Forest Products Commission
WESTERN AUSTRALIA

Annual Report 2015

ISSN 1838-5362 (print)

ISSN 1838-5370 (online)

General Manager
Forest Products Commission
Locked Bag 888
PERTH BUSINESS CENTRE WA 6849 AUSTRALIA

Phone: +61 8 9363 4600
Fax: +61 8 9363 4601
Email: info@fpc.wa.gov.au

www.fpc.wa.gov.au

Statement of compliance

For year ended 30 June 2015

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 2015.

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

Mr Robert Fisher AM, JP

CHAIRMAN

11 September 2015

Mr Vince Erasmus

GENERAL MANAGER

11 September 2015

Contents

Statement of compliance 1

Section 1: Agency overview 4

- Highlights 5
- Chairman's report 6
- Executive summary - General Manager's year in review 7
- Corporate snapshot 8
  - Our role and operations 8
  - Vision 9
  - Mission 9
  - Values 9
  - Sustainable forest management 10
- Corporate structure 11
- Board of Commissioners 12
- Our Executive team 15
- Performance management framework 17
  - Changes to Outcome Based Management Framework 17
  - Shared responsibilities with other agencies 17
- Outcome based management 18

Section 2: Performance 20

- Operational report 21
  - South West native forests 21
  - Plantations 24
  - Sandalwood 26
- Environmental performance 28
  - Australian Forestry Standard and Environmental Management System certification 28
  - Forest Management Plan compliance 29
  - Monitoring 29

Occupational health and safety 30

- Safety first 30
- 2014-15 Achievements 30
- Lost time injuries 31
- Log truck safety 32
- FPC Chain of Responsibility 33

Our people 34

- FPC workforce profile 34
- Developing capabilities 34
- Substantive equality and diversity 35
- Online Environmental Management System awareness training 35
- Compliance with Public Sector Standards and Ethical Codes 35

Stakeholder and community consultation 36

- Consultation with Aboriginal communities 38
- Local government consultation 38
- Sandalwood operations visit 38
- International visitors 38
- Chinese sandalwood markets 38
- Community consultation 39
- Complaints management 39

Industry activities 40

- WA Wood Show 40
- Timber auctions 40
- Log grading and wood utilisation training 40
- Educational initiatives 40

Corporate services 41

- New finance system 41
- Contract management 41

Information technology ... 41
Corporate communications ... 42
Firefighting ... 42
Summary of financial performance ... 43

Section 3: Looking forward ... 44
Looking forward ... 45
Softwood plantation estate ... 45
Western Australian sandalwood industry ... 45
Native forest sector ... 45
Industry activities ... 46
Policy development ... 46
Corporate systems ... 46
Substantive equality and diversity ... 47

Section 4: Disclosures and legal compliance ... 48
Governance ... 49
The Board ... 49
Ministerial directives ... 51
Public Interest Disclosure ... 51
Disability Access and Inclusion Plan ... 51
State Records Act 2000 ... 51
Internal audit ... 51
External auditors ... 52
Risk management ... 52
Contracts with Senior Officers ... 52
Freedom of information ... 52
Expenditure on advertising, market research, polling and direct marketing ... 53
Certification of key performance indicators ... 54
Key performance indicators ... 55
Key effectiveness indicators ... 56
Key efficiency indicators ... 62
Independent auditor's opinion ... 65
Financial statements ... 69
Certification of the financial statements ... 69
Statement of comprehensive income ... 70
Statement of financial position ... 71
Statement of changes in equity ... 72
Statement of cash flow ... 73
Index of notes to the financial statements ... 74
Notes to the financial statements ... 76

Section 5: Statistical information ... 126
Trends in the area of native forest harvested ... 127
Area of coniferous (pine) plantations as at 31 December 2014 ... 128
Area of broadleaved (Eucalypt/Corymbia) plantations as at 31 December 2014 ... 130
Area of sandalwood (Spicatum/Album) plantations as at 31 December 2014 ... 131
Log production from Crown land and private property in 2014-15 ... 132
Native forest sawlog production 2014-15 ... 134
Native forest chiplog production ... 134
Native forest fuelwood production ... 135
Sandalwood production by the FPC from Crown land ... 135

Section 6: Appendices ... 136
Appendix 1 - Key legislation impacting on FPC's activities ... 137
Appendix 2 - Glossary ... 138

Contact details ... 139

Section 1: Agency overview

Highlights 5
Chairman's report 6
Executive summary - General Manager's year in review 7
Corporate snapshot 8
Corporate structure 11
Board of Commissioners 12
Our Executive team 15
Performance management framework 17
Outcome based management 18

Highlights

Operations

- New karri forest management implemented
- Overseas veneer feasibility trials progressing
- Successful Australian Forestry Standard and Environmental Management System surveillance audit
- Sandalwood regeneration success continues
- Expanding markets for forest products

Corporate

- Implementing Chain of Responsibility legislative compliance
- Successful implementation of new finance system
- Industry log transport safety forum facilitated
- Completed implementation of new governance management system

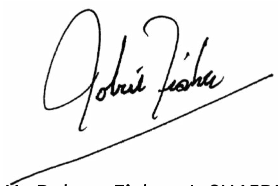
Strategic direction

- Ernst & Young Strategic Review completed
- Initiated new sandalwood sales and marketing strategy
- New Policy and Strategy Division established
- Corporate restructure aligned with strategic review recommendations

Stakeholder engagement

- Ministerial visit to Chinese customers and distributors
- World's leading fragrance and flavours company, Givuadan, visits sandalwood operations
- Stakeholder consultation for strategic review completed
- Completed statement of engagement with Noongar peoples
- Goldfields sandalwood operations visit by Ministerial and national forestry representatives

Chairman's report



Mr Robert Fisher | CHAIRMAN

The Forest Products Commission (FPC) has had another successful year. Looking forward the prospects are good, and although the strategic review of the FPC and the forest industry undertaken this year identified some challenges it also highlighted a number of exciting opportunities. The FPC is working towards successfully realising these opportunities to ensure the continued sustainability of both the FPC and the Western Australian forest industry.

The FPC has developed a management plan for the karri forests to meet the requirements of the Forest Stewardship Council® (FSC®) Controlled Wood Standard (FSC-STD-30-010; FSC-C120630) and the associated FSC Australia's High Conservation Values (HCVs) evaluation framework. The FSC Controlled Wood standard enables customers to evaluate sources of timber supply. It is FPC's aim to ultimately achieve certification to the FSC Standard for responsible Forest Management in Australia.

This successful result was the culmination of a rigorous 18-month process during which the FPC adjusted its forest management and governance practices in response to stakeholder feedback.

The FPC has continued to implement recommendations from the Standing Committee for Environment and Public Affairs' Inquiry into the sandalwood industry in Western Australia related to its role within the industry.

The FPC has been working to develop a sales and marketing strategy for the sandalwood industry, incorporating recommendations from the Inquiry that will meet the Government's social, economic and environmental goals.

The FPC Board welcomed the appointment of two new Commissioners, Mrs Jacqueline Jarvis and Mr Grant Woodhams. Mr Ed Valom was also reappointed as a Commissioner and Deputy Chairman. These changes strengthen the Board's considerable experience with both the commercial timber industry and the business of government. I would like to thank my fellow Board members for their support and consistent contribution to FPC's performance over the year.

The year also saw the appointment of Mr Vince Erasmus as General Manager of the FPC. Vince's considerable forestry experience ideally places him to lead the FPC and the industry, as a whole, through the challenges and opportunities that lie ahead.

I would also like to acknowledge the professionalism and support that the Board received from the Executive team and thank all the FPC staff for their contribution throughout the year.

Executive summary – General Manager's year in review

Mr Vince Erasmus | GENERAL MANAGER

The FPC continues to make good progress to ensure that the FPC and the forest industry are well positioned to meet future challenges and opportunities.

To achieve this FPC has implemented corporate efficiencies throughout the agency to ensure that it delivers on strategic objectives. This included the establishment of a forest policy unit to provide Government with comprehensive advice on key forest policies to ensure the sustainable management of our forests, while ensuring that community expectations are met.

The FPC continually strives to improve its sustainable forest management through regulatory compliance, continuity of supply and adherence to the internationally recognised Australian Forestry Standard (AS 4708:2007).

The FPC is working to rebuild the softwood plantation estate in higher rainfall areas to ensure the ongoing sustainability of the softwood industry. This however will be contingent on the outcome of the Department of Treasury review to sell Western Australia's plantation assets.

The FPC's plantation business continues to respond to challenges from fires and drought to meet contractual obligations. A strategy has been developed to address the rebuilding of the softwood plantation estate.

During this period, softwood production for the local housing and construction industries reached record levels as a result of increased domestic housing construction.

Since the late 90s, FPC has been progressively clearing the 23,000 hectares of pine estate in the Gnangara region to support increased water recharge to the Gnangara Mound.

To date approximately 50 per cent of the estate has been harvested with 1,500 hectares having been replanted to offset the loss of foraging habitat for the Carnaby's cockatoo, with a further 500 hectares to be planted in July 2016. The FPC is working with other government agencies to exit the estate.

The South West native forest sector had a slow start to the year following major restructuring and the implementation of the new Forest Management Plan 2014-2023 (FMP). Furthermore, huge wildfires and fire bans caused major disruptions to normal forest operations in the first quarter of 2015. Despite the above disruptions, log production to customers was maintained and progress was made with product development and veneer trials with our customers.

Due to significant forest and plantation fires, the 2014-15 summer fire suppression expenditure amounted to approximately $3 million, which is twice as much as previous years.

The sandalwood sector is doing very well with full sales and consistent prices in a maturing market. West Australian sandalwood is firmly established as a responsible sustainable brand across world markets. With the expiration of sandalwood contracts in June 2016, it is essential that future commercial arrangements are fair and equitable and meet government objectives in all aspects.

I look back on a year of significant achievement, particularly in the face of substantial challenges, and thank the Executive team and all the FPC staff for their hard work and resourcefulness over the year.

Corporate snapshot

Our role and operations

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 to be undertaken by the FPC, including both commercial and non-commercial activities. It stipulates that in performing its functions the FPC must try to ensure a profit that is consistent with planned targets whilst ensuring:

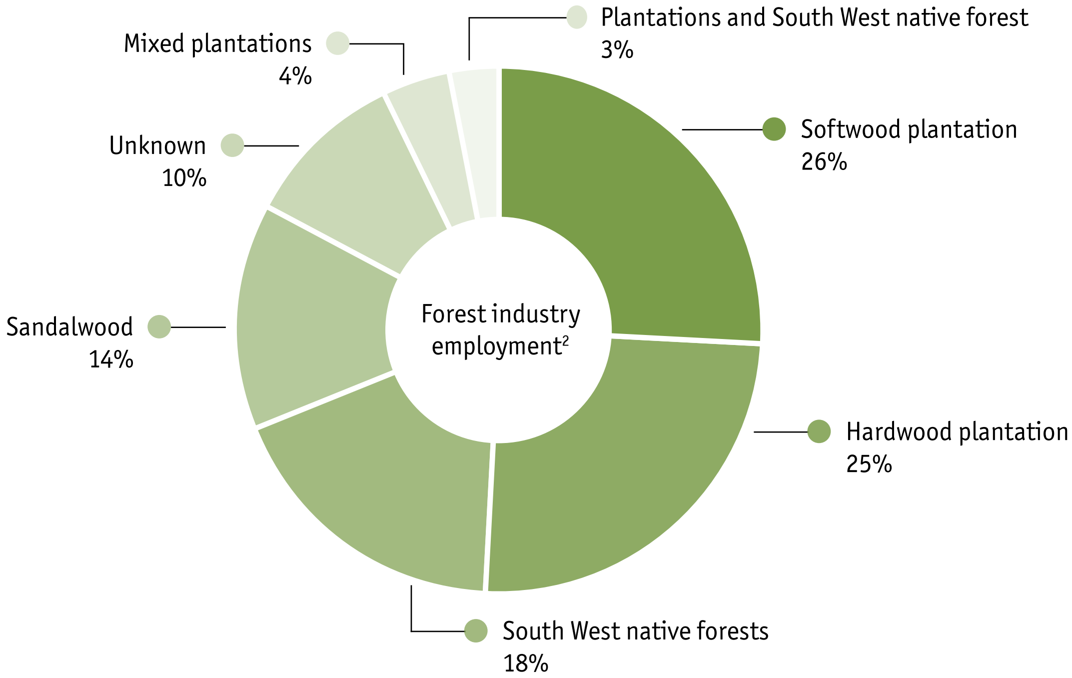
- The long-term viability of the forest products industry; and
- Application of the principles of ecologically sustainable forest management related to indigenous forest products located on public land.

It is a function of the FPC to:

- Support industry development;
- Advise the Minister on forestry policy; and
- Perform commercial functions of growing, harvesting and selling forest products.

The FPC works with the forest industry to deliver environmental, economic and social benefits in regional communities. The Western Australian forest industry:

- Provides direct employment for more than 5,000[1] Western Australians working in timber-related industries, including those of forest management, harvesting and primary processing. The figures do not include employees involved in manufacturing sectors, such as furniture and joinery or indirect services, which support the sector.
- Makes a substantial financial contribution to the State's economy.
- Ongoing industry development and associated investment opportunities will increase regional employment and deliver downstream economic and social benefits.



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 Mia Davies MLA is currently the Minister for Forestry.

1 Australia's State of the Forests Report 2013, ABARES, Canberra

2 ABS 2011, Census dictionary, 2011, cat. no. 2901.0, Australian Bureau of Statistics, Canberra.

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.

Values

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

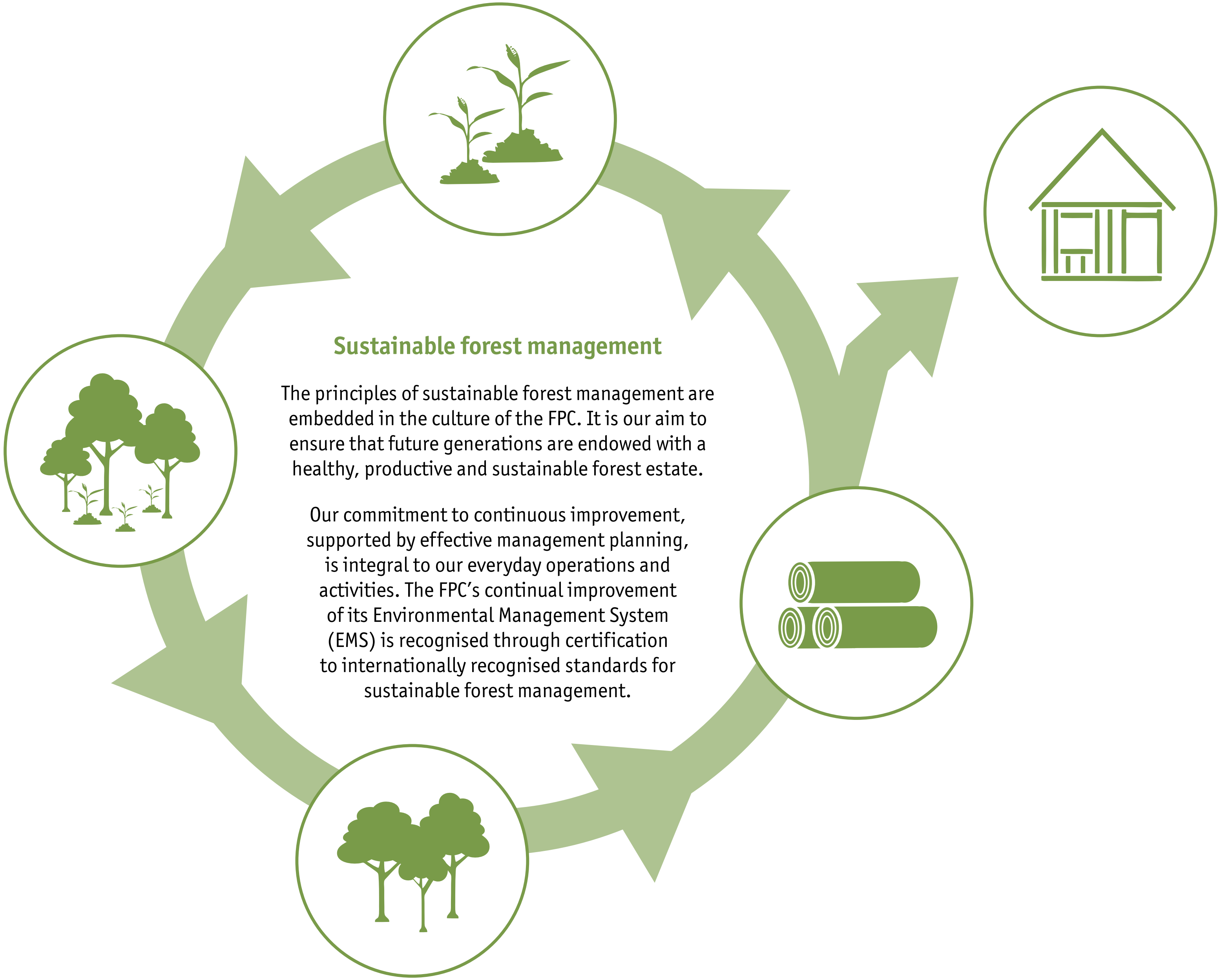
We are committed to achieving results and delivering excellent service to our customers, partners, the community and each other.

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.

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.



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 sustainable 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.

Corporate structure

Current as at 30 June 2015

Minister for Forestry

Board of Commissioners
Chairman
Robert Fisher

General Manager
Vince Erasmus

Director
Forest Operations
John Tredinnick

- South West native forests
- Plantations
- Sandalwood
- Planning and silviculture

Director
Policy and Strategy
Gavin Butcher

- Forest policy and liaison
- Executive support
- Records management
- Media and corporate communications

Director
Finance and ICT
Ron Lucas

- Finance
- Information technology

Director
Corporate Governance and Planning
Chris Stansbury

- Contracts / Legal
- Human resources
- Occupational safety and health
- Environmental management system
- Governance

Board of Commissioners

(Left to right): Mrs Jacqueline Jarvis, Mr Robert Pearce, Mr Robert Fisher (Chairman), Mr Grant Woodhams, Mr Ed Valom (Deputy Chair), Mr Geoffrey Totterdell and Mr Stuart Morgan

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.

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 Robert Pearce

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

Robert Pearce commenced his career as a schoolteacher 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

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, Rottnest Island Authority from 2007 to 2010 and Chairman of the Peel Development Commission and a member of the Regional Development Council from 2012 to 2014.

Mr Totterdell is an active yachtsman and a life member of the Royal Freshwater Bay Yacht Club in Perth.

Ms Jacqueline Jarvis GAICD

Commissioner from 1 July 2014. Term expires 30 June 2017.

Mrs Jarvis is an agribusiness professional with more than 20 years' experience in the finance and banking sector before moving into the field of workforce development. Currently, Mrs Jarvis is a consultant with the Chamber of Commerce and Industry Western Australia, managing an Agrifood Labour and Skills project – advising on strategies for workforce recruitment, retention and planning for the agriculture sector in partnership with the Department of Agriculture and Food and the Agrifood Alliance Western Australia. In 2014, she was named the Western Australian Rural Woman of the Year and was runner-up to the national title.

Mrs Jarvis also sits on the Rural, Remote and Regional Women's Network Western Australia Reference Group. She has previously served on the board of the Foundation for Australian Agricultural Women and as a Ministerial appointment to the Western Australian Planning Commission's South West Region Committee and the Whicher Water Resource Management Committee.

Mr Grant Woodhams

Commissioner from 1 July 2014. Term expires 30 June 2017.

Mr Woodhams's diverse career spans from politics to rural journalism. Schooled in Albany and Perth, Mr Woodhams has spent most of his working life behind the microphone with the ABC Regional Radio. Previously working for the ABC in Tasmania, South Australia, New South Wales and Victoria, he took the opportunity to return to Western Australia when offered a position in the Mid West region.

Mr Woodhams was the Member for Greenough and Moore from February 2005 to March 2013 and was elected Speaker of the Western Australian Legislative Assembly in November 2008. During his first term in the Legislative Assembly, Mr Woodhams's oratory style became renowned within the chamber for his adaptations of poems and songs, particularly in his budget reply speeches. He retired from politics in 2013.

Mr Woodhams has taught radio and television journalism at several universities in Perth and adult literacy at the Durack Institute in Geraldton. His interests include motor racing, football and Australian country towns.

Ms Amelia Yam BComm (Murdoch), CA, GAICD

Co-opted Commissioner from April 2013. Term expires 30 June 2016.

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

Ms Yam is currently consulting in financial management and business process improvements.

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

Our Executive team

(Left to right): John Tredinnick (Director Forest Operations), Vince Erasmus (General Manger), Chris Stansbury (Director Corporate Governance and Planning), Ron Lucas (Director Finance & ICT) and Gavin Butcher (Director Policy and Strategy)

Mr Vince Erasmus

General Manager

Vince Erasmus was appointed General Manager in August 2014. He joined the FPC after eight years as Managing Director of Elders Forestry Pty Ltd and has held forestry management positions for more than 20 years' in both Australia and his native South Africa.

Prior to his role as General Manager, Mr Erasmus has also been a director of inter alia, Forest and Wood Products Australia Limited, FSC Australia, National Association of Forest Industries, Plantation Pulpwood Terminals Pty Ltd, Australian Forest Products Association, Forest Enterprises Australia, Smart Fibre Pty Ltd and served as a Board member of the World Forestry Centre in Portland, Oregon.

Mr Erasmus has a strong background in forest management of both softwood, native and hardwood plantations, coupled with an extensive solid wood-processing career. He also has widespread experience with Australian and Indian sandalwood plantations and a solid understanding of the international sandalwood trade.

Mr Gavin Butcher BScFor

Director Policy and Strategy

With a career in plantation and native forest management spanning more than 34 years, Mr Butcher's particular strengths are in the strategic, analytical and financial fields of forestry management.

Mr Butcher holds a Bachelor of Science in Forestry and has lectured at Edith Cowan University. His previous positions have been Director, Technical Services (FPC); 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, and an Observer on the Forest Industry Advisory Committee.

Mr 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.

Mr Ron Lucas BBus CPA

Director Finance and ICT

Ron Lucas is a Certified Practicing Accountant 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, DAFWA and Queensland Natural Resources and Mines in scientific and post-doctoral research roles.

Performance management framework

In order for the FPC to evaluate its contribution to the following State Government goals, it measures its performance in the delivery of the outcomes and services that are linked to key performance indicators published in the Statement of Corporate Intent (SCI).

The SCI outlines how the FPC intends to achieve its financial, industry, environmental and social objectives. The SCI is consistent with the FPC's Strategic Development Plan (SDP), which details FPC's strategic planning over a five-year period.

The FPC delivers services to build and maintain a sustainable forest products industry that provides social, economic and environmental benefits to all Western Australians.

In doing so the FPC contributes to the following State Government goals:

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

Changes to Outcome Based Management Framework

The FPC's Outcome Based Management Framework did not change during 2014-15.

Shared responsibilities with other agencies

The FPC did not share any responsibilities under the Act with other agencies in 2014-15.

Social and environmental responsibility

The FPC supports the achievement of this goal through the continuous improvement of its environmental management system, which is acknowledged through certification to internationally recognised standards for forest management. The environmental surveillance audit undertaken by BSI Group ANZ Pty Ltd (BSI) in February found no major non-conformances.

Financial and economic responsibility / Regional focus

The forest industry makes an important contribution to regional economies, employment and lifestyle and is an important part of the fabric of regional communities. Approximately 70 per cent of FPC staff are regionally based.

The FPC continues to work with industry and other stakeholders to develop and implement long-term industry strategies for South West native forests, plantations and sandalwood. This includes conducting ongoing trials of new technologies that will enable the production of engineered wood products.

Results-based service delivery

The FPC is able to contribute to this goal through its continual program of upgrading of core business systems. For example, the FPC successfully launched TechnologyOne, the new finance system. The benefits of this new system include greater efficiencies in the management of expenditure by cost centre managers.

Outcome based management

Government goal

Social and environmental responsibility: Ensuring that economic activity is managed in a socially and environmentally responsible manner for the long-term benefit of the State.

Outcome

Environmental outcomes of harvesting and regeneration of the State's plantation and native forest resources meet the requirements of relevant legislation and environmental standards.

Effectiveness indicators

1. Quantity of native forest hardwood log timber harvested compared to sustainable levels and targets
2. Harvest of green sandalwood maintained at allowable targets
3. Extent of native karri forest regenerated relative to area harvested
4. Timeliness of native karri forest regeneration
5. Effectiveness of regeneration of karri forest
6. Achievement of thinning schedules in native karri forest
7. Area of plantation established against target

Service

Environmentally sustainable forest products industry

Efficiency indicators

1. Green sandalwood roots as a percentage of green sandalwood harvested
2. Plantation log production consistent with demand from industry

Government goal

Financial and economic responsibility: Responsibly managing the State's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector.

Regional focus: Greater focus on service delivery, infrastructure investment and economic development to improve the overall quality of life in remote and regional areas.

Outcome

Facilitate a viable forest industry to deliver social and economic benefits to the people of Western Australia.

Effectiveness indicators

8. Total payments to Government (provide a return on investment to Government)
9. Net profit before interest and tax

Service

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

Efficiency indicators

3. Ratio of earnings before interest and tax to total assets (return on total assets)
4. Stumpage revenue

The FPC also contributes to the following State Government goal:

Results-based service delivery: Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.

Section 2: Performance

Operational report 21
Environmental performance 28
Occupational health and safety 30
Our people 34
Stakeholder and community consultation 36
Industry activities 40
Corporate services 41
Summary of financial performance 43

Operational report

The FPC harvests and delivers forest products to industry in accordance with the *Forest Products Act 2000* and the associated regulatory and environmental framework. The following details the key achievements and performance in each of the FPC's business sectors.

South West native forests

Plantations

Sandalwood

South West native forests

The FPC met the requirements of international standards used by customers to evaluate sources of timber supply. In conjunction with the Department of Parks and Wildlife (Parks and Wildlife) new initiatives in karri forest were implemented in 2014-15 included:

- The retention of additional habitat trees.
- Commencement of a program of targeted fauna surveys prior to harvesting.
- Expanding the use of the FPC's governance management system to improve monitoring of forest certification compliance.

During the year, the FPC published the tenth compliance report for the previous FMP 2004-2013. The report showed the continued high-level achievement of the performance expectations of the FMP.

For further information regarding the FPC's environmental performance see page 28.

Market development

The FPC, together with the timber industry, is continuing to make considerable progress to expand markets for forest products. The development of these new markets enables improvements in the utilisation of areas available for harvesting under the current FMP and improves the economy of the domestic sawlog industry.

Key achievements in 2014-15 included:

- An increase in the volume of low grade jarrah log supplied to existing markets from integrated forest operations.
- Small logs from karri thinnings were incorporated into the production of laminated veneer lumber.
- A small sawlog processing line was implemented by one of FPC's jarrah sawmilling customers.
- Ongoing trials of new technologies were conducted that will enable the production of engineered wood products.

Impact of wildfires

Two major wildfire events occurred in South West native forest during January and February 2015. It is estimated that 30 to 40 per cent of total native forest production was impacted by these two events, which resulted in approximately 35,000 tonnes of lost log production and an estimated financial impact of over $2.9 million during the financial year.

Fire burnt through approximately 50,000 hectares of jarrah and wandoo forest stretching from Boddington to Collie. While the majority of the fire was within conservation estate, a significant area of State forest was also burnt, including three current harvesting coupes in George, Morgan and Nalyerin forests, which together encompass over 1,100 hectares of harvestable forest.

Harvesting in Nalyerin forest coupe was active at the time of the fire. While the contractors were safely evacuated the logs that had been harvested and were waiting for extraction were destroyed, resulting in the loss of 700 tonnes of products.

At the same time, one of the State's largest ever fires was occurring near Northcliffe which consumed approximately 100,000 hectares of primarily karri forest. While the majority of the area burnt in this fire was within conservation estate, the fire resulted in extensive damage to approximately 10,000 hectares of State forest. It is estimated that the quantity of timber damaged by the fire is eight times the annual quantity of karri that is used by the local sawmill industry. Approximately 2,000 tonnes of harvested log products at one active harvest coupe was destroyed in the fire.

In addition, a number of recently thinned regrowth stands were severely impacted and approximately 3,000 hectares may require salvage and regeneration. Remediation efforts will assist to hasten natural recovery and help ensure a long-term sustainable timber industry. If left to recover naturally, these areas will contribute very little to the future availability of karri timber resource.

The interruption to harvesting activity due to the fires also had significant impacts on production with crews having to relocate to new coupes or suspend their operations caused by harvest bans and other operational restrictions.

In addition to the direct production impacts, the fire will result in additional costs to reinstate much of the planning activities required prior to harvest. There is also a requirement to reinstate vehicle access and sensitive area and harvest boundary demarcations, which are likely to incur additional costs.

Plantations

The FPC manages the growing, harvesting and marketing of products from pine, eucalypt and sandalwood plantations in both State owned or sharefarm arrangements with private landowners. The total plantation estate comprises approximately 100,000 hectares.The supply of pine resource to three major processing plants is under State Agreement Acts with terms of 25 years.

Of this, FPC manages approximately 5,000 hectares of eucalypt plantations as part of a carbon sequestration project with a gas and electricity provider, Synergy. This project was successfully registered as an Eligible Offsets Project by the Clean Energy Regulator, whereby Synergy is currently entitled to almost 100,000 Kyoto Australian Carbon Credit Units that have accumulated since 1 July 2010.

Lower grade products

During 2014-15 the domestic markets for softwood sawlogs and chip products were buoyant. This was due to a combination of strong housing markets and a reduction in the value of the Australian dollar, which reduced competition from imports and increased the demand for small sawlog and chip in Asian markets.

The development of a new export market from the Albany Port has strengthened the demand for lower grade products. This also helped facilitate the second thinning of softwood plantations on the South Coast.

The strong demand for lower grade products has enabled the FPC to continue its focus on reducing the backlog of silvicultural thinning to improve the growth rates in younger plantations.

Plantation establishment

To ensure the ongoing sustainability of the softwood industry the FPC is working to rebuild the plantation estate. During 2014-15, approximately 1,830 hectares of second rotation softwood plantations were prepared and planted. This included 520 hectares of maritime pine in the Yanchep region that were planted primarily to help manage environmental issues as part of the Strategic Assessment of the Perth and Peel Regions (SAPPR).

Site preparation was undertaken on approximately 500 hectares of new land that will be added to the plantation estate during 2015-16. Most of this land is in the Wellington catchment, which will be converted from plantation eucalypts to softwood plantations under a Memorandum of Understanding with the Department of Water.

Wildfires

The 2014-15 summer saw a number of fires in plantations north of Perth, which burnt approximately 560 hectares of plantation timber. A significant proportion of the area was too fire damaged to salvage any merchantable timber, but some plantation area was successfully salvaged. Effective focus on fire prevention and suppression minimised losses in other areas.

Sharefarms

The FPC continues to manage existing eucalypt and sandalwood sharefarms. Thinning of sandalwood sharefarms has now commenced and the FPC is working to establish markets for this product.

Plantation productivity

Continuous improvements to plantation productivity, harvest utilisation and cost reductions are critical for ensuring the ongoing viability of the forest industry.

There have been a number of achievements during the year that have assisted with these goals, including:

- The Southern Tree Breeding Association completed a major body of work that has assisted the FPC to evaluate its *Pinus radiata* tree-breeding program and develop strategies for future genetic deployment. The characteristics assessed include growth, stiffness, branching, resistance to *Phytophthora cinnamomi* (dieback) and drought tolerance.
- Specialised software was purchased to assist with the analysis of optimisation data collected from harvesting equipment. The software enables the FPC's foresters to evaluate the products and areas cut each day. They can then make any necessary adjustments to production. This ensures that value is optimised from the harvest and allows coupe level reconciliation of actual volumes against the projected volumes.

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 2014-15

Performance of the export sandalwood business was strong during the 2014-15 year. This followed a disappointing year in 2013-14. The turnaround was the result of initiatives by FPC's marketing agent that led to a restructure of selling arrangements in key Asian markets. The stronger sales have led to a reduction in the level of stock held by the FPC and this reduction is expected to continue over the next year.

Contractor performance during the year was strong and there were some significant safety improvements adopted by the industry, particularly in relation to operator protection. These important changes were managed through close co-operation between the FPC and industry.

Regeneration

The FPC's sandalwood seeder again sowed 11 tonnes of seed in 805 kilometres of rip line during the year. This regeneration program is funded from the proceeds of sandalwood harvest and is of critical importance because in the absence of active regeneration programs the trees will significantly decline in the Murchison and Goldfields areas. Natural regeneration has been dramatically reduced due to the combined impacts of grazing, drought and the decline of native species such as woylies, which disperse and bury sandalwood seed.

Good rainfall in the Goldfields led to the successful regeneration of native sandalwood from seed sown by the FPC in previous years, demonstrating the success of this program.

Illegal harvesting of sandalwood

During the last 12 months, the FPC continued to report a number of incidents of suspected sandalwood theft directly to Parks and Wildlife. The FPC is supportive of the proposed Biodiversity Conservation Bill, which will assist in the control of illegal sandalwood harvesting.

The FPC has also been working on a Chain of Custody system that will provide the basis for detecting illegal sandalwood at the point of sale. This work is being undertaken in conjunction with Parks and Wildlife and the Commonwealth Department of Agriculture. It is anticipated that the system will be operational during 2016.

Sandalwood industry post 2016

Parks and Wildlife and the FPC have been progressing with the implementation of recommendations arising from the Standing Committee on Environment and Public Affairs' *Report 35 – Inquiry into the sandalwood industry in Western Australia*. Parks and Wildlife has reviewed the *Sandalwood Order 1996*, which sets the annual harvest limit.

Contracts for the production and sale of sandalwood expire in June 2016 and a significant amount of work has been undertaken to prepare for the implementation of new contractual arrangements at that point in time.

Consultation has been undertaken with key industry, regional communities and Aboriginal sandalwood stakeholders regarding future arrangements.

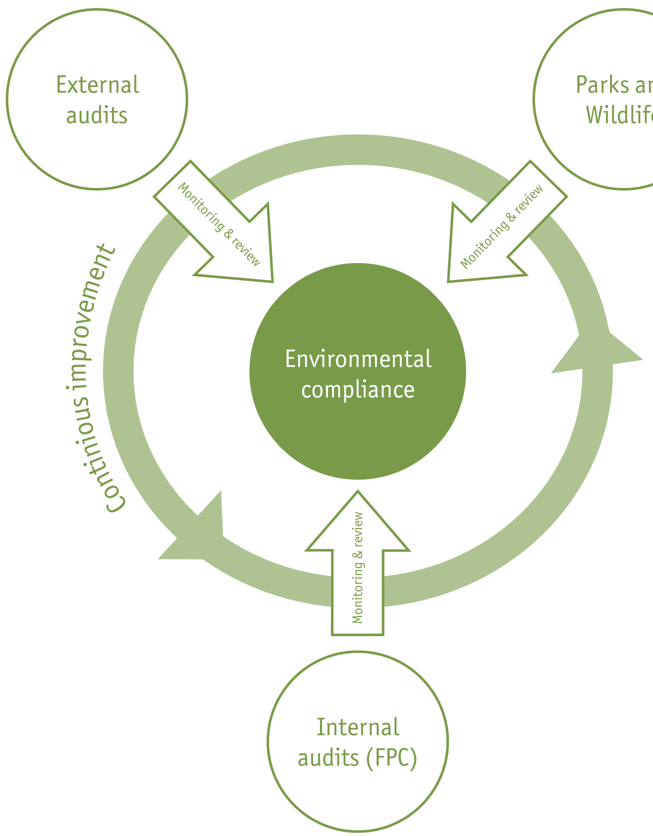
The FPC will use this information to advise the Government regarding the future sandalwood sales and marketing strategy which will deliver the Government's broader objectives of:

- Provide visibility to the FPC of the supply chain through to its final end use;
- The level of domestic production;
- The involvement of regional and Aboriginal communities; and
- The provision of a branding strategy for Western Australia that differentiates the product from Indian sandalwood.

Environmental performance

The FPC employs a three-tiered process to ensure environmental compliance is monitored effectively. This includes:

- External monitoring and reporting by independent environmental certification bodies.
- Parks and Wildlife monitoring and reporting of environmental incidents.
- FPC monitoring and reporting of environmental performance.



Australian Forestry Standard and Environmental Management System certification

The FPC's continual improvement of its sustainable forest management system is recognised through certification to the international standard for Environmental Management Systems ISO 14001. 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. Some private softwood plantations under sharefarm arrangements with FPC are also AFS certified.

AFS is internationally recognised, and is endorsed by an international organisation, the Programme for Endorsement of Forest Certification (PEFC).

In February 2015, FPC was externally audited by BSI against both the ISO 14001 standard and AFS, as part of a routine surveillance audit. The body of work leading up to the February audit included:

- Revision of contractor procedures.
- Introduction of online EMS and AFS awareness training for staff and contractors (refer to page 35 for more information).
- Ongoing improvement of the FPC's online governance management system to monitor FPC's compliance against the relevant standards and other obligations.
- Executive review of all environmental and safety incidents ranked medium and above.
- The widening of the scope of the emergency response-testing schedule to capture tests undertaken by contractors.

During the audit, the previous two minor non-conformities were closed and four new minor non-conformities were issued. Opportunities for improvement were also identified.

Forest Management Plan compliance

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 FMP.

The FPC remains committed to conducting its operations in compliance with the terms of the FMP, and related subsidiary documents. In conjunction with Parks and Wildlife, the FPC has implemented a program to monitor log utilisation from harvested coupes. This enables the FPC to monitor and improve operational efficiency in accordance with the FMP.

Monitoring

During 2014-15, 106 incidents were recorded, of which 88 were rated as minor, 13 moderate, four major and one catastrophic.

The catastrophic incident relates to the fires in Northcliffe in January 2015. Further information regarding this incident is included on page 23.

The major incidents during 2014-15 were:

- Smoke and ash from a planned burn of pine windrows drifted into nearby house rainwater tanks.
- Three separate incidents related to wildfires in Gnangara, Boddington and Lower Hotham region, and Thompson Brook.

Incidents classified major or above are acted on immediately and any incidents moderate or below are closely monitored and need to be rectified within 12 months.

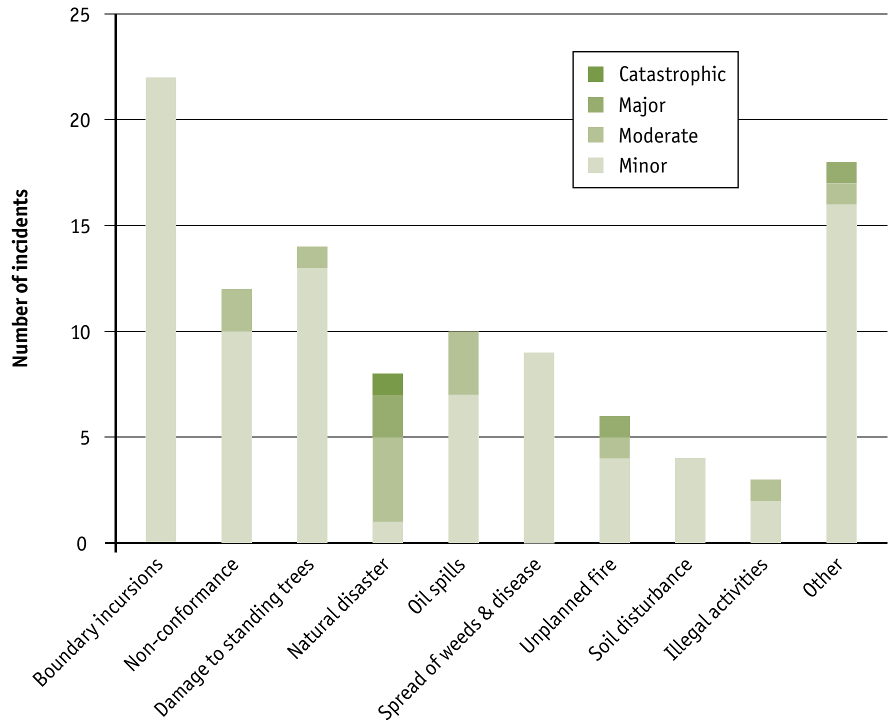
Overall, the number of incidents recorded is similar to the 2013-14 reporting period. The most common incidents relate to native forest boundary issues in which machinery crosses from an operational area into adjacent forest, typically for fewer than five metres. The FPC continues to work on reducing the number of boundary incidents and is utilising GPS tracking devices in harvesting equipment to assist with compliance.

This year, the FPC has reported three incidents that relate to illegal activities. These were trespassing, a deliberately lit fire, and the destruction of a hygiene gate (which was put in place to reduce the risk of the spread of disease).

There were a total of 18 types of incidents that are included within the category ‘other’. Examples of these include incidents relating to rubbish and waste left on-site, and damage from dust, noise or emissions.

The following table provides a summary of all environmental incidents during 2014-15.

Environmental incidents for 2014-15



Occupational health and safety

Safety first

The FPC is committed to the provision of a safe and healthy work environment for all its staff and contractors.

The Board and Executive continue to assume a strong leadership role in ensuring that achieving and maintaining a safe workplace remains a top priority.

The FPC has clear safety targets, with the ultimate aim of no injuries, no harm and no damage. This year was the second consecutive year that FPC has achieved zero lost time injuries across its forest operations staff.

2014-15 Achievements

The FPC's Strategic Occupational Safety and Health Plan 2014-2017 (OSH Plan) details how the FPC plans to align its OSH management system with AS/NZS 4801:2001, Occupational Health and Safety Management Systems and the *Workers' Compensation and Injury Management Act 1981*.

In 2014 -15 the following was achieved:

- A review of the OSH Policy to ensure it remains relevant and continues to meet the needs of the organisation.
- The transfer of the management of workers' compensation from Parks and Wildlife to the FPC.
- Implementation of a Workers' Compensation and Injury Management Procedure to ensure:
  - injury management practices comply with the requirements of the *Workers' Compensation and Injury Management Act 1981*; and
  - Return to work plans are in accordance with limitations outlined by the employee's medical practitioner.
- The commitment to ensure all FPC employees have access to meaningful wellness initiatives, which is the first step towards introducing a new employee wellness program.
- Review of OSH procedures to improve current documents and develop new processes to meet operational safety needs.
- Two FPC staff members attended the 2015 Forest Industry Safety Summit in March 2015. Over 100 industry participants attended the Summit, which highlighted new practices, systems and tools that can be used in the forest to improve safety.
- The FPC represented the Western Australia industry on the Australian Forest Products Association Health and Safety Committee. The Committee provides a forum for consultation and dissemination of information on matters which are likely to affect the health, safety and welfare of employees, contractors and visitors to Australia's commercial forests.

Lost time injuries

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.

Measure	Actual results		Results against targets	
	2013-14	2014-15	Target	Comment on result
Number of fatalities	0	0	0	Yes
Lost time injury and/or disease incidence rate	3.55	0	0	Yes
Lost time injury and/or disease severity rate	0	0	0	Yes
Percentage of injured workers returned to work:				
(i) within 13 weeks	100%	100%	100%	Yes
(ii) within 26 weeks	100%	100%	100%	
Percentage of managers trained in occupational safety, health and injury management responsibilities	>80%	>80%	80% or greater	Yes

Log truck safety

During 2014-15, FPC and contractors were involved in a number of safety incidents that involved log trucks and/or trailers rolling over. The incidents were caused by a number of different factors and fortunately did not result in any significant injuries. The incidents did however, highlight the importance of ongoing road safety training and ensuring that FPC's contractors are adequately trained.

In March 2015, the FPC conducted a Log Truck Safety Forum attended by all major industry stakeholders and current contractors. Information sessions were provided by industry experts regarding:

- truck incident causation;
- load restraint and truck rollover risk management; and
- truck driver safety behaviour management.

In addition to the forum, the FPC, together with its contractors, increased focus on safety by implementing a number of actions including:

- Requiring contractors to undertake independent mechanical inspections in response to mechanical failures.
- Liaising with school bus companies to improve truck curfew practices.
- Increasing awareness of FPC staff and contractors regarding safe driving behaviour.

Following interest by the industry, the FPC is liaising with training organisations regarding log truck rollover prevention training.

The FPC is also collaborating with the Forest Industries Federation (WA) Inc (FIFWA) to identify training providers for the accredited training program *FPI30211 Certificate III in Harvesting and Haulage*. This program is important to develop the skills required by log truck drivers and others in the Western Australian forest product industry.

Chain of Responsibility

Chain of Responsibility legislation was introduced into Western Australian law in April 2015 following the announcement of supporting regulations.

The FPC was actively involved in the development and implementation of the forest industry endorsed Chain of Responsibility Code of Practice.

New legislative requirements under the *Road Traffic (Vehicles) Act 2012* require the FPC to take 'reasonable steps' to prevent a vehicle transporting goods on its behalf from committing road safety breaches.

FPC procedure and processes

The FPC has implemented a procedure that includes 'reasonable steps' based on the FIFWA Chain of Responsibility Code of Practice including:

- Ensuring that contracts include requirements to comply with the legislation.
- Contractors having adequate processes in place to ensure mass, dimension and load restraint compliance.
- Monitoring of contractor compliance with the legislation throughout the contract period. Any non-compliances will be managed through the FPC's incident management system.
- FPC ensuring that its processes do not allow conduct by its employees that results in encouraging or permitting a breach of the Act by a contractor.

The FPC has developed a process to monitor log truck mass compliance, which provides contract managers with information to monitor and address compliance issues. Contract managers are also working with contractors to improve mass management processes and minimise risk for both contractors and the FPC.

Training

During this year the FPC has provided:

- Chain of Responsibility employee awareness training for approximately 60 employees.
- Log truck compliance training for 11 operational employees to ensure they have sufficient skills to monitor compliance in the field.

Ongoing training will be provided to ensure all relevant staff have the required competency to fulfil their role in the Chain of Responsibility.

Mass Management Plan

The FPC is currently planning the implementation of a Main Roads Western Australia Accredited Mass Management Plan in collaboration with other forest products industry stakeholders. The Plan will include:

- FPC Chain of Responsibility policy and procedure.
- Contractor provisions to ensure they have appropriate internal processes in place.
- Industry engagement strategy.
- Coordinated training for industry participants.

Workforce profile

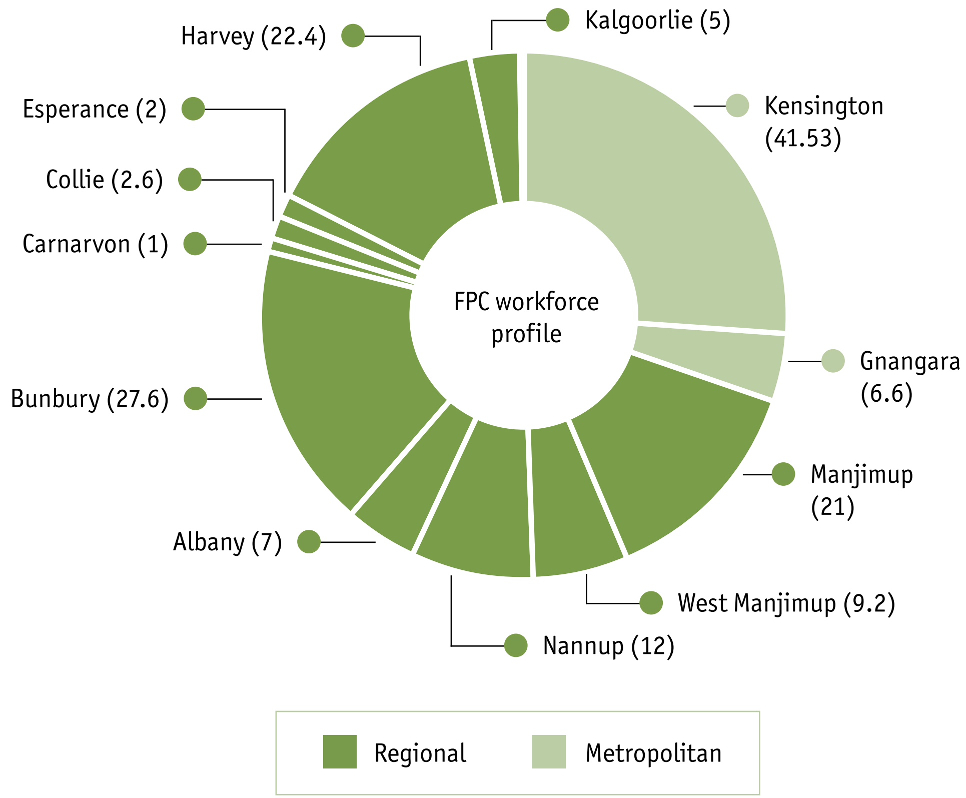
Approximately 70 per cent of FPC's 158 full time equivalent employees are located in regional towns.

With a significant portion of our staff being regionally based this allows them to work closely with industry and a range of stakeholders, as well as make a significant contribution to local communities.

Developing capabilities

The FPC's Workforce and Diversity Plan 2014–2019 outlines the opportunities, challenges and priorities for the workforce and the initiatives that will be implemented. Highlights this year include:

- The scholarship program has seen two staff commence and progress post-graduate studies in Master of Forestry or Master of Business Administration.
- The FPC's learning and development calendar is integrated with FPC's Performance Management System. This enables a more targeted development of relevant competencies for each employee through their individual development plans. This resulted in a number of FPC staff attending training courses such as the following:
  - Accident investigation
  - Basic worksite traffic management
  - First aid
  - Load and unload goods/cargo
  - *Phytophthora cinnamomi* (dieback) management
  - Prepare and apply chemicals



- Managers and staff continue to focus on performance management to improve the capability of employees.
- Implementation of knowledge management for critical roles was undertaken with targeted development.

Substantive equality and diversity

The FPC is broadly committed to:

- promoting an organisational culture where all employees are treated in a fair and equitable manner;
- fostering a workplace that is free from all forms of discrimination, harassment and victimisation; and
- creating a flexible work environment that is aligned to staff needs.

The FPC's Workforce and Diversity plan 2014-2019 highlights that further work is needed in regards to the employment of youth and Aboriginal Australians, women in management and emerging leaders. Future initiatives are detailed in the 'Looking forward section' of this Annual Report.

Online Environmental Management System awareness training

FPC staff and contractors are required to be inducted and tested on their awareness of FPC's EMS. As part of FPC's continuous improvement a new online awareness training was implemented.

This training was previously provided to FPC staff via a combination of road shows or one-on-one training, while FPC contractors were required to complete paper-based training. These methods required considerable time and effort by staff to deliver and complete. In contrast, the online training takes only an hour to complete.
To date approximately 95 per cent of staff have completed their online awareness training. The FPC has also implemented an online Contractor EMS awareness training for all new FPC contractors to complete.

Compliance with Public Sector Standards and Ethical Codes

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.

The induction process for new staff requires them to 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.

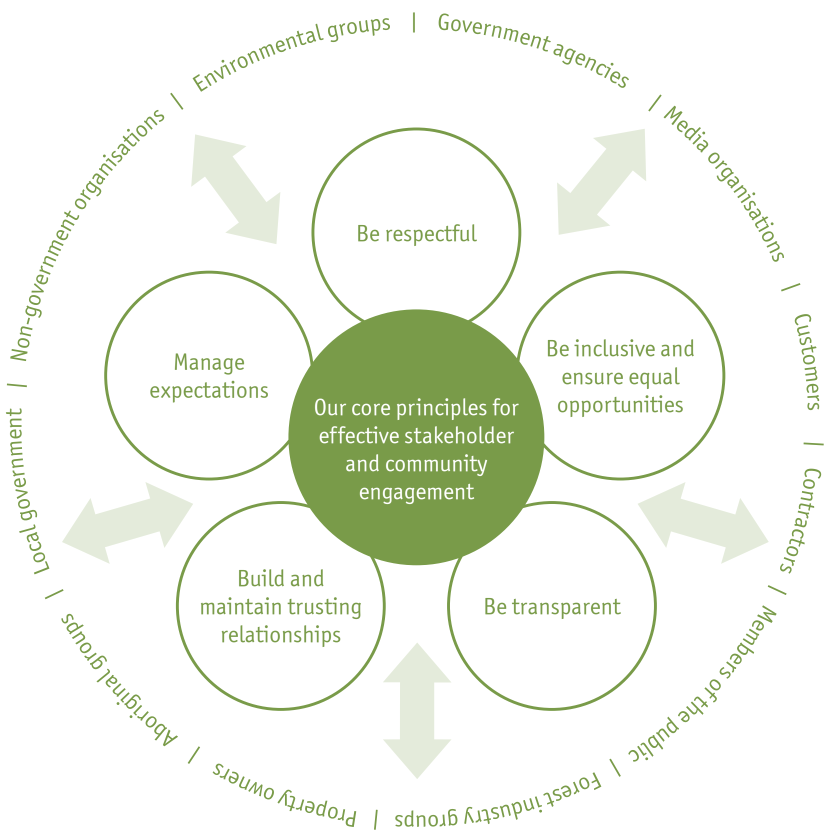
The FPC requires all staff, including contractors to exercise high standards of ethical behaviour in performing their duties.

The Code of Conduct is published on FPC's internal website. All staff are required to sign an acknowledgement form that they have received, read and understood the Code of Conduct.

Stakeholder and community consultation

FPC's stakeholders include a broad range of people and organisations such as members of the public, forest industry groups, property owners, Aboriginal groups, local government, non-government organisations, environmental groups, Government agencies, media organisations, customers and contractors.

FPC's core principles for engagement, as stated in our Stakeholder Engagement Policy, are listed below.



The FPC believes that effective stakeholder engagement is an essential part of sustainable forest management. Stakeholder engagement can help ensure:

- more informed and better planned policies and services;
- that stakeholders' needs and interests are considered in a consistent and transparent manner; and
- effective collaboration and knowledge sharing.

During 2014-15, the FPC continued to focus on ensuring that all relevant stakeholders were identified and had an opportunity to provide input and be kept informed of FPC's operations.

FPC uses its electronic records management system to capture and store information in relation to stakeholder interactions.

Over the last 12 months, the FPC and their consultants sought stakeholder feedback for the following:

Item	Stakeholder input	Benefit of this engagement to the FPC and stakeholders
In consultation with Parks and Wildlife, one year and three year indicative native forest harvest plans are produced under the requirements of the FMP. Each year both plans are made publically available.	In December 2014, FPC provided notices to a range of stakeholders seeking input into the one-year indicative harvest plans. The one-year indicative harvest plans were advertised in a range of newspapers inviting members of the public to provide feedback. In addition, detailed information regarding specific coupes was provided to neighbours of forest operations, local environmental groups and other community stakeholders.	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.
Consultation with Aboriginal communities regarding native forest harvesting operations	FPC consulted with Aboriginal Elders, who spoke for country, to ensure that they were given opportunities to provide feedback on proposed native forest harvest areas.	Enables FPC to ensure that its operations respect the values of Noongar people and that appropriate protection measures are applied to any identified sites.
The FPC's management plan for the karri forest has been developed to meet the requirements of the FSC Controlled Wood Standard (FSC-STD-30-010; FSC-C120630) and the associated FSC Australia's HCVs evaluation framework.	Stakeholder feedback was sought on the revised plan.	Stakeholders are provided with the opportunity to provide input into FPC's management of karri forests and FPC is given the opportunity to learn from stakeholder feedback and improve its management plan.

Consultation with Aboriginal communities

The FPC continued to engage with Aboriginal people and acknowledged that engagement with Aboriginal people is essential for protecting their rights and values.

A key achievement this year was the finalisation of a joint FPC and South West Aboriginal Land and Sea Council (SWALSC) Statement of Commitment: Engagement with Noongar Peoples in the South West of Western Australia. The Statement serves to publicly acknowledge and respect the values of Noongar people and their connection to the land and waters in the South West of Western Australia. Parks and Wildlife was consulted as part of the drafting process. Endorsement of the statement was obtained through four Native Title Working Parties.

A number of FPC staff attended a workshop with Aboriginal Elders to gain understanding of the importance and sensitivity associated with heritage sites and cultural values.

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

Local government consultation

The FPC facilitated a number of field tours for community groups and individuals interested in native forest operations. This included FPC hosting nine Augusta Margaret River Shire Councillors and senior staff on a visit to Mowen forest.

The visit provided an opportunity for the Councillors to gain an appreciation of how local jarrah forests are sustainably managed and how the issues of production and conservation objectives are balanced. It also introduced them to the rigours of FPC's planning and implementation procedures and processes that govern ecologically sustainable forest management.

Sandalwood operations visit

The Minister for Forestry, together with the Federal Parliamentary Secretary to the Minister for Agriculture, Senator the Hon Richard Colbeck, and the Member for Kalgoorlie, Ms Wendy Duncan MLA, visited FPC's sandalwood operations in the Goldfields region. This coincided with the planned meeting of the national Forest and Forest Products Committee, the State and Commonwealth forest policy representatives.

The visit provided an opportunity to witness first-hand the harvest and processing of sandalwood, along with successfully regenerated sites. Potential further actions to combat illegal sandalwood harvesting were also discussed.

International visitors

The FPC hosted Givaudan on tour of sandalwood operations in the Goldfields region. Givaudan is the industry leader for the manufacture of flavourings and fragrances. Western Australian native sandalwood oil is found in some of the world's iconic brands of perfumery and cosmetics.

The visit was part of Givaudan's corporate social responsibility program, which insists that benefits from their purchases flow back to the communities in which they operate.

Chinese sandalwood markets

In December 2014, the Minister for Forestry and the General Manager visited sandalwood customers and distributors in China.

With existing arrangements ending on 30 June 2016, the visit was an opportunity to gain an understanding of the sandalwood market that will assist to determine the industry's future sales and marketing structure of the industry to deliver the Government's objectives.

Community consultation

- A number of native forest harvest coupes attracted significant interest from forest conservation groups. The FPC extended its engagement to ensure all reasonable requests for information updates were met.
- Two meetings were held involving FPC, Parks and Wildlife and environmental group leaders to establish protocols for interaction where harvest sensitivities were raised.
- The FPC continued liaising with local groups, including mountain bikers regarding the harvesting of pines in Margaret River and the impact on bike trails.
- The FPC supported the South West Agroforestry Network through field days, organisational input and policy advice.
- The FPC participated in a national conference in Victoria on managing forests across the landscape. The FPC presented a paper on FPC's role in Western Australian forest management.
- The FPC worked with Western Australian Forest Communities Network, a restructured timber communities promotional group, to assist in the organisation's development of website content and priorities.
- The FPC and the Shire of Manjimup facilitated a community meeting of local forest and timber industry representatives with the Federal Parliamentary Secretary to the Minister for Agriculture, Senator the Hon Richard Colbeck, and Mr Rick Wilson MP, Member for O'Connor. A range of local and national industry issues of common interest around the topic of community and forestry development was discussed.
- The FPC liaised with a property owner of one of the largest private native forests in Western Australia regarding sustainable and intensive timber production management.

Complaints management

The FPC has a complaints management system to assist in achieving our objectives and ensuring positive relationships with the community.

In 2014-15, the FPC reviewed its complaint management procedure to ensure that all concerns, grievances or complaints are captured and responded to appropriately.

As part of FPC's commitment to continuous improvement, complaints are monitored to identify any trends or gaps, as well as areas for improvements. Updates are provided to Executive each month and to the Board quarterly.

Industry activities

The FPC is committed to ensuring that the value of the forests and the forest products industry is promoted.

The key message is that the forest and timber industry is based on a sustainable and renewable resource, which provides significant social, economic and environmental benefits to Western Australia.

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.

Timber auctions

The FPC held four public auctions for speciality log auctions at Harvey and Manjimup. These auctions provide the opportunity for local artisans to purchase a unique range of assorted native timbers, either as small parcels or individual logs that they would not normally be able to purchase without a contract with the FPC.

This year the FPC worked with Parks and Wildlife and local groups in the Kalgoorlie region to be able to offer a range of beautiful Goldfields timbers at two of the auctions. These unique timbers will be used to create musical instruments, intricate inlays, jewellery boxes and speciality furniture.

Following this successful trial of Goldfield's timbers, the FPC will continue to work with stakeholders to provide an on-going supply of these unique Western Australian timbers.

Log grading and wood utilisation training

The FPC hosted staff from the Department of Parks and Wildlife at an introductory log grading and wood utilisation day at the Harvey Mill. The day included training in log specifications, features and faults.

Given the event's success, more log grade and competency training sessions are planned for the near future.

Educational initiatives

The FPC continues to collaborate with Forest Learning, which develops forest education resources to suit the national education curriculum.

The FPC provided presentations to school groups, which focussed on renewable resources and sustainability, management practices, stakeholders and different perspectives, as well as environmental impact and management, government regulations and laws.

Manjimup staff supported a local high school program aimed at promoting and informing students on agricultural and forestry activities and career opportunities. FPC staff spoke with the students about training, planning and mapping and conducted a field excursion to provide an overview of karri forest silviculture and harvesting operations.

Corporate services

New finance system

The FPC migrated to a new finance system TechnologyOne on 1 April 2015. This system replaces the finance bureau service provided by Parks and Wildlife since FPC's formation in 2000.

The implementation included:

- A major revision of the Chart of Accounts to enable the provision of operational financial information to support key operational performance reporting.
- The use of requisitions for expenditure was mandated to enable the introduction of commitment accounting with a significant reduction in the use of corporate credit cards.
- The incurring delegations for the approval of requisition expenditure were revised.
- Business process flows which highlighted internal and key controls.

Contract management

- The FPC currently manages 265 contracts, of which approximately 95 per cent are regionally based.
- 2014-15 saw the full implementation of all new native forest harvest and haulage contracts, which have a total contract life value of over $250 million. The process was structured to provide economies of scale, increased flexibility and opportunities for new investment.
- During this period new contracts were implemented for services including: harvest and haulage; tree pruning; consultancy services; and karri establishment.

Information technology

The FPC has continued to focus on finalising infrastructure upgrades, improvements in corporate business systems, and availability of corporate information.

Key achievements this year have included:

- Continuation of the desktop refresh program to ensure that all FPC staff have access to current technology.
- Upgrades to all FPC servers were completed.
- Regional server hardware upgrade and virtualisation project were completed.
- Technology such as mobile devices were continued to be deployed to allow staff the ability to access corporate information regardless of their location.
- The capture of data electronically utilising mobile devices was trialled by contractors.

Corporate communications

Key highlights this year included:

- FPC continues to develop their external website to ensure compliance with government web accessibility guidelines.
- Timely responses to media queries regarding FPC's operations.
- Communication plans were developed for FPC's operational activities.
- Continues to develop the new internal website including developing the document management system and chemical management specifications.
- A new Arid Timber Species poster was produced along with timber species sheets for jarrah, karri and marri.
- As part of the FPC's transition to managing its records electronically, virtual administration files have now replaced the paper files previously held at each FPC office.
- The Records Section continued to work collaboratively with FPC staff to provide solutions to meet their electronic document management requirements.
- Targeted training was provided for staff regarding management of electronic records in TRIM.

Firefighting

Approximately one third of FPC staff are on the Parks and Wildlife fire management roster. The majority of which are front line first responders. In total, FPC staff performing fire management duties accumulated over 4,500 hours, not including over 6,000 hours being available on standby for deployment. This illustrates FPC's commitment to assisting the State's 2014-15 wildfire effort.

The 2014-15 fire season was extremely demanding for all fire response agencies with large and prolonged campaigns including the Bullsbrook, Pinjar, Boddington and Northcliffe fires, in amongst many smaller fires throughout Western Australia's South West.

Summary of financial performance

The FPC posted an operating profit of $9.0 million, which is an improvement of $4.2 million on last year's result of $4.8 million.

This positive result is driven by:

- Favourable foreign exchange rate for export markets.
- Strong demand in softwood markets.

The FPC paid $3.0 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.

The following table details a summary of our corporate performance against the financial outcomes and targets detailed in the SCI.

	Target 2014-15 ($ millions)	Actual 2014-15 ($ millions)
Financial targets		
Total expenses (sourced from Statement of Comprehensive Income)	120.8	110.9
Total income (sourced from Statement of Comprehensive Income)	124.4	119.9
Total equity (sourced from Statement of Financial Position)	336.3	339.0
Net increase / (decrease) in cash held (sourced from Statement of Cash Flows)	(5.3)	(3.7)
Financial outcomes		
Timber revenues	122.9	114.5
Operating profit	5.6	9.0
Net profit / (Loss) after tax	1.3	5.4
Closing cash balance	17.7	26.4
Dividends paid	2.1	2.1
Performance measures		
Return on assets (NPAT/total assets)	0.3%	1.4%
Return on equity	0.4%	1.6%
Operating profit to timber revenues	4.6%	7.8%

Section 3: Looking forward

Softwood plantation estate 45
Western Australian sandalwood industry 45
Native forest sector 45
Industry activities 46
Policy development 46
Corporate systems 46
Substantive equality and diversity 47

Looking forward

2015-16 will hold exciting challenges as we seek to ensure the continued sustainability of the FPC and the forest industry.

Softwood plantation estate

The FPC will begin to implement its program to 'Rebuild the softwood estate' to a level that will support an ongoing internationally competitive softwood industry in Western Australia. This will be critical to maintaining regional jobs and supporting the construction industry. This will be achieved by:

- Implementing a plan to access more land for pines.
- Working with the Department of Water to replant pines in the Wellington Catchment area.
- Increasing productivity of the current estate.

The State Government announced on 14 May 2015 that the State-owned plantation estate would be evaluated for potential sale of assets. Should the sale of these assets proceed then the initiatives detailed above will need to be adjusted accordingly.

Western Australian sandalwood industry

The focus for 2015-16 will be to develop a new sales and marketing strategy for when the current arrangements expire in June 2016 by:

- Involving regional and Aboriginal involvement in the sandalwood industry.
- Supporting a local processing industry.
- Making the Western Australian sandalwood into brand one that captures its unique values for the long-term.
- Ensuring transparency in selling the product to ensure that its value is returned to the State.

FPC will also continue to innovate and improve the efficiency of the regeneration program for wild sandalwood, i.e. 'Operation Woylie'.

FPC will continue working collaboratively with the Commonwealth Department of Agriculture and Parks and Wildlife to address the issue of illegal sandalwood harvesting.

Native forest sector

Developing long-term native forest resource security is essential for investment in product development and new technologies. This will be progressed by:

- Working to establish policy settings that will provide greater resource security.
- Providing support to encourage greater industry collaboration.

Industry activities

The FPC will seek to continue its effective partnerships with industry and other stakeholders by:

- Working with industry to conduct processing trials and develop new products.
- Continuing to promote the social and economic benefits of the forest industry.

Policy development

In response to the strategic review, the FPC has established a policy and strategy division which will:

- Respond to the recommendations from the strategic review of the FPC.
- Undertake projects including:
  - Developing a strategic plan for the next 50 years for the forest industry.
  - Increasing the capacity to work collaboratively across Government on a range of issues.

Corporate systems

- The FPC finance team will implement the following initiatives:
  - Installing business intelligence dashboard.
  - Producing key operational performance reports.
  - Implementing enterprise budgeting.
- Undertaking replacement of FPC's Logging Operations Information System.
- FPC will be implementing a new telephone system for the Kensington office
- Establishing FPC's risk appetite and revising the strategic risk register accordingly.

Substantive equality and diversity

As identified in the FPC's Workforce and Diversity plan 2014-2019 the FPC plans to address the following issues commencing in 2015-16.

Employment of Aboriginals, youth and graduates

Increasing Aboriginal, youth and graduate employment and work opportunities through:

- Developing and implementing traineeships within the FPC.
- Collaborating with relevant government agencies (e.g. Parks and Wildlife) to establish shared traineeship, graduate and other development programs.

Emerging leaders

Developing staff into management and leadership roles by equipping them with the skills and opportunities required for senior roles into the future through:

- Assisting women and/or emerging leaders to participate in networking events and programs.
- Encouraging engagement in leadership and mentoring programs.
- Encouraging participation in personal and professional development.

Section 4: Disclosures and legal compliance

Governance 49
Certification of the key performance indicators 54
Key performance indicators 55
Independent auditor's opinion 65
Financial statements 69
  Certification of the financial statements 69
  Statement of comprehensive income 70
  Statement of financial position 71
  Statement of changes in equity 72
  Statement of cash flow 73
Index of notes to the financial statements 74
Notes to the financial statements 76

Governance

The Board

The FPC's governing body is a Board of seven Commissioners appointed by the Governor, on the Minister for Forestry's recommendation. From the Commissioners, the Governor must appoint a Chairman and a Deputy Chairman.

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.

Details of the Board are provided on pages 12 to 14.

Key activities

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 SDP and an annual SCI, which requires approval by the Minister.

The Board met formally seven times during the year.

Performance monitoring and reporting

The FPC provides a half-year report and this Annual Report to the Minister for Forestry detailing our performance and progress in fulfilling the SCI.

The Board receive monthly performance reports covering a diverse range of financial and non-financial matters.

In addition, quarterly reports are submitted to the Department of Treasury on financial performance and progress against the agency's Accountability Plan.

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 2014-15 was $13,277, of which the Commissioners collectively contributed one per cent.

Ethical Standards

The Board's Code of Conduct identifies the minimum standards of conduct required of all Directors of the Forest Products Commission. It draws on the guidelines issued by the Public Sector Commission (PSC).

A Corporate Governance Charter sets out the roles and responsibilities of the Board and Executive. The Charter was drafted using PSC guidelines and other corporate governance resources.

Conflict of interest disclosure

The F*orest 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.

Changes to the Board

Ms Jacqueline Jarvis and Mr Grant Woodhams were both appointed for a term of three years commencing 1 July 2014. Mr Ed Valom was also reappointed as a Commissioner and Deputy Chairman.

Board committees

The Audit and Risk Committee was the only committee of the Board that operated during the year ended 30 June 2015.

Audit and Risk Committee

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.

Board meetings and remuneration

Position	Name	Meetings Attended	Eligible to attend	Type of remuneration	Period of membership	Gross remuneration
Chairman	Mr Robert Fisher	7	7	Annual	Chairman throughout the financial year	$50,000
Deputy Chair	Mr Ewald Valom	7	7	Annual	Deputy Chairman throughout the financial year	$20,850
Commissioner	Mr Robert Pearce	7	7	Annual	Commissioner throughout the financial year	$20,850
Commissioner	Mr Stuart Morgan	7	7	Annual	Commissioner throughout the financial year	$20,850
Commissioner	Mr Geoffrey Totterdell	6	7	Annual	Commissioner throughout the financial year	$20,850
Commissioner	Mr Grant Woodhams	5	7	Annual	Commissioner throughout the financial year	$20,850
Commissioner	Ms Jacqueline Jarvis	6	7	Annual	Commissioner throughout the financial year	$20,850

Audit and Risk Committee Members

Commissioner	Meetings Attended	Eligible to attend	Term status
Mr Geoffrey Totterdell	4	4	Chair and committee member throughout the financial year
Mr Ewald Valom	3	4	Committee member throughout the financial year
Ms Amelia Yam (Co-opted Commissioner)	2	4	Committee member throughout the financial year

Ministerial directives

The FPC did not receive any Ministerial directives during the 2014-15 reporting period.

Public Interest Disclosure

The *Public Interest Disclosures Act 2003* has been enacted to protect the privacy and confidentiality of both the individual making a public interest disclosure and the subject of that disclosure.

Public Interest Disclosure officers for the FPC have been appointed. Internal procedures relating to the FPC's obligations under the act have been implemented.

There were no public interest disclosures for 2014-15.

Disability Access and Inclusion Plan

The FPC is committed to ensuring people with disabilities, their families and carers can fully access its events, buildings, facilities, information and services. The FPC's first Disability Access and Inclusion Plan (DAIP) was launched in 2014 for the five-year period to 2019.

The DAIP provides a framework that outlines a suite of strategies designed for ensuring that people with disabilities have the same opportunities as other people to:

- Access the services of, and any events organised by the FPC.
- Access the buildings and other facilities.
- Receive information from the FPC in a format that will enable them to access the information as readily as other people have to access it.
- Receive same level and quality of service from FPC staff.
- Provide feedback.
- Participate in any public consultation.
- Obtain and maintain employment with the FPC.

Progress on reaching these outcomes is reported to the Disability Services Commission every July.

State Records Act 2000

In accordance with Section 61 of the *State Records Act 2000* and the State Records Commission Standards (Standard 2 – Principle 6), the FPC has an approved Recordkeeping Plan.

The FPC continues to be committed to meeting its regulatory and best practice requirements, ensuring proper and adequate records are maintained.

All staff are required to undertake online recordkeeping awareness training on a regular basis. New staff must complete this training as part of their induction. This has proved to be an effective way of ensuring staff awareness of their roles and responsibilities in regards to records management.

The continuing focus has been on the implementation of the electronic document management system, which provides greater efficiencies in capturing and retrieving corporate information.

Internal audit

The 2014-15 Internal Audit Plan included 18 audits covering three high-level function areas – corporate services, strategic development/corporate governance and operational compliance.

As at 30 June 2015, of the 18 audits scheduled 15 have been completed. The remaining three audits will be completed in 2015-16.

Three were conducted in-house and 12 were outsourced.

These included:

- Finance system pre-go live audit – External
- Purchasing Card and Procurement Audit – External
- Contractual Compliance Audit - Internal
- Balance Sheet Reconciliations for Tech One Implementations Audit – Internal
- BSI EMS/AFS surveillance audit – External
- Procurement/Delegations of Authority Audit- External

External auditors

In accordance with the *Financial Management Act 2006*, the FPC must have the financial report for a financial year audited by the Auditor General.

The Auditor General has outsourced the audit to Deloitte for a three-year period. Total auditor remuneration is shown in Note 41.0 in the Financial Statements.

Risk management

The FPC pays close attention to the management of risk. A risk register is maintained on strategic and operational risks.

The status of both the Strategic and Operational Risk Registers is reviewed by the Audit and Risk Committee at each meeting and significant issues reported to the next Board meeting. This enables the Board to be kept informed of changes to the risk profile and any new risks that have the potential to adversely impact on FPC'S business and operations.

Risk management is a key element of our governance framework. FPC has a Risk Management Framework that provides a common understanding of risk and a set of processes for managing risk aligned with the International Standard on Risk Management AS/NZS ISO 31000:2009.

The Framework ensures a formalised and structured approach to the identification, evaluation and control of risks, which have the potential to threaten the achievement of our objectives and our ability to provide services.

All managers are responsible for the identification and management of risks that will impact upon their business processes and subsequent objectives. The management of risks within the business is embedded at all levels, with appropriate support and systems in place to ensure risks are managed to an acceptable level.

A comprehensive commercial insurance program is maintained covering insurable risks, which may have a significant impact on our assets, construction activities and legal liability.

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.

Freedom of Information

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.

Exependiture on advertising, market research, polling and direct mail

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 2014-15 was $17,600 (excluding GST).
- An overview of the expenditure incurred is provided in the table below.

Expenditure type	Organisation	Purpose	Amount	Total
Advertising agencies	N/A	N/A	Nil	Nil
Market research agencies	N/A	N/A	Nil	Nil
Polling organisations	N/A	N/A	Nil	Nil
Direct mail organisations	N/A	N/A	Nil	Nil
Media advertising organisations	Adcorp	Contracts and tenders	$4,900	$9,500
		Recruitment	$1,800	
		Forest operation notices	$2,800	
	ABG Pages	Contract listings in the Australian Business and Government Pages	$900	$900
	Sensis	Contact listings in the White Pages	$7,200	$7,200

Certification of the 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 2015.

Mr Robert Fisher AM, JP

CHAIRMAN

11 September 2015

Mr Geoffrey Totterdell

COMMISSIONER

11 September 2015

Key performance indicators

The 2014-15 year is the third reporting period where key performance indicators (KPIs) has focussed on sustainability and forest regeneration. These changes were made to ensure the FPC can report on its contribution to the government goal of social and environmental responsibility related to the FMP 2014-2023, as well as financial and economic responsibility.

The table below highlights the linkages between government goals and FPC's outcomes and services.

Government	Forest Products Commission	
Goal	Outcome	Service
Social and environmental responsibility	Environmental outcomes of harvesting and regeneration of the State's plantation and native forest resources meet the requirements of relevant legislation and environmental standards	Environmentally sustainable forest products industry
Financial and economic responsibility Greater focus on the Regions	Facilitate a viable forest industry to deliver social and economic benefits to the people of Western Australia	To build and maintain a commercially viable forest products industry that provides economic benefits to the people of Western Australia.
Focus on results-based service delivery		Effective and efficiency delivery of core business outcomes

Key effectiveness indicators

OUTCOME: Environmental outcomes of harvesting and regeneration of the State's plantation and native forest resources meet the requirements of relevant legislation and environmental standards.

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 FMP.

Bole volume for jarrah, karri and marri

For the previous FMP, 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[1]. For all marri bole logs the total sustained yield was 196,000 m^3. The previous FMP only had a single upper limit for these products.

The new FMP 2014-2023 now has an upper and lower limit for the harvest of graded saw logs and bole logs which are detailed in the below table.

	Jarrah	Karri	Marri bole
Annual upper limit *	521,000 m^3	164,000 m^3	254,000 m^3
Annual lower limit *	292,000 m^3	164,000 m^3	140,000 m^3

* Excludes first and second grade sawlogs

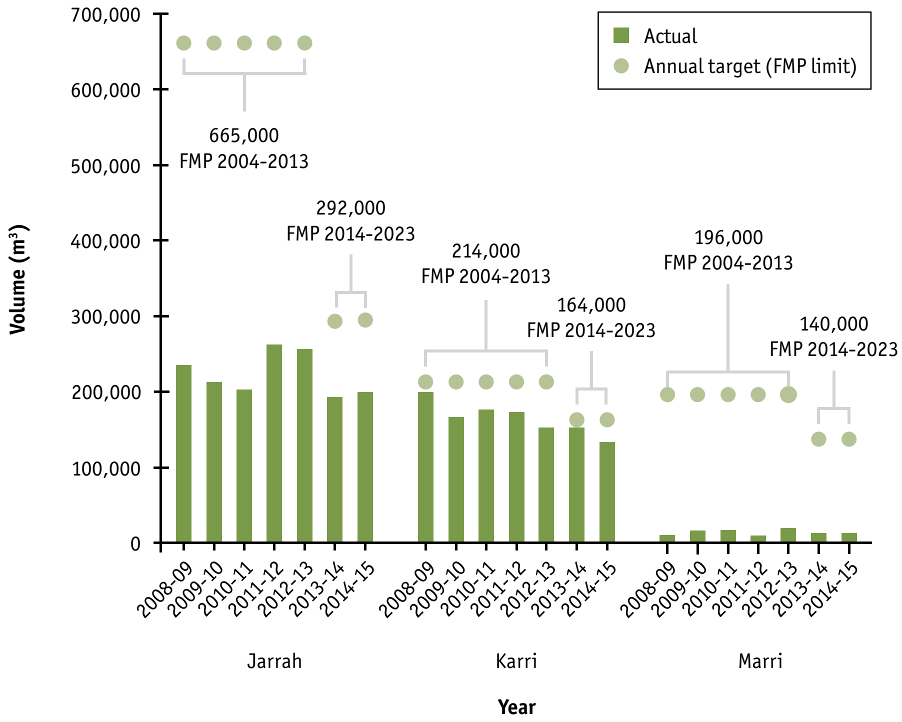
KPIs for bole logs for 2013-2014 report actual harvest against the new FMP lower limit. The annual upper limit is only accessible through the development of new markets for lower grade wood products. Previous years continue to report annual harvest against the single FMP upper limit.

1 FMP 2004-2013 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.

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 FMPs.

For 2014-15:

- The production of karri bole volume is approximately 22,000 m^3 lower compared to the previous year. This is partly due to a slow start in production for the year pending the outcome of environmental certification for the karri forest management unit.
- The significantly lower quantity of jarrah (196,722 m^3) and marri (12,892 m^3) bole volume harvested relative to karri is due to a lack of markets for low-grade jarrah logs.
- The production of jarrah and marri bole volumes are both slightly higher compared to the previous year.



First and second grade jarrah and karri sawlogs

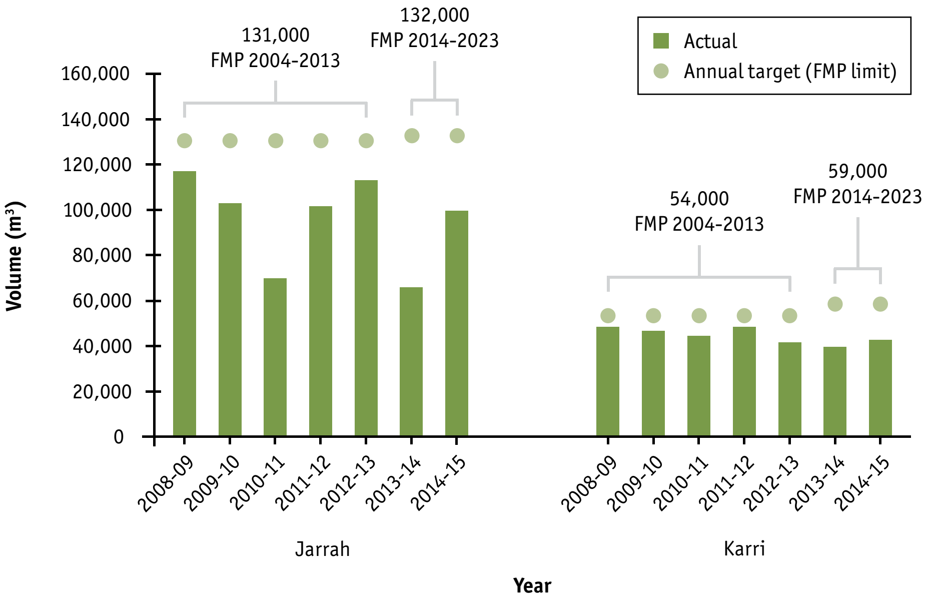
The quantities of sawlog harvested must be consistent with the allowable cut in the FMP.

The allowable cut of first and second grade sawlogs for jarrah and karri are:

	FMP 2004 – 2013	FMP 2014 - 2023
Jarrah	131,000 m³	132,000 m³
Karri	54,000 m³	59,000 m³

In 2014-15, production of jarrah sawlogs (100,245 m³) and karri sawlogs (43,153 m³) returned to forecast levels following a difficult year in 2013-2014 after the release of the new FMP in December 2013.

The chart compares the quantity of first and second grade sawlogs produced by the FPC compared to the allowable cut. The FPC produces sawlogs of this quality in a range of different log products, and calculates the proportion of first and second material contained within these logs.



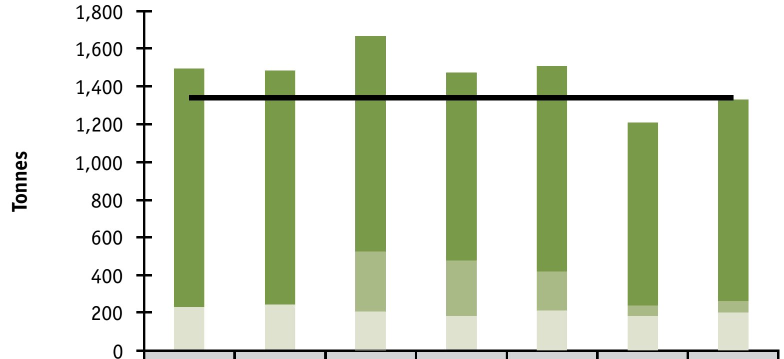
2. Harvest of green sandalwood maintained at allowable cut

The annual allowable harvest for green sandalwood is determined by the *Sandalwood Order 1996* and is currently 1,500 tonnes per annum, of which 1,350 tonnes is licensed to the FPC. The graph below shows the actual volume of green sandalwood harvested for the last seven years.

Since 2006, improved harvesting techniques have resulted in greater utilisation of third grade sandalwood products (twigs and roots). These products were previously not able to be efficiently processed and were not accounted for in total production. While this is an excellent outcome in terms of efficiency it resulted in the FPC unintentionally exceeding its allowable cut in previous years. This has been rectified over the last two years. This has coincided with lower demand for third grade products.

1,329 tonnes harvested in 2014-15

During 2014-15, the FPC harvested 98 per cent of the Order in Council allowable limit. This is approximately 10 per cent more (of each grade) compared to the previous year.



	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Green 1st & 2nd grade	1,261	1,239	1,139	997	1,086	968	1,067
Green 3rd grade	--	--	320	293	208	56	61
Roots	232	242	207	182	211	182	201
FPC's allowable limit	1,350	1,350	1,350	1,350	1,350	1,350	1,350

Year

3. Extent of native karri forest regenerated relative to area harvested

Karri regeneration

This indicator is 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).

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:

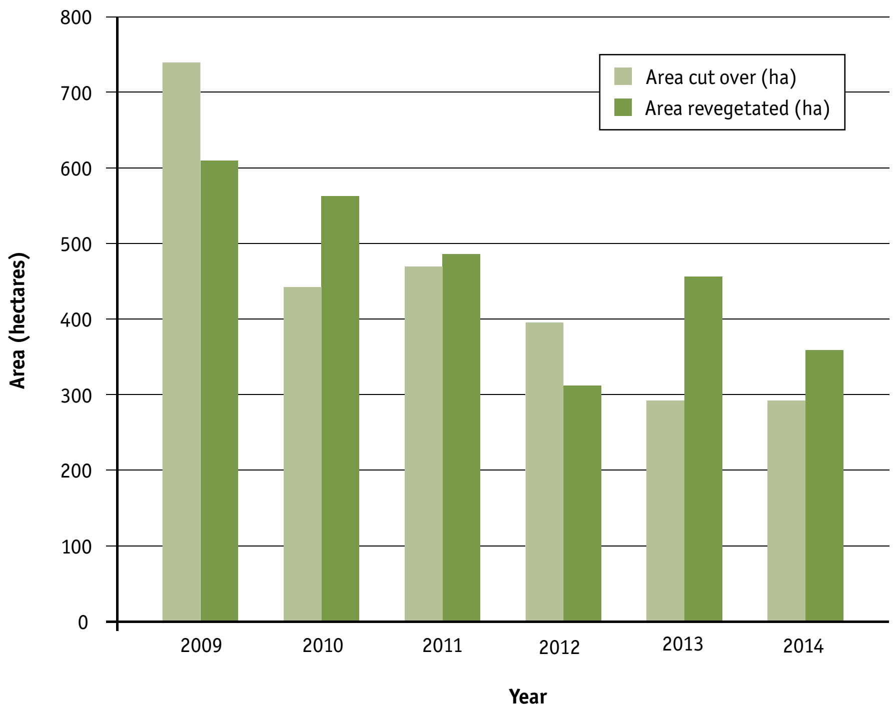
- regeneration treatments in any one year including parts of areas harvested over a number of preceding years; or
- unsuitable site conditions for revegetation; or
- some sites being scheduled for imminent mine-site-clearing activities.

	2013 (hectares)	2014 (hectares)
Area of karri forest clear-felled or partially harvested	292	294
Area of karri forest thinned	457	384
Area of regeneration completed *	457	359

* Areas that were 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 six years the area of karri forest regenerated (2,788 hectares) has exceeded the area harvested (2,632 hectares).



Jarrah regeneration

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. Parks and Wildlife undertake the prescribed burns for silviculture outcomes and fuel load reduction on behalf of the FPC.

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).

	2013 (hectares)	2014 (hectares)
Area of jarrah forest harvested for regeneration *	2,819	2,247
Treatment burns to achieve regeneration	797	926

* Excludes areas cleared for mining or utilities such as roads and power lines.

Wandoo regeneration

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

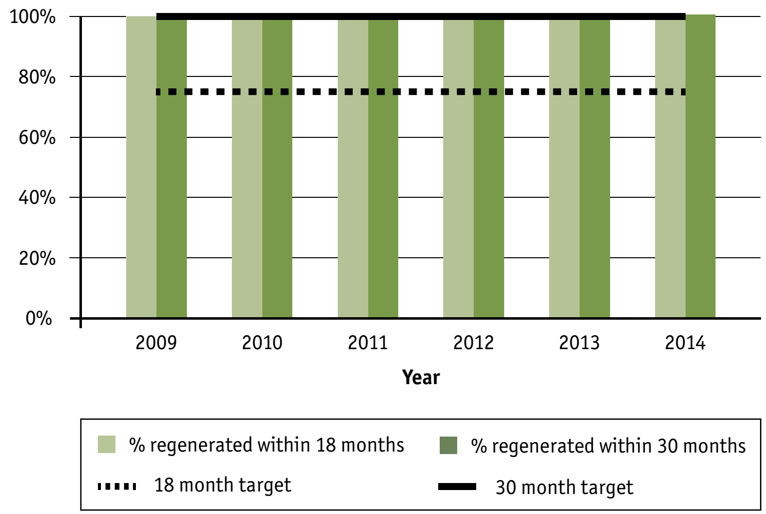
4. Timeliness of karri forest regeneration

The FMP requires replanting of karri forest immediately following harvesting. This ensures a level of immediate habitat restoration or recovery 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.

100% complete

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.



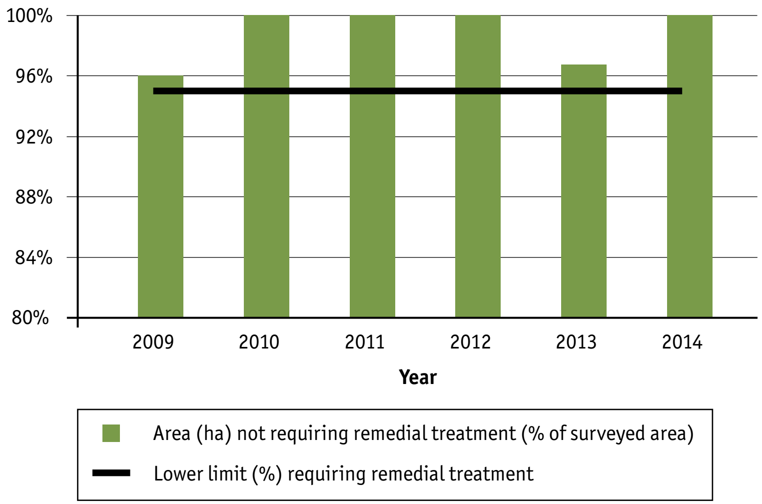
5. Effectiveness of regeneration of native karri forest

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.

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

The chart below measures the percentage of the sampled regeneration that does not meet the stocking standard set out in the Karri Silviculture Guideline[2].

The target is that no more than five per cent of the area regenerated and requires remedial action through additional planting if this is exceeded. There is an inherent lag period of one year in data for this KPI.

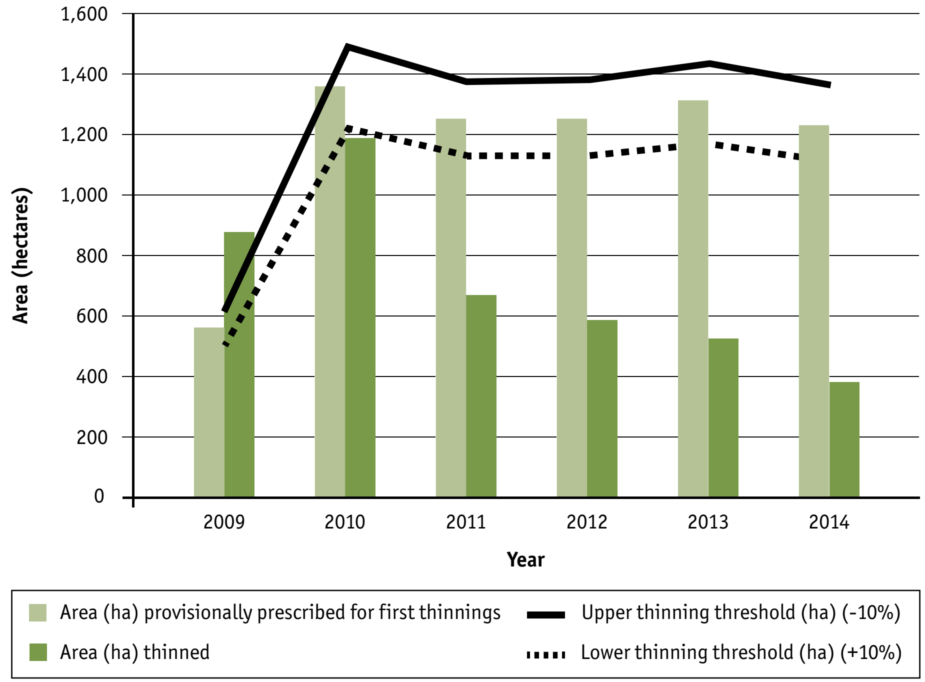


2 Department of Parks and Wildlife 2014, Karri Silviculture Guideline. Sustainable Forest Management Series, FEM Guideline 3.

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 (light green bar) each year and the area actually thinned (dark green bar). The lower and upper guides show the area scheduled to be thinned within 10 per cent.



Over the last six years the average area scheduled for thinning is equal to 1,065 hectares per annum. The average area actually thinned each year is approximately 558 hectares.

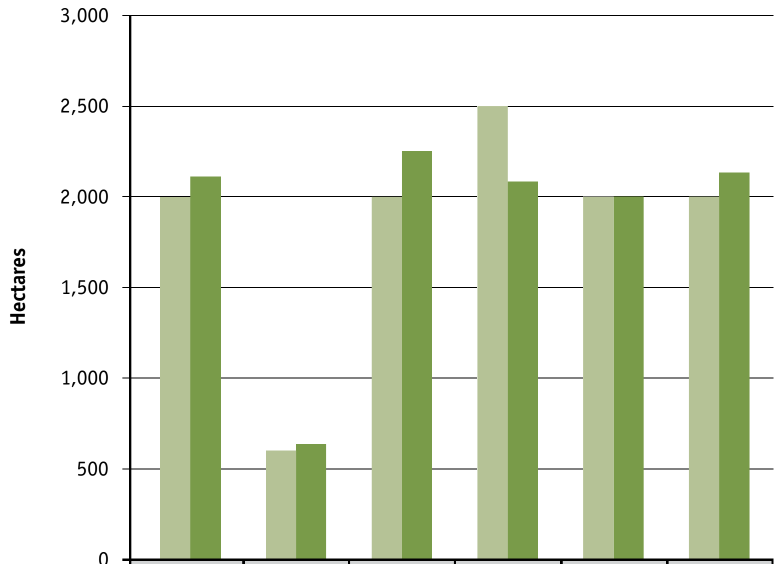
To ensure maximum utilisation of forest products, thinning is only carried out when markets are available for thinned wood. Over the last two years the markets for karri thinning have been limited due to reduced product demand. To ensure future areas scheduled for thinning are completed FPC is actively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

7. 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.

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 FPC has exceeded plantation establishment targets in five out of the last six years.



	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Target	2,000	600	2,000	2,500	2,000	2,000
Area established	2,112	636	2,252	2,083	2,002	2,133

2nd and 3rd rotation pine

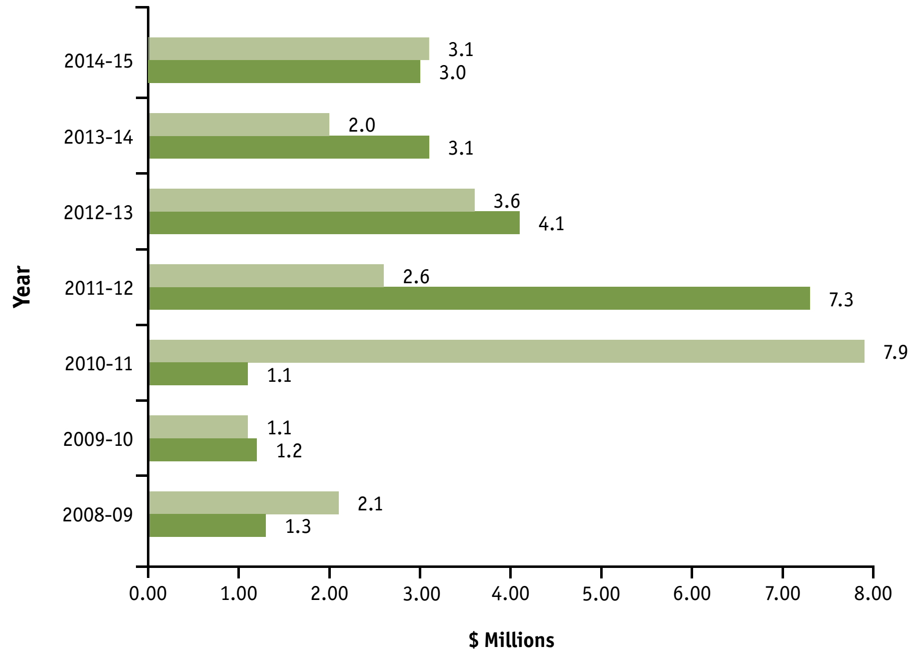
Year

Outcome: Facilitate a viable forest industry to deliver social and economic benefits to the people of Western Australia

8. 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 from the previous financial year.

For 2014-15 the FPC paid a dividend of $3.0 million.



	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Target	2.1	1.1	7.9	2.6	3.6	2.0	3.1
Actual	1.3	1.2	1.1	7.3	4.1	3.1	3.0

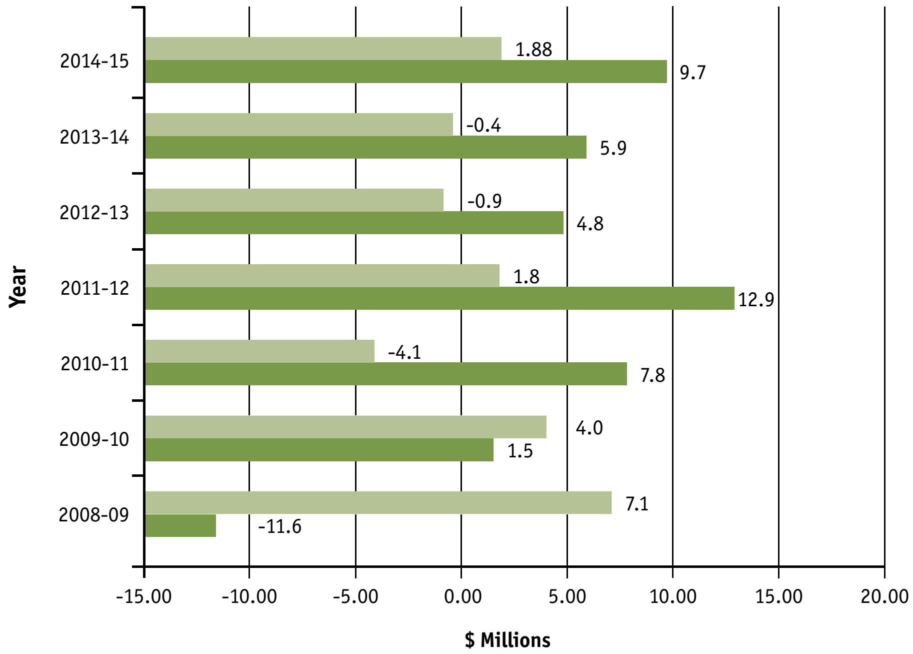
9. Net profit before interest and tax (NPBIT)

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 in 2013-14 was $5.9 million

FPC has operated profitably for the each of the last six years.

In 2014-15 NPBIT increased to $9.7 million



	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Target	7.1	4.0	-4.1	1.8	-0.9	-0.4	1.88
Actual	-11.6	1.5	7.8	12.9	4.8	5.9	9.7

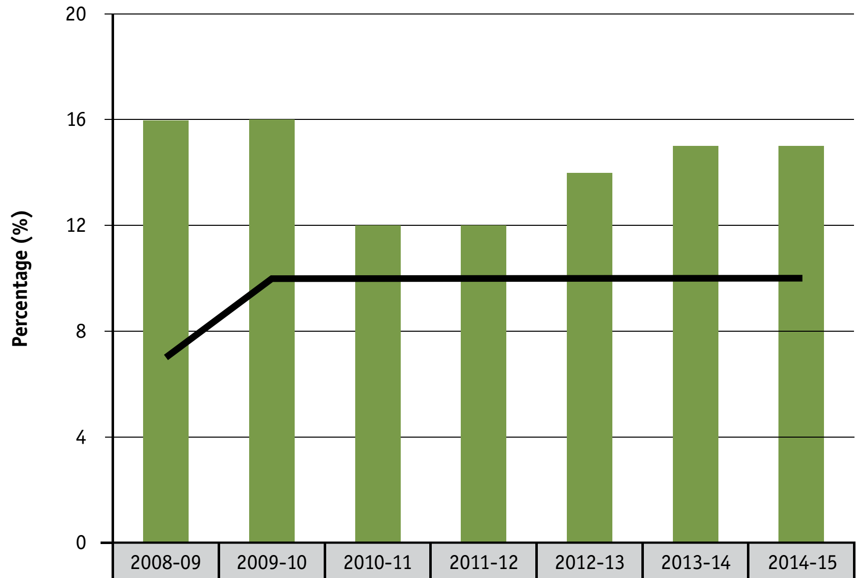
Key efficiency indicators

SERVICE: Environmentally sustainable forest products industry

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, as well as fully utilising that available resource.

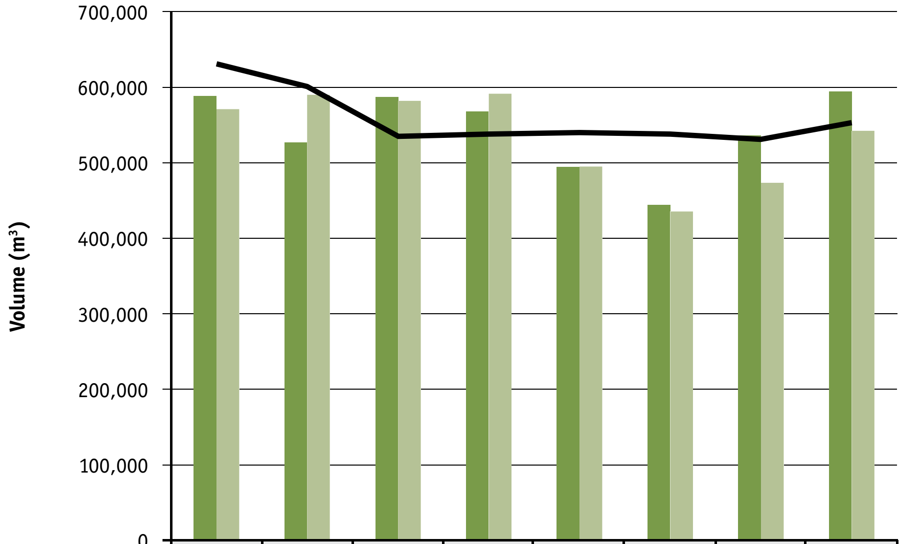


	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Actual	16	16	12	12	14	15	15
Minimum target	7	10	10	10	10	10	10

Year

2. Plantation log production consistent with demand from industry

Actual sawlog production and delivery in 2014-15 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.



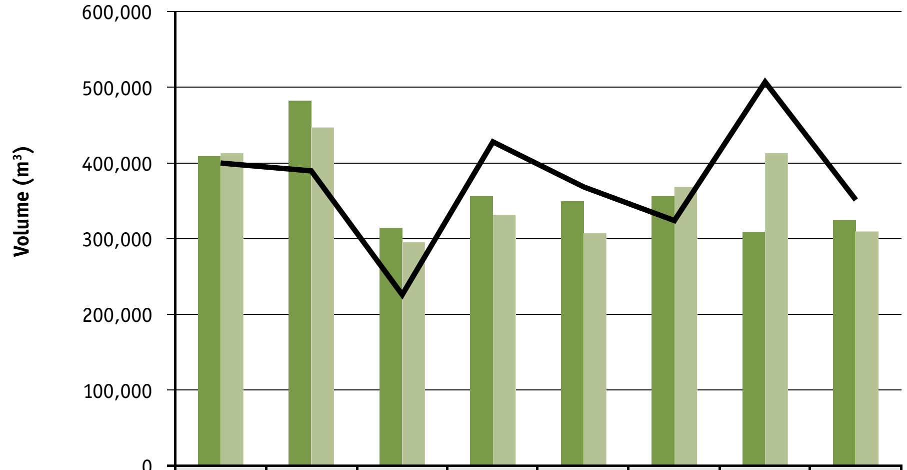
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Actual supply	588,262	526,802	586,734	567,610	494,113	444,392	536,123	594,106
Budgeted demand	571,000	590,000	582,000	591,431	495,000	435,500	473,500	542,200
Forecasted yield	631,000	601,000	535,000	538,000	540,000	538,334	531,000	553,000

Year

Plantation industrial wood production consistent with contracted supply to industry

Supply of industrial wood during 2014-15 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 require additional 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	2014-15
Actual supply	409,264	482,527	314,720	356,357	349,295	355,963	309,201	324,248
Budgeted demand	412,992	447,000	295,540	331,658	307,500	368,500	413,000	309,500
Forecasted yield	400,000	390,000	226,000	428,000	369,000	320,387	507,000	350,800

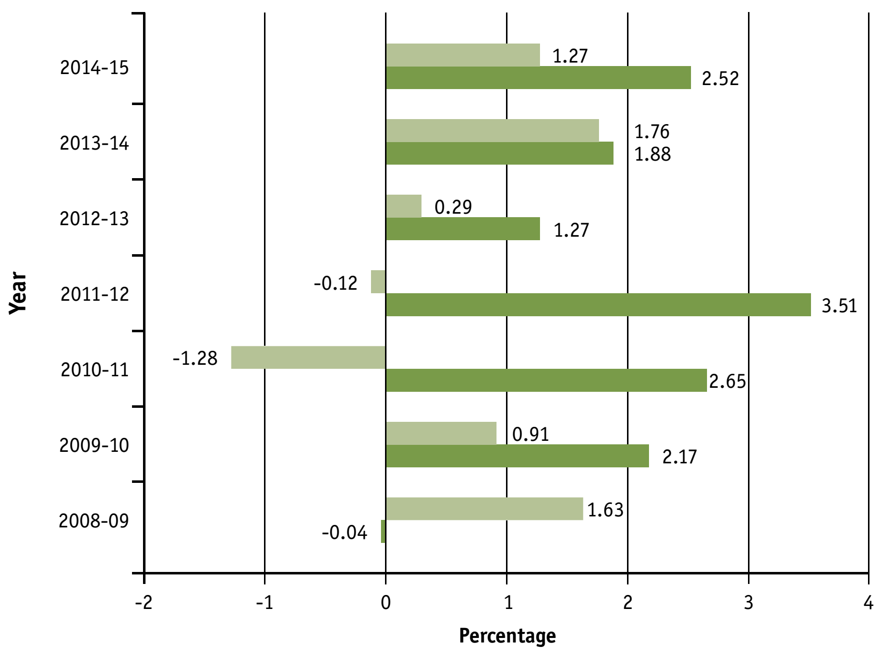
Year

SERVICE: To build and maintain a commercially viable forest products industry that provides economic benefits to the people of Western Australia.

3. 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 1.88% in 2013-14 up to 2.52% in 2014-15.



	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Target	1.63	0.91	-1.28	-0.12	0.29	1.76	1.27
Actual	-0.04	2.17	2.65	3.51	1.27	1.88	2.52

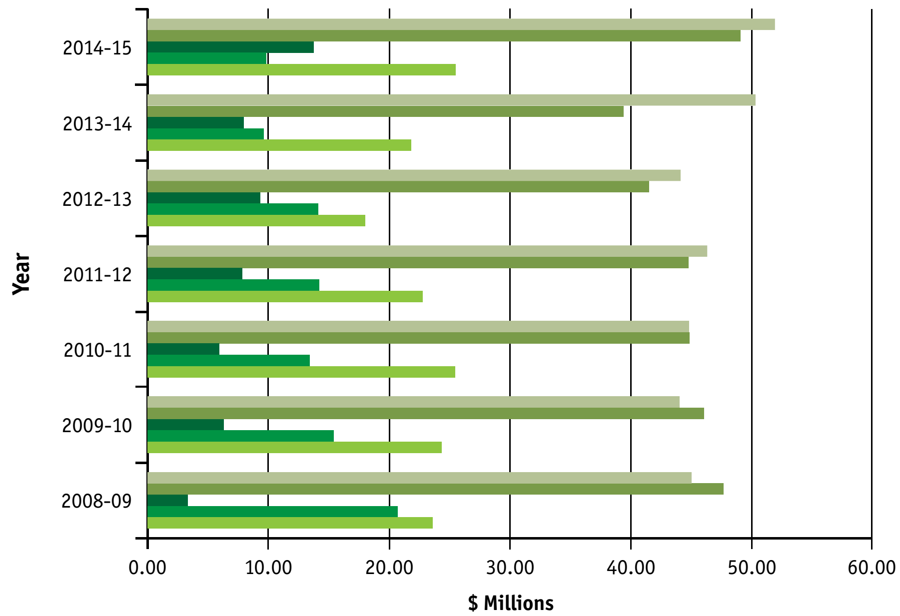
4. Stumpage revenue

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

Total stumpage revenue in 2014-15 ($49.05 million) was only 5.5 per cent lower than the target ($51.9 million) and significantly higher than the actual from the previous year ($39.36 million).

For the year there was a 72.9 per cent increase in sandalwood sales as well as an increase of 16.9 per cent in plantation sales (41.5 per cent increase over two years). However, these significant improvements were partly offset by a second year of below target performance in the native forest sales revenue.

The decrease in the native forest stumpage revenue reflects lower than expected yields from forest blocks that have been allocated to the FPC under the new FMP 2014-2023.



	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Target total	$45.00	$44.00	$44.80	$46.30	$44.10	$50.30	$51.90
Actual total	$47.63	$46.02	$44.81	$44.75	$41.46	$39.36	$49.05
Sandalwood	$3.33	$6.30	$5.95	$7.83	$9.31	$7.96	$13.76
SW forest	$20.70	$15.38	$13.41	$14.18	$14.13	$9.60	$9.80
Plantations	$23.60	$24.34	$25.46	$22.74	$18.02	$21.80	$25.49

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 2015, the Statement of Comprehensive Income, Statement of Changes in Equity, 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.

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

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 2015 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Report on Controls
I have audited the controls exercised by the Forest Products Commission during the year ended 30 June 2015.

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 2015.

Report on the Key Performance Indicators
I have audited the key performance indicators of the Forest Products Commission for the year ended 30 June 2015.

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 2015.

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 2015 included on the Commission's website. The Commission's management is responsible for the integrity of the Commission's website. This audit does not provide assurance on the integrity of the Commission's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.

COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
16 September 2015

Page 4 of 4

Certification of the financial statements

For the year ended 30 June 2015

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 2015 and the financial position as at 30 June 2015.

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.

Mr Ron Lucas
CHIEF FINANCE OFFICER

11 September 2015

Mr Geoffrey Totterdell
MEMBER OF ACCOUNTABLE AUTHORITY

11 September 2015

Mr Robert Fisher AM, JP
CHAIRMAN OF ACCOUNTABLE AUTHORITY

11 September 2015

Statement of comprehensive income

For the year ended 30 June 2015

		Note	2015 $000	2014 $000
Income	**Revenue:**			
	Sales	6.1	114,516	97,354
	Commonwealth grants and contributions	7.0	1,039	996
	Interest revenue	8.0	635	690
	Other revenue	9.0	2,731	9,302
	Gains:			
	Gain on disposal of non-current assets	10.0	11	21
	Other gains	11.0	964	-
	Total income		**119,896**	**108,363**
Expenses	Cost of sales	6.2	64,232	57,677
	Employee benefits expense	12.0	18,443	17,958
	Supplies and services	13.0	24,211	23,614
	Depreciation and amortisation expense	14.0	1,202	1,132
	Finance costs	15.0	996	1,022
	Accommodation expenses	16.0	462	618
	Loss on disposal of non-current assets		-	3
	Other expenses	17.0	1,388	1,561
	Total expenses		**110,934**	**103,585**
	Profit before change in biological assets valuation and onerous contracts		**8,962**	**4,778**
	Biological asset increase/(decrease)	18.0	(576)	6,634
	Onerous contracts	19.0	68	(2,882)
	Profit before income tax equivalent benefit		**8,454**	**8,530**
	Income tax expense	38.0	(3,019)	(3,166)
	Profit for the year		**5,435**	**5,364**
Other comprehensive income	**Items that will not be reclassified subsequently to profit or loss**			
	Remeasurements of defined benefit liability		7	(49)
	Changes in asset revaluation surplus	31.2	319	109
	Deferred tax on items of other comprehensive income	31.2	(96)	(33)
	Items that may be reclassified subsequently to profit or loss			
	Changes in cash flow hedge reserve	31.2	71	(333)
	Income tax on items of other comprehensive income	31.2	(21)	100
	Total other comprehensive income / (loss)		**280**	**(206)**
	Total comprehensive profit for the year		**5,715**	**5,158**

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

Statement of financial position

For the year ended 30 June 2015

		Note	2015 $000	2014 $000
Assets	**Current assets**			
	Cash and cash equivalents	32.1	26,428	30,112
	Inventories	20.0	8,147	8,989
	Receivables	21.0	18,790	14,525
	Biological assets	25.0	20,204	26,552
	Other current assets	22.0	360	267
	Total current assets		**73,929**	**80,445**
	Non-current assets			
	Property, plant and equipment	23.0	20,334	20,882
	Deferred tax assets	38.0	7,759	10,895
	Biological assets	25.0	293,658	282,249
	Intangibles	24.0	240	32
	Total non-current assets		**321,991**	**314,058**
	Total assets		**395,920**	**394,503**
Liabilities	**Current liabilities**			
	Payables	28.0	16,152	13,898
	Provisions	29.0	8,058	7,383
	Deferred revenue	30.0	1,159	512
	Total current liabilities		**25,369**	**21,793**
	Non-current liabilities			
	Payables	28.0	7,803	7,975
	Provisions	29.0	4,277	4,468
	Deferred revenue non current	30.0	19,442	22,663
	Total non-current liabilities		**31,522**	**35,106**
	Total liabilities		**56,891**	**56,899**
Net assets			**339,029**	**337,604**
Equity	Contributed equity	31.0	340,141	342,278
	Reserves		8,764	8,491
	Retained earnings		(9,876)	(13,165)
	Total equity		**339,029**	**337,604**

* 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 2015

	Note	Contributed equity	Reserves	Retained earnings	Total equity
		$000	$000	$000	$000
Balance at 1 July 2013		**337,578**	**8,648**	**(16,386)**	**329,840**
Profit for the year		-	-	5,364	5,364
Other comprehensive income for the year, net of income tax		-	(157)	(49)	(206)
Total comprehensive income for the year	31.0	-	(157)	5,315	5,158
Transactions with owners in their capacity as owners:					
Dividends paid	31.3	-	-	(2,094)	(2,094)
State contribution (equity injection)	31.1	4,700	-	-	4,700
Balance at 30 June 2014		**342,278**	**8,491**	**(13,165)**	**337,604**
Balance at 1 July 2014		**342,278**	**8,491**	**(13,165)**	**337,604**
Profit for the year		-	-	5,435	5,435
Other comprehensive income for the year, net of income tax		-	273	7	280
Total comprehensive income for the year	31.0	-	273	5,442	5,715
Transactions with owners in their capacity as owners:					
Dividends paid	31.3	-	-	(2,153)	(2,153)
State contribution / (repayment)	31.1	(2,137)	-	-	(2,137)
Balance at 30 June 2015		**340,141**	**8,764**	**(9,876)**	**339,029**

* 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 2015

		Note	2015 $000	2014 $000
Cash flows from operating activities	**Receipts**			
	Sale of goods and services		119,154	113,364
	Interest received		636	690
	Other receipts		2,226	9,340
	Payments			
	Employee benefits		(17,515)	(17,906)
	Supplies and services		(25,550)	(25,387)
	Forest management expenditure		(72,212)	(70,900)
	Net cash generated by operating activities	32.2	**6,739**	**9,201**
Cash flows from investing activities	**Receipts**			
	Proceeds from sale of non-current physical assets		11	21
	Payments			
	Purchase of non-current physical assets		(225)	(275)
	Purchase of intangible assets		(282)	(39)
	Purchase of investments - Investment in new plantations		(5,637)	(4,697)
	Net cash used in investing activities		**(6,133)**	**(4,988)**
Cash flow (to) / from State Government	State contribution /(repayment)		(2,137)	-
	State contribution (equity injection)		-	4,700
	Dividends paid		(2,153)	(2,094)
	Net cash provided by State Government		**(4,290)**	**2,606**
	Net increase / (decrease) in cash and cash equivalents		(3,684)	6,819
	Cash and cash equivalents at the beginning of year		30,112	23,293
	Cash and cash equivalents at the end of year	32.1	**26,428**	**30,112**

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

Index of notes to the financial statements

1.0 Australian Accounting Standards
2.0 Summary of significant accounting policies
- 2.1 General statement
- 2.2 Basis of preparation
- 2.3 Reporting entity
- 2.4 Contributed equity
- 2.5 Income
- 2.6 Income tax
- 2.7 Property, plant and equipment, and infrastructure
- 2.8 Intangible assets
- 2.9 Impairment of assets
- 2.10 Leases
- 2.11 Financial instruments
- 2.12 Cash and cash equivalents
- 2.13 Accrued salaries
- 2.14 Inventories
- 2.15 Receivables
- 2.16 Investments and other financial assets
- 2.17 Biological assets
- 2.18 Payables
- 2.19 Borrowings
- 2.20 Provisions
- 2.21 Superannuation expense
- 2.22 Assets and services received free of charge or for nominal cost
- 2.23 Comparative figures

3.0 Other accounting policies
- 3.1 Segment information
- 3.2 Foreign currency translation, derivative financial instrument and hedge accounting
- 3.3 Goods and services tax

4.0 Key sources of estimation uncertainty
- 4.1 Long service leave
- 4.2 Biological assets

5.0 Disclosure of changes in accounting policy and estimates
- 5.1 Initial application of an Australian Accounting Standard
- 5.2 Future impact of Australian Accounting Standards not yet operative

6.0 Trading profit
- 6.1 Sales
- 6.2 Cost of sales

7.0 Commonwealth grants and contributions
8.0 Interest revenue
9.0 Other revenue
10.0 Gain on disposal of non-current assets
11.0 Other gains
12.0 Employee benefits expense
13.0 Supplies and services
14.0 Depreciation and amortisation expense
15.0 Finance costs
16.0 Accommodation expenses
17.0 Other expenses
18.0 Biological asset increment/decrement
19.0 Onerous contracts
20.0 Inventories
21.0 Receivables
22.0 Other assets
23.0 Property, plant and equipment
- 23.1 Land and buildings
- 23.2 Plant, equipment and vehicles
- 23.3 Reconciliations
- 23.4 Fair value measurements

24.0 Intangible assets
- 24.1 Software

25.0 Biological assets
- 25.1 Hectares under management
- 25.2 Fair value measurement

26.0 Biological assets risk analysis
- 26.1 Risk management strategies related to agricultural products
- 26.2 Discount rates
- 26.3 Sensitivity analysis
- 26.4 Cash flows
- 26.5 Insurance

27.0 Impairment of assets

28.0 Payables

29.0 Provisions

30.0 Deferred revenue

31.0 Equity
- 31.1 Contributed equity
- 31.2 Reserves
- 31.3 Retained earnings

32.0 Notes to the Statement of cash flows
- 32.1 Reconciliation of cash
- 32.2 Reconciliation of profit from ordinary activities after income tax to net cash flows generated by operating activities
- 32.3 Borrowing facilities

33.0 Commitments
- 33.1 Expenditure commitments
- 33.2 Lease commitments
- 33.3 Guarantees and undertakings

34.0 Contingent liabilities and contingent assets

35.0 Events occurring after the end of the reporting period

36.0 Explanatory statement
- 36.1 Significant variances between estimate and actual for 2015
- 36.2 Significant variances between actual results for 2015 and 2014

37.0 Financial instruments
- 37.1 Financial instrument disclosures
- 37.2 Sensitivity analysis
- 37.3 Credit risk concentrations
- 37.4 Funds held in trust
- 37.5 Fair values

38.0 Taxation equivalent

39.0 Remuneration of members of the Accountable Authority and Senior Officers
- 39.1 Remuneration of members of the Accountable Authority
- 39.2 Remuneration of Senior Officers

40.0 Related and affiliated bodies

41.0 Remuneration of auditor

42.0 Supplementary financial information
- 42.1 Write-offs
- 42.2 Losses through theft, defaults and other causes
- 42.3 Gifts of public property

43.0 Schedule of income and expenses by service

44.0 Additional information

Notes to the financial statements

1.0 Australian Accounting Standards

General

The FPC's financial statements for the year ended 30 June 2015 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

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

Early adoption of standards

The FPC cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 Application of Australian Accounting Standards and Other Pronouncements. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the FPC for the annual reporting period ended 30 June 2015.

2.0 Summary of significant accounting policies

2.1 General statement

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

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

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

2.2 Basis of preparation

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

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

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

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

2.3 Reporting entity

The reporting entity comprises the FPC.

2.4 Contributed equity

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

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

2.5 Income

Revenue recognition

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

- **Sale of goods**

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

- **Provision of services**

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

- **Interest**

  Revenue is recognised as the interest accrues.

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

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

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

- **Gains**

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

- **Deferred revenue**

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

2.6 Income tax

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

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

The income tax expense equivalent, or income, for the 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 enforcebale right to offset current tax assets and liabilities, and when the tax balances relate to the same taxation authority.

2.7 Property, plant and equipment, and infrastructure

Capitalisation / expensing of assets

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

Initial recognition and measurement

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

For items of property, plant and equipment and infrastructure acquired at no cost or for a nominal cost, the 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 23.0 '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 on a class of assets basis as described in Note 23.0 '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 equipment	4 to 10 years
Software[(a)]	2.5 years

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

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

Land is not depreciated.

2.8 Intangible assets

Capitalisation/expensing of assets

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

Intangible assets are initially recognised at cost. For assets acquired at no cost or for a 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.

2.9 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 a 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 32.0 'Notes to the Statement of Cash Flows'.

2.13 Accrued salaries

Accrued salaries (see Note 28.0 'Payables') represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The 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 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) plantation timber; (2) native forest; and (3) sandalwood.

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

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

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

Plantation timber

The FPC values pine plantations that are managed across a broad geographic area of approximately 71,477 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 Forest

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 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 tonnes 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

- **Plantation timber**

  The FPC values its Plantation estate on a fair value basis utilising the services of an independent valuer. For 2014 and 2015 Indufor Asia Pacific Ltd has provided the independent valuation. Indufor is a New Zealand based company providing forest and forest industry valuation services internationally.

- **Native Forest and Sandalwood**

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

- **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.

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

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

2.18 Payables

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

2.19 Borrowings

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

3.1 Segment information

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

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

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

3.2 Foreign currency translation, derivative financial instrument and hedge accounting

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

Forward foreign exchange contracts are entered into as hedges to 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.

3.3 Goods and services tax

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

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

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

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

4.0 Key sources of estimation uncertainty

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

4.1 Long service leave

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

4.2 Biological assets

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

Calculations performed in assessing the value of the biological assets incorporate uncertainty with discount rates and harvest yields. See Note 26.3 for sensitivity analysis around these estimates.

5.0 Disclosure of changes in accounting policy and estimates

5.1 Initial application of an Australian Accounting Standard

The FPC has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2014 that impacted on the FPC:

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.
AASB 10	*Consolidated Financial Statements* This Standard, issued in August 2011, supersedes AASB 127 Consolidated and Separate Financial Statements and Int 112 Consolidation – Special Purpose Entities, introducing a number of changes to accounting treatments. 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.
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. 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.
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. There is no financial impact.
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. There is no financial impact.
AASB 128	*Investments in Associates and Joint Ventures* This Standard supersedes AASB 128 Investments in Associates, introducing a number of clarifications for the accounting treatments of changed ownership interest. The adoption of the new Standard has no financial impact for the FPC as it does not hold investments in associates and joint ventures.
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.
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.

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 issuance of AASB 10, AASB 11, AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures. There is no financial impact for the FPC.
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. There is no financial impact.
AASB 2013-3	*Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* This Standard introduces editorial and disclosure changes. There is no financial impact.
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. As FPC policy is to transact all hedges via the Western Australian Treasury Corporation there is no financial impact.
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.
AASB 2013-9	*Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* Part B of 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. It has no financial impact.
AASB 2014-1	*Amendments to Australian Accounting Standards* Part A of this Standard consists primarily of clarifications to Accounting Standards and has no financial impact for the Authority. Part B of this Standard has no financial impact as the Authority contributes to schemes that are either defined contribution plans, or deemed to be defined contribution plans. Part C of this Standard has no financial impact as it removes references to AASB 1031 Materiality from a number of Accounting Standards.

5.2 Future impact of Australian Accounting Standards not yet operative

The FPC cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. Consequently, the FPC has not applied early any of the 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
AASB 9	*Financial Instruments* This Standard supersedes AASB 139 *Financial Instruments: Recognition and Measurement*, introducing a number of changes to accounting treatments. The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2014-1. The FPC has not yet determined the application or the potential impact of the Standard.	1 January 2018
AASB 15	*Revenue from contracts with customers* This Standard establishes the principles that the FPC shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The FPC has not yet determined the application or the potential impact of the Standard.	1 January 2017
AASB 2010-7	*Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]* This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. The FPC has not yet determined the application or the potential impact of the Standard.	1 January 2018
AASB 2013-9	*Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments* Part C of this omnibus Standard defers the application of AASB 9 to 1 January 2017. 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.	1 January 2015
AASB 2014-1	*Amendments to Australian Accounting Standards* Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. It has not yet been assessed by the FPC to determine the application or potential impact of the Standard.	1 January 2015

AASB 2014-3	*Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & 11]* The FPC establishes Joint Operations in pursuit of its objectives and does not routinely acquire interests in Joint Operations. Therefore, there is no financial impact on application of the Standard.	1 January 2016
AASB 2014-4	*Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]* The adoption of this Standard has no financial impact for the FPC as depreciation and amortisation is not determined by reference to revenue generation, but by reference to consumption of future economic benefits.	1 January 2016
AASB 2014-5	*Amendments to Australian Accounting Standards arising from AASB 15* This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The FPC has not yet determined the application or the potential impact of the Standard.	1 January 2017
AASB 2014-7	*Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The FPC has not yet determined the application or the potential impact of the Standard.	1 January 2018
AASB 2014-8	*Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]* This Standard makes amendments to AASB 9 Financial Instruments (December 2009) and AASB 9 Financial Instruments (December 2010), arising from the issuance of AASB 9 Financial Instruments in December 2014. The FPC has not yet determined the application or the potential impact of the Standard.	1 January 2015
AASB 2014-9	*Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]* This Standard amends AASB 127, and consequentially amends AASB 1 and AASB 128, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. The FPC has not yet determined the application or the potential impact of the Standard.	1 January 2016
AASB 2014-10	*Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & 128]* This Standard amends AASB 10 and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The FPC has not yet determined the application or the potential impact of the Standard.	1 January 2016

AASB 2015-1	*Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 & 140]* These amendments arise from the issuance of International Financial Reporting Standard Annual Improvements to IFRSs 2012–2014 Cycle in September 2014, and editorial corrections. The FPC has not yet determined the application or the potential impact of the Standard.	1 January 2016
AASB 2015-2	*Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]* This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. There is no financial impact.	1 January 2016
AASB 2015-3	*Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality* This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. There is no financial impact.	1 July 2015
AASB 2015-6	*Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]* The amendments extend the scope of AASB 124 to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities. There is no financial impact.	1 July 2016
AASB 2015-7	*Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities* This Standard relieves not-for-profit public sector entities from the reporting burden associated with various disclosures required by AASB 13 for assets within the scope of AASB 116 that are held primarily for their current service potential rather than to generate future net cash inflows. It has no financial impact.	1 July 2016

6.0 Trading profit	2015 $000	2014 $000
6.1 Sales		
Harvesting operations	61,981	49,819
Recovery of harvesting costs	52,073	47,433
Plant propagation centre revenue	462	101
Total sales	**114,516**	**97,354**
6.2 Cost of sales		
Harvesting costs	(60,348)	(55,785)
Roading maintenance and construction	(4,398)	(3,913)
Write back of inventory to net realisable value	514	2,021
Cost of goods sold	**(64,232)**	**(57,677)**
Trading profit	**50,284**	**39,677**

7.0 Commonwealth grants and contributions

Recognition of Commonwealth Government contribution to National Action Plan for Salinity and Water Quality	1,039	996
	1,039	**996**

8.0 Interest revenue

Interest revenue	635	690
	635	**690**

9.0 Other revenue

Contracts and other[1]	93	3,715
Fire settlement claim[2]	-	2,572
Revenue from cost recovery operations[3]	2,617	2,837
Resource received free of charge	21	178
	2,731	**9,302**

1) 2014 includes proceeds from the sale of an Indian sandalwood plantation in Kununurra.
2) 2014 includes settlement payments 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.

10.0 Gain on disposal of non-current assets	2015 $000	2014 $000
Proceeds from disposal of non-current assets		
Plant, equipment and vehicles	11	21
Carrying amount of non-current assets disposed		
Plant, equipment and vehicles	-	-
Net gain/(loss)	**11**	**21**

11.0 Other gains

Gain on foreign currencies	964	-
	964	**-**

12.0 Employee benefits expense

Wages and salary	13,693	12,846
Fringe benefits tax	19	11
Leave expense	2,368	2,650
Payroll tax	827	948
Superannuation - defined contribution plans	1,529	1,497
Superannuation - defined benefit plans (Note 29)	7	6
	18,443	**17,958**

Employee on-cost expenses, such as worker's compensation insurance, are included in Note 17.0 'Other expenses'.

The employee on-cost liability is included at Note 29.0 'Provisions'.

13.0 Supplies and services

	2015 $000	2014 $000
Travel	275	238
Sundry supplies and services	2,120	2,052
Operating lease	1,390	1,590
Other services	173	35
Legal fees and consultants	1,034	604
Parks and Wildlife service level agreements	8,981	8,300
Materials	691	766
Forest management expenses	6,119	7,834
Fire salvage and remedial works	3,000	1,770
Repairs and maintenance	378	407
Vehicle expenses	50	18
	24,211	**23,614**

14.0 Depreciation and amortisation expense

	2015 $000	2014 $000
Plant, equipment, vehicles, office equipment and nursery infrastructure	856	713
Buildings	301	401
Amortisation of software	45	18
	1,202	**1,132**

15.0 Finance costs

	2015 $000	2014 $000
Interest on contract obligations	996	989
Foreign exchange (gain)/loss	-	33
	996	**1,022**

16.0 Accommodation expenses

	2015 $000	2014 $000
Lease rentals and accommodation	285	388
Other property	177	230
	462	**618**

17.0 Other expenses

	2015 $000	2014 $000
Audit fees - Auditor General	152	158
Audit fees - Other	76	89
Increase/(decrease) in allowance for doubtful debts	4	(624)
Telephone, postage, communications	710	596
Employment on-costs	350	391
Plantation maintenance provision	(45)	547
Other administration costs	120	226
Resources received free of charge	21	178
	1,388	**1,561**

18.0 Biological asset increment/decrement

	2015 $000	2014 $000
Increment/(decrement) from revaluations	(576)	6,634
	(576)	**6,634**

Reconciliation of decrease on revaluations to movement of biological assets

	2015 $000	2014 $000
Gross movement on biological assets	5,061	8,365
Movement in annuity liabilities	-	2,967
New plantations	(5,637)	(4,698)
	(576)	**6,634**

19.0 Onerous contracts

	2015 $000	2014 $000
Annuity obligations associated with non-core share farms considered onerous	68	(2,882)
	68	**(2,882)**

20.0 Inventories

	2015 $000	2014 $000
Current		
Inventories held for resale at cost[1]:		
- Plant propagation centre	2,216	1,442
- Sandalwood	5,154	5,927
- Timber on forest landings	777	1,620
	8,147	**8,989**

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

21.0 Receivables

	2015 $000	2014 $000
Current		
Trade and other receivables	19,551	15,281
Allowance for doubtful debts	(761)	(757)
	18,790	**14,525**

Reconciliation of change in the allowance for impairment of receivables

	2015 $000	2014 $000
Balance at start of year	(757)	(1,381)
Amounts written off during the year	-	4
Doubtful debts expense recognised in the Statement of Comprehensive Income	(4)	620
Balance at end of year	**(761)**	**(757)**

22.0 Other assets

	2015 $000	2014 $000
Current		
Prepayments	139	85
Derivative asset	-	-
Accrued revenue	221	182
	360	**267**

23.0 Property, plant and equipment

23.1 Land and buildings

	2015 $000	2014 $000
Freehold land at fair value[1]	11,491	11,350
	11,491	**11,350**
Buildings at fair value[1]	4,969	8,404
Accumulated depreciation	(209)	(3,521)
	4,760	**4,883**
Total land and buildings	**16,251**	**16,233**

1) Land and buildings were revalued as at 1 July 2014 by the Western Australian Land Information Authority (Valuation Services). The valuations were performed during the year ended 30 June 2015 and recognised at 30 June 2015. In undertaking the revaluation, fair value was determined by reference to market values for land: $10,727,500 (2014: $11,293,500) and buildings: $5,266,810 (2014: $3,733,000). For the remaining balance, fair value of buildings was determined on the basis of depreciated replacement cost and fair value of land was determined on the basis of comparison with market evidence for land with low level utility (high restricted use land).

23.2 Plant, equipment and vehicles

	2015 $000	2014 $000
Nursery infrastructure at fair value at 30 June 2012	12,664	12,664
Accumulated depreciation	(9,287)	(8,877)
Nursery infrastructure	**3,377**	**3,787**
Plant, equipment and vehicles at cost	3,757	4,267
Accumulated depreciation	(3,182)	(3,704)
	575	**563**
Office equipment at cost	1,186	2,267
Accumulated depreciation	(1,055)	(1,968)
	131	**299**
Total plant, equipment and vehicles	**4,083**	**4,649**
Total property, plant and equipment	**20,334**	**20,882**

23.3 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.

		Freehold land	Buildings	Nursery infrastructure	Plant equipment & vehicles	Office equipment	Total
		$000	$000	$000	$000	$000	$000
Cost	**Balance at 1 July 2013**	11,596	8,050	12,664	4,303	2,004	38,617
	Additions	-	-	-	220	92	312
	Disposals	-	-	-	(71)	(13)	(84)
	Revaluation increase/(decrease)	(246)	354	-	-	-	108
	Reclassifications	-	-	-	(184)	184	-
	Balance at 30 June 2014	11,350	8,404	12,664	4,267	2,267	38,953
	Balance at 1 July 2014	11,350	8,404	12,664	4,267	2,267	38,953
	Additions	-	-	-	246	14	260
	Disposals	-	-	-	(25)	-	(25)
	Revaluation increase/(decrease)	141	178	-	-	-	319
	Accumulated depreciation written back	-	(3,596)	-	-	-	(3,596)
	Derecognition	-	(17)	-	(732)	(1,095)	(1,844)
	Balance at 30 June 2015	11,491	4,969	12,664	3,757	1,186	34,066
Depreciation and impairment losses	**Balance at 1 July 2013**	-	(3,120)	(8,470)	(3,861)	(1,590)	(17,040)
	Depreciation	-	(401)	(407)	(193)	(112)	(1,113)
	Disposal	-	-	-	71	12	83
	Reclassifications	-	-	-	279	(279)	-
	Balance at 30 June 2014	-	(3,521)	(8,877)	(3,704)	(1,968)	(18,070)
	Balance at 1 July 2014	-	(3,521)	(8,877)	(3,704)	(1,968)	(18,070)
	Depreciation	-	(301)	(410)	(256)	(190)	(1,157)
	Derecognition	-	17	-	754	1,103	1,874
	Disposal	-	-	-	25	-	25
	Accumulated depreciation written back	-	3,596	-	-	-	3,596
	Balance at 30 June 2015	-	(209)	(9,287)	(3,182)	(1,055)	(13,732)
Carrying amounts	At 1 July 2013	11,596	4,930	4,194	442	415	21,577
	At 30 June 2014	11,350	4,883	3,787	563	299	20,882
	At 1 July 2014	11,350	4,883	3,787	563	299	20,882
	At 30 June 2015	11,491	4,760	3,377	575	131	20,334

23.4 Fair value measurements

Assets measured at fair value:	Level 1	Level 2	Level 3	Fair value At end of period
2015	$000	$000	$000	$000
Land (Note 23.1)	-	-	11,491	11,491
Buildings (Note 23.1)	-	-	4,760	4,760
Infrastructure (Note 23.2)	-	-	3,377	3,377
	-	**-**	**19,628**	**19,628**

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

Assets measured at fair value:	Level 1	Level 2	Level 3	Fair value At end of period
2014	$000	$000	$000	$000
Land (Note 23.1)	-	-	11,350	11,350
Buildings (Note 23.1)	-	-	4,883	4,883
Infrastructure (Note 23.2)	-	-	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)

	Land	Buildings	Infrastructure
2015	$000	$000	$000
Fair value at start of period	11,350	4,883	3,787
Additions	-	-	-
Revaluation increments/(decrements) recognised in profit or loss	-	-	-
Revaluation increments/(decrements) recognised in other comprehensive income	141	178	-
Transfers (from/(to) Level 2)	-	-	-
Disposals	-	-	-
Depreciation expense	-	(301)	(410)
Fair value at end of period	**11,491**	**4,760**	**3,377**
Total gains or losses for the period included in profit or loss, under 'Other Gains'	-	-	-

2014	$000	$000	$000
Fair value at start of period	11,596	4,930	4,194
Additions	-	-	-
Revaluation increments/(decrements) recognised in profit or loss	(1)	-	-
Revaluation increments/(decrements) recognised in other comprehensive income	(245)	354	-
Transfers (from/(to) Level 2)	-	-	-
Disposals	-	-	-
Depreciation expense	-	(401)	(407)
Fair value at end of period	**11,350**	**4,883**	**3,787**
Total gains or losses for the period included in profit or loss, under 'Other Gains'	-	-	-

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	Fair Value 30 June 2015 $000	Fair Value 30 June 2014 $000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (weighted average)		Relationship of unobservable inputs to fair value
					2015	2014	
Land	11,491	11,350	Market approach	Selection of land with similar approximate utility	\$0.18-\$190 per m^2 (\$0.41 per m^2)	\$0.18-\$190 per m^2 (\$0.40 per m^2)	Higher value of similar land increases estimated fair value.
Buildings	4,760	4,883	Market approach	Consumed economic benefit/obsolescence of asset	5% per year	5% per year	Greater consumption of economic benefit or increased obsolescence lowers fair value.
Infrastructure	3,377	3,787	Depreciated replacement cost	Consumed economic benefit/obsolescence of asset	5% per year	5% per year	Greater consumption of economic benefit or increased obsolescence lowers fair value.

Reconciliations of the opening and closing balances are provided in Note 23.3

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.

24.0 Intangible assets

	2015	2014
	$000	$000
24.1 Software		
Software - cost	672	399
Software - accumulated amortisation	(432)	(367)
	240	**32**
Total intangible assets	**240**	**32**

Reconciliations

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

	Intangible Assets
	$000
Cost	
Balance at 1 July 2013	362
Additions from external sources	37
Disposals	-
Balance at 30 June 2014	399
Balance at 1 July 2014	399
Additions from external sources	282
Derecognition	(9)
Disposals	-
Balance at 30 June 2015	**672**
Amortisation and impairment losses	
Balance at 1 July 2013	(349)
Amortisation of software costs	(18)
Disposal	-
Balance at 30 June 2014	(367)
Balance at 1 July 2014	(367)
Amortisation of software costs	(65)
Depreciation	-
Balance at 30 June 2015	**(432)**
Carrying amounts	
At 1 July 2013	13
At 30 June 2014	32
At 1 July 2014	32
At 30 June 2015	240

25.0 Biological assets

	2015 $000	2014 $000
Current (Biological assets at valuation)		
Native Forest		
Native Forest standing timber	6,310	7,419
Sandalwood standing timber	6,002	7,012
Native Forest biological assets at valuation	12,312	14,431
Plantations		
Plantations biological assets at valuation	7,892	12,121
Total biological assets at valuation current	**20,204**	**26,552**
Non-current (Biological assets at valuation)		
Native Forest		
Native Forest standing timber	78,173	76,517
Sandalwood standing timber	54,180	54,941
Native Forest Biological assets at valuation	132,353	131,458
Plantations		
Mature standing timbers	161,305	150,791
Immature standing timbers	-	-
Plantations biological assets at valuation	161,305	150,791
Total biological assets at valuation non-current	**293,658**	**282,249**
Total biological assets at valuation	**313,862**	**308,801**

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

	2015 $000	2014 $000
Carrying amount at start of year	**308,801**	**311,639**
Gain / (loss) from changes in fair value	(576)	7,384
Add second rotation capitalisation	5,637	4,697
Less impairment	-	(750)
Other (additional land annuities capitalised)	-	(2,967)
Other (removal of capitalised annuity liability)	-	(11,203)
Carrying amount at end of year	**313,862**	**308,801**

25.1 Hectares under management

	2015 Hectares (Ha)	2014 Hectares (Ha)
Plantations		
Mature plantations	81,266 ha	77,311 ha
Immature plantations	25,473 ha	30,837 ha
Total plantation hectares under management	**106,739 ha**	**108,148 ha**

25.2 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
	$000	$000	$000
Opening Balance 1 July 2013	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)
Sharefarm land rights contra adjustment	-	-	(11,203)
Closing balance 30 June 2014	**83,936**	**61,953**	**162,912**
Fair value at start of period	83,936	61,953	162,912
Additions	-	-	5,637
Revaluation increments/(decrements) recognised in profit or loss	547	(1,771)	648
Closing balance 30 June 2015	**84,483**	**60,182**	**169,197**

	Native Forest	Sandalwood	Plantations	
	$000	$000	$000	Note:
Opening balance 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	-	-	(29,876)	5
Impairment	-	-	(750)	6
Closing balance 30 June 2014	**83,936**	**61,953**	**162,912**	
Balance at 1 July 2014	83,936	61,953	162,912	
Volume	5,822	(10,384)	(11,530)	1
Revenue	(3,132)	12,988	29,240	2
Expense	(2,143)	(4,375)	(11,425)	3
Discount rate	-	-	-	4
Methodology	-	-	-	
Closing balance 30 June 2015	**84,483**	**60,182**	**169,197**	

Notes:

Native Forests

1) **2014:** 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 cubic metres per annum. This volume is a reduction of 89,000 cubic metres 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.

   2015: The movement in volume between 2014 and 2015 represents a volume increase of 5.6 million m^3 over the 50 year time horizon and has resulted in a net present value increase of $5.822 million.

2) **2014:** The movement of revenue between 2013 and 2014 at 2013 volumes has resulted in a net present value decrease of $3.171 million over the 50 year horizon.

   2015: The movement of revenue between 2014 and 2015 at 2014 volumes has resulted in a net present value decrease of $3.132 million over the 50 year horizon.

3) **2014:** The movement of expenses between 2013 and 2014 at 2013 volumes has resulted in a net present value increase of $2.370 million over the 50 year horizon.

   2015: The movement of expenses between 2014 and 2015 at 2014 volumes has resulted in a net present value increase of $2.143 million over the 50 year horizon.

4) **2014:** 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 (2013: 11.7%). The decrease in discount rate over the 50 year horizon equates to a net present value increase in timber value of $14.541 million.

   2015: The discount rate for 2015 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 2015 is 9.5 per cent (2014: 9.5%).

Sandalwood

1) **2014:** 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 $22.772 million.

   2015: Under the projections of future harvest, the decrease in volume to be harvested over the 50 year valuation horizon of 1,930 tonnes equates to a net present value reduction in timber value of $10.4 million.

2) **2014:** The movement of forecast revenue between 2013 and 2014 at 2013 volumes has resulted in a net present value increase of $31.134 million over the 50 year horizon. The primary driver of the increase is the increase in the weighted average export price for Sandalwood products.

2015: The movement of forecast revenue between 2014 and 2015 at 2014 volumes has resulted in a net present value increase of $13.0 million over the 50 year horizon. The primary driver of the increase is the increase in the weighted average price for Sandalwood products.

3) **2014:** The movement of forecast expenses between 2013 and 2014 at 2013 volumes has resulted in a net present value decrease of $5.117 million over the 50 year horizon.

2015: The movement of forecast expenses between 2014 and 2015 at 2014 volumes has resulted in a net present value decrease of $4.4 million over the 50 year horizon.

4) **2014:** 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 (2013: 11.7%). The decrease in discount rate over the 50 year horizon equates to a net present value increase in timber value of $9.234 million.

2015: The discount rate for 2015 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 2015 is 9.5 per cent (2014: 9.5%).

Plantations

1) **2014:** 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.

2015: The updating of the valuation from 2014 to 2015 includes a review of the available volume for harvest, which has resulted in a decrease in the level of the projected wood flows. This is the result of a combination of factors including: revision of the stocked forest area as a consequence of harvesting and replanting and drought and fire losses; updating of yield estimates for areas where new inventory has been completed, and development of a revised harvesting strategy and projected woodflow. The impact of the revised wood flow is a $11.53 million reduction in value.

2) **2014:** 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 increase is a reduction in the assumed price for industrial wood sales to Laminex.

2015: The movement of forecast unit prices between 2014 and 2015 has resulted in a net present value increase of $29.24 million over the period the current crop is forecast to be harvested. The primary contributing factor to the increase is the increase in log prices resulting from price adjustment mechanisms outlined in the major wood supply agreements.

3) **2014:** 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.

2015: The movement of forecast expenses between 2014 and 2015 has resulted in a net present value decrease of $11.425 million over the period the current crop is forecast to be harvested. The primary driver of the decrease is higher harvesting, and roading and transport costs.

4) **2014:** The discount rate for 2014 has been provided by Indufor Asia Pacific. This discount rate is applied to projections of cash flows expressed in real, pre-tax terms. The discount rate for 2014 is 9.0 per cent (2013: 11.2%). 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.

2015: The discount rate for 2015 has been provided by an independent valuation company Indufor Asia Pacific. This discount rate is for application to real, pre-tax cash flows and takes into consideration the forecast period timeframe and risks of achieving the forecast cash flows over that timeframe. The discount rate for 2015 is 9.0 per cent (2014: 9.0%).

5) **2014:** This consists of the following changes – inclusion of stands less than seven years of age in the cash flow model rather than valuing separately (-$15.71 million), inclusion of the net sharefarm annuities movement in the cash flow to determine the tree crop value (-$2.97 million) and removal of sharefarm land rights contra (-$11.2 million).

6) **2014:** 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.

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

Standing timber - Native Forest

Description and Fair Value as at 30 June 2015		Valuation technique(s)	Significant unobservable inputs			Relationship of unobservable inputs to fair value measurement
30 June 2015 $000	30 June 2014 $000		Unobservable inputs	2015	2014	
84,483	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.	$19.71 to $73.14, weighted average $33.68)	$19.99 to $68.03, weighted average $37.65	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 was lower (higher); or • the risk-adjusted discount rate was lower (higher).
			• Estimated average volume per annum.	558,000 cubic metres	446,000 cubic metres	
			• Estimated management costs per cubic metre to sell the volume.	$21.51	$20.88	

Standing timber - Sandalwood

<table>
<tr><th colspan="2">Description and Fair Value as at 30 June 2015</th><th rowspan="2">Valuation technique(s)</th><th colspan="3">Significant unobservable inputs</th><th rowspan="2">Relationship of unobservable inputs to fair value measurement</th></tr>
<tr><th>30 June 2015 $000</th><th>30 June 2014 $000</th><th>Unobservable inputs</th><th>2015</th><th>2014</th></tr>
<tr><td rowspan="4">60,182</td><td rowspan="4">61,953</td><td rowspan="4">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.</td><td>• Estimated future timber market prices based on AUD/USD dollar forward exchange rates over the 50 year horizon provided by Western Australian Treasury Corporation.</td><td>The exchange rate decreases over the period from $0.76 in 2015 to $0.40 in 2065.</td><td>The exchange rate decreases over the period from $0.91 in 2015 to $0.47 in 2064.</td><td rowspan="4">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);
• the risk-adjusted discount rate were lower (higher); or
• the estimated AUD/USD dollar forward exchange rates were lower (higher).</td></tr>
<tr><td>• The weighted average price for products.</td><td>Domestic market $12,704 per tonne; Export market $14,223 per tonne.</td><td>Domestic market $11,627 per tonne; Export market $13,060 per tonne.</td></tr>
<tr><td>• Estimated average volume per annum.</td><td>To FY25 is 1125 tonnes, then 600 tonnes to FY42, and thereafter 300 tonnes.</td><td>To FY16 is 1350 tonnes, then 1013 tonnes to FY27, then 600 tonnes to FY42, and thereafter 300 tonnes.</td></tr>
<tr><td>• Estimated cost per tonne to harvest, produce and sell the volume over the forecast horizon.</td><td>$10,164</td><td>$8,389</td></tr>
</table>

Standing timber - Plantations

Description and Fair Value as at 30 June 2015		Valuation technique(s)	Significant unobservable inputs			Inter-relationship between key unobservable inputs to fair value measurement
30 June 2015 $000	30 June 2014 $000		Unobservable inputs	2015	2014	
169,197	162,912	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 39 years (the period over which the current crop is forecast to be harvested). The expected net cash flows are discounted using a risk adjusted discount rate. As far as practical asset risks specific to the asset have been incorporated into the cash flow.	• The area stocked.	As at 31 March 2015 is 71,477 hectares. Beyond the current date, it is not possible to declare the forest area with certainty. Indufor has developed the cash flow model on a March year basis but reduced the first period cash flow by approximately 24.9% to allow for the cash flow that occurs between 1 April 2015 and 30 June 2015	As at 30 June 2014 is 75,469 hectares. Beyond the current date, it is not possible to declare the forest area with certainty.	The estimated fair value would increase (decrease) if: • yields from plantations were higher (lower) than predicted; • the estimated timber gross profit price per cubic metre were higher (lower); • the estimated management cost per cubic metre were lower (higher); • the risk-adjusted discount rate were lower (higher).
			• Estimated future timber market prices per cubic metre.	Range from \$42.63 to \$91.94 per cubic metre (m^3).Such prices are based on past and current evidence and reflect differences paid for the range of grades sold. The future level is a matter for informed conjecture. While contractual price adjustment mechanisms provide some certainty around future prices such things as the potential for mills close and variation in export prices will influence future price levels.	Range from \$37.47 to \$93.35. 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.	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.	

Hectares under management have been realigned to match the new categorisation of plantation asset.

26.0 Biological assets risk analysis

26.1 Risk management strategies related to agricultural products

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

(i) Regulatory and environmental risk

The FPC is subject to the Conservation Commission of 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.

(ii) Supply and demand risks

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

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

(i) Regulatory and environmental risk

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

The annual harvesting limits are set by Executive Council under the *Sandalwood Limitation 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.

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

(ii) Supply and demand risks

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

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

(i) Regulatory and environmental risk

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

(ii) Supply and demand risks

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

26.2 Discount rates

The following discount rates have been applied in the calculation of net market values	2015	2014
	%	%
Plantations	9.00%	9.00%
Native Forest and Sandalwood	9.50%	9.50%

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

26.3 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:

		2015	2014
		$000	$000
		Increase / decrease	
Discount rate:			
+300 bpts	Total biological assets at valuation	(66,887)	(66,590)
- 300 bpts	Total biological assets at valuation	108,074	108,675
Future prices:			
+ 3%	Total biological assets at valuation	28,652	28,124
- 3%	Total biological assets at valuation	(28,651)	(28,123)
Future costs:			
+ 3%	Total biological assets at valuation	(14,591)	(18,419)
- 3%	Total biological assets at valuation	14,591	18,420

26.4 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 26.1.

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

Category	Years
Native forest standing timber	50
Standing sandalwood	50
Plantations standing timber	39

26.5 Insurance

The FPC does not insure its biological assets.

27.0 Impairment of assets

There were no indications of impairment to property, plant and equipment, infrastructure or intangible assets at 30 June 2015.

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 2015 have either been classified as assets held for sale or written-off.

28.0 Payables

	2015 $000	2014 $000
Current		
Trade payables	3,588	4,424
GST payable	237	59
Payroll tax accrual	67	72
Accrued logging costs	2,874	2,474
Other accruals	7,657	5,752
Accrued salaries and wages	1,042	351
Land annuity obligations	687	696
Hedge contract	-	71
	16,152	**13,898**
Non-current		
Land annuity obligations	7,803	7,975
	7,803	**7,975**

29.0 Provisions

	2015 $000	2014 $000
Current		
Employee benefits provision		
Annual leave (a)	1,172	1,300
Long service leave (b)	2,756	2,217
Deferred salary scheme (c)	118	79
	4,046	**3,596**
Other provisions		
Provision for regeneration of Native Forest (e)	3,914	3,238
Unearned revenue (f)	28	481
Provision for Sandalwood plantation maintenance (g)	70	68
	4,012	**3,787**
Total current	**8,058**	**7,383**
Non-current		
Employee benefits provision		
Long service leave (b)	789	985
Superannuation (d)	194	194
	983	**1,179**
Other provisions		
Provision for regeneration of Native Forest (e)	2,862	2,810
Provision for Sandalwood plantation maintenance (g)	432	479
	3,294	3,289
Total non-current	**4,277**	**4,468**

Explanations:

	2015 $000	2014 $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:

	2015 $000	2014 $000
Within 12 months of the end of the reporting period	684	642
More than 12 months after the end of the reporting period	488	658
	1,172	**1,300**

(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. An actuarial assessment was provided by PWC for the year ended 30 June 2015. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2015 $000	2014 $000
Within 12 months of the end of the reporting period	1,075	420
More than 12 months after the end of the reporting period	2,469	2,782
	3,544	**3,202**

(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:

	2015 $000	2014 $000
Within 12 months of the end of the reporting period	-	-
More than 12 months after the end of the reporting period	118	79
	118	**79**

(d) Defined benefit superannuation plans

Gold State Superannuation Scheme

Movements in the present value of the the defined benefit obligation in the reporting period were as follows:

	2015 $000	2014 $000
Liability at start of period	194	168
Included in profit or loss		
Current service cost	-	-
Past service cost	-	-
Interest cost	7	6
	7	**6**
Included in other comprehensive income		
Re-measurements loss (gain) recognised:		
- demographic assumptions	-	-
- financial assumptions	(18)	(5)
- experience adjustments	11	54
	(7)	**49**
Contributions		
Benefits paid	-	(29)
	-	**(29)**
Liability at end of period	**194**	**194**

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:	2015	2014
	%	%
Discount rate	2.74%	3.69%
Future salary increases	4.00%	5.00%

At 30 June 2015, the weighted-average duration of the defined benefit obligation was 6.9 years (2014: 8.6 years).

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

	Defined benefit obligation	
	Increase	Decrease
	$000	$000
Discount rate (0.5% movement)	(6)	7
Future salary growth (0.5% movement)	(14)	16

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 $7,000 (2014: $8,000) are expected to be paid to the Gold State Superannuation Scheme in the subsequent annual reporting period.

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

(f) 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 17.0 'Other expenses'.

	2015	2014
Movement in other provisions	$000	$000

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

Provision for regeneration of Native forest

	2015	2014
Carrying amount at start of period	6,048	4,292
Additional/(reversals of) provisions recognised	1,606	2,511
Payments/other sacrifices of economic benefits	(879)	(755)
Unwinding of discount	-	-
Carrying amount at the end of period	**6,775**	**6,048**

Unearned revenue

	2015	2014
Carrying amount at start of period	481	289
Additional/(reversals of) provisions recognised	(453)	192
Payments/other sacrifices of economic benefits	-	-
Unwinding of discount	-	-
Carrying amount at the end of period	**28**	**481**

Provision for sandalwood plantation maintenance

	2015	2014
Carrying amount at start of period	547	-
Additional/(reversals of) provisions recognised	-	547
Payments/other sacrifices of economic benefits	(45)	-
Unwinding of discount	-	-
Carrying amount at the end of period	**502**	**547**

30.0 Deferred revenue

	2015 $000	2014 $000
Current		
National action plan for salinity revenues	1,032	388
Contractual obligations	127	124
	1,159	**512**
Non-current		
Contractual obligations	6,191	6,699
National action plan for salinity revenues	450	2,100
Forward sold log supply	12,801	13,864
	19,442	**22,663**

31.0 Equity

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

31.1 Contributed equity

	2015 $000	2014 $000
Balance at the start of the year	342,278	337,578
Restructure costs	-	4,700
Equity repayment	(2,137)	-
Balance at the end of year	**340,141**	**342,278**

31.2 Reserves

	2015 $000	2014 $000
Asset revaluation surplus		
Balance at start of year	8,541	8,465
Net land revaluation increase (decrease)	319	109
Deferred tax on items of other comprehensive income (Note 38.0 Taxation equivalent)	(96)	(33)
Balance at end of year	**8,764**	**8,541**

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

Cashflow hedge reserve

	2015 $000	2014 $000
Balance at start of year	(50)	183
Net movement in reserve	71	(333)
Income tax on items of other comprehensive income	(21)	100
	-	**(50)**

Forward exchange contracts are held to hedge against fluctuations in US dollars. (Note 3.0)

	2015 $000	2014 $000
Reserves total	**8,764**	**8,491**

31.3 Retained earnings

	2015 $000	2014 $000
Balance at the start of year	(13,165)	(16,386)
Result for the year[1]	5,442	5,315
Dividend paid	(2,153)	(2,094)
Balance at end of year	**(9,876)**	**(13,165)**

1) Includes re-measurements of defined benefit liability

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:

	2015 $000	2014 $000
Petty cash	3	3
Commonwealth Bank - Cash management account	19,974	26,630
Commonwealth Bank - USD bank account	6,451	3,479
	26,428	**30,112**

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

	2015 $000	2014 $000
Profit from ordinary activities after income tax	5,435	5,364
Taxable items presented in Other Comprehensive Income		
Remeasurements of defined benefit liability	7	(49)
Non-cash items:		
Depreciation and amortisation expense	1,202	1,132
Movement in provision for doubtful debts	4	(624)
Net (gain)/loss on disposal of property, plant and equipment	(11)	(21)
Change in fair value of biological assets	576	(6,634)
Decrease/(increase) in assets:		
Current inventories	842	(2,021)
Current receivables	(4,270)	6,298
Other current assets	6,256	7,981
Other assets	(3,567)	(1,775)
Increase/(decrease) in liabilities:		
Payables	2,254	(1,300)
Unearned revenue and deferred income	3,026	791
Other liabilities	(5,015)	59
Net cash provided by operating activities	**6,739**	**9,201**

32.3 Borrowing facilities

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

	2015 $000	2014 $000
Credit cards	750	750
Bank overdraft facility	9,000	9,000
	9,750	**9,750**

Facilities in use as at reporting date:

	2015 $000	2014 $000
Credit cards	32	112
	32	**112**

Available facilities not in use as at reporting date:

	2015 $000	2014 $000
Credit cards	718	638
Bank overdraft facility	9,000	9,000
	9,718	**9,638**

33.0 Commitments

33.1 Expenditure commitments

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

	2015 $000	2014 $000
Within 1 year	1,618	1,607
Later than 1 year and not later than 5 years	6,688	7,190
	8,306	**8,797**

These commitments include future expenditures for core estate share farm agreements.

33.2 Lease commitments

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

	2015 $000	2014 $000
Within 1 year	258	257
Later than 1 year and not later than 5 years	1,294	1,469
Later than 5 years	1,278	1,422
	2,830	**3,148**
Non-cancellable operating leases	**2,830**	**3,148**

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.

33.3 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

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.

Contingent assets

During 2012 the FPC experienced a bushfire which impacted the Ellis plantation estate. The value of compensation estimated that may flow to the FPC as a result of this fire has not been finalised but is estimated to be around $0.14 million.

Contaminated sites

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

The FPC currently has one site reported 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 outsatnding.

35.0 Events occurring after the end of the reporting period

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

The Western Australian Government announced in the 2015-16 budget process the potential sale of a number of State assets which included the possible sale of the softwood estate of the FPC. An evaluation of the sales potential is being undertaken.

36.0 Explanatory statement

Significant variations between estimates and actual results for 2015 and between the actual results for 2015 and 2014 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 2015

	2015 Actual	2015 Estimate	Variance from estimate[1]	Explanation
	$000	$000	$000	
Income				
Revenue from the sale of goods and services	114,516	122,938	(8,422)	a
Commonwealth grants and contributions	1,039	912	127	b
Other revenue	2,731	883	1,848	c
Other gains	964	-	964	d
Expenses				
Cost of sales	64,232	70,676	(6,444)	e
Finance costs	996	550	(446)	f
Depreciation expense	1,202	1,066	136	g
Other expenses	1,388	1,885	(497)	h

Explanation:

a) Revenue was less than forecast in the Native Forest segment due to a combination of delays to sales contract negotiations for jarrah products and production interruptions as a result of fire restrictions and protest actions, offset by a better performance from Plantations and Sandalwood segments.

b) The recognition of revenue received for the National Action Plan for Salinity exceeded budget.

c) Other revenue is higher primarily due to recovery of costs for wildfire suppression and contracted projects, increased timber inspection fees and recognition of prepaid revenue.

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

e) The cost of sales reduced in proportion to the decreased activity level, per the revenue variance (a).

f) Finance costs was more than forecast, due to a combination of unbudgeted costs associated with sharefarm annuity payments; off-set by interest expense on forward sold log supply less than budget as a result of a review to the internal rate of return.

g) Higher depreciation expense as a result of fully depreciating assets below the $5,000 capitalisation threshold.

h) The decrease is primarily due to a creditor reversal for expenses accrued in the previous financial year.

1) Estimates are sourced from the 2014-15 Statement of Corporate Intent

36.2 Significant variances between actual results for 2015 and 2014

	2015 $000	2014 $000	Variance $000	Explanation
Income				
Revenue from the sale of goods and services	114,516	97,354	17,162	a
Other revenue	2,731	9,302	(6,571)	b
Other gains	964	-	964	c
Expenses				
Cost of sales	64,232	57,677	6,555	d
Depreciation and amortisation expense	1,202	1,132	70	e
Finance costs	996	1,022	(26)	f
Accommodation expenses	462	618	(156)	g
Other expenses	1,388	1,561	(173)	h
Biological asset increment/decrement	(576)	6,634	(7,210)	i

Explanation:

a) Favourable foreign exchange rates combined with better sales performance in Sandalwood international market and Plantation segments.

b) 2014 included settlement and sale revenue, refer to Note 9.0.

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

d) An increase in proportion to the higher activity level, per the revenue variance (a).

e) Higher depreciation expense as a result of fully depreciating assets below the $5,000 capitalisation threshold.

f) Interest expense on forward sold log supply less than last year as a result of a review to the internal rate of return.

g) 2014 included costs not recurring in 2015.

h) 2014 included resources received free of charge not recurring in 2015.

i) The 2014-15 biological asset valuation decrease is as a result of a combination of changes in timber volume, timber prices, production costs (including management, marketing and selling costs) and changes in the discount rates (refer Notes 2.17 and 26.0).

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 21.0 '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 pre-payments 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 37.3.

  For financial assets that are either past due or impaired, refer to Note 37.3.

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

- **Liquidity risk**

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

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

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

- **Market risk**

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

  The FPC's exposure to market risk for changes in interest rates relate primarily to the long-term debt obligations. The FPC's borrowings are all obtained through WATC and are at fixed rates with varying maturities. The risk is managed by WATC through portfolio diversification and variation in maturity dates.

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

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

- **Currency risk**

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

  At any point in time the FPC may hedge up to 75 per cent of its estimated foreign currency exposure in respect of forecasted sales over the following 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 2015 is USD 4.955 million (2014: USD 3.277 million).

- **Interest rate risk**

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

- **Categories of financial instruments**

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

	2015	2014
	$000	$000
<u>Financial assets</u>		
Cash and cash equivalents	26,428	30,112
Loans and receivables		
Trade receivables	18,790	14,525
	45,218	**44,636**
<u>Financial liabilities</u>		
Financial liabilities measured at amortised cost		
Trade and other payables	15,466	13,131
Land annuity obligations	8,490	8,671
Forward exchange contracts	-	71
	23,956	**21,748**

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 $12.779 million (2014 : $13.659 million).

	Note	Effective interest rate %	Total	0 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
			$000	$000	$000	$000	$000
2015							
Financial assets							
Commonwealth bank cash management account	32.1	2.44%	19,974	19,974	-	-	-
Commonwealth bank USD account	32.1	0.00%	6,451	6,451	-	-	-
Trade receivables	21.0	-	19,551	19,551	-	-	-
Provision for doubtful debts	21.0	-	(761)	(761)	-	-	-
Collateral security held - cash	37.4	-	3,091	3,091	-	-	-
Collateral security held - non cash	-	-	7,544	7,544	-	-	-
Total credit exposure - Trade receivables			29,425	29,425	-	-	-
			55,850	**55,850**	**-**	**-**	**-**
Financial liabilities							
Trade payables	28.0	-	3,588	3,588	-	-	-
Foreign exchange contracts	28.0	-	-	-	-	-	-
Land annuities payable	-	-	12,779	703	703	2,110	9,263
			16,367	**4,291**	**703**	**2,110**	**9,263**

	Note	Effective interest rate %	Total $000	0 – 12 months $000	1 – 2 years $000	2 – 5 years $000	More than 5 years $000
2014							
Financial assets							
Commonwealth bank cash management account	32.1	2.83%	26,630	26,630	-	-	-
Commonwealth bank USD account	32.1	0.00%	3,479	3,479	-	-	-
Trade receivables	21.0	-	15,281	15,281	-	-	-
Provision for doubtful debts	21.0	-	(757)	(757)	-	-	-
Collateral security held - cash	37.4	-	2,134	2,134	-	-	-
Collateral security held - non cash	-	-	6,558	6,558	-	-	-
Total credit exposure - Trade receivables			23,216	23,216	-	-	-
Foreign exchange contracts	22.0	-	-	-	-	-	-
			53,325	**53,325**	**-**	**-**	**-**
Financial liabilities							
Trade payables	28.0	-	4,424	4,424	-	-	-
Foreign exchange contracts	-	-	71	71	-	-	-
Land annuities payable	-	-	13,659	714	714	2,143	10,088
			18,154	**5,209**	**714**	**2,143**	**10,088**

37.2 Sensitivity analysis

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

2015

	Carrying amount $000	-1% change		+1% change	
		Profit $000	Equity $000	Profit $000	Equity $000
Interest rate sensitivity analysis					
Financial assets					
Cash and cash equivalents	26,425	(140)	(140)	185	185
Financial liabilities					
Land annuities payable	8,490	(470)	(470)	418	418

	Carrying amount $000	-10% change		+10% change	
		Profit $000	Equity $000	Profit $000	Equity $000
Currency sensitivity analysis					
Financial assets					
USD bank account	6,451	385	385	(315)	(315)

USD rate used in this analysis was the spot rate as at 30 June 2015: 1 AUD = 0.768

2014

	Carrying amount $000	-1% change		+1% change	
		Profit $000	Equity $000	Profit $000	Equity $000
Interest rate sensitivity analysis					
Financial assets					
Cash and cash equivalents	30,108	(186)	(186)	211	211
Financial liabilities					
Land annuities payable	8,671	(705)	(705)	625	625

	Carrying amount $000	-10% change		+10% change	
		Profit $000	Equity $000	Profit $000	Equity $000
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

37.3 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 2015, the value of deposits and securities was greater than overdue accounts by $4.917 million (deposits and securities was greater than overdue accounts by $4.893 million at 30 June 2014).

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:

		Number of customers	Value overdue[1]	Impairment
		$000	$000	$000
2015	1 to 30	38	2,820	23
	31 to 60	16	1,175	462
	Greater than 60	22	483	276
	All overdue accounts	54	4,478	761
2014	1 to 30	27	2,256	-
	31 to 60	14	687	17
	Greater than 60	18	856	740
	All overdue accounts	35	3,799	757

1 Overdue beyond the FPC's agreed trading terms.

The likelihood of recovery as at 30 June 2015 was estimated and factored into the amounts provided for impairment of receivables (refer Note 21.0). Where applicable, interest is charged under the terms of the customer's supply contract.

The 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:	2015	2014
	$000	$000
- State Government	-	-
- Forest product manufacture / supply	18,790	14,525
	18,790	**14,525**

37.4 Funds held in trust

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

	2015	2014
	$000	$000
Opening balance	2,134	2,323
Receipts	1,234	609
Payments	(277)	(798)
Closing balance	**3,091**	**2,134**

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.

37.5 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:

	2015	2014
Profit/(Loss) from ordinary activities before Income tax[1]	8,461	8,481
Income tax calculated at 30% of operating profit/(loss)	2,538	2,544
Underprovided/(overprovided) in prior periods	481	622
	3,019	3,166

1) Includes remeasurment of defined benefit liability

Current income tax payable

Current year	-	-
	-	-

Deferred income tax

Relating to origination and reversal of temporary differences	3,019	3,166
	3,019	3,166
Total income tax expense in the 'Statement of Comprehensive Income'	**3,019**	**3,166**

Recognised deferred tax assets and liabilities	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
	$000	$000	$000	$000	$000	$000
Receivables	(229)	(227)	-	-	(229)	(227)
Inventories	-	-	-	-	-	-
Land	(87)	(87)	1,578	1,535	1,491	1,448
Buildings	(313)	(282)	1,762	1,708	1,448	1,426
Nursery infrastructure	(859)	(917)	417	417	(443)	(500)
Plant, equipment and vehicles	(207)	(236)	-	-	(207)	(236)
Investment in joint venture	-	-	-	-	-	-
Natural resource assets	(2,658)	(3,097)	15,601	14,082	12,942	10,985
Intangible asset	(2,041)	(2,041)	-	-	(2,041)	(2,041)
Employee provisions	(1,485)	(1,409)	-	-	(1,485)	(1,409)
Share farm annuities	(11,009)	(10,279)	-	-	(11,009)	(10,279)
Auditing fees provision	(72)	(73)	-	-	(72)	(73)
Deferred rental provision	-	-	-	-	-	-
Restoration provision	(2,184)	(1,979)	-	-	(2,184)	(1,979)
Deferred income	(4,651)	(4,995)	-	-	(4,651)	(4,995)
Incentive payments provision	(2,546)	(2,601)	-	-	(2,546)	(2,601)
Research and development offset	(1,480)	(1,063)	-	-	(1,480)	(1,063)
Hedge Contract	-	(146)	-	(21)	-	(167)
Tax value of loss carry-forwards recognised	(2,760)	(4,235)	-	-	(2,760)	(4,235)
Unrecognised net deferred asset	5,468	5,051			5,468	5,051
Net tax (assets)/liabilities	**(27,116)**	**(28,616)**	**19,357**	**17,721**	**(7,759)**	**(10,895)**

Movement in temporary differences during the year	Balance 1 July 2013	Recognised in income	Recognised in equity	Balance 30 June 2014	Balance 1 July 2014	Recognised in income	Recognised in equity	Balance 30 June 2015
	$000	$000	$000	$000	$000	$000	$000	$000
Receivables	(415)	188	-	(227)	(227)	(2)	-	(229)
Inventories	-	-	-	-	-	-	-	-
Land	1,522	(74)	-	1,448	1,448	43	-	1,491
Buildings	1,351	75	-	1,426	1,426	22	-	1,448
Nursery infrastructure	(558)	58	-	(500)	(500)	57	-	(443)
Plant, equipment and vehicles	(154)	(82)	-	(236)	(236)	29	-	(207)
Investment in joint venture	-	-	-	-	-	-	-	-
Natural resource assets	8,039	2,946	-	10,985	10,985	1,957	-	12,942
Intangible asset	(2,041)	-	-	(2,041)	(2,041)	-	-	(2,041)
Employee provisions	(1,436)	27	-	(1,409)	(1,409)	(76)	-	(1,485)
Share farm annuities	(9,550)	(729)	-	(10,279)	(10,279)	(730)	-	(11,009)
Auditing fees provision	(62)	(11)	-	(73)	(73)	1	-	(72)
Provision for embedded derivatives	-	-	-	-	-	-	-	-
Deferred rental provision	-	-	-	-	-	-	-	-
Restoration provision	(1,288)	(691)	-	(1,979)	(1,979)	(205)	-	(2,184)
Deferred income	(5,290)	295	-	(4,995)	(4,995)	344	-	(4,651)
Incentive payments provision	(2,728)	127	-	(2,601)	(2,601)	55	-	(2,546)
Research and development offset	-	(1,063)	-	(1,063)	(1,063)	(417)	-	(1,480)
Reserves	79	(179)	(67)	(167)	(167)	50	117	-
Tax value of loss carry-forwards recognised	(5,451)	1,216	-	(4,235)	(4,235)	1,475	-	(2,760)
Unrecognised tax losses	3,988	1,063	-	5,051	5,051	417	-	5,468
	(13,994)	**3,166**	**(67)**	**(10,895)**	**(10,895)**	**3,019**	**117**	**(7,759)**

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	
	2015	2014	2015	2014
	$000	$000	$000	$000
Intangible asset	(2,041)	(2,041)	-	-
Research and development offset	(1,480)	(1,063)	-	-
Tax value of loss carry-forwards unrecognised	(1,947)	(1,947)	-	-
Net tax (assets)/liabilities	**(5,468)**	**(5,051)**	**-**	**-**

Provision for taxation

	2015	2014
	$000	$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:

	2015	2014
	Members	Members
$0 - $10,000	-	1
$10,001 - $20,000	-	1
$20,001 - $30,000	7	5
$50,001 - $60,000	1	1
	8	8

	2015	2014
	$000	$000
Total remuneration of Members of the Accountable Authority for the financial period was	223,278	197,524

Remuneration of members of the Accountable Authority was comprised of:

	2015	2014
Cash remuneration received	213,518	192,433
Other benefits	9,760	5,091
	223,278	**197,524**

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 members of the Accountable Authority

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:

	2015 Members	2014 Members
$120,001 - $130,000	-	1
$130,001 - $140,000	1	-
$160,001 - $170,000	-	1
$170,001 - $180,000	1	1
$190,001 - $200,000	1	1
$200,001 - $210,000	1	-
$220,001 - $230,000	1	-
$300,001 - $310,000	-	1
	5	5

	2015 $000	2014 $000
Total remuneration of senior officers for the financial period was	914,051	950,804

Remuneration of Senior Officers was comprised of:

Remuneration received	914,051	930,569
Other benefits	-	20,235
	914,051	**950,804**

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 and affiliated bodies

The FPC has no related or affliated bodies as defined by TI 951.

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:

	2015 $000	2014 $000
Auditing the accounts, financial statements and performance indicators	**141**	**140**

42.0 Supplementary financial information

42.1 Write-offs

	2015 $000	2014 $000
Debtors	-	4
Assets	-	-
Total	**-**	**4**

	2015 $000	2014 $000
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 Forest - Responsible for harvesting and regeneration activities associated with native forest other than sandalwood.
- Arid Forest - Responsible for harvesting and regeneration activities associated with sandalwood and other arid timbers.
- Plantations - Responsible for all harvesting, replanting and maintenance of the FPC's plantation estate as well as the maintenance of core sharefarm plantations. The objective of the core sharefarms is to maintain establishments that sustain and develop the timber industry.
- Policy - This segment is responsible for policy and corporate support to Government
- Non-commercial - activities that are non-core to the main operating segments.

	Native Forest	Plantations	Sandalwood	Policy	Non Commercial	Eliminations	Total
	$000	$000	$000	$000	$000	$000	$000
2015							
Revenue							
External segment revenues	29,904	62,280	24,457	-	-	-	116,641
Internal segment revenues	169	2,194	626	198	68	-	3,255
Inter-segment sales	-	1,821	-	-	-	(1,821)	-
Total revenue	**30,073**	**66,295**	**25,083**	**198**	**68**	**(1,821)**	**119,896**
Expenses							
Employee expenses	(3,662)	(6,641)	(761)	-	-	-	(11,064)
External segment expenses	(27,042)	(49,495)	(11,014)	(700)	-	1,821	(86,430)
Internal segment expenses	(2,903)	(1,630)	(2,357)	(3,625)	(2,560)	-	(13,075)
Finance charges	-	(365)	-	-	-	-	(365)
Total expenses	**(33,607)**	**(58,131)**	**(14,132)**	**(4,325)**	**(2,560)**	**1,821**	**(110,934)**
Operating profit[1]	**(3,534)**	**8,164**	**10,951**	**(4,127)**	**(2,492)**	**-**	**8,962**
Biological asset valuation – increase/(decrease)	547	648	(1,771)	-	-	-	(576)
Onerous contracts	-	-	-	-	68	-	68
Profit/(loss) before tax	**(2,987)**	**8,812**	**9,180**	**(4,127)**	**(2,424)**	**-**	**8,454**
Allocation of income tax	896	(2,643)	(2,754)	1,238	244	-	(3,019)
Profit/(loss) for the year	**(2,091)**	**6,169**	**6,426**	**(2,889)**	**(2,180)**	**-**	**5,435**
Total segment assets	**84,994**	**187,070**	**60,182**	**-**	**63,674**	**-**	**395,920**
Total segment liabilities	**6,775**	**25,348**	**502**	**-**	**24,266**	**-**	**56,891**

1) Profit before change in biological assets valuation and onerous contracts

	Native Forest	Plantations	Sandalwood	Policy	Non Commercial	Eliminations	Total
	$000	$000	$000	$000	$000	$000	$000
2014							
Revenue							
External segment revenues	29,504	52,500	15,015	-	-	-	97,019
Internal segment revenues	26	3,783	829	28	6,678	-	11,344
Inter-segment sales	-	1,400	-	-	178	(1,578)	-
Total revenue	**29,530**	**57,683**	**15,844**	**28**	**6,856**	**(1,578)**	**108,363**
Expenses							
Employee expenses	(3,399)	(6,070)	(755)	-	-	-	(10,224)
External segment expenses	(27,183)	(45,353)	(8,138)	(700)	-	1,578	(79,795)
Internal segment expenses	(2,722)	599	(2,843)	(4,407)	(3,594)	-	(12,967)
Finance charges	-	(565)	(33)	-	-	-	(599)
Total expenses	**(33,304)**	**(51,389)**	**(11,769)**	**(5,107)**	**(3,594)**	**1,578**	**(103,585)**
Operating profit[1]	**(3,774)**	**6,294**	**4,075**	**(5,079)**	**3,262**	**-**	**4,778**
Biological asset valuation – increase/(decrease)	(13,117)	7,272	12,479	-	-	-	6,634
Onerous contracts	-	-	-	-	(2,882)	-	(2,882)
Profit/(loss) before tax	**(16,891)**	**13,566**	**16,554**	**(5,079)**	**380**	**-**	**8,530**
Allocation of income tax	5,067	(4,697)	(4,966)	1,524	(94)	-	(3,166)
Profit/(Loss) for the year	**(11,824)**	**8,869**	**11,588**	**(3,555)**	**286**	**-**	**5,364**
Total segment assets	**86,482**	**177,764**	**67,938**	**-**	**62,319**	**-**	**394,503**
Total segment liabilities	**6,049**	**29,850**	**547**	**-**	**20,453**	**-**	**56,899**

1) Profit before change in biological assets valuation and onerous contracts

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.

Section 5: Statistical information

Trends in the area of native forest harvested 127
Area of coniferous (pine) plantations as at 31 December 2014 128
Area of broadleaved (eucalypt) plantations as at 31 December 2014 130
Area of sandalwood (spicatum/album) plantations as at 31 December 2014 131
Log production from Crown land and private property in 2014-15........................... 132
Native forest sawlog production in 2014-15 134
Native forest chiplog production... 134
Native forest fuelwood production 135
Sandalwood production by the FPC from Crown land 135

Trends in the area of native forest harvested (hectares)

Year	Jarrah forest	Mixed jarrah / karri forest	Jarrah / wandoo forest	Karri forest	
				Clearfelled or partially cur	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
2014	5,070	4	0	290	480

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

Area of coniferous (pine) plantations as at 31 December 2014 (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	160	-	26	-	1,819	-	43	-	-	-	2,048
1970	30	-	-	-	517	-	19	-	-	-	566
1971	86	-	-	-	161	-	-	-	-	-	247
1972	51	-	-	-	234	-	-	-	-	-	285
1973	56	-	18	-	366	-	3	-	-	-	442
1974	221	-	-	-	195	-	5	-	-	-	421
1975	133	-	-	-	1,151	-	-	-	-	-	1,284
1976	113	-	4	-	852	-	1	-	-	-	970
1977	3	-	30	-	824	-	-	-	-	-	857
1978	25	2	-	-	132	-	-	-	-	-	159
1979	43	-	18	-		-	-	-	-	-	61
1980	2	-	-	-	613	-	-	-	-	-	615
1981	428	-	93	-	724	-	12	-	-	-	1,256
1982	787	-	59	-	428	-	4	-	-	-	1,278
1983	923	-	234	-	481	-	86	-	-	-	1,725
1984	1,673	-	3	-	478	-	9	-	-	-	2,163
1985	1,710	14	1	-	414	-	2	-	-	-	2,141
1986	872	132	-	-	290	-	-	-	-	-	1,295
1987	478	579	144	-	28	8	0	-	-	-	1,238
1988	408	1,094	120	1	-	-	-	-	-	-	1,623
1989	540	358	405	23	22	-	22	-			1,369
1990	231	596	233	-	-	-	16	-	-	-	1,076
1991	58	910	500	0	-	-	21	-	-	-	1,489
1992	9	1,574	477	-	-	-	137	-	-	-	2,196
1993	8	605	1,008	-	133	5	158	-	-	-	1,918
1994	144	406	447	-	17	-	333	-	-	-	1,348
1995	56	95	914	-	7	269	136	-	-	-	1,479

Area of coniferous (pine) plantations as at 31 December 2014 (hectares) *continued...*

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	
1996	35	9	1,037	-	161	412	31	-	-	-	1,685
1997	64	2	999	-	-	1,167	165	-	-	17	2,413
1998	16	82	81	-	-	1,456	4	-	-	306	1,946
1999	15	186	724	-	3	2,036	199	39	19	342	3,564
2000	-	123	982	-	27	3,789	16	-	5	274	5,217
2001	-	1	840	-	-	2,992	-	-	1	327	4,161
2002	43	174	575	-	3	612	-	-	-	211	1,618
2003	-	622	942	2	0	826	69	-	-	315	2,775
2004	106	-	1,100	-	437	608	138	-	-	131	2,520
2005	12	35	1,252	-	120	412	83	-	-	238	2,152
2006	8	55	1,501	-	49	1,449	-	-	-	95	3,155
2007	52	-	1,413	-	-	2,475	49	-	-	242	4,232
2008	2	540	1,496	9	0	1,227	-	-	-	14	3,288
2009	2	35	2,000	9	-	459	6	-	-	-	2,510
2010	-	-	570	66	-	5	14	-	-	-	655
2011	-	-	2,240	-	-	8	-	-	-	-	2,248
2012	-	-	2,084	-	-	-	-	-	-	-	2,084
2013	10	20	1,712	-	-	-	60	-	-	-	1,802
2014	174	59	1,199	-	-	28	674	-	-	-	2,133
Grand Total	**9,786**	**8,308**	**27,478**	**109**	**10,688**	**20,244**	**2,515**	**39**	**26**	**2,513**	**81,706**

Area of broadleaved (Eucalypt / Corymbia) plantations as at 31 December 2014 (hectares)

Year	Commission owned				Grand total
	Eucalyptus globulus		Other Eucalyptus		
	State	Sharefarms	State	Sharefarms	
Pre 1988	6	-	6,463	1	6,471
1988	-	-	10	-	10
1989	-	-	2	-	2
1990	20	-	24	-	43
1991	0	-	36	-	36
1992	6	13	-	1	20
1993	-	15	6	-	21
1994	-	-	2	-	2
1995	4	-	1	-	5
1996		4	6	3	13
1997	162	-	1	10	173
1998	423	0	2	8	433
1999	-	1	9	1	11
2000	-	1	31	2	34
2001	-	1	-	32	32
2002	-	27	21	480	529
2003	7	30	26	268	332
2004	-	17	143	521	681
2005	1	-	36	241	277
2006	-	-	6	1,064	1,070
2007	3	-	18	1,155	1,175
2008	1	7	0	651	660
2009	3	34	4	6,555	6,597
2010	1	-	0	76	76
2011	-	-	-	22	22
2012	-	-	-	98	98
2013	-	-	-	11	11
2014	-	-	-	1	1
Grand total	**637**	**151**	**6,847**	**11,199**	**18,834**

Area of sandalwood (Spicatum/Album) plantations as at 31 December 2014 (hectares)

Year	Commission owned		Commission managed	Grand total
	State	Sharefarms	Sharefarms	
1932	0.3	-	-	0.3
1997	-	2.4	-	2.4
1998	-	2.2	6.7	8.9
2000	-	23.6	-	23.6
2001	-	45.5	-	45.5
2002	-	93.5	11.3	104.8
2003	3.5	59.9	20.9	84.3
2004	35.8	118.0	1.4	155.2
2005	38.3	173.7		212.0
2006	21.9	508.2	1.0	531.1
2007	46.7	1,505.4	-	1,552.0
2008	0.6	2,510.8	-	2,511.4
2009	0.7	642.1	-	642.8
2011	2.1	-	-	2.1
2012	-	-	10.8	10.8
2013	4.4	0.7	-	5.1
2014			1.8	1.8
Grand total	**154.3**	**5,685.9**	**53.9**	**5,894.1**

Log production from Crown land and private property in 2014-15

Product type	Crown land		Private property		Total	
	m^3	tonnes	m^3	tonnes	m^3	tonnes
Sawlog timber						
Native forest sawlogs						
Jarrah *	113,016	146,921	-	-	113,016	146,921
Karri *	51,659	64,057	-	-	51,659	64,057
Marri	3,517	4,362	-	-	3,517	4,362
Blackbutt	598	742	-	-	598	742
Wandoo	15	19	-	-	15	19
Sheoak	-	-	-	-	-	-
Other	909	1,127	-	-	909	1,127
Sub-total native forest sawlogs	169,714	217,228	-	-	169,714	217,228
Plantation hardwood sawlogs						
Brown Mallet	248	308	-	-	248	308
Sub-total plantation hardwood sawlogs	248	308	-	-	248	308
Plantation softwood sawlogs and veneer logs						
Pinaster	152,355	152,355	-	-	152,355	152,355
Radiata	430,199	430,199	805	805	431,004	431,004
Marri	33	39	-	-	33	39
Other	1,275	1,492	-	-	1,275	1,492
Sub-total plantation softwood sawlogs and veneer logs	582,554	582,554	805	805	584,667	584,890
Total sawlogs	752,516	800,090	805	805	754,629	802,426

Includes logs from Crown land sold under Minor Production contracts.

* Includes LVL logs

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

*** Includes woodchips

Log production from Crown land and private property in 2014-15

Product type	Crown land		Private property		Total	
	m^3	tonnes	m^3	tonnes	m^3	tonnes
Other log material						
Native forest other						
Chiplogs	90,936	110,002	-	-	90,936	110,002
Firewood/charcoal logs	110,947	132,419	-	-	110,947	132,419
Sandalwood	1,954	1,954	-	-	1,954	1,954
Other **	12,196	15,846	-	-	12,196	15,846
Sub-total native forest other	216,033	260,221	-	-	216,033	260,221
Plantation hardwood other	216,033	260,221	-	-	216,033	260,221
Chiplogs***	-	-	19,397	22,695	19,397	22,695
Firewood/charcoal logs	502	502	-	-	502	502
Other **	-	-	-	-	-	-
Sub-total plantation hardwood other	502	502	19,397	22,695	19,899	23,197
Plantation softwood other						
Industrial wood	290,960	292,503	862	919	291,822	293,422
Woodchips	23,835	23,835	-	-	23,835	23,835
Other	15,253	15,253	-	-	15,253	15,253
Pine rounds	8,591	8,591	-	-	8,591	8,591
Sub-total plantation softwood other	338,639	340,182	862	919	339,501	341,101
Total other material	555,174	600,905	20,259	23,614	575,433	624,519
TOTAL LOG TIMBER	**1,307,690**	**1,400,995**	**21,064**	**24,419**	**1,330,062**	**1,426,945**

Includes logs from Crown land sold under Minor Production contracts.

* Includes LVL logs

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

*** Includes woodchips

Native forest sawlog production in 2014-15

Species	High quality sawlogs	1st & 2nd grade sawlogs	Bole sawlogs	Other sawlogs	Total
Cubic metres (m^3)					
Jarrah	431	4	86,841	25,740	113,016
Karri	-	43,152	-	8,507	51,659
Marri	19	-	-	3,498	3,517
Other species	58	-	555	909	1,522
Total	**508**	**43,156**	**87,396**	**38,654**	**169,714**
Tonnes					
Jarrah	560	5	112,894	33,462	146,921
Karri	-	53,509	-	10,548	64,057
Marri	24	-	-	4,338	4,362
Other species	72	-	688	1,128	1,888
Total	**656**	**53,514**	**113,582**	**49,476**	**217,228**

Native forest chiplog production

Species	Crown land 2012-13		Crown land 2013 - 14		Crown land 2014 - 15	
	m^3	tonnes	m^3	tonnes	m^3	tonnes
Marri	10,218	12,615	5,836	7,087	9,375	11,545
Karri	107,136	127,518	104,998	125,383	80,060	96,596
Other	6,684	7,820	10,412	12,182	1,501	1,861
Total	**124,038**	**147,953**	**121,246**	**144,652**	**90,936**	**110,002**

Native forest fuelwood production

Product type	2012-13	2013-14	2014-15
	tonnes	tonnes	tonnes
Firewood logs	62,032	89,056	65,650
Charcoal logs	104,334	79,871	66,769
TOTAL	**166,366**	**168,927**	**132,419**

Sandalwood production by the FPC from Crown land

Product type	2012-13	2013-14	2014-15
	tonnes	tonnes	tonnes
Green 1st and 2nd grade	1,086	968	1,067
Roots	211	182	201
Green 3rd grade	208	56	61
Dead	1020	890	625
Total	**2,525**	**2,096**	**1,954**

Section 6: Appendices

Appendix 1 - Key legislation impacting on the FPC's activities 137
Appendix 2 - Glossary 138

Appendix 1 - Key legislation impacting on the FPC's activities

Key State legislation

- *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*
- *Contaminated Sites Act 2003*
- *Control of Vehicles (Off-Road Areas) Act 1978*
- *Corruption and Crime Commission Act 2003*
- *Dangerous Goods Safety Act 2004*
- *Environmental Protection Act 1986*
- *Equal Opportunity Act 1984*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *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*
- *Road Traffic (Vehicles) Act 2012*
- *Sandalwood Act 1929*
- *State Records Act 2000*
- *State Superannuation Act 2000*
- *Statutory Corporations (Liability of Directors) Act 1996*

State Government Agreements Acts relevant to the FPC

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

Key Commonwealth Legislation

- *Environment Protection and Biodiversity Conservation Act 1999*
- *Illegal Logging Prohibition Act 2012*

Appendix 2 - Glossary

Term	Definition
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.

Contact details

Head Office

Level 1, D Block
3 Baron-Hay Court
Kensington WA 6151

Postal address:
Locked Bag 888
PERTH BC WA 6849

Phone: (08) 9363 4600
Facsimile: (08) 9363 4601

Website: www.fpc.wa.gov.au
Email: info@fpc.wa.gov.au

Albany

444 Albany Highway
Albany WA 6330

Phone: (08) 9845 5630
Fax: (08) 9847 4674

Bunbury

Robertson Drive
East Bunbury WA 6230

PO Box 236
Bunbury WA 6231

Phone: (08) 9725 5288
Fax: (08) 9725 5270

Carnarvon

Lot 292 South River Road
(near Research Road)
Carnarvon WA 6701

PO Box 522
Carnarvon WA 6701

Phone: (08) 9941 9430
Fax: (08) 9941 9431

Collie

20 Throssell Street
Collie WA 6225

Phone: (08) 9735 1000
Fax: (08) 9734 5649

Esperance

Lot 617 Harbour Road
Esperance WA 6450

PO Box 1955
Esperance WA 6450

Phone: (08) 9071 7255
Fax: (08) 9071 7299

Gnangara

695 Gnangara Road
Lexia WA 6065

Phone: (08) 9302 7488
Fax: (08) 9302 7499

Harvey

64 Weir Road
Harvey WA 6220

PO Box 499
Harvey WA 6220

Phone: (08) 9782 4444
Fax: (08) 9729 2499

Kalgoorlie

55 Macdonald Street
Kalgoorlie WA 6430

PO Box 10484
Kalgoorlie WA 6433

Phone: (08) 9088 6030
Fax: (08) 9091 5540

Manjimup

Brain Street
Manjimup WA 6258

Locked Bag 6
Manjimup WA 6258

Phone: (08) 9777 0988
Fax: (08) 9777 2233

Nannup

Warren Road
Nannup WA 6275

Phone: (08) 9756 3788
Fax: (08) 9756 1499

West Manjimup

150 Burnside Road
Manjimup WA 6258

Locked Bag 6
Manjimup WA 6258

Phone: (08) 9772 0377
Fax: (08) 9772 1211

Forest Product Commission

Level 1, D Block
3 Baron-Hay Court
Kensington WA 6171

Locked Bag 888
Perth Business Centre WA 6849

Phone: (08) 9363 4600
Fax: (08) 9363 4601
Email: info@fpc.wa.gov.au

www.fpc.wa.gov.au