	**Interest revenue**		
	Interest revenue	690	1,283
		690	**1,283**
9.0	**Other revenue**		
	Contracts and other[1]	3,715	669
	Fire settlement claim[2]	2,572	-
	Revenue from cost recovery operations[3]	2,559	1,712
	Resource received free of charge	178	33
		9,024	**2,414**

[1] Includes proceeds from the sale of an Indian sandalwood plantation in Kununurra.
[2] Settlement payments were received for fires in a Yanchep plantation and the Badgingarra region.
[3] Revenue from cost recovery operations is due mainly to services to Department of Parks and Wildlife (Parks and Wildlife) for fire support, the recoup of plantation maintenance costs and insurance premium adjustments. Expenses associated with these contributions are included in expenses from ordinary activities.

		2014 $000	2013 $000
10.0	**Employee benefits expense**		
	Wages and salary	12,846	12,254
	Fringe benefits tax	11	7
	Leave expense	2,650	2,482
	Payroll tax	948	832
	Superannuation - Defined contribution plans	1,497	1,325
	Superannuation - Defined benefit plans (Note 28.0)	6	7
		17,958	**16,907**

Employment on-cost expenses, such as worker's compensation insurance, are included in Note 15.0 'Other expenses'. The employment on-costs liability is included at Note 28.0 'Provisions'.

		2014	2013
		$000	$000
11.0	**Supplies and services**		
	Travel	238	253
	Sundry supplies and services	2,052	535
	Operating lease	1,590	1,756
	Other services	35	92
	Legal fees and consultants	604	101
	Parks and Wildlife service level agreements	8,300	9,229
	Materials	766	572
	Forest management expenses	6,167	6,271
	Fire salvage and remedial works	1,770	2,106
	Repairs and maintenance	407	424
	Vehicle expenses	18	12
		21,947	**21,352**
12.0	**Depreciation and amortisation expense**		
	Plant, equipment, vehicles, office equipment and nursery infrastructure	713	718
	Buildings	401	412
	Amortisation of software	18	1
		1,132	**1,131**
13.0	**Finance costs**		
	Interest on contract obligations	566	468
	Foreign exchange loss/(gain)	33	(445)
		599	**23**
14.0	**Accommodation expenses**		
	Lease rentals and accommodation	388	292
	Other property	230	229
		618	**521**
15.0	**Other expenses**		
	Audit fees - Auditor General	158	161
	Audit fees - Other	89	82
	Increase/(Decrease) in allowance for doubtful debts	(624)	(213)
	Telephone, postage, communications	596	621
	Employment on-costs	391	378
	Plantation maintenance provision	547	-
	Other administration costs	226	531
	Resources received free of charge	178	33
		1,561	**1,593**

		2014 $000	2013 $000
16.0	**Biological asset increment/(decrement)**		
	Increment/(decrement) from revaluation	6,634	(17,818)
		6,634	**(17,818)**
	Reconciliation of decrease on revaluations to movement of biological assets		
	Gross movement on biological assets	8,365	(11,067)
	Movement in annuity liabilities	2,967	(1,551)
	New plantations	(4,698)	(5,200)
		6,634	**(17,818)**
17.0	**Onerous contracts**		
	Annuity obligations associated with immature sharefarms considered onerous	(4,972)	338
		(4,972	**338**
18.0	**Grants and subsidies from State Government**		
	Grants and subsidies from State Government	-	1
		-	**1**
19.0	**Inventories**		
	Current		
	Inventories held for resale at cost[1]:		
	- Plant Propagation Centre	1,442	949
	- Sandalwood	5,927	4,324
	- Timber on forest landings	1,620	1,694
		8,989	**6,968**

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

		2014 $000	2013 $000
20.0	**Receivables**		
	Current		
	Trade and other receivables	15,281	21,579
	Allowance for doubtful debts	(757)	(1,381)
		14,525	**20,198**
	Reconciliation of change in the allowance for impairment of receivables		
	Balance at start of year	(1,381)	(1,594)
	Amounts written off during the year	4	170
	Doubtful debts write back recognised in the Statement of comprehensive income	620	43
	Balance at end of year	**(757)**	**(1,381)**

	2014 $000	2013 $000
21.0 Other assets		
Current		
Prepayments	86	84
Derivative asset	-	262
Accrued revenue	181	206
	267	**552**

22.0 Property, plant and equipment

22.1 Land and buildings

	2014 $000	2013 $000
Freehold land at fair value[1]	11,350	11,596
	11,350	11,596
Buildings at fair value	8,404	8,050
Accumulated depreciation	(3,521)	(3,120)
	4,883	4,930
Total land and buildings	**16,233**	**16,527**

[1] FPC owned land was revalued as at 1 July 2013 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 2014 and recognised at 30 June 2014. The fair value of all land and buildings has been determined by reference to recent market transactions.

22.2 Plant, equipment and vehicles

	2014 $000	2013 $000
Nursery infrastructure at fair value at 30 June 2012	12,664	12,664
Accumulated depreciation	(8,877)	(8,470)
Nursery infrastructure	3,787	4,194
Plant, equipment and vehicles at cost	4,452	4,303
Accumulated depreciation	(3,983)	(3,861)
	469	442
Office equipment at cost	2,083	2,004
Accumulated depreciation	(1,690)	(1,590)
	393	414
Total plant, equipment and vehicles	**4,649**	**5,050**
Total property, plant and equipment	**20,882**	**21,577**

22.3 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 2012	7,849	11,281	7,889	12,138	4,118	1,912	45,187
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
Balance at 1 July 2013	7,849	11,596	8,050	12,664	4,303	2,004	46,466
Additions	-	-	-	-	220	92	312
Disposals	-	-	-	-	(71)	(13)	(85)
Revaluation increase/ (decrease)	-	(246)	354	-	-	-	108
Balance at 30 June 2014	7,849	11,350	8,404	12,664	4,452	2,083	46,802
Depreciation and impairment losses							
Balance at 1 July 2012	(7,849)	-	(2,711)	(8,073)	(3,696)	(1,573)	(23,902)
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)	(24,889)
Balance at 1 July 2013	(7,849)	-	(3,120)	(8,470)	(3,861)	(1,590)	(24,889)
Depreciation	-	-	(401)	(407)	(193)	(112)	(1,114)
Disposal	-	-	-	-	71	12	83
Balance at 30 June 2014	(7,849)	-	(3,521)	(8,877)	(3,983)	(1,690)	(25,920)
Carrying amounts							
At 1 July 2012	-	11,281	5,178	4,065	422	339	21,285
At 30 June 2013	-	11,596	4,930	4,194	442	415	21,577
At 1 July 2013	-	11,596	4,930	4,194	442	415	21,577
At 30 June 2014	-	11,350	4,883	3,787	469	393	20,882

22.4 Fair value measurements

Assets measured at fair value:

2014	Level 1 $000	Level 2 $000	Level 3 $000	Fair value At end of period $000
Land (Note 22.1)	-	-	11,350	11,350
Buildings (Note 22.1)	-	-	4,883	4,883
Infrastructure (Note 22.2)	-	-	3,787	3,787
	-	**-**	**20,020**	**20,020**

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

Fair value measurements using significant unobservable inputs (Level 3)

2014	Land $000	Buildings $000	Infrastructure $000
Fair value at start of period	11,596	4,930	4,194
Revaluation increments/(decrements) recognised in profit or loss	(1)	-	-
Revaluation increments/(decrements) recognised in other comprehensive income	(246)	354	-
Depreciation expense	-	(401)	(407)
Fair value at end of period	**11,350**	**4,883**	**3,787**

Valuation processes

There were no changes in valuation techniques during the period.

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

Fair value for existing use specialised buildings and infrastructure assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost. Depreciated replacement cost is the current replacement cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, or obsolescence, and optimisation (where applicable) of the asset. Current replacement cost is generally determined by reference to the market-observable replacement cost of a substitute asset of comparable utility and the gross project size specifications.

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

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

- **Historical cost per square metre floor area (m^2)**
  The costs of constructing specialised buildings with similar utility are extracted from financial records of the FPC, then indexed by movements in CPI.
- **Consumed economic benefit/obsolescence of asset**
  These are estimated by the Western Australian Land Information Authority (Valuation Services).
- **Selection of land with restricted utility**
  Fair value for restricted use land is determined by comparison with market evidence for land with low level utility. Relevant comparators of land with low level utility are selected by the Western Australian Land Information Authority (Valuation Services).
- **Historical cost per cubic metre (m^3)**
  The costs of construction of infrastructure are extracted from financial records of the FPC and indexed by movements in construction costs by quantity surveyors.

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

Description and fair value As at 30 June 2014	$000	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs to fair value
Land	11,350	Market approach	Selection of land with similar approximate utility	Higher value of similar land increases estimated fair value.
Buildings	4,883	Depreciated replacement cost	Consumed economic benefit/obsolescence of asset	Greater consumption of economic benefit or increased obsolescence lowers fair value.
			Historical cost per square metre floor area (m^2)	Higher historical cost per m^2 increases fair value.
Infrastructure	3,787	Depreciated replacement cost	Consumed economic benefit/obsolescence of asset	Greater consumption of economic benefit or increased obsolescence lowers fair value.

Reconciliations of the opening and closing balances are provided in Note 22.3.

Basis of valuation

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

23.0 Intangible assets

	2014	2013
	$000	$000
23.1 Software		
Software - Cost	399	362
Software - Accumulated amortisation	(367)	(349)
	32	13
Total intangible assets	**32**	**13**

Reconciliation

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

	Intangible assets
Cost	$000
Balance at 1 July 2012	349
Additions from external sources	14
Disposals	(1)
Balance at 30 June 2013	362
Balance at 1 July 2013	362
Additions from external sources	37
Balance at 30 June 2014	**399**
Amortisation and impairment losses	
Balance at 1 July 2012	(349)
Balance at 30 June 2013	(349)
Balance at 1 July 2013	(349)
Disposals	(18)
Balance at 30 June 2014	**(367)**
Carrying amounts	
At 1 July 2012	-
At 30 June 2013	13
At 1 July 2013	13
At 30 June 2014	**32**

24.0 Biological assets

	2014 $000	2013 $000
Current		
Biological assets at valuation		
Native Forest		
Native forest standing timber	7,419	10,674
Sandalwood standing timber	7,012	5,639
Native forest biological assets at valuation	14,431	16,313
Plantations		
Plantations biological assets at valuation	12,121	17,935
Total biological assets at valuation current	**26,552**	**34,248**
Non-current		
Biological assets at valuation		
Native Forest		
Native forest standing timber	76,517	86,379
Sandalwood standing timber	54,941	43,835
Native forest biological assets at valuation	131,458	130,214
Plantations		
Plantations biological assets at valuation	161,994	147,177
Total biological assets at valuation non-current	**293,452**	**277,391**
Total biological assets at valuation	**320,004**	**311,639**
The Plantations estate is represented by:		
FPC plantations standing timber	162,912	150,943
Sharefarm land rights	11,203	14,169
Total plantations biological assets at valuation	174,115	165,112

Reconciliation of changes in the carrying amount of biological assets at the beginning and the end of the year

	2014 $000	2013 $000
Carrying amount at start of year	311,639	322,706
Gain/(Loss) from changes in fair value	7,384	(14,030)
Add purchases (annuities contra)	-	(47)
Add 2R capitalisation	4,698	5,200
Less impairment	(750)	(3,787)
Other (additional land annuities capitalised)	(2,967)	1,598
Carrying amount at end of year	**320,004**	**311,639**

24.1 Hectares under management

	Hectares under management	
	2014	2013
Plantations		
Mature plantations	77,311	74,811
Immature plantations	30,837	33,826
Total plantation hectares under management	108,148	108,637

24.2 Fair value measurement

Fair value hierarchy

The fair value for standing timber has been categorised as Level 3 fair values based on the inputs to the valuation technique used (income approach).

Level 3 fair values

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

	Native Forest	Sandalwood	Plantations
2014	$000	$000	$000
Fair value at start of period	97,053	49,474	165,112
Additions	-	-	1,730
Revaluation increments/(decrements) recognised in profit or loss	(13,117)	12,479	8,023
Impairment	-	-	(750)
Fair value at end of period	**83,936**	**61,953**	**174,115**

	Native Forest	Sandalwood	Plantations	
2014	$000	$000	$000	Note
Balance at 1 July 2013	97,053	49,474	165,112	
Volume	(26,857)	(22,772)	31,801	1
Revenue	(3,171)	31,134	(9,964)	2
Expense	2,370	(5,117)	(14,574)	3
Discount rate	14,541	9,234	21,163	4
Methodology	-	-	(18,673)	5
Impairment	-	-	(750)	6
Fair value at end of period	**83,936**	**61,953**	**174,115**	

Notes:

Native Forests

1. The new Forest Management Plan (2014-2023) required new contracts of sale to be awarded via a tender process. The tender process resulted in a volume to be contracted of 463,000 m^3 per annum. This volume is a reduction of 89,000 m^3 per annum compared to the 2013 valuation. The decrease in volume over the 50 year valuation horizon equates to a net present value reduction in timber value of $26,857 million.

2. The movement of revenue between 2013 and 2014 at 2014 volumes has resulted in a net present value decrease of $3.17 million over the 50 year horizon.
3. The movement of expenses between 2013 and 2014 at 2014 volumes has resulted in a net present value increase of $2.37 million over the 50 year horizon.
4. The discount rate for 2014 has been provided by an independent valuation company Indufor Asia Pacific. This discount rate is real, pre-tax and takes into consideration the forecast period timeframe and risks of achieving the forecast cash flows over that timeframe. The discount rate for 2014 is 9.5 per cent compared to 11.7 per cent in 2013. The decrease in discount rate over the 50 year horizon equates to a net present value increase in timber value of $14.54 million.

Sandalwood

1. Under the FPC's projections of future harvest, the decrease in volume to be harvested over the 50 year valuation horizon of 1,725 tonnes equates to a net present value reduction in timber value of $22.77 million.
2. The movement of forecast revenue between 2013 and 2014 at 2014 volumes has resulted in a net present value increase of $31.13 million over the 50 year horizon. The primary driver of the increase is the increase in the weighted average export price for sandalwood products.
3. The movement of forecast expenses between 2013 and 2014 at 2014 volumes has resulted in a net present value decrease of $5.12 million over the 50 year horizon.
4. The discount rate for 2014 has been provided by an independent valuation company Indufor Asia Pacific. This discount rate is real, pre-tax and takes into consideration the forecast period timeframe and risks of achieving the forecast cash flows over that timeframe. The discount rate for 2014 is 9.5 per cent compared to 11.7 per cent in 2013. The decrease in discount rate over the 50 year horizon equates to a net present value increase in timber value of $9.23 million.

Plantations

1. The updating of the valuation from 2013 to 2014 has included a review of inventory data and yield projections. The resulting adjustment to the unit yields employed within the valuation model has led to an increase in the level of the projected wood flows. There has also been a change in the harvesting strategy from 2013 to 2014. The total impact of the revised wood flow is $31.8 million.
2. The movement in forecast unit price levels between 2013 and 2014 has resulted in a net present value decrease of $9.96 million over the period the current crop is forecast to be harvested (38 years). The primary driver of the decrease is a reduction in the assumed price for industrial wood sales to Laminex.
3. The movement of forecast unit expenses between 2013 and 2014 has resulted in a net present value decrease of $14.57 million over the period the current crop is forecast to be harvested. The primary driver of the decrease is higher overhead costs, mainly associated with fire prevention.
4. The discount rate for 2014 has been provided by Indufor Asia Pacific. This discount rate is applied to projections of cashflows expressed in real, pre-tax terms. The discount rate for 2014 is 9.0 per cent compared to 11.2 per cent in 2013. The decrease in discount rate over the period the current crop is forecast to be harvested (38 years) equates to a net present value increase in timber value of $21.16 million.
5. This consists of the following changes – inclusion of stands less than seven years of age in the cashflow model rather than valuing separately (-$15.71 million) and inclusion of the net sharefarm annuities movement in the cashflow to determine the tree crop value (-$2.97 million).
6. Post the independent valuation of plantations, an estimate of the impact of extended dry conditions in the Mid-west estate results in the impairment of the valuation by $0.75 million. Refer to Note 35.0 'Events occurring after the end of the reporting period'.

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

Description and fair value as at 30 June 2014 $000	Valuation technique(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value measurement
Standing timber - Native forest 83,936	Discounted cash flows: the valuation model considers the present value of the net cash flows to be generated from the forest. The cash flows projections include specific estimates for 50 years. The expected net cash flows are discounted using a risk adjusted discounted rate.	• Estimated future timber market prices (gross profit) per cubic metre ($19.99 to $68.03, weighted average $37.65). • Estimated average volume per annum (446,000 cubic metres). • Estimated management costs per cubic metre to sell the volume ($20.88).	The estimated fair value would increase (decrease) if: • the estimated timber gross profit price per cubic metre were higher (lower); • the estimated volume was higher (lower); • the estimated management cost per cubic metre were lower (higher); or • the risk-adjusted discount rate were lower (higher).
Standing timber - Sandalwood 61,953	Discounted cash flows: the valuation model considers the present value of the net cash flows to be generated from the forest. The cash flows projections include specific estimates for 50 years. The expected net cash flows are discounted using a risk adjusted discounted rate.	• Estimated future timber market prices based on AUS/USD dollar forward exchange rates over the 50 year horizon provided by Western Australian Treasury Corporation. The exchange rate decreases over the period from $0.91 in 2015 to $0.47 in 2064. • The weighted average price for products in the domestic market is $11,627 per tonne and for products in the export market $13,060 per tonne. • Estimated average volume per annum to FY16 is 1,350 tonnes, then 1,013 tonnes to FY27, then 600 tonnes to FY42, and thereafter 300 tonnes. • Estimated cost per tonne to harvest, produce and sell the volume over the forecast horizon is $8,389.	The estimated fair value would increase (decrease) if: • the estimated timber gross profit price per cubic metre were higher (lower); • the estimated volume was higher (lower); • the estimated cost to harvest, produce and sell per tonne were lower (higher); or • the risk-adjusted discount rate were lower (higher). • the estimated AUD/USD dollar forward exchange rates were lower (higher);
Standing timber - Plantations 174,115	Discounted cash flows: the valuation model considers the present value of the net cash flows to be generated from the forest. The cash flows projections include specific estimates for 38 years. The expected net cash flows are discounted using a risk adjusted discounted rate.	• The area stocked as at 30 June 2014 is 75,469 hectares. Beyond the current date, it is not possible to declare the forest area with certainty. • Estimated future timber market prices range from $37.47 per cubic metre ($m^3$) to $93.35/$m^3$. Such prices are based on past and current evidence and reflect differences paid for the range of grades sold. The future level is a matter for informed conjecture. • Future wood flow projections are based on a combination of the forest area, assumed yield tables and a plausible harvest strategy. The estimation of all such inputs involves forward-looking processes for which the results are not assured.	The estimated fair value would increase (decrease) if: • the estimated timber gross profit price per cubic metre were higher (lower); • the estimated volume was higher (lower); • the estimated management cost per cubic metre were lower (higher); or • the risk-adjusted discount rate were lower (higher).

25.0 Biological assets risk analysis

25.1 Risk management strategies related to agricultural products

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

1. Regulatory and environmental risk

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

2. Supply and demand risks

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

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

1. Regulatory and environmental risk

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

The annual harvesting limits are set by Executive Council under the *Sandalwood Limitation Order (1996)*. FPC projections of future harvest are based on a management plan that considers the current resource and growth projections. FPC also harvests dead sandalwood but this is not included in the biological asset valuation as it is not a living asset.

2. Supply and demand risks

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

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

1. Regulatory and environmental risk

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

2. Supply and demand risks

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

25.2 Discount rates

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

	2014	2013
Plantations	9.00%	11.20%
Native Forest and Sandalwood	9.50%	11.70%

The discount rate is real and pre-tax (refer to Note 2.17).

25.3 Sensitivity analysis

The value of biological assets is dependent on assumptions underpinning the FPC's growth models and cash flow assumptions. Discount rates have been adjusted to take account of significant risk factors not adjusted directly through cash flows. The following sensitivity analysis has been provided to assist in the assessment of the impact of variances in these assumptions.

Sensitivity of the net market value of commercial forestry operations to changes in significant assumptions:			2014 $000 Increase/ (decrease)	2013 $000 Increase/ (decrease)
Discount rate:	+ 3%	Total biological assets at valuation	(66,590)	(45,389)
	- 3%	Total biological assets at valuation	108,675	67,317
Future prices:	+ 3%	Total biological assets at valuation	28,124	19,054
	- 3%	Total biological assets at valuation	(28,123)	(19,056)
Future costs:	+ 3%	Total biological assets at valuation	(18,419)	(10,430)
	- 3%	Total biological assets at valuation	18,420	10,429

25.4 Cash flows

(a) Cash flows are real and pre tax.

(b) Inflation is expected to continue at the current rate.

(c) Where revenues/costs are expected to increase or decrease other than in line with inflation, the nominal increase/decrease is included in cash flows.

(d) Cash flows are discounted to balance date from their expected date of occurrence at rates set out under Note 25.1.

(e) Cash flows are expected to occur over the following periods:

Category:	Years:
Native forest standing timber	50
Standing sandalwood	50
Plantations standing timber	38

25.5 Insurance

The FPC does not insure its biological assets.

26.0 Impairment of assets

There was no indication of impairment to property, plant and equipment, infrastructure or intangible assets at 30 June 2014.

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

All surplus assets at 30 June 2014 have either been classified as assets held for sale or written-off.

27.0 Payables

	2014 $000	2013 $000
Current		
Trade payables	4,424	4,390
GST payable	59	55
Payroll tax accrual	72	68
Accrued logging costs	2,474	2,888
Other accruals	5,752	6,878
Accrued salaries and wages	351	293
Land annuity obligations	2,263	2,192
Hedge contract	71	-
	15,465	**16,765**
Non-current		
Land annuity obligations	17,611	18,106
	17,611	**18,106**

28.0 Provisions

	2014 $000	2013 $000
Current		
Employee benefits provision		
Annual leave [(a)]	1,300	1,271
Long service leave [(b)]	2,217	2,308
Deferred salary scheme [(c)]	79	-
	3,596	3,579
Other provisions		
Provision for regeneration of Native Forest [(e)]	3,239	1,586
Unearned revenue [(f)]	481	289
Provision for sandalwood plantation maintenance [(g)]	68	-
	3,787	1,875
Total current	**7,383**	**5,454**

	2014	2013
Non-current	$000	$000
Employee benefits provision		
Long service leave [b]	986	1,038
Superannuation [d]	194	168
	1,179	1,206
Other provisions		
Provision for regeneration of Native Forest [f]	2,810	2,705
Provision for sandalwood plantation maintenance [g]	479	-
	3,289	2,705
Total non-current	**4,468**	**3,911**

	2014	2013
Explanations:	$000	$000
(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
- Within 12 months of the end of the reporting period.	642	628
- More than 12 months after the end of the reporting period	658	643
	1,300	**1,271**
(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
- Within 12 months of the end of the reporting period.	421	410
- More than 12 months after the end of the reporting period	2,782	2,937
	3,202	**3,347**
(c) Deferred salary scheme liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
- Within 12 months of the end of the reporting period.	-	-
- More than 12 months after the end of the reporting period	79	-
	79	**-**

(d) Defined benefit superannuation plans	2014 $000	2013 $000
Gold State Superannuation Scheme		
Movements in the present value of the defined benefit obligation in the reporting period were as follows:		
Liability at start of period	168	235
Included in profit or loss:		
Current service cost	-	-
Past service cost	-	-
Interest cost	6	7
	6	7
Included in other comprehensive income:		
Remeasurements loss (gain) recognised:		
- demographic assumptions	-	(13)
- financial assumptions	(5)	(27)
- experience adjustments	54	(7)
	49	(47)
Contributions:	(29)	(27)
Benefits paid	(29)	(27)
Liability at end of period	194	168

The FPC holds no plan assets, therefore the present value of the defined benefit obligation equals the net defined benefit liability. Employer contributions, to the pre-transfer benefit for employees who transferred to the GSS, equal the benefits paid.

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

- Discount rate	3.69%	3.38%
- Future salary increases	5.00%	5.00%

At 30 June 2014, the weighted-average duration of the defined benefit obligation was 8.6 years.

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

	Defined benefit obligation	
	Increase $000	Decrease $000
Discount rate (0.5% movement)	(8)	8
Future salary growth (0.5% movement)	(16)	17

Employer funding arrangements for the defined benefit plans

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

Employer contributions of $8,000, compared to $5,000 in 2014, are expected to be paid to the Gold State Superannuation Scheme in the subsequent annual reporting period.

(e) The FPC has an obligation under the Forest Management Plans (2004 to 2013 and 2014 to 2023) to ensure that re-growth native forest harvested are restored.

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

(g) The FPC has an obligation under contract to maintain a sandalwood plantation in Kununurra. The associated expense is disclosed in Note 15.0 'Other expenses'.

Movement in other provisions

Movements in each class of provisions during the period, other than employee benefits, are set out below:	2014 $000	2013 $000
Provision for regeneration of native forest		
Carrying amount at start of period	4,291	3,341
Additional/(reversals of) provisions recognised	2,511	1,628
Payments/other sacrifices of economic benefits	(754)	(678)
Carrying amount at the end of period	**6,048**	**4,291**
Unearned revenue		
Carrying amount at start of period	289	436
Additional/(reversals of) provisions recognised	192	-
Payments/other sacrifices of economic benefits	-	(147)
Carrying amount at the end of period	**481**	**289**
Provision for sandalwood plantation maintenance		
Carrying amount at start of period	-	-
Additional/(reversals of) provisions recognised	547	-
Payments/other sacrifices of economic benefits	-	-
Carrying amount at the end of period	**547**	**-**

29.0 Deferred revenue

Current		
National Action Plan for Salinity revenues	388	388
Contractual obligations	124	258
	512	**646**
Non-current		
Contractual obligations / forward sold carbon sequestration certificates	6,699	7,118
National Action Plan for Salinity revenues	2,100	3,096
Forward sold log supply	13,864	13,298
	22,663	**23,512**

30.0 Equity

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

	2014	2013
	$000	$000
30.1 Contributed equity		
Balance at the start of the year	337,578	331,782
Restructure costs	4,700	10,673
Equity repayment	-	(4,877)
Balance at the end of year	**342,278**	**337,578**
30.2 Reserves		
Asset revaluation surplus		
Balance at start of year	8,465	7,875
Net land revaluation increase (decrease):	109	843
Deferred tax (Note 38 'Taxation equivalent')	(33)	(253)
Balance at end of year	**8,541**	**8,465**
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	183	50
Net movement in reserve	(333)	190
Income tax	100	(57)
	(50)	**183**
Forward exchange contracts are held to hedge against fluctuations in US dollars. (Note 3.02)		
Reserves total	**8,491**	**8,648**
30.3 Retained earnings		
Balance at the start of year	(16,386)	(4,179)
Result for the year	5,315	(8,897)
Dividend paid	(2,094)	(3,310)
Balance at end of year	**(13,165)**	**(16,386)**

31.0 Re-statement of prior year balances

During the current financial year the FPC has restated comparative biological asset values for Sandalwood for the financial years 2011-12 and 2012-13 due to the identification of an error in the calculation of future revenue cash flows.

The restated comparatives are as follows:

Account	30 June 2012	Adjustment	30 June 2012 (restated)	30 June 2013	Adjustment	30 June 2013 (restated)
	$000	$000	$000	$000	$000	$000
Statement of comprehensive income						
Natural resource asset valuation increment/(decrement)	(2,228)	(10,359)	(12,587)	(17,632)	(186)	(17,818)
Profit/(Loss) before income tax equivalent expense	12,403	(10,359)	2,044	(12,737)	(186)	(12,923)
Income tax equivalent benefit	518	3,108	3,626	3,923	56	3,979
Loss after tax equivalent expense	12,921	(7,251)	5,670	(8,814)	(130)	(8,944)
Statement of financial position						
Assets						
Deferred tax asset	7,218	3,108	10,326	10,830	3,164	13,994
Natural resource assets	333,065	(10,359)	322,706	322,184	(10,545)	311,639
Total non-current assets	335,320	(7,251)	328,069	320,356	(7,381)	312,975
Total assets	409,088	(7,251)	401,837	405,615	(7,381)	398,234
Net assets	**342,780**	**(7,251)**	**335,529**	**337,221**	**(7,381)**	**329,840**
Equity						
Retained earnings	3,072	(7,251)	(4,179)	(9,005)	(7,381)	(16,386)
Total equity	**342,780**	**(7,251)**	**335,529**	**337,221**	**(7,381)**	**329,840**

32.0 Notes to the 'Statement of cash flows'

32.1 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:

	2014 $000	2013 $000
Petty cash	3	4
Commonwealth Bank - Cash Management account	26,630	18,759
Commonwealth Bank - USD Bank account	3,479	4,530
	30,112	**23,293**

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

	2014 $000	2013 $000
Profit from ordinary activities after income tax	5,364	(8,944)
Taxable items presented in 'Other comprehensive income'		
Remeasurements of defined benefit liability	(49)	47
Non-cash items:		
Depreciation and amortisation expense	1,132	1,132
Movement in provision for doubtful debts	(624)	(213)
Net (gain)/loss on disposal of property, plant and equipment	(21)	-
Change in fair value of biological assets	(6,634)	17,818
Grants and subsidies from State Government	-	(1)
Decrease /(increase) in assets:		
Current inventories	(2,021)	(2,702)
Current receivables	6,297	967
Other current assets	7,981	(8,382)
Other assets	(1,775)	1,884
Increase/(decrease) in liabilities:		
Payables	(1,300)	1,581
Employee benefits	-	186
Unearned revenue and deferred income	791	(594)
Other liabilities	59	1,634
Net cash provided by operating activities	**9,201**	**4,414**

32.3 Borrowing facilities

	2014 $000	2013 $000
The FPC had access to the following lines of credit as at reporting date:		
- Credit cards	750	750
- Bank overdraft facility	9,000	9,000
	9,750	**9,750**
Facilities in use as at reporting date:		
- Credit cards	112	146
	112	**146**
Available facilities not in use as at reporting date:		
- Credit cards	638	604
- Bank overdraft facility	9,000	9,000
	9,638	**9,604**

33.0 Commitments

The commitments below are inclusive of GST where relevant.

33.1 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	257	216
- Later than 1 year and not later than 5 years	1,469	1,244
- Later than 5 years	1,422	1,245
	3,148	**2,705**
Non-cancellable operating leases	**3,148**	**2,705**

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.

33.2 Guarantees and undertakings

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

34.0 Contingent liabilities and contingent assets

Contingent liabilities

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

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

(b) The FPC entered into a services agreement in 2008 to establish and maintain 5,000 hectares of plantation estate for the purpose of facilitating the generation of carbon credits. Subsequent changes to legislation, and uncertainty surrounding changes proposed in the Carbon Farming Initiative (CFI) Amendment Bill, may result in the FPC incurring a contractual liability. At the date of the financial statements the FPC is unable to reliably estimate any potential liability. The FPC will continue to monitor the passage of the CFI Amendment Bill and contract management options to ascertain if further disclosure, or a provision, is required at future reporting dates.

Contaminated sites

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

(b) The FPC currently has one site reported which has been classified by DER as 'possibly contaminated – investigation required'. The FPC is not in a position to provide specific amounts that may be required to investigate or remediate this site or suggest a timetable for how long this issue will remain outstanding.

35.0 Events occurring after the end of the reporting period

Included in the biological assets plantation valuation is an estimate of the impact of impairment for extended dry conditions in the Mid-west estate (Note 24.2). As this event continues, this will further impact the value of the biological asset, however the full impact of this is not known at reporting date. Accordingly, there is a risk of further impairment to the carrying amount of the biological asset.

36.0 Explanatory statement

Significant variations between estimates and actual results for 2014 and between the actual results for 2014 and 2013 are shown below. Significant variations are considered to be those greater than 10 per cent or $5 million.

36.1 Significant variances between estimate and actual for 2014

	2014 Actual	2014 Estimate [1]	Variance from Estimate	Explanation:
	$000	$000	$000	
Income				
Revenue from the sale of goods and services	97,632	111,304	(13,672)	a
Other revenue	9,024	358	8,666	b
Expenses				
Cost of sales	57,677	65,031	(7,354)	c
Finance costs	599	526	(73)	d
Depreciation expenses	1,132	992	140	e

Explanation:

(a) Uncertainty surrounding the transition from the old Forest Management Plan (FMP) for 2004-2013 to the new FMP for 2014-2023, resulted in reduced sales from native forests while reduced international demand for sandalwood products reduced revenues from that segment.

(b) Other revenue is higher due to settlement proceeds received in 2013-14 for a fire at a Yanchep plantation and the sale of an Indian sandalwood plantation in Kununurra.

(c) The cost of sales reduced in proportion to the decreased activity level, per the revenue variance (a). Wet weather conditions have also impacted the level of harvesting activities during the year.

(d) Slightly higher interest expense on forward sold log supply combined with a small foreign exchange loss on USD hedging contracts.

(e) Higher depreciation expense has resulted from depreciation on a higher value following a revaluation of infrastructure.

[1] Estimates are sourced from the 2013-14 budget.

36.2 Significant variances between actual results for 2014 and 2013

	2014	2013[1]	Variance	Explanation:
	$000	$000	$000	
Income				
Revenue from the sale of goods and services	97,632	103,560	(5,928)	a
Interest revenue	690	1,283	(593)	b
Other revenue	9,024	2,414	6,610	c
Expenses				
Finance costs	599	23	576	d
Accommodation expenses	618	521	97	e
Biological asset increment/decrement	6,634	(17,818)	24,452	f

Explanation:

(a) Uncertainty surrounding the transition from the old Forest Management Plan (FMP) for 2004-2013 to the new FMP for 2014-2023, resulted in reduced sales from native forests while reduced international demand for sandalwood products reduced revenues from that segment.

(b) Change in 2012-13 quarterly interest received accrual methodology combined with the decrease in interest charged to overdue debt customers in 2013-14 as overdue debtors were reduced.

(c) Other revenue is higher compared to 2012-13 due to settlement proceeds received in 2013-14 for a fire at a Yanchep plantation and the sale of an Indian sandalwood plantation in Kununurra.

(d) The variance is due to 2012-13 including foreign exchange gains.

(e) Accommodation costs increased due to the unbudgeted lease payments for the sandalwood research project combined with an increase in Kensington lease and GROH housing.

(f) The 2013-14 biological asset valuation increase 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 discount rates (refer Notes 2.17 and 24.0).

37.0 Financial instruments

(a) Financial risk management objectives and policies

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

Credit risk

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

The maximum exposure to credit risk at the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at Note 37.1 'Financial instrument disclosures' and Note 20.0 'Receivables'.

The FPC has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the FPC's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

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

Provision for impairment of financial assets is calculated based on past experience, and current and expected changes in client credit ratings. Factors such as customer credit risk, security and the prevailing economic conditions are considered during this process. The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provision for impairment, as shown in Note 37.4.

For financial assets that are either past due or impaired, refer to Note 37.4.

Liquidity risk

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

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

The FPC's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, borrowings and finance leases. The FPC has appropriate procedures to manage cash flows by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the FPC's income or the value of its holdings of financial instruments. The FPC's policy in regards to managing foreign exchange risks through the use of financial exchange contracts is dealt with in Note 37.2.

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

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

Currency risk

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

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

The FPC also holds a USD commercial bank account which exposes the FPC to foreign currency risk. The balance of this account at 30 June 2014 is USD 3.277 million, compared to USD 4.201 million in 2013.

Interest rate risk

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

Categories of financial instruments

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

	2014	2013
	$000	$000
Financial assets		
Cash and cash equivalents	30,112	23,293
Loans and receivables:		
Trade receivables	14,525	20,198
Forward exchange contracts	-	262
	44,636	**44,898**
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade payables	13,131	14,573
Land annuity obligations	19,874	20,298
Forward exchange contracts	71	-
	33,076	**34,871**

37.1 Financial instrument disclosures

The following table details the exposure to liquidity risk and interest rate risk as at the balance date. The FPC'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 $29.120 million, compared to $30.192 million in 2013).

	2014 $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	32.1	2.83%	26,630	26,630	-	-	-
Commonwealth Bank USD account	32.1		3,479	3,479	-	-	-
Trade receivables	20.0		15,281	15,281	-	-	-
Provision for doubtful debts	20.0		(757)	(757)			
Collateral security held - Cash	37.5		2,134	2,134	-	-	-
Collateral security held - Non cash			6,558	6,558			
Total credit exposure - Trade receivables			23,217	23,217	-	-	-
			53,325	**53,325**	**-**	**-**	**-**
Financial liabilities							
Trade payables	27.0		4,424	4,424			
Foreign exchange contracts	27.0		71	71	-	-	-
Land annuities payable			29,131	2,324	2,320	6,493	17,995
			33,626	**6,819**	**2,320**	**6,493**	**17,995**

	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	32.1	3.06%	18,759	18,759	-	-	-
Commonwealth Bank USD account	32.1		4,530	4,530	-	-	-
Trade receivables	20.0		21,579	21,579	-	-	-
Provision for doubtful debts	20.0		(1,381)	(1,381)			
Collateral security held - Cash	37.5		2,323	2,323	-	-	-
Collateral security held - Non cash			5,550	5,550			
Total credit exposure - Trade receivables			28,071	28,071	-	-	-
Foreign exchange contracts	21.0		262	262	-	-	-
			51,622	**51,622**	-	-	-
Financial liabilities							
Trade payables	27.0		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**

37.2 Forward foreign exchange contracts

The FPC 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 FPC 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 FPC'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 2014	Revalued buy amount 30 June 2014 $'000	Variance currency	Variance amount $'000
USD	30-Sep-14	2,695	0.913834	AUD	2,949	-0.021154	0.892680	AUD	3,019	AUD	70
USD	31-Dec-14	2,000	0.930002	AUD	2,151	-0.001066	0.928936	AUD	2,153	AUD	2
		4,695			**5,100**				**5,172**		**72**

37.3 Sensitivity analysis

The following table represents a summary of the interest rate, currency and other sensitivities of the FPC 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.

	2014				
	Carrying amount $000	-1% change		+1% change	
		Profit $000's	Equity $000's	Profit $000's	Equity $000's
Interest rate sensitivity analysis					
Financial assets					
Cash and cash equivalents	30,108	(186)	(186)	211	211
Financial liabilities					
Land annuities payable	19,874	(3,776)	(3,776)	(1,072)	(1,072)

	2014				
	Carrying amount $000's	-10% change		+10% change	
		Profit $000's	Equity $000's	Profit $000's	Equity $000's
Currency sensitivity analysis					
Financial assets					
USD bank account	3,479	271	271	(221)	(221)
USD rate used in this analysis was the spot rate as at 30 June 2014: 1 AUD = 0.942					

	2013				
	Carrying amount $000's	-1% change		+1% change	
		Profit $000's	Equity $000's	Profit $000's	Equity $000's
Interest rate sensitivity analysis					
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
Currency sensitivity analysis					
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

37.4 Credit risk concentrations

Accounts receivable consists largely of timber debtors, for which deposits and securities equivalent to an average of six weeks deliveries are required to be lodged in favour of the FPC under timber contracts of sale. These deposits and securities are held in trust until the expiry or default of contracts. As at 30 June 2014, the value of deposits and securities was greater than overdue accounts by $4.893 million (deposits and securities was less than overdue accounts by $0.097 million at 30 June 2013).

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

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

	2014 Number of customers	2014 Value overdue[1]: $000	2014 Impairment: $000	2013 Number of customers	2013 Value overdue[1]: $000	2013 Impairment: $000
1 to 30	27	2,256	-	33	2,722	86
31 to 60	14	687	17	15	1,864	344
Greater than 60	18	856	740	21	2,968	881
All overdue accounts	35	3,799	757	44	7,554	1,311

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

The likelihood of recovery as at 30 June 2014 was estimated and factored into the amounts provided for impairment of receivables (refer Note 20.0). Where applicable, interest is charged under the terms of the customer's supply contract.

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

Maximum exposure to credit risk for trade receivables by type of customer:	2014	2013
- State Government	-	-
- Forest product manufacture/supply	14,525	20,198
	14,525	**20,198**

37.5 Funds held in trust

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

	2014	2013
Opening balance	2,323	2,384
Receipts	609	491
Payments	(798)	(552)
Closing balance	**2,134**	**2,323**

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

37.6 Fair values

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

38.0 Taxation equivalent

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

	2014	2013
Profit/(Loss) from ordinary activities before income tax	8,481	(12,876)
Income tax calculated at 30% of operating profit/(loss)	2,544	(3,863)
Reversal of net deferred asset	-	-
Underprovided/(overprovided) in prior periods	622	(116)
	3,166	(3,979)
Current tax expense		
Current year	-	-
	-	-
Deferred tax expense		
Relating to origination and reversal of temporary differences	3,166	(3,979)
	3,166	(3,979)
Total income tax expense in the 'Statement of comprehensive income'	**3,166**	**(3,979)**

Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
	$000	$000	$000	$000	$000	$000
Receivables	(227)	(415)	-	-	(227)	(415)
Land	(87)	(87)	1,535	1,609	1,448	1,522
Buildings	(282)	(251)	1,708	1,602	1,426	1,351
Nursery infrastructure	(917)	(975)	417	417	(500)	(558)
Plant, equipment and vehicles	(236)	(154)	-	-	(236)	(154)
Biological assets	(3,097)	(3,533)	17,443	14,933	14,346	11,400
Intangible asset	(2,041)	(2,041)	-	-	(2,041)	(2,041)
Employee provisions	(1,409)	(1,436)	-	-	(1,409)	(1,436)
Sharefarm annuities	(10,279)	(9,550)	-	-	(10,279)	(9,550)
Auditing fees provision	(73)	(62)	-	-	(73)	(62)
Restoration provision	(1,979)	(1,288)	-	-	(1,979)	(1,288)
Deferred income	(4,995)	(5,290)	-	-	(4,995)	(5,290)
Incentive payments provision	(5,962)	(6,089)	-	-	(5,962)	(6,089)
Research and development offset	(1,063)	-	-	-	(1,063)	-
Hedge contract	(146)	-	(21)	79	(167)	79
Tax value of loss carry-forwards recognised	(4,235)	(5,451)	-	-	(4,235)	(5,451)
Unrecognised net deferred asset	5,051	3,988			5,051	3,988
Net tax (assets)/liabilities	**(31,977)**	**(32,634)**	**21,082**	**18,640**	**(10,895)**	**(13,994)**

Movement in temporary differences during the year

	Balance 1 July 12	Recognised in income	Recognised in equity	Balance 30 June 13	Balance 1 July 13	Recognised in income	Recognised in equity	Balance 30 June 14
	$000	$000	$000	$000	$000	$000	$000	$000
Receivables	(478)	63	-	(415)	(415)	188	-	(227)
Inventories	(126)	126	-	-	-	-	-	-
Land	1,427	95	-	1,522	1,522	(74)	-	1,448
Buildings	1,382	(31)	-	1,351	1,351	75	-	1,426
Nursery infrastructure	(773)	215	-	(558)	(558)	58	-	(500)
Plant, equipment and vehicles	(122)	(32)	-	(154)	(154)	(82)	-	(236)
Biological assets	14,278	(2,878)	-	11,400	11,400	2,946	-	14,346
Intangible asset	(2,041)	-	-	(2,041)	(2,041)	-	-	(2,041)
Employee provisions	(1,379)	(57)	-	(1,436)	(1,436)	27	-	(1,409)
Sharefarm annuities	(8,816)	(734)	-	(9,550)	(9,550)	(729)	-	(10,279)
Auditing fees provision	(45)	(17)	-	(62)	(62)	(11)	-	(73)
Restoration provision	(1,003)	(285)	-	(1,288)	(1,288)	(691)	-	(1,979)
Deferred income	(5,368)	78	-	(5,290)	(5,290)	295	-	(4,995)
Incentive payments provision	(6,459)	370	-	(6,089)	(6,089)	127	-	(5,962)
Research and development offset	-	-	-	-	-	(1,063)	-	(1,063)
Reserves	22	(253)	310	79	79	(179)	(67)	(167)
Tax value of loss carry-forwards recognised	(4,813)	(638)	-	(5,451)	(5,451)	1,216	-	(4,235)
Unrecognised tax losses	3,988	-	-	3,988	3,988	1,063	-	5,051
	(10,326)	**(3,978)**	**310**	**(13,994)**	**(13,994)**	**3,166**	**(67)**	**(10,895)**

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	
	2014	2013	2014	2013
	$000	$000	$000	$000
Intangible asset	(2,041)	(2,041)	-	-
Research and development	(1,063)	-	-	-
Tax value of loss carry-forwards recognised	(1,947)	(1,947)	-	-
Net tax (assets)/liabilities	**(5,051)**	**(3,988)**	**-**	**-**

Provision for taxation	2014 $000	2013 $000
Opening	-	-
Provision raised / (reversed)	-	-
Tax paid	-	-
Closing	-	-

39.0 Remuneration of Members of the Accountable Authority and Senior Officers

39.1 Remuneration of Members of the Accountable Authority

The number of Members of the Accountable Authority (Commissioners) whose total of fees, salaries, superannuation[1], non-monetary benefits and other benefits for the financial year which fall within the following bands are:

$	2014 $000	2013 $000
0 - 10,000	1	4
10,001 - 20,000	-	1
20,001 - 30,000	5	4
30,001 - 40,000	-	1
50,001 - 60,000	1	-
	7	10
Total remuneration of Members of the Accountable Authority for the financial period was	**184,032**	**178,343**
Remuneration of Members of the Accountable Authority was comprised of:		
- Cash remuneration received	178,941	170,908
- Annual leave and long service leave accruals	-	-
- Other benefits	5,091	7,435
	184,032	**178,343**

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

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

39.2 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:

	2014	2013
$	$000	$000
0 - 10,000	-	1
120,001 - 130,000	1	-
150,001 - 160,000	-	1
160,001 - 170,000	1	1
170,001 - 180,000	1	1
190,001 - 200,000	1	-
230,001 - 240,000	-	-
250,001 - 260,000	-	1
300,001 - 310,000	1	-
	5	5
Total remuneration of Senior Officers for the financial period was:	**963,336**	**973,332**
Remuneration of Members of the Senior Officers was comprised of:		
- Cash remuneration received	943,101	733,325
- Annual leave and long service leave accruals	-	219,305
- Other benefits	20,235	20,702
	963,336	**973,332**

The total remuneration includes the superannuation expense incurred by the FPC in respect of senior officers other than senior officers reported as Members of the Accountable Authority.

40.0 Related bodies

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

41.0 Remuneration of auditor

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

	2014	2013
	$000	$000
Auditing the financial statements and performance indicators	140	161

42.0 Supplementary financial information

	2014	2013
	$000	$000
42.1 Write-offs		
Debtors	4	155
Assets	-	14
Total	**4**	**169**
42.2 Losses through theft, defaults and other causes	-	-
42.3 Gifts of public property	-	-

43.0 Schedule of income and expenses by service

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

Main operating segments:

- South West Native Forest - Responsible for harvesting and regeneration activities associated with native forest other than sandalwood.
- Sandalwood - Responsible for harvesting and regeneration activities associated with sandalwood and other arid timbers.
- Plantations - Responsible for all harvesting, replanting and maintenance of the FPC's plantation estate as well as the maintenance of sharefarm plantations in medium and low rainfall zone and all plant propagation activities. The objective of the sharefarms is to maintain establishments that sustain and develop the timber industry; ameliorate salinity and address soil degradation.

Corporate:

This segment provides corporate management and business administration (human resources, contract administration and finance) support services 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.

	2014					
	South West Forest	Sandalwood	Plantations	Corporate	Eliminations[2]	Total
	$000	$000	$000	$000	$000	$000
Revenue						
External segment revenues	29,481	15,015	54,894	7,395	-	106,785
Inter-segment sales	-	-	1,400	178	(1,578)	-
Total revenue	**29,481**	**15,015**	**56,294**	**7,573**	**(1,578)**	**106,785**
Expenses						
Employee expenses	(3,399)	(755)	(6,070)	(7,732)	-	(17,956)
External segment expenses	(27,797)	(8,138)	(43,310)	(3,695)	1,578	(81,362)
Finance charges	-	(33)	(566)	-	-	(599)
Total expenses	**(31,196)**	**(8,926)**	**(49,946)**	**(11,427)**	**1,578**	**(99,917)**
Operating profit[1]	**(1,715)**	**6,089**	**6,348**	**(3,854)**	**-**	**6,868**
Biological asset valuation						
Increase/(decrease)	(13,117)	12,479	7,272	-	-	6,634
Onerous contracts	-	-	(4,972)	-	-	(4,972)
Profit/(Loss) before tax	**(14,832)**	**18,568**	**8,648**	**(3,854)**	**-**	**8,530**
Allocation of income tax	4,450	(5,570)	(886)	(1,160)	-	(3,166)
Profit/(Loss) for the year	**(10,382)**	**12,998**	**7,762**	**(5,014)**	**-**	**5,364**
Total segment assets	**86,482**	**67,938**	**188,967**	**62,319**	**-**	**405,706**
Total segment liabilities	**6,049**	**547**	**41,053**	**20,453**	**-**	**68,102**

	2013					
	South West Forest	Sandalwood	Plantations	Corporate	Eliminations[2]	Total
	$000	$000	$000	$000	$000	$000
Revenue						
External segment revenues	39,048	16,905	49,799	624	-	106,376
Inter-segment sales	-	-	1,813	33	(1,846)	-
Total revenue	**39,048**	**16,905**	**51,612**	**657**	**(1,846)**	**106,376**
Expenses						
Employee expenses	(3,152)	(773)	(5,723)	(7,205)	-	(16,853)
External segment expenses	(33,217)	(8,712)	(43,491)	(1,369)	1,846	(84,943)
Finance charges	-	445	(468)	-	-	(23)
Total expenses	**(36,369)**	**(9,040)**	**(49,682)**	**(8,574)**	**1,846**	**(101,819)**
Operating profit[1]	**2,679**	**7,865**	**1,930**	**(7,917)**	**-**	**4,557**
Biological asset valuation						
Increase/(decrease)	(24,182)	5,686	678	-	-	(17,818)
Onerous contracts	-	-	338	-	-	338
Profit/(Loss) before tax	**(21,503)**	**13,551**	**2,946**	**(7,917)**	**-**	**(12,923)**
Allocation of income tax	6,451	(4,065)	965	628	-	3,979
Profit/(Loss) for the year	**(15,052)**	**9,486**	**3,911**	**(7,289)**	**-**	**(8,944)**
Total segment assets	**99,783**	**53,862**	**180,049**	**64,540**	**-**	**398,234**
Total segment liabilities	**4,291**	**-**	**42,531**	**21,572**	**-**	**68,394**

1 Profit before change in biological assets valuation, onerous contracts and grants and subsidies from State Government

2 Represents internal seedling sales and resources received free of charge from other government agencies.

44.0 Additional information

Domicile and legal form:

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

Principal office:

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

Operations and principal activities:

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

Parent entity:

Government of Western Australia.

5

Appendices

Western Australian sandalwood products

Appendix 1 - Relevant acts and key legislation

Government Agreements Acts relevant to the Forest Products Commission

- *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 Forest Products Commission'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
2013	5,883*	2	0	292	554

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

Appendix 3- Area of coniferous (pine) plantations as at 31 December 2013 (hectares)

Year	Commission owned								Commission managed sharefarms		Total
	Pinus radiata				Other pine						
	1st rotation		Subsequent rotations		1st rotation		Subsequent rotations		1st rotation		
	State	Sharefarm	State	Sharefarm	State	Sharefarm	State	Sharefarm	Pinus radiata	Other pine	
Pre 1970	268		26		2,855		46				3,196
1970	30				1,004		19				1,053
1971	105				225						331
1972	112				242						354
1973	56		18		366		3				442
1974	244				201		5				450
1975	142				1,172						1,313
1976	170		4		852		1				1,027
1977	25		30		824						879
1978	106				193						299
1979	47		18								65
1980	22				613						636
1981	493		93		724		12				1,321
1982	1,048		59		428		5				1,540
1983	989		234		531		66				1,819
1984	1,790		3		478		9				2,280
1985	1,715	14	1		415		2				2,148
1986	872	132			290						1,295
1987	579	579	144		28		0				1,331
1988	410	1,097	120	1							1,627
1989	540	358	405	23	22		22				1,369
1990	231	596	233				16				1,075
1991	58	910	476	0			21				1,466
1992	9	1,574	475				245				2,303
1993	8	672	1,014		133	5	190				2,022
1994	143	396	447		17		335		13		1,352
1995	63	95	925		7	269	136				1,496
1996	35	9	1,038		161	506	31				1,781
1997	64	2	993			1,171	165			16	2,412
1998	16	82	81			1,467	4			307	1,958
1999	26	186	774		6	2,030	197	39	19	342	3,620
2000		123	999		27	3,792	16		5	274	5,236
2001		1	834			2,992			1	327	4,156
2002	38	174	607		3	612				211	1,645
2003		580	919	2	0	823	69		42	315	2,750
2004	106		1,100		437	608	138			132	2,521
2005	12	26	1,252		120	417	83			238	2,148
2006	8	55	1,501		49	1,449				97	3,158
2007	52		1,413			2,475	49			243	4,232
2008	2	536	1,579	9	0	1,229				14	3,369
2009	2	35	2,027	9		459	6				2,537
2010			570	66		5	14				655
2011			2,240			8					2,248
2012			2,083								2,083
2013	10	20	1,830				159				2,019
Total	**10,646**	**8,252**	**26,564**	**109**	**12,424**	**2,0319**	**2,063**	**39**	**81**	**2,515**	**83,012**

Appendix 4 - Area of broadleaved (eucalypt) plantations as at 31 December 2013 (hectares)

Year	Commission owned				Commission managed		Total
	Eucalyptus globulus		Other eucalypts		Eucalyptus globulus	Other Eucalypts	
	State	Sharefarms	State	Sharefarms	State	State	
Pre1988	6		6,465	1			6,472
1988		3	10				13
1989		36	2				37
1990	20		24	23			66
1991	0		36				36
1992	6	104					110
1993		41	6				47
1994			2				2
1995	4		1				5
1996		4	6	3			13
1997	2		1	9			12
1998	24	0	2	8			33
1999		1	9	1			11
2000		56	31	2			89
2001		44		32			75
2002		27	1	480		20	529
2003	7	16	26	277	14		340
2004		172	143	522			836
2005	1		36	241			277
2006			16	1,064			1,081
2007	3		18	1,152			1,173
2008	1	7	0	640			649
2009	3	34	4	6,772			6,814
2010	1		0	14			15
Total	**78**	**545**	**6,838**	**11,240**	**14**	**20**	**18,735**

Appendix 5 - Area of sandalwood (spicatum/album) plantations as at 31 December 2013 (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		45.5		45.5
2002		93.5	11.2	1,04.7
2003	3.3	59.9	20.9	84.0
2004	35.8	138.9	4.2	1,78.9
2005	38.3	173.7		212.0
2006	21.9	505.8	1.0	528.8
2007	46.7	1,505.5		1,552.2
2008	0.6	2,518.7		2,519.3
2009	0.7	641.8		642.4
2011	2.1			2.1
2013	4.4			4.4
Total	**154.1**	**5,711.4**	**56.5**	**5,922.1**

Appendix 6 - Log production from Crown land and private property in 2013-14

Product type	Crown land		Private property		Total	
	m^3	tonnes	m^3	tonnes	m^3	tonnes
Sawlog timber						
Jarrah	80,893	104,283	-	-	80,893	104,283
Karri	49,087	60,870	-	-	49,087	60,870
Marri	2,767	3,430	-	-	2,767	3,430
Blackbutt	705	909	-	-	705	909
Wandoo	159	203	-	-	159	203
Sheoak	48	48	-	-	48	48
Other	-	-	-	-	-	-
Total native forest sawlogs	133,659	169,743	-	-	133,659	169,743
Yellow stringybark	282	371	-	-	282	371
Brown mallet	36	43	-	-	36	43
Total plantation hardwood sawlogs	318	414	-	-	318	414
Pinaster	122,437	122,437	-	-	122,437	122,437
Radiata	407,252	407,252	3,822	3,822	411,074	411,074
Plantation softwood sawlogs & veneer logs	529,689	529,689	3,822	3,822	533,511	533,511
Total sawlogs	663,666	699,846	3,822	3,822	667,488	703,668
Other log material						
Native forests						
Chiplogs	121,246	144,652	-	-	121,246	144,652
Firewood/charcoal logs	142,196	168,927	-	-	142,196	168,927
Sandalwood	2,156	2,156	-	-	2,156	2,156
other *	3,246	4,151	-	-	3,246	4,151
Sub-total native forest other	268,844	319,886	-	-	268,844	319,886
Plantation hardwood						
Chiplogs**	-	-	-	-	-	-
Firewood/charcoal logs	2,996	3,576	-	-	2,996	3,576
other *	-	-	-	-	-	-
Sub-total hardwood plantation other	2,996	3,576	-	-	2,996	3,576
Plantation softwood						
Industrial wood	176,565	178,275	9,466	9,466	186,031	187,741
Woodchips	112,412	112,415	-	-	112,412	112,415
Other	2,752	2,752	-	-	2,752	2,752
Pine rounds	10,758	10,758	-	-	10,758	10,758
Sub-total plantation softwood other	302,327	304,200	9,466	9,466	311,953	313,666
Total other material	574,327	627,662	9,466	9,466	583,793	637,128
Total log timber	**1,237,993**	**1,327,508**	**13,288**	**13,288**	**1,251,281**	**1,340,796**

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 in 2013–14

Species	High quality sawlogs m³	1st & 2nd grade sawlogs m³	Bole sawlogs m³	Other sawlogs m³	Total m³
Jarrah	552	910	78,143	1,288	80,893
Karri	0	40,258	0	8,829	49,087
Marri	93	0	0	2,674	2,767
Other species	38	0	826	48	912
Total	**683**	**41,168**	**78,969**	**12,839**	**133,659**

Species	tonnes	tonnes	tonnes	tonnes	tonnes
Jarrah	684	1,197	100,804	1,598	104,283
Karri	0	49,922	0	10,948	60,870
Marri	115	0	0	3,315	3,430
Other species	47	0	1,065	48	1,160
Total	**846**	**51,119**	**101,869**	**15,909**	**169,743**

Includes logs from Crown land sold under minor production contracts.

Appendix 8 - Native forest chiplog production

Species	Crown land 2011–12		Crown land 2012–13		Crown land 2013–14	
	(m³)	(tonnes)	(m³)	(tonnes)	(m³)	(tonnes)
Marri	1,151	1,427	10,218	12,615	5,836	7,087
Karri	114,338	136,192	107,136	127,518	104,998	125,383
Other	4,338	5,075	6,684	7,820	10,412	12,182
Total	**119,827**	**142,694**	**124,038**	**147,953**	**121,246**	**144,652**

Appendix 9 - Native forest fuelwood production

Product type	2011–12	2012–13	2013–14
	(tonnes)	(tonnes)	(tonnes)
Firewood logs	54,762	62,032	89,056
Charcoal logs	145,378	104,334	79,871
Total	**200,140**	**166,366**	**168,927**

Appendix 10 - Sandalwood production by the FPC from Crown land

Product type	2011–12	2012–13	2013–14
	(tonnes)	(tonnes)	(tonnes)
Green 1st and 2nd grade	997	1,086	968
Roots	182	221	182
Green 3rd grade	293	208	56
Dead	1,061	1,020	890
Total	**2,533**	**2,525**	**2,096**

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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