Forest Products Commission
Annual Report 2017-2018

The Government of Western Australia

Forest Products Commission
WESTERN AUSTRALIA

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September 2018

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/fpcwa

Cover: FPC pine plantations and our forestry roads are now featuring in emerging cycle events in Nannup.
Photo credit: Daniella Tommasi

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Hon. Dave Kelly MLA

Minister for Forestry

Statement of compliance

For year ended 30 June 2018

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 reporting period ended 30 June 2018.

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

Mr Ross Holt	**Mr Stuart West**
Chairman	General Manager
7 September 2018	7 September 2018

Who we are

The FPC nursery is focused on producing superior seed and seedlings for the regeneration of native forest and the establishment of pine plantations.

Financial highlights

Our annual turnover was $112 million. We operated at a profit, paid a dividend to the State Government and invested in innovation, jobs and communities.

Operating profit

$5.2 million
plantation profit

$7 million
sandalwood profit

$0.3 million
native forest profit

Our investment in community

We support the Western Australian forestry industry which provides employment for more than 6,000 people.

$95 million
spent in regional WA supporting employment and services, and providing forest products to industry

$54 million
in contracts awarded, including 30 sale and 66 service contracts

$9 million
invested in the expansion of the softwood estate

$20 thousand
awarded to community groups through the Community Support Program

Chairman's report

This year, the Forest Products Commission (FPC) has continued to pave the way for a strong, viable forestry industry through the sustainable development of the native forest, sandalwood and softwood sectors.

We have driven innovation to provide opportunities within the native forest sector; including trialling infield processing of regrowth trees from karri first thinning operations, and exploring harvesting techniques to fully utilise our forest resources.

The FPC has helped strengthen the long-term future of the sandalwood industry by supporting the establishment of a sandalwood oil refinery in the Goldfields and continuing our sandalwood regeneration work, with plans to expand the program next year.

We have continued expanding Western Australia's softwood estate, establishing 1,583 hectares of additional land for pine plantations, and we launched a pilot Farm Forestry Assist grant for land owners.

This work has been underpinned by a renewed focus on ensuring FPC staff and our contractors have a clear safety culture and the supporting systems in place to provide a safe working environment.

We have invested in lifting the accountability culture within the organisation to better reflect the values which guide our operations.

Several changes occurred to the Board this year, with the resignation of Mrs Jaqueline Jarvis, and the terms of Mr Ewald Valom and Mr Grant Woodhams finishing. I would like to thank them all for their valuable contribution, particularly Mr Ewald Valom who served as Deputy Chairman. The Board also welcomed the appointment of Mr Nick Bayes, Dr Louise Duxbury and Ms Vanessa Elliott.

I wish to thank my fellow commissioners for their support throughout the year and to recognise the professionalism and dedication of all the FPC staff.

I would also like to acknowledge the Minister for Forestry, Dave Kelly for his leadership and guidance.

Mr Ross Holt
Chairman
7 September 2018

General Manager's report

Increasing the utilisation of our valuable forest resources to ensure a strong, viable timber industry for all Western Australians has been a key focus for the FPC this year.

Our changing resource base and competition from global markets have continued to provide challenges, but we have created opportunities through innovation.

We have developed and implemented strategies to deliver a strong plantation base, alternative markets for low-value products, opportunities for value-adding processing, and job-creation in downstream processing.

The safety of FPC staff and contractors has been a key focus this year. Forestry has innate risks which the FPC seeks to manage, in particular through an industry-wide approach involving our harvesting and haulage contractors and other growers.

The launch of our Community Support Program this year highlights forestry's valuable contribution to communities, particularly in regional areas. In its first year, the Program has supported projects from 13 community groups including scouts, schools, volunteer firefighters, historical societies and a forest restoration group.

We have supported the Western Australian forestry industry, which employs more than 6,000 people, through our ongoing investment to expand our softwood estate, our $95 million spend supporting employment and services in regional Western Australia, and our commitment to sandalwood and native forest regeneration.

We have continued to manage our productive State forests for recreational use and worked with community groups and government agencies to support community mountain biking and running events.

These achievements are thanks to our dedicated staff who remain committed to ensuring a strong, viable forestry industry for all Western Australians.

Mr Stuart West
General Manager
7 September 2018

Rigorous controls are in place at every step of the process to ensure the seedlings from our nursery are a reliable, superior quality.

Our agency

We are responsible for the sustainable management and development of Western Australia's forest products industry, using plantation, native forest and sandalwood products on land managed by the State.

All our operations are undertaken in accordance with the *Forest Management Plan 2014-2023* (FMP). This plan protects all old-growth forest and balances the complex values of our forests including biodiversity and healthy ecosystems, soil and water resources, and social, cultural and economic benefits.

The FPC is committed to helping the forestry industry support the employment of more than 6,000 Western Australians working in forestry-related industries. These industries include forest management, harvesting, primary processing and manufacturing sectors.

During 2017-2018, we reported to the Minister for Forestry, the Hon. Dave Kelly MLA.

We are governed by the *Forest Products Act 2000* (the Act) and sections of the *Forest Management Regulations 1993*.

The Act outlines the functions undertaken by the FPC, including:

- performing commercial functions of growing, harvesting and selling forest products;
- supporting industry development; and
- advising the Minister on forestry.

We comply with other relevant legislation and a list of this legislation can be found on page 124.

Our vision

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

Our mission

To contribute to Western Australia's economic and regional development through:

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

Our values

We operate 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.

Our role

We are a team of forestry professionals engaged in the industry from the seed to the end-product. We work with community, industry and government to create a vibrant forestry industry.

We will foster an environment of innovation, ensuring that our forests are a strategic and sustainable resource for the future.

Our organisational structure

Minister for Forestry
Hon. Dave Kelly MLA

Board Chairman
Ross Holt

General Manager
Stuart West

Director Operations
Gavin Butcher

Director New Business and Innovation
John Tredinnick

Director Finance
Ron Lucas

Business Manager
Andrew Lyon

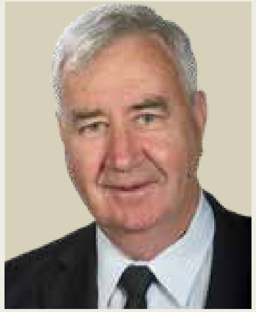
Board of commissioners

Mr Ross Holt B.Econs (Hons)
Chairman
Appointed November 2015.

Ross Holt spent 18 years in the Western Australian State Treasury Department, including four years as an Assistant Under Treasurer. From 1993 to 2013, he was the Chief Executive Officer of the WA Land Authority (LandCorp). During his tenure, Ross oversaw significant growth in the residential, commercial, regional and industrial development sectors in the State. He is also the Deputy Chancellor of Murdoch University, a non-executive Director of the Water Corporation, a non-executive Director of not-for-profit training and employment entity Nudge (formerly The Roads Foundation), and a non-executive Director for property-infrastructure project management firm NS Projects.

Mr Geoffrey Totterdell B.Com FCPA
Deputy Chairman
Appointed November 2013.
Appointed Deputy Chairman October 2017.

Geoffrey 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 business consultancy. Geoffrey has held significant State Government appointments including Chairman of the Swan River Trust for nine years, Dairy WA Ltd for three years, Rottnest Island Authority for three years and the Peel Development Commission, and a member of the Regional Development Council for three years. Geoffrey was also the Chair of the Community Reference Group for the construction of the replacement Mandurah Traffic Bridge appointed by the Minister for Transport in October 2012.



Mr Robert Pearce
Commissioner
Appointed November 2012.

Robert Pearce started his career as a school teacher and was elected as a Member of the Western Australian Legislative Assembly in 1977. He held a number of ministerial portfolios including environment (forestry), education and transport. Robert retired from Parliament in 1993 and from 1998 to 2012, he was the Executive Director of the Forest Industries Federation of Western Australia. Robert has been active in the forestry industry, sitting on a range of committees and boards.

Ms Amelia Yam B.Com CA GAICD
Commissioner
Appointed November 2016.

Amelia Yam has held executive management positions in finance in both the government and private sectors. She has also held senior management consulting roles in corporate finance, with expertise in strategic and business planning, risk management and financial management. Amelia was previously Chief Financial Officer of Horizon Power and the University of Notre Dame Australia, and Director Finance and Program Director Transformation at Sir Charles Gairdner Hospital Group. She is currently consulting and provides CFO on-demand services, and is a non-executive director of 360 Health + Community.

Ms Vanessa Elliott
Commissioner
Appointed November 2017.

Vanessa Elliott currently manages policy at the Department of the Premier and Cabinet, with over 15 years' experience working in strategic management roles in the public and private sectors. She has a background in sustainable development, corporate HR and corporate affairs, driving and implementing strategic change across the business. Vanessa is a non-executive Director of Desert Knowledge Australia and Whitelion.

Mr Nick Bayes
Commissioner
Appointed November 2017.

Nick Bayes is currently the General Manager of The Brand Agency, Western Australia's largest and most successful communications company. Nick has over 20 years' experience, in London, Sydney and Perth, managing complex local and international brands in the financial services, telecommunications, government, insurance, IT, land and agricultural sectors. He is an industry opinion leader, writing regularly for a range of publications. Nick's areas of expertise include management, marketing, business and brand strategy, advertising, PR, digital communications and media.

Dr Louise Duxbury
Commissioner
Appointed November 2017.

Louise Duxbury has a PhD in sustainability and technology policy and has extensive experience in directing and managing landcare, farm forestry, watercare, bushcare, sustainable farming, revegetation, environmental protection and research projects in Western Australia. She also facilitates leadership programs particularly for women working in the environmental and community development fields. Louise is a Director of Gondwana Link Limited and founder of Green Skills Inc, which is a not-for-profit environmental organisation focused on sustainability and integrating project management, training and employment programs across a wide range of WA industries.

Mr Ewald (Ed) Valom
Deputy Chairman
September 2011 to November 2017.
Appointed Deputy Chairman November 2012.

Ed Valom brought extensive timber industry experience to his role as commissioner, with more than 50 years' experience in the timber industry. Ed's career began at the grassroots of timber processing when he joined Bunnings in 1961. He was also responsible for operations at a number of timber mills in the south-west of Western Australia. From 2006 to 2009, he managed Plantation Pulpwood Terminals at Albany's woodchip export facility. Over the past half-century, Ed has acquired first-hand knowledge in the evolution of an industry in transition.

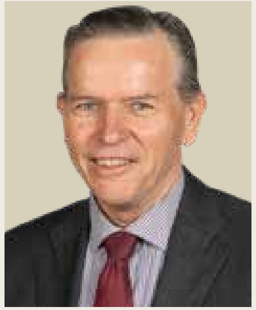
Mr Grant Woodhams
Commissioner
July 2014 to November 2017.

Grant Woodhams' diverse career spans from politics to rural journalism. Grant spent most of his working life behind the microphone with ABC Regional Radio in every state across the nation. Grant is Chairman of Rural Health West and serves on the Geraldton Institute Board of Management. He was the member for Greenough and Moore from February 2005 to March 2013, and elected Speaker of the Western Australian Legislative Assembly in November 2008.

Executive team

Mr Stuart West BSc For FGLF
General Manager

Stuart West has an extensive background in the Australian forestry industry spanning almost 30 years, holding executive responsibilities for the past 15 years. Stuart has detailed experience in government-owned forestry businesses and Australian forestry companies. He has led initiatives to attract new manufacturing and generate new demand for products in a number of sectors including food and agriculture, forestry and manufacturing.

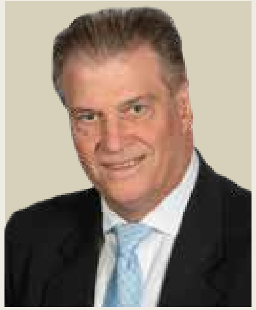


Mr Gavin Butcher BScFor
Director Operations

With a career in plantation and native forestry management spanning more than 35 years, Gavin's strengths are in the strategic, analytical and financial fields of forestry management. Previous roles with the FPC have included Director Policy and Strategy, Director of Technical Services, Executive Manager Operations and Plantations, and Group Manager (department of conservation and land management). Gavin previously chaired the Forest and Forest Products Committee and was an Observer on the Forest Industry Advisory Committee.

Mr John Tredinnick BScFor MSc
Director New Business and Innovation

John Tredinnick brings a wealth of experience to the role of Director New Business and Innovation, following six years as Director Forest Operations. John is leading a number of transformational projects aimed at introducing efficiencies and innovation. John has more than 30 years' experience working in Australia's forestry industry, and internationally. His experience includes forest management, timber processing and timber trading.



Mr Ron Lucas BBus FCPA
Director Finance

Ron Lucas is a Certified Practising Accountant. Ron brings a strong business services background 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.

Mr Andrew Lyon BSc Env Mgt; MBA
Business Manager

Andrew Lyon joined the FPC in 2008 and has been the Business Manager since October 2017. Andrew has enjoyed an international forestry career and was a Research Fellow at Edinburgh Napier University specialising in timber quality research. Andrew has extensive experience in the forest sector, incorporating strategic management, science and research management. He is passionate about sustainable forest management policy and is an Adjunct Lecturer in silviculture at Edith Cowan University.

Our performance

Our operations are guided by strategic goals to help ensure we provide healthy forests, facilitate a vibrant forestry industry and ensure effective delivery of business outcomes.

Performance management framework

To evaluate our contribution to the State Government's goals, the Annual Report links our performance to our *Statement of Corporate Intent 2017-2018*. Our achievements have been categorised according to the goals outlined in the statement.

State Government goals

1: Better places
A quality environment with liveable and affordable communities and vibrant regions

2: Strong communities
Safe communities and supported families

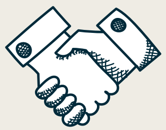
3: Future jobs and skills
Grow and diversify the economy, create jobs and support skills development

4: Sustainable finances
Responsible financial management and better service delivery

Our strategic goals

G1: Provide healthy forests for future generations

G2: Facilitate a vibrant forestry industry to deliver social and economic benefits, particularly in regional Western Australia



G3: Ensure efficient, effective and safe delivery of business outcomes

Statement of Corporate Intent (SCI) priority initiatives 2017-2018 progress report

GOAL	INITIATIVE	STATUS	PAGE
G1:	Biodiversity Management Programme for sandalwood	Ongoing	13
	Northcliffe fire regeneration	Ongoing	14
	Plan for implementation of Ferguson Bushfire Report recommendations	Complete	17
	Ensure implementation and reporting of Forest Management Plan	Ongoing	17
G2:	Meet softwood plantation expansion targets	Ongoing	21
	Sandalwood industry reforms	Ongoing	22
	Branding and marketing in place for high-value native timbers	Ongoing	24
	Native forest timber supply chain study	Ongoing	24
	Other bole volume markets identified	Ongoing	25
	Better understanding of economic and social values for communities	Complete	26
G3:	Working arrangements with Department of Biodiversity, Conservation and Attractions finalised	Complete	29
	New IT system delivered	Ongoing	30
	Implement recommendations from Treasury assessment of plantations for sale	Complete	31
	Exit of uneconomic sharefarms	Ongoing	32
	New contracts for sandalwood effectively implemented	Complete	32
	New KPIs in place	Complete	34

G1: Provide healthy forests for future generations

"We ensure that we uphold all principles of ecologically sustainable forest management; conserving biodiversity, ecological integrity and manage forests for the community to enjoy."

We have been working with indigenous rangers in the Goldfields to hand-seed sandalwood as part of our regeneration program which has seen us sow 390 kilograms of seed this year.

Sustainable forest management

Regeneration of native forests

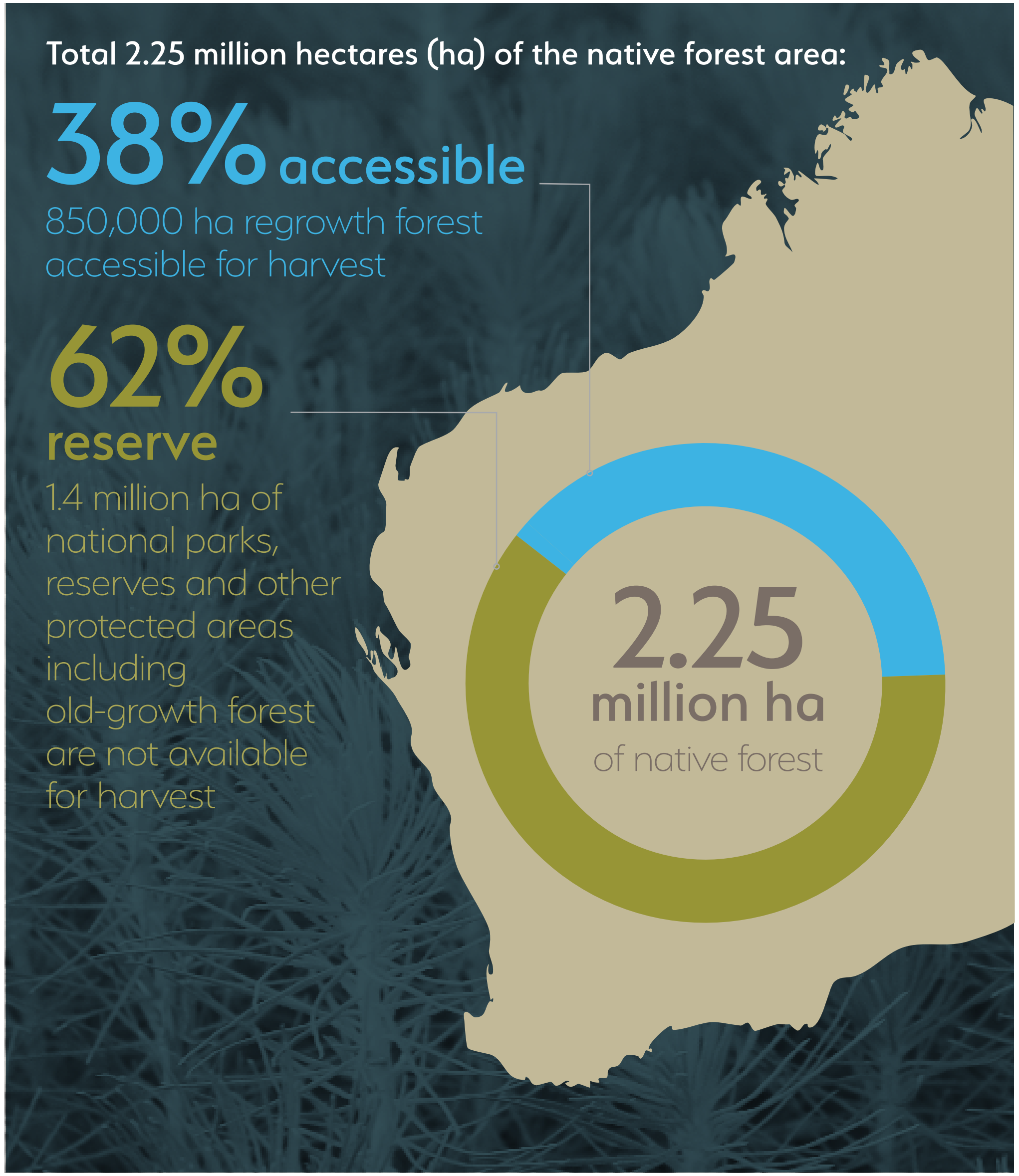
During winter 2017, about 338 hectares of karri forest was successfully regenerated following harvest. This included all areas harvested and requiring regeneration, and karri regrowth forest destroyed in the 2015 Northcliffe fires.

Post-harvest regeneration burning was undertaken on about 4,553 hectares of harvested jarrah forest, an increase of 2,403 hectares on last year. The increase was achieved due to better weather conditions which provided more days suitable for regeneration burning to occur.

Regenerating sandalwood in the Rangelands remained a key focus for the FPC. In 2017-2018, Operation Woylie, our sandalwood regeneration program which uses a mechanical seeder to mimic the role of the native woylie, seeded almost 1,000 kilometres of rip-lines, planting more than 14 tonnes of sandalwood seed. It has resulted in the sowing of about five million seeds.

This project is complemented with hand-seeding at selected sites and will continue as a way to supplement the mechanical seeder in sensitive areas. Aboriginal planters were responsible for hand-sowing about 390 kilograms of sandalwood seed in the Rangelands.

We continued sowing seeds on unallocated Crown land for conservation purposes to maintain a healthy sandalwood population.



BIODIVERSITY MANAGEMENT PROGRAMME FOR SANDALWOOD

The *Biodiversity Conservation Act 2016* has provided us a framework for a new, contemporary approach to the management of the Western Australian sandalwood industry.

We provided funding to the Department of Biodiversity, Conservation and Attractions (DBCA) to develop a Biodiversity Management Programme to set the overall direction for the conservation, protection, management and use of wild Western Australian sandalwood under the new Act. It will be prepared under Part 5 of the Act and will use the Montreal Process framework for ecologically sustainable forest management.

NORTHCLIFFE FIRE REGENERATION

We continued to regenerate young karri regrowth in State forest destroyed in the Northcliffe fire.

Without our intervention this forest would never have regenerated into a productive forest following the 2015 fires.

The regeneration process involved recovering fire-damaged trees before site preparation, prescribed burning of debris and replanting the area with nursery-raised karri seedlings.

During 2017, further recovery occurred in the fire-damaged karri regrowth, producing biomass for use in renewable energy markets. The revenue generated from the recovered material will enable us to regenerate approximately 155 hectares in the 2018 winter and a further 45 hectares in 2019.

A tender was awarded by the FPC during 2017, which will provide for the potential to recover up to another 2,000 hectares of the Northcliffe fire-killed karri regrowth. This is planned to occur over the next three to four years and, if implemented, will see all of the worst fire-affected karri regrowth receiving regeneration treatment.

This page: The FPC used fire to prepare the site for replanting in the wake of the fire.

Opposite page
Top left: The Northcliffe fires devastated more than 2,000 hectares of karri regrowth in 2015. **Bottom left:** We retained corridors of fire-affected karri to provide pathways for animals to move between fire-affected areas. **Right:** Planters use a tool know as a pottiputki to plant the seedlings by hand.

Fire

We work in close cooperation with the DBCA, the Department of Fire and Emergency Services (DFES) and private forest management companies to plan and deliver fire mitigation measures designed to protect Western Australia's productive forests.

About 50 of our staff participated in joint agency emergency response arrangements. Our staff fulfil key operational and support roles in bushfire incident management structures and provide an important contribution to the protection of life and property.

All FPC staff involved in wildfire management complete an annual training program through the DBCA's Fire Management Services Branch which incorporates fitness and competency testing.

Wildfire management activities include fuel reduction burning, construction and maintenance of fire breaks, and firefighting water supplies. A high priority has been placed on measures to reduce the fire risk to the plantations.

Fire is also an important silvicultural tool employed in the regeneration of native jarrah forests. FPC staff provide regular support to the DBCA's regeneration burning planning process to ensure that silvicultural priorities and objectives are recognised and actioned appropriately.

PLAN FOR IMPLEMENTATION OF FERGUSON BUSHFIRE REPORT RECOMMENDATIONS

We were an active participant on the State Bushfire Coordinating Committee.

It was created as a result of a recommendation from the Ferguson Bushfire Report and was charged with responsibility for developing State bushfire management policy. This committee finished in May 2018 and will be replaced with a State Bushfire Advisory Committee.

ENSURE IMPLEMENTATION AND REPORTING OF FOREST MANAGEMENT PLAN

We implemented and monitored forest management activities under the requirements of the FMP.

Careful monitoring of the outcomes of our activities was undertaken in collaboration with the DBCA.

During the year, we continued to collate information for the mid-term performance review of the FMP. This process is a requirement of the FMP and will report against the 24 Key Performance Indicators (KPIs) prepared to track the plan's implementation.

The draft mid-term performance review will be released by the Conservation and Parks Commission for public consultation in the next six months.

Opposite page
Top left: Our foresters are also highly skilled firefighters. **Bottom left:** More than 250 hectares of pine plantations were destroyed in the 2018 Mundaring bushfire. **Right:** The burnt trees did not go to waste and we were able to recover laminated veneer lumber logs for customers and supply residue for biomass.

This page: We welcomed the opportunity to donate fire-damaged pine to the Duyfken Foundation.

Fauna monitoring in the karri forest

Fauna monitoring has found that threatened species were repopulating karri forests after harvesting.

Management actions taken to protect threatened species included protection of habitat along streamlines, post-harvest predator control and retention of critical habitat elements, such as feeding and nesting trees for cockatoos.

An outcome of the monitoring project has been to highlight the impact of feral cats in the southern karri forests, which has led to our support of an Eradicat trial with the DBCA.

Baseline data on cat population numbers in the selected trial areas was captured during 2017-2018 and baiting will begin in the trial area in 2018-2019.

This page: Management actions are being taken to protect fauna such as the brushtail wallaby in our karri forests.

Opposite page
Top left: Using cameras for data collection causes minimal disturbance to target species such as quokkas. **Bottom left:** These cameras are ideal for studying rare or nocturnal animals, such as the tammar wallaby, which avoid human interaction. **Right:** Cameras are also secured off the ground to capture animals living in the trees.

G2: Facilitate a vibrant forestry industry to deliver social and economic benefits, particularly in regional Western Australia

"We contribute to vibrant and economically diverse regions; the forestry industry has plans for the future of a sustainable industry at national, State and regional levels."

Regional communities benefit from a strong forestry industry which supports recreation. Photo credit: Daniela Tommasi

Western Australia's forest products

The forestry industry injects more than **$1.4 billion** into the WA economy annually.

SOFTWOOD

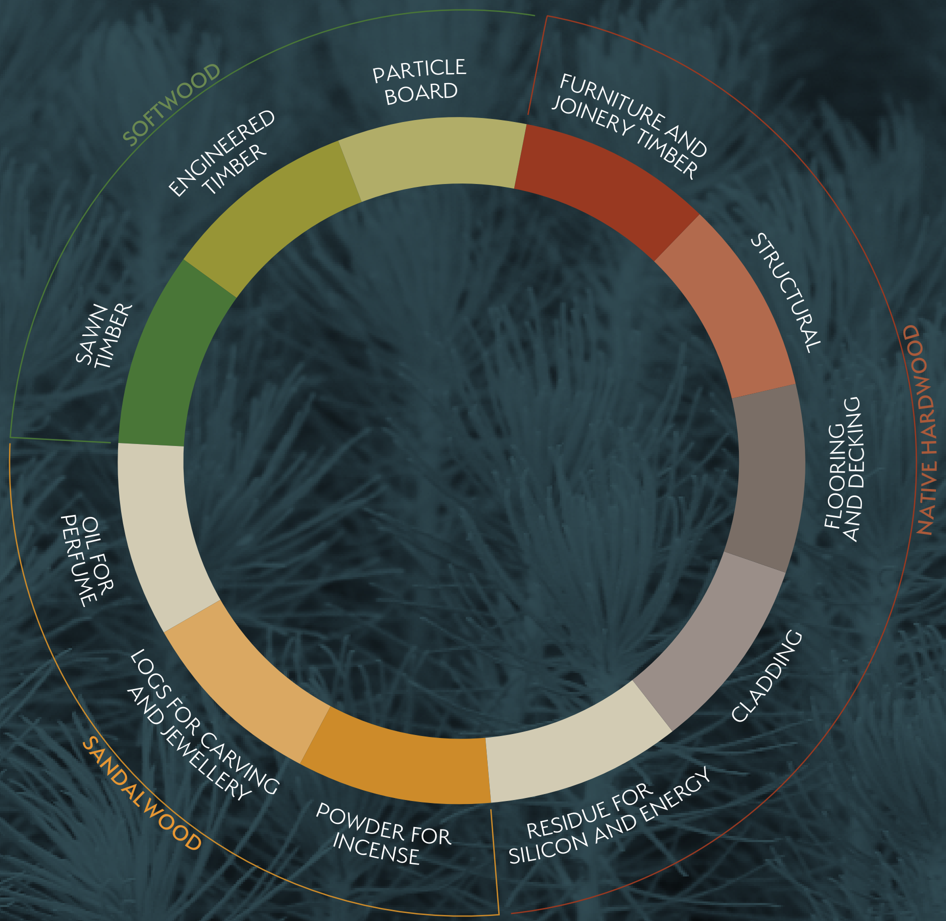
5,951 hectares harvested
79,631 hectares total estate

NATIVE HARDWOOD

7,424 hectares harvested
850,000 hectares total accessible area

SANDALWOOD

14,409 hectares harvested spread across
14 million hectares



MEET SOFTWOOD PLANTATION EXPANSION TARGETS

The softwood plantation expansion target for 2017-2018 was 1,500 hectares.

The actual area achieved was 1,836 hectares of established plantation. We were able to achieve above our expansion target because of additional land purchased in the previous financial year.

During 2017-2018, a further area of about 330 hectares was acquired from the Department of Water and Environmental Regulation and prepared for pine plantation establishment.

Our plantation expansion program was partly offset by a reduction in plantation land in Myalup surrendered to provide sand vital for the Western Australian building industry.

Softwood plantations

We are focused on expanding softwood plantations because they are a significant component of Western Australia's forestry industry, providing jobs for the community across a number of regions and producing the basic building materials used in Western Australian house construction.

In recent years, Western Australia's softwood estate has decreased in size because of the State Government's strategic exit of plantations in the Gnangara area, as well as losses caused by drought, fire, and competing land uses.

To address this decline, the *Softwood Industry Strategy for Western Australia* was released in September 2016 and included an investment of $21 million over five years to expand the softwood estate and to help ensure the long-term future of the industry. Since the strategy was released we have expanded the softwood estate by about 1,650 hectares.

Our plantation establishment program in 2017-2018 resulted in the planting of approximately four million seedlings, including second rotation establishment and new plantings in the Wellington catchment. The plantings in the catchment are aimed at improving the water quality in Wellington dam and expanding the softwood estate.

Sandalwood plantations

The sandalwood plantation estate we manage is about 6,000 hectares and is located as far north as Geraldton and as far as Esperance to the east.

Over the past year, we have worked with the Australian Sandalwood Network to develop a new *Sandalwood Plantation Establishment Guide*. This guide is based on 30 years' plantation research and experience and provides advice on how to grow plantation sandalwood in Western Australia.

We have continued to investigate the valuable aromatic oils in sandalwood plantation trees and published a paper in the Australian Forestry journal on oil variation. This ongoing research also saw us take part in a joint study with Edith Cowan University which investigated whether oils can be induced in young sandalwood trees using different treatments.

We have also focused on working with farmers, the sandalwood industry and universities to increase our understanding of plantation sandalwood establishment, management, oil development, the marketing of the wood, efficient seed-harvesting methods and the use of sandalwood seeds in a range of commercial products.

SANDALWOOD INDUSTRY REFORMS

There has been promising progress in the development of new markets for sandalwood nuts.

Both the oil and the shells can be used in a range of food, pharmaceutical and health care products.

The cost-effective collection of sandalwood nuts is critical to the further development of these new markets and the FPC has facilitated trials for the use of a mechanised nut harvester in its sandalwood plantations.

This page
Top left: Sandalwood nuts are not only used to regenerate sandalwood but are also growing in popularity as an edible nut. **Bottom left:** Our sandalwood plantation estate stretches as far north as Geraldton and as far as Esperance to the east.

Opposite page: Sandalwood regeneration remains a key focus of the FPC to help ensure the long-term future of the State's sandalwood industry.

Wild Western Australian sandalwood

Increasing Aboriginal participation in Western Australia's 174-year-old sandalwood industry continued to be a key focus during the year.

We created a position focused on Aboriginal heritage management and to date, the role has been improving our capacity to engage with Aboriginal people and increase participation in the sandalwood industry.

During the year, Dutjahn Sandalwood Oils (DSO), a partnership between indigenous Dutjahn Custodians and WA Sandalwood Plantations, completed construction of its oil distillation facility in Kalgoorlie and began receiving its first sandalwood.

The company is now producing oil from the recently constructed distillery. We are optimistic that the arrangement will be the foundation for the development of further sandalwood-based industries in the region.

In 2017-2018, we continued working with the DBCA, harvesting contractors and the local community to increase Aboriginal participation in the industry. We have engaged the Goldfields Land and Sea Council (GLSC) to provide sandalwood harvesting and regeneration services.

We provided training to GLSC rangers and this led to the hand-seeding of around 390 kilograms of sandalwood seed in the Rangelands. This contract complements other land management works undertaken by the rangers.

The theft of wild sandalwood remains a significant threat to the sustainability of the wild Western Australian sandalwood industry. To address this, we continued to fund an additional compliance position at the DBCA and to date, it is achieving results. In March, there was a successful conviction which saw a two-year jail sentence handed down for the theft of sandalwood.

Native forest

Innovation is the key to the long-term future of native forestry and to stimulate growth, we collaborated with industry to encourage the adoption of new technologies to increase utilisation and industry's processing capacity.

In 2017-2018, we maintained support to Auswest Timbers during the commissioning phase of their new log line sawmill which was completed in January 2018. This included working with our harvesting contractors to deliver the specification range of logs suitable for processing at the facility.

We completed trials of infield processing of regrowth trees from karri first thinning operations. By harvesting whole trees and processing them in the field we reduced the amount of residue left in the forest which has reduced fuel loads and improved volume recovery. Traditional methods involved cutting logs to length in the forest to facilitate log transport.

The FPC supported the use of native timbers in the manufacture of laminated veneer lumber and engineered timber products. Improved recovery of these products from harvesting enhanced the social, economic and environmental value of production.

In addition to the ongoing harvesting in fire damaged karri forest, we began recovering jarrah which was damaged in the Yarloop bushfire. The trees were harvested for the domestic firewood market and a small-scale bioenergy trial. The revenue raised will be used to rehabilitate and regenerate the area. The trial will be assessed by the DBCA.

BRANDING AND MARKETING IN PLACE FOR HIGH-VALUE NATIVE TIMBERS

We have worked with the State's native timber industry to develop a new brand for Western Australia's premium hardwoods.

This has involved extensive collaboration with industry from across the supply chain - including architects, mill owners and furniture makers - and the project is due to be launched in late 2018.

The brand will reposition jarrah as a high-quality, desirable product and the messaging will target builders and architects.

NATIVE FOREST TIMBER SUPPLY CHAIN STUDY

The Australian Forest Operations Research Alliance was commissioned to undertake a study on the native forest timber supply chain, starting with timber harvesting.

The study seeks to identify factors impacting productivity and costs of production of harvesting systems in jarrah forest operations in March 2017. It is expected to be finalised late in 2018.

OTHER BOLE VOLUME MARKETS IDENTIFIED

Other bole volume, otherwise known as residue, is a by-product of forestry operations that primarily produce high-value products or silvicultural operations where some trees, or parts of trees, are not suitable for use in structural or decorative applications.

This residue can be used in traditional markets such as the manufacture of silicon, paper, laminated veneer lumber, or engineered timbers for building and construction, and for the production of renewable energy.

In 2017-2018, we commenced a project to look at new markets suitable for residue from our native forest timbers. In November 2017 we ran an Expression of Interest process to seek market interest in developing an integrated log merchandising yard with new technology and processing facilities to create veneers from jarrah and karri timbers.

We also continued to investigate opportunities to develop a renewable bioenergy market in Western Australia based on residue. The use of residue has the potential to assist in the transition to a low-carbon future and reduce our dependence on non-renewable fossil fuels.

This included a small-scale trial to explore the opportunity to recover residue from mining operations and fire-damaged areas for the generation of renewable bioenergy facilitated by the possibility of accessing Large Scale Generation Certificates under the Federal Government's *Renewable Energy Act*. This trial recovered residue which was not suitable for high-value products and would have otherwise been burnt on site by the mining companies during prescribed burning.

Opposite page: Other bole volume is a by-product of forestry and silvicultural operations.

This page: Other bole volume can be used in traditional markets such as the production of paper or engineered timbers, as well as for the production of renewable bioenergy.

Community and stakeholder engagement

BETTER UNDERSTANDING OF ECONOMIC AND SOCIAL VALUES FOR COMMUNITIES

We contributed to the Forest and Wood Products Australia comprehensive study to measure the economic and social values of the forestry industry for communities.

The report shows that Western Australian forestry is a rich and diverse industry with native forest and plantations sectors supporting the employment of more than 6,000 people and generating more than $1.4 billion for the economy. Forestry provides employment across the supply chain and the report found that the majority of forestry industry jobs are generated in the processing sector, which highlights the importance of local processing.

It also found that forestry is able to co-exist with other industries such as tourism and contributes to economic diversity in many communities. This economic diversity is key to ensuring regional communities remain strong when other industries are experiencing challenges.

Community and stakeholder engagement

During 2017-2018, we maintained our strong focus on collaborative and meaningful engagement with our stakeholders while also improving how we engage with the community.

In the South West we are a signatory to the Noongar Standard Heritage Agreements and actively engage with the Noongar Standard Heritage Agreement Working Group.

The FPC Community Support Program awarded grants of up to $2,000 to 13 community groups and the successful projects were chosen based on their connection with the State's forestry industry and a capacity to benefit community.

We have also supported and attended a number of regional events this year including the Cape to Cape MTB, Mountain Bike Australia National XCO – Pemberton, Karri Cup MTB Challenge, Pemby Trail Fest and SEVEN. Our presence at these events has provided us with an excellent and positive platform to engage with the community.

We engaged extensively with a range of stakeholders on the *Karri Forest Management Plan* and environmental, community and industry groups were consulted on issues such as identification of old-growth forest, industry development, and operational practices.

We engaged with shires, industry representatives, timber traders, architects and builders on industry trends in timber usage.

We consulted with industry groups such as the Forest Industries Federation of Western Australia, the Australian Forest Products Association, Forest and Wood Products Australia, the South West Agroforestry Network, and the Australian Sandalwood Network on issues affecting the long-term future of the State's timber industry.

This page: The Manjimup Cherry Harmony Festival used the grant to promote the value of the forestry industry. Photo credit: Manjimup Cherry Harmony Festival.

Opposite page
Top right: We are an establishment partner of the Pemby Trail Fest where participants ran through some of Pemberton's incredible native forest. **Bottom right:** We were a proud sponsor of the SEVEN mountain bike race for its first iteration in Nannup. Photo credit: Daniela Tommasi.

FPC Community Support Program grant recipients:

Albany Scout Group, Albany for the purchase of safety equipment	$1,346
Allanson Volunteer Bush Fire Brigade, Collie for the purchase of fire masks	$1,000
Association of Volunteer Bush Fire Brigades Historical Group, Bridgetown to restore a 1971 fire tanker	$1,500
Boyanup Foundation Inc, Boyanup to set up a display about the timber industry at the South West Rail and Heritage Centre	$1,985
Collie Heritage and Menshed Group Inc, Collie to purchase a sea container for timber storage	$2,000
East Manjimup Primary School, Manjimup to purchase bicycles	$2,000
Goldfields District Scouts, Boulder to install information signs in district campgrounds	$2,000
Ludlow Tuart Forest Restoration Group, Capel to plant tuart seedlings	$2,000
Manjimup Cherry Harmony Festival, Manjimup to set up a display about the timber industry and assist with children's entertainment at the festival	$1,000
Nannup Historical Society Inc, Nannup to purchase computer equipment to digitally record historic photos and documents	$1,500
Northcliffe District High School, Northcliffe to develop a nature playground	$2,000
Recreational Trail Bike Riders Association of Western Australia, Darlington to create a beginners' track for motorcycle riders	$2,000
Smith Brook Volunteer Bush Fire Brigade, Smith Brook to support the installation of a disability access toilet at the Smith Brook Brigade and Community Shed	$1,494

G3: Ensure efficient, effective and safe delivery of business outcomes

"We are self-sustaining and profitable and continue to invest in the long-term economic health of the timber industry in regional Western Australia."

We work closely with the Minister for Forestry, the Hon. Dave Kelly to ensure the State Government's goals are reflected in our business outcomes.

Our State Government partners

Department of the Premier and Cabinet

We worked with the Strategic Assessment of the Perth and Peel Region (SAPPR) team to develop a $2.5 million plan to reduce the extent of pine plantation clearing in the Northern Gnangara, Pinjar and Yanchep pine plantations over the next 12 months.

Department of Biodiversity, Conservation and Attractions

We work collaboratively with the DBCA to implement and monitor forest management activities under the Forest Management Plan, we provided the DBCA with more than $9 million this year to support forest management and fire suppression, and in addition, $200,000 has been invested for the ongoing funding of a sandalwood enforcement officer and funding for the development of the Biodiversity Management Plan for Sandalwood.

Department of Fire and Emergency Services

We actively contributed to the State Bushfire Coordinating Committee, our staff contributed to the management structure for large-scale fire emergencies, and we are a member of the All Hazards information group which supports the sharing of information and resources during emergencies.

Department of Water and Environmental Regulation

We are a member of the Water for Food technical advisory group, and partner on activities in the Wellington catchment. We are working with DWER to progressively replace non-commercial plantings established in the catchment with *Pinus radiata* plantation, which will maintain the water objectives and provide a financial return.

Department of Primary Industries and Regional Development

We are a member of the Biosecurity Senior Officers Group and maintain a close relationship with the Western Australian Biosecurity Council, and we worked with DPIRD to facilitate access to fire-damaged Myalup plantations for the Myalup Primary Industries Reserve.

WORKING ARRANGEMENTS WITH DEPARTMENT OF BIODIVERSITY, CONSERVATION AND ATTRACTIONS FINALISED

We implemented working arrangements with the DBCA which have improved efficiencies and reduced duplication between the two agencies over the year.

These arrangements allow us to meet our legislative requirements and effectively plan and harvest on land managed by the DBCA. They cover issues such as worksite management, identifying training requirements, improving information management and exchange, and working together to improve knowledge on pests, weeds and diseases.

Business improvements

Business improvements

A functional review of the FPC organisational structure was undertaken in 2017.

A new structure that focuses on functional activities across all forest types is now operating in the FPC. This has provided efficiencies by integrating activities such as roading, harvesting and forest management across our operations.

The review led to the creation of the New Business and Innovation Branch. The role of the branch is to drive whole-of-business innovation and business efficiencies to meet the current and future needs of Western Australia's forestry industry.

Working with industry, we undertook a detailed analysis of the softwood supply chain. The exercise identified several areas where the industry could reduce costs and improve its services, such as increased recovery of residue following pine harvesting which results in reduced establishment costs. The changes initiated as part of the review are critical to ensuring that the industry remains competitive domestically and internationally.

Similar supply chain projects are being planned with both the native forest and sandalwood industries.

Rapid changes in remote sensing technology and the development of tools for the analysis of big data are providing opportunities to create significant efficiencies. For example, where sandalwood inventory was previously based on a limited number of sample plots across a vast area, remote sensing technologies now enable sandalwood trees to be identified from aerial images using a combination of multi-spectral technology and machine learning.

We have also invested in a collaborative project with the Forest and Wood Products Association that will develop techniques for undertaking forest planning activities using virtual reality and three-dimensional models.

NEW IT SYSTEM DELIVERED

Substantial progress has been made towards the replacement of legacy systems for contract management, invoicing and contractor payments.

The new systems have been developed within the FPC with a focus on integration at all levels across the business to streamline data capture and reporting. The new systems will be commissioned over the next six months.

This page: Farm forestry can contribute a meaningful supply of timber to the industry.

Opposite page
Left: The FPC Farm Forestry Assist grant program gave landowners the opportunity to plant high-quality pine seedlings from our nursery.
Right: Landowners have already begun planting and we expect 226 hectares to be planted over the next few months.

IMPLEMENT RECOMMENDATIONS FROM TREASURY ASSESSMENT OF PLANTATIONS FOR SALE

This year, we continued to support initiatives to increase the area of new softwood plantations in Western Australia.

In the 2016-2017 Budget Speech, it was announced that the potential sale of the softwood plantation asset component of the FPC would not be progressed. Treasury's review process highlighted the need for further plantation resource to support a sustainable softwood industry.

We commissioned *Growing the Softwood Estate - Mechanisms required for farm forestry to contribute to an expansion of the plantation estate in Western Australia*, a report which identified strong stakeholder support for farm forestry and its role in industry.

Based on the report's recommendations, Forestry Minister Dave Kelly launched the FPC Farm Forestry Assist grant program. This program was aimed at supporting the local softwood processing industry by providing farmers with a grant of $500 per hectare or free seedlings to encourage farmers to plant pine trees on their land.

We received 15 applications and we expect 226 hectares to be planted over winter. The strong interest ensured all grant money was acquitted and the program is intended to be offered again next year.

EXIT OF UNECONOMIC SHAREFARMS

We are rationalising sharefarm plantations that were established in the 1990s and 2000s which did not meet anticipated outcomes.

This primarily relates to eucalypt plantings in the South West and drought-affected pine plantings to the north and east of Perth. More than 1,350 hectares of eucalypt plantations have been returned to landowners in instances where it was determined that there was not a commercial market. Agreements have also ceased on 487 hectares of softwood and hardwood because of fire and drought.

As part of the ongoing rationalisation of sharefarms, we are looking to provide landowners with the option to take possession of trees, or to provide the option to clear trees through an early harvest, if markets are available.

Divesting uneconomical and unsustainable plantations will allow us to focus our resources on increasing the softwood estate in suitable areas in line with the *Softwood Industry Strategy for Western Australia*.

NEW CONTRACTS FOR SANDALWOOD EFFECTIVELY IMPLEMENTED

The opening of a new distillation plant in Kalgoorlie was the final stage in the implementation of a contract awarded in 2016 for the supply of high-grade sandalwood to Dutjahn Sandalwood Oils (DSO).

Deliveries to DSO have increased during the year as the company secures markets for the oil it produces at the plant.

In addition to existing sandalwood sales contracts, we offered Western Australian companies the opportunity to purchase sandalwood as part of a new competitive panel of buyers.

Sandalwood is being offered in a competitive process, to support industry as part of the *Native Sandalwood Industry Strategy for Western Australia*. The first parcels of sandalwood were made available in May and sales were valued at more than $2.8 million.

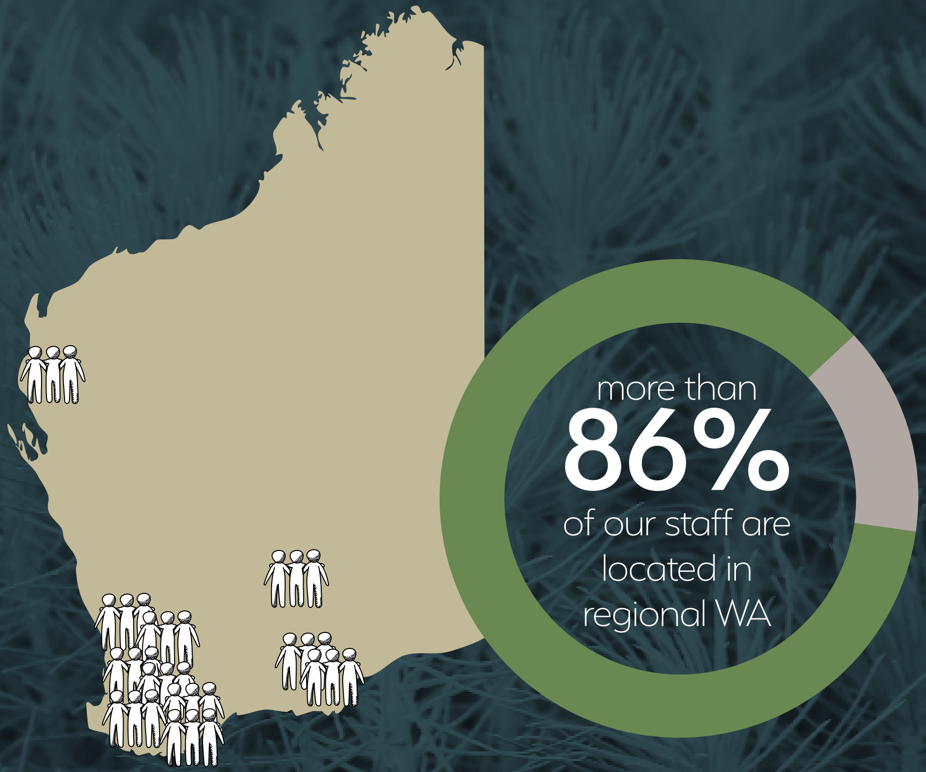
This page: Dutjahn Sandalwood Oils opened their distillation plant in Kalgoorlie in December.

Human resources

Staff snapshot

More than **86 per cent** of our **177** full-time equivalent (FTE) employees are located in regional towns.

The FPC employs **215 people** across its work sites, with the numbers including permanent, part-time, seasonal and casual employees.



TYPE OF STAFF	FTE	HEADCOUNT
Permanent full-time employees (excludes Attached Officers)	121	121
Permanent part-time employees	13	20
Fixed-term full-time employees	28	28
Fixed-term part-time employees	3	4
Seconded in FPC	4	4
Attached Officer seconded out from FPC	0	0
Attached Officers	0	0
Casuals	-	38
Working outside metro area	-	153

Leave liability in 2017-2018 was reduced to be consistent with public sector guidelines.

In April 2018, a new role was created to lead key cultural change initiatives and assist the FPC at a strategic level to develop a more innovative, flexible, proactive and productive work environment. The Culture and Organisational Change Manager has begun reviewing our Individual Development Plan, and has been developing a Culture Plan to be implemented in 2018-2019.

Aboriginal traineeships
Work began on the creation of an aboriginal traineeship program which will be implemented in 2018-2019. This new initiative has been designed to attract and appoint enthusiastic people who will receive the necessary training and development to apply for permanent roles within the FPC and other government or industry organisations.

Sustainable forest management performance

Sustainable forest management performance

Our forest management activities are regulated through a three-tiered compliance framework.

The three tiers include:

1. Regulation through the *Forest Management Plan 2014-2023* (FMP) and the DBCA's environmental compliance monitoring.
1. Our internal Corporate Governance Framework and Integrated Forest Management System.
2. External monitoring through independent audits of our systems and processes.

FPC's Integrated Forest Management System
During the year we updated our Integrated Forest Management System (IFMS) following the structural changes across the business. Our IFMS is aligned with the new working arrangements and will allow us to continue our performance against sustainable forest management objectives.

We reviewed our operational and strategic risks associated with our activities working in native forests, sandalwood areas and plantations, and ensured that all staff received up-to-date training in new Environmental Management System (EMS) requirements.

Our 2017 *Karri forest management plan and Karri forest HCV assessment* were reviewed to meet the requirements of the Forest Stewardship Council's® (FSC®) Controlled Wood Standard (FSC-STD-30-010; FSC-C120630) and the associated FSC Australia's High Conservation Values (HCVs) evaluation framework. The FPC undertakes stakeholder consultation on the identification of HCVs within the defined forest management unit (FMU) and the precautionary measures in place to protect them.

We also commenced a work program to upgrade our EMS to the revised EMS Standard – ISO 14001 (2015) in preparation for a recertification audit in 2018-2019, and prepared our systems to seek Responsible Wood certification for our sandalwood business.

External independent audits
During the year, we continued to improve our environmental management systems. As a result, we maintained our certification to ISO 14001 (2004) for our EMS as well as certification to the Australian Standard (Responsible Wood) AS 4708 (2013) - The Australian Standard for Sustainable Forest Management. The Australian Standard is internationally recognised and endorsed by the Programme for Endorsement of Forest Certification (PEFC).

NEW KPIs IN PLACE

We have reviewed our Key Performance Indicators to ensure they aligned with the State Government's Goals and the FMP.

While most of the monitoring requirements described in the FMP are routinely carried out and reported to regulatory bodies, the reporting of many of these indicators has now been formalised and can be found on page 99.

This page: We undertook stakeholder consultation on the update of our *Karri forest management plan*.

Occupational safety and health

Occupational safety and health

To ensure that governance and management of safety continues to be considered at the highest level, the FPC board of commissioners established a new sub-committee focussed on People and Safety.

The sub-committee will be focussing on monitoring and improving the safety culture within the FPC as part of the wider forestry industry. All high-risk activities in the FPC are currently being reviewed to ensure appropriate controls, documentation and resourcing are in place.

In 2017-2018, following a serious safety incident involving a chainsaw, we undertook a focussed audit of the FPC nursery's safety management processes. A key finding was the need to reinforce essential safety management and leadership skills for all supervisors. This training has commenced and will continue during 2018-19.

Our Occupational Safety and Health Committee structure was also reviewed and improved to focus efforts on high risk issues. This included the introduction of initiatives such as random drug and alcohol testing and providing staff with more competency-based training to conduct internal incident investigations. A key initiative of the committee has also involved reviewing the working alone procedure.

Log truck safety

Log truck safety has been and will continue to be a priority area for the FPC.

Our Chain of Responsibility Steering Committee continued to review and develop strategies to monitor and manage road transport safety.

An audit of road transport mass management processes for the FPC and its contractors was conducted and the development of an online training and awareness module for staff and contractors was delivered to reduce the risk of log truck rollovers.

Our commitment to contractor safety was enhanced with quarterly contractor meetings to discuss and resolve safety issues and we introduced a revised compliance checking process to monitor contractor safety systems and operations.

During 2018-2019, we will introduce a specialised skills verification system, in partnership with the Forest Industries Federation of Western Australia, that will allow the FPC and our contractors to more closely manage and assess staff and employee competency and training for their individual roles.

Safety incidents

Workers compensation statistics for FPC staff.

INDICATOR*	TARGET	2016-2017	2017-2018
Number of fatalities**	0	0	0
Lost time injury / disease incident rate	0	0.59	0.56
Lost time injury severity rate***	0	0	100
Lost time injury	0	1	1
Percentage of injured workers returned to work within (i) 13 weeks and (ii) 26 weeks***	i) 100%	i) N/A	i) 0%
	ii) 100%	ii) N/A	ii) 100%
Percentage of managers who have completed OSH training	80%	97.5%	97%

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

** While there were no FPC employee fatalities for the 2017-2018 year, there was one fatality of an FPC contractor's employee

*** There was only one lost time injury during 2017-2018, but it was classified as severe

Looking forward

An increasing demand for wood fibre and changes in technology are facilitating transformations across all forest sectors where the FPC operates.

Increased utilisation
Technology now exists which enables logs that could not previously be used for value-added products to be processed into veneers or other components of engineered wood products. These engineered wood products not only replace large dimension solid timbers in traditional uses but enable the use of timber in multi-storey construction.

The FPC has begun planning a series of tenders, which will be run over the next 12 months, designed to attract new timber processing ventures.

Our operations have an important role in managing the impact of climate change on forest health and water availability. New technologies for processing lower-grade logs will help to facilitate good forest management outcomes.

There will always be some trees, or parts of trees, removed from silvicultural operations that cannot be used in structural or decorative applications.

This lower-value wood fibre will continue to be supplied into traditional markets such as silicon or paper manufacture, and there is also a rapidly growing demand for the use of wood for the production of renewable bioenergy.

Wood from sustainably managed forest operations has the potential to be used as either a standalone energy source, or in combination with other fuels to provide baseload electricity.

Investment
It is essential to attract new investment to ensure that there is sufficient high-quality plantation softwood in the future to sustain the industry. While the government has made a leading commitment, it is important that this is supplemented by the timber industry, private investors and landowners.

Sandalwood industry
We will continue to build on changes to the way in which sandalwood is sold to facilitate the development of a more diverse and resilient domestic processing sector.

In addition to long term contracts for processing and sale, a panel of local sandalwood buyers has been established and the FPC will make regular offers of wood to the panel through a competitive process. Sales through the panel will favour buyers that undertake value-adding in Western Australia and encourage Aboriginal employment.

Business improvements
Following the replacement of legacy business systems over the next six months, we will develop and implement an electronic delivery note (EDN) system.

The EDN system will replace the current paper-based system and enable the FPC, contractors and customers to have real-time access to data on log deliveries. This will enable a change in the management of scheduling and logistics across the supply chain.

Community engagement
Renewed engagement with the broader community is important for the forestry sector to understand community expectations and to communicate the role that it can play in achieving them.

The clear articulation of long-term direction of the management of forests and plantations and the values that they can provide will be the foundation for building this dialogue and providing confidence in the forestry sector.

Opposite page

Left: FPC staff inspect lower-grade timber removed from the forest. Previously this would not have been used and today we are developing markets for this other bole volume.
Right: High-grade sawlog remains a priority of the FPC and developing alternative markets for low-value products is about improving the ecological health of the forest and increased utilisation.

Performance summary

Our regeneration efforts are focused on returning State forest destroyed in the Northcliffe fire back into productive forest.

Financial performance

The FPC continues to operate profitably and provide a significant contribution to the economies of the State and many communities throughout the south-west of Western Australia.

This financial year, an operating profit result of $6.6 million has been achieved.

This result is contributed to by all forest business segments returning a profit.

The profit earned by the FPC has enabled the investment of $7.2 million in building the State's softwood estate, native forest and sandalwood resource regeneration programs.

During 2017–2018, a dividend of $3.6 million was paid to the State Government for the 2016–2017 year.

Pricing arrangements

Pricing arrangements are determined by a variety of factors including requirements under the *Forest Products Act 2000*.

Section 59 of the Act 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 Statement of Corporate Intent.

	Target 2017–18 ($ millions)	**Actual 2017–18 ($ millions)**	**Variance ($ millions)**
Financial targets			
Total expenses (sourced from Statement of Comprehensive Income)	131.4	107.5	23.9
Total income (sourced from Statement of Comprehensive Income)	134.3	119.7	(14.6)
Total equity (sourced from Statement of Financial Position)	362.4	370.3	7.9
Net increase / (decrease) in cash held (sourced from Statement of Cash Flows)	(7.0)	(0.8)	6.2
Financial outcomes			
Timber revenues	132.9	111.6	(21.3)
Operating profit	2.9	6.6	3.7
Net profit / (loss) after tax	(3.5)	8.0	11.5
Closing cash balance	23.5	30.6	7.1
Dividends paid	1.9	3.6	1.7

	Target 2016–17 (%)	**Actual 2016–17 (%)**	**Variance (%)**
Performance measures			
Return on assets (operating profit/total assets)	0.7%	3.1%	2.4%
Return on equity	0.8%	3.5%	2.7%
Operating profit to timber revenues	2.2%	5.9%	3.7%

Summary of audited key performance indicators

This year, we reviewed our key performance indicators (KPIs) to ensure they aligned with the new McGowan Government's goals and the *Forest Management Plan 2014-2023* (FMP).

In addition, over the last two years there has been a shift in the FPC's focus to concentrate more on the core business of expanding the plantation estate as well as increasing internal efficiencies in all aspects of our business. The organisation has also undergone a functional review and structural change to facilitate the planned efficiencies.

Consequently, the FPC's existing KPIs have been amended and now offer greater coverage.

Several new KPIs are being reported for the first time focusing on operational efficiency and improved business outcomes, environmental performance and healthy stakeholder relationships. These new indicators have been clearly identified. Some existing indicators have also been expanded to provide greater coverage. Changes to these indicators have also been identified. KPIs that are to be discontinued next financial year are reported separately to provide continuity from previous years.

As a result we are reporting against 10 new KPIs, which are highlighted below.

Key effectiveness indicators

			Target	Actual
1	**Quantity of native forest hardwood log timber harvested compared to FMP sustainable levels and targets (sawlogs and other bole volume separately)**			
	First and second grade sawlogs (m^3)	Jarrah	132,000	81,451
		Karri	59,000	34,111
	Other bole volume (m^3)	Jarrah	292,000	190,313
		Karri	164,000	133,770
		Marri	140,000	14,346
	Harvest of sandalwood does not exceed Order in Council	Green	1,125	1,023
		Dead	1,125	690
2	**Effectiveness of forest regeneration**			
	Karri		95 %	100 %
	Sandalwood		50,000	-
	Jarrah		90 %	73 %
3	**The achievement of thinning schedules**			
	Karri		1,230	724
	Softwood		95 %	86 %
	Sandalwood		2,007	-
4	**All aspects of road construction within guidelines**			
			90 %	100 %
5	**All operations commence with required approvals**			
			100 %	100 %
6	**Independent certification maintained**			
			100 %	100 %

		Target	Actual
7	**Planned fire break activities achieved**		
		90 %	88 %
8	**Area of softwood plantation established against target**		
		100 %	52 %
9	**Expansion of the plantation estate**		
		95 %	100 %

		Native forest	Plantations
10	**Increase in low-value resource delivered to and processed by local markets**		
	Domestic	228,894	213,506
	Woodchip export	149,249	30,182
	Log export	-	37,454

		Target ($'000s)	Actual ($'000s)
11	**Operating profit**		
		$2,876	$6,612

Key efficiency indicators

		Target	Actual
1	**Timeliness of response to Ministerial requests and Parliamentary Questions**		
		90 %	91 %
2	**Timeliness of response to stakeholder concerns or complaints**		
		90 %	96 %
3	**All high-value sawlog resource processed locally**		
		100 %	100 %
4	**Green sandalwood roots as a percentage of green sandalwood harvested**		
		25 %	34 %
5	**Log delivery consistent with contractual obligations**		
	Native forest	98 %	92 %
	Plantations	98 %	100 %
	Sandalwood	98 %	83 %

		Actual
6	**Cost per dollar of revenue generated**	
	Native forest	$0.99
	Plantations	$0.92
	Sandalwood	$0.65

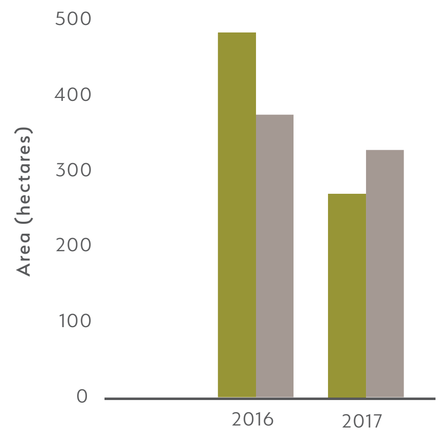
Removed key performance indicators

The following KPIs have been removed and will not be reported on in future Annual Reports. The new KPIs have been reported on page 101.

Key effectiveness indicators

1. Extent of karri forest regenerated relative to area harvested

The increased area of clearfelling in 2016 was unable to be fully replanted that year. Performance in 2017 caught up on that carry-over area in a timely manner.



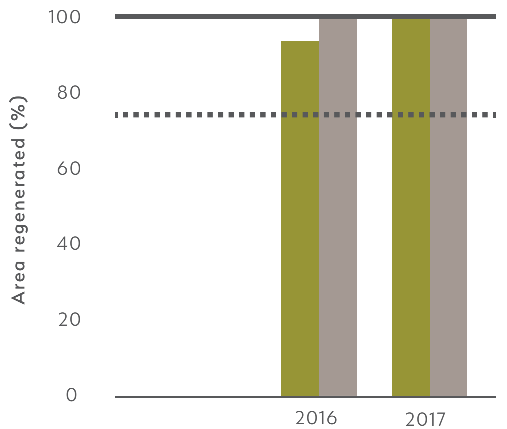
	2016	2017
Area cut over (ha)	475	262
Area regenerated (ha)	370	338

Extent of karri forest regenerated relative to area harvested

2. Timeliness of karri forest regeneration

Target: 75 per cent of areas clearfelled is regenerated within 18 months and 100 per cent within 30 months

The regeneration program has been able to consistently meet the target of timely regeneration of karri forest.



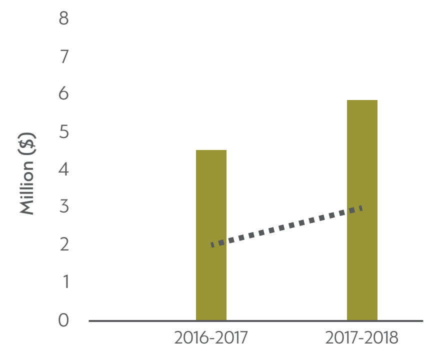
	2016	2017
18 month target	75	75
30 month target	100	100
% regenerated within 18 months	94	100
% regenerated within 30 months	100	100

Timeliness of karri forest regeneration

3. 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 2017-2018, the FPC paid dividend and taxes of $5.9 million. This included a dividend payment of $3.6 million.



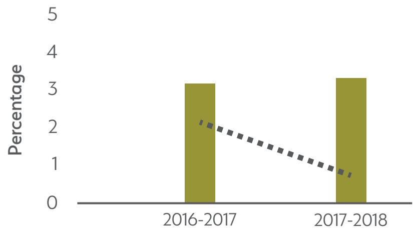
	2016-2017	2017-2018
Target	1.96	2.91
Actual	4.56	5.95

Total payments to Government

Key efficiency indicators

1. 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.



	2016-2017	2017-2018
Target	2.19	0.75
Actual	3.09	3.10

Ratio of earnings to interest and tax before total assets

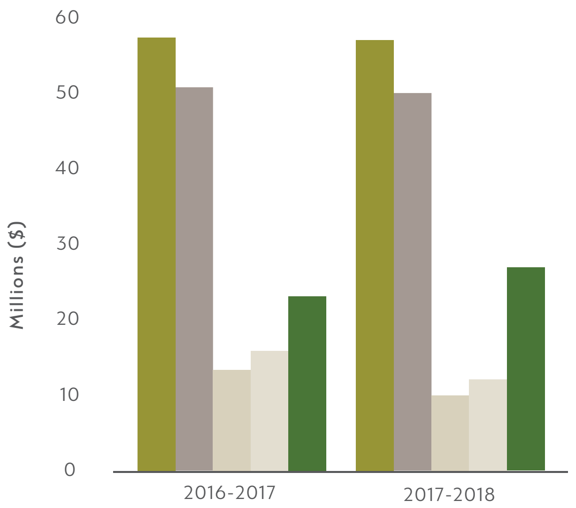
2. Stumpage revenue

The stumpage revenue is the timber sales revenue less production charges for harvest and haulage costs, including processing and marketing costs for sandalwood.

Stumpage revenue in 2017-2018 was 11.3 per cent lower than target and also lower than the actual from the previous year.

For the 2017-2018 year, there was a 30.9 per cent decrease in sandalwood stumpage revenue as well as a decrease of 16.5 per cent in native forest.

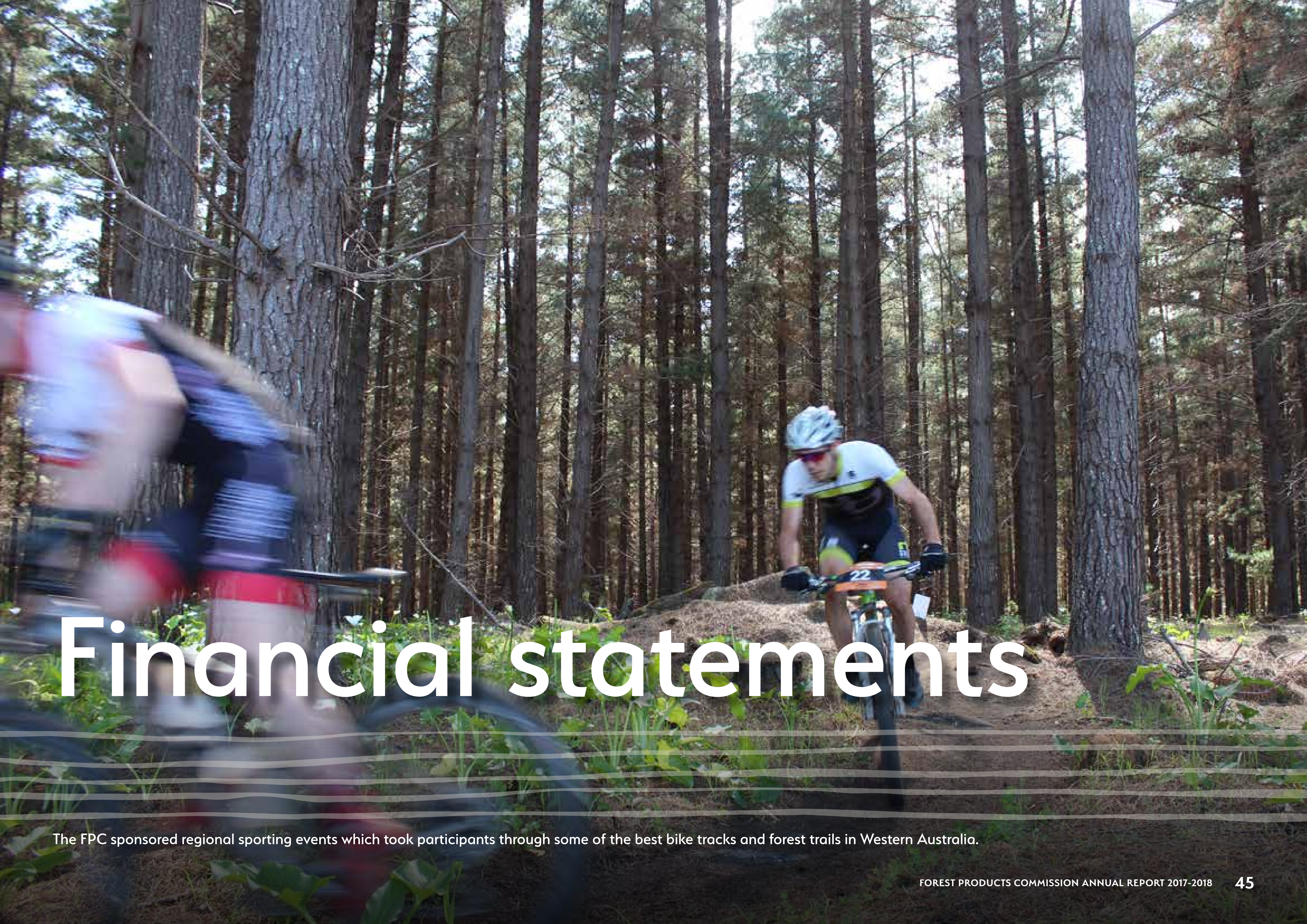
Plantation stumpage revenue was higher than the previous year and 35.7 per cent above target for the year.



	2016-2017	2017-2018
Target total	$57.30	$56.80
Actual total	$51.98	$50.36
Sandalwood	$13.83	$10.81
Native forest	$15.01	$12.53
Plantations	$23.15	$27.02

Stumpage revenue

Financial statements



The FPC sponsored regional sporting events which took participants through some of the best bike tracks and forest trails in Western Australia.

Auditor General's report

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

FOREST PRODUCTS COMMISSION

Report on the Financial Statements

Opinion

I have audited the financial statements of the Forest Products Commission which comprise the Statement of Financial Position as at 30 June 2018, 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.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Forest Products Commission for the year ended 30 June 2018 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for Opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Commission in accordance with the *Auditor General Act* 2006 and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibility of the Commission 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, the *Financial Management Act* 2006 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.

In preparing the financial statements, the Commission is responsible for assessing the agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Commission.

Auditor's Responsibility for the Audit of the Financial Statements

As required by the *Auditor General Act* 2006, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commission.
- Conclude on the appropriateness of the Commission's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Commission regarding, among other matters, the planned scope and timing of the audit and significant audit findings , including any significant deficiencies in internal control that I identify during my audit.

Report on Controls

Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Forest Products Commission. The controls exercised by the 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 (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

In my opinion, in all material respects, 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 2018.

The Commission's Responsibilities

The Commission is responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities are in accordance with the *Financial Management Act* 2006, the Treasurer's Instructions and other relevant written law.

Auditor General's Responsibilities

As required by the *Auditor General Act* 2006 , my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and the controls, necessary to achieve the overall control objectives, were implemented as designed.

An assurance engagement to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including the assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

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

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or noncompliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions .

Report on the Key Performance Indicators

Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Forest Products Commission for the year ended 30 June 2018. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, 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 2018.

The 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 internal control as the Commission determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Commission is responsible for identifying key performance indicators that are relevant and appropriate having regard to their purpose in accordance with Treasurer's Instruction 904 *Key Performance Indicators*.

Auditor General's Responsibility

As required by the *Auditor General Act* 2006, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the agency 's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

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

My Independence and Quality Control Relating to the Reports on Controls and Key Performance Indicators

I have complied with the independence requirements of the *Auditor General Act* 2006 and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory 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 2018 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.

CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA

Perth, Western Australia
17 September 2018

Certification of financial statements

Certification of the financial statements

For the year ended 30 June 2018

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 2018 and the financial position as at 30 June 2018.

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 Ross Holt
Chairman
7 September 2018

Ms Amelia Yam
Commissioner and Chair
of Audit and Risk Committee
7 September 2018

Mr Ron Lucas
Chief Finance Officer
7 September 2018

Statement of comprehensive income

For the year ended 30 June 2018

		NOTE	2018 $000	2017 $000
Income	**Revenue**			
	Sales	6.1	111,590	113,400
	Commonwealth grants and contributions	7.0	-	666
	Interest revenue	8.0	677	916
	Other revenue	9.0	1,475	1,320
	Gains			
	Other gains	10.0	370	317
	Total income		**114,112**	**116,619**
Expenses	Cost of sales	6.2	64,933	64,283
	Employee benefits expense	11.0	20,029	18,874
	Supplies and services	12.0	18,673	19,012
	Depreciation and amortisation expense	13.0	1,199	1,292
	Finance costs	14.0	692	753
	Accommodation expenses	15.0	435	439
	Grants and subsidies	16.0	20	-
	Loss on disposal of non-current assets	17.0	-	85
	Other expenses	18.0	1,519	1,501
	Total expenses		**107,500**	**106,240**
Profit before change in biological assets valuation and onerous contracts			**6,612**	**10,379**
Biological asset decrease		20.0	(2,052)	(6,663)
Onerous contracts		21.0	1,173	196
Profit before grants and subsidies from State Government			**5,733**	**3,912**
Grants and subsidies from State Government		22.0	5,603	1,701
Profit before income tax equivalent expense			**11,336**	**5,613**
Income tax expense		44.0	(3,338)	(1,649)
Profit for the year			**7,998**	**3,964**
Other comprehensive income	**Items that will not be reclassified subsequently to profit or loss**			
	Remeasurements of defined benefit liability		4	3
	Changes in asset revaluation surplus	37.2	(92)	467
	Deferred tax on items of other comprehensive income	37.2	28	(140)
	Items that may be reclassified subsequently to profit or loss			
	Changes in cashflow hedge reserve	37.2	(156)	(91)
	Income tax on items of other comprehensive income	37.2	47	27
	Total other comprehensive income		**(169)**	**266**
	Total comprehensive income for the year		**7,829**	**4,230**

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

Statement of financial position

as at 30 June 2018

	NOTE	2018 $000	2017 $000
Current Assets			
Cash and cash equivalents	38.1	29,306	31,220
Restricted cash and cash equivalents	23.0, 38.1	1,245	127
Inventories	24.0	6,752	5,489
Receivables	25.0	17,667	19,803
Income tax receivable	26.0, 44.0	-	561
Biological assets	30.0	33,706	23,540
Other assets	27.0	600	1,008
		89,276	81,747
Non-current assets			
Property, plant and equipment and infrastructure	28.0	29,023	26,842
Deferred tax assets	44.0	-	1,208
Biological Assets	30.0	295,306	302,645
Intangibles	29.0	495	328
		324,824	331,023
Total assets		414,100	412,770
Current Liabilities			
Payables	33.0	14,215	14,625
Provisions	35.0	8,350	8,827
Deferred revenue	36.0	1,789	1,678
Tax Payable	34.0, 44.0	6	-
		24,360	25,130
Non-current liabilities			
Payables	33.0	3,460	4,698
Provisions	35.0	2,417	3,536
Deferred tax liabilities	44.0	211	-
Deferred revenue	36.0	13,362	14,628
		19,450	22,862
Total liabilities		43,810	47,992
Net Assets		370,290	364,778
Equity	37.0		
Contributed Equity		343,541	342,241
Reserves		10,575	10,748
Retained earnings / (Accumulated Losses)		16,174	11,789
Total equity		370,290	364,778

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 2018

	Note	Contributed Equity $000	Reserves $000	Retained Earnings / (Accumulated Losses) $000	Total equity $000
Balance at 1 July 2016		340,141	10,485	10,352	360,978
Profit for the year		-	-	3,964	3,964
Other comprehensive income for the year, net of income tax		-	263	3	266
Total comprehensive income for the year	37.0	-	263	3,967	4,230
Transactions with owners in their capacity as owners:					
Dividends paid	37.3	-	-	(2,530)	(2,530)
State contribution (repayment)	37.1	2,100	-	-	2,100
Balance at 30 June 2017	**37.0**	**342,241**	**10,748**	**11,789**	**364,778**
Balance at 1 July 2017		**342,241**	**10,748**	**11,789**	**364,778**
Profit for the year		-	-	7,998	7,998
Other comprehensive income for the year, net of income tax		-	(173)	4	(169)
Total comprehensive income for the year	37.0	-	(173)	8,002	7,829
Transactions with owners in their capacity as owners:					
Dividends paid	37.3	-	-	(3,617)	(3,617)
State contribution / (repayment)	37.1	1,300	-	-	1,300
Balance at 30 June 2018	**37.0**	**343,541**	**10,575**	**16,174**	**370,290**

Statement of cash flows

For the year ended 30 June 2018

	Note	2018 $000	2017 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		122,187	119,296
Interest received		677	916
Other receipts		1,190	1,219
Payments			
Employee benefits		(19,782)	(19,973)
Supplies and services		(24,579)	(23,335)
Forest management expenditure		(72,783)	(74,901)
Net cash generated by operating activities	38.2	**6,910**	**3,222**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current physical assets		(3,340)	(6,077)
Purchase of intangible assets		(305)	(211)
Purchase of investments			
Investment in new plantations		(6,068)	(5,849)
Net cash used in investing activities		**(9,713)**	**(12,137)**
CASH FLOWS FROM / (TO) STATE GOVERNMENT			
Royalties for Regions Fund		250	250
State Contribution (equity injection)		1,300	2,100
Other grants and subsidies		5,353	1,451
Dividends paid		(3,617)	(2,530)
Taxation equivalents		(1,278)	(561)
Net cash provided to State Government		**2,008**	**710**
Net decrease in cash and cash equivalents		(795)	(8,205)
Cash and cash equivalents at the beginning of year		31,346	39,551
Cash and cash equivalents at the end of year	38.1	**30,551**	**31,346**

Index of notes to the financial statements

Notes to the financial statements

1.0 AUSTRALIAN ACCOUNTING STANDARDS

General
The Forest Products Commission's (FPC) financial statements for the year ended 30 June 2018 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

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

Early adoption of standards
The FPC cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 Application of Australian Accounting Standards and Other Pronouncements. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the FPC for the annual reporting period ended 30 June 2018.

2.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.01 General statement

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

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

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

2.02 Basis of preparation

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

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

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

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

2.03 Reporting entity

The reporting entity comprises the FPC.

2.04 Contributed equity

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

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

2.05 Income

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

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

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

Interest
Revenue is recognised as the interest accrues.

Grants, donations, gifts and non-reciprocal contributions
Revenue is recognised at fair value when the FPC obtains control over the assets comprising the contributions, usually when cash is received.

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

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

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

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

2.06 Income tax

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

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

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

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

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

Current and deferred income tax equivalents are recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

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

2.07 Property, plant and equipment, and infrastructure

Capitalisation / expensing of assets

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

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

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

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

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

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

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

Fair value of infrastructure has been determined by reference to the depreciated replacement cost (existing use basis) as the assets are specialised and no market-based evidence of value is available. Land under infrastructure is included in land reported under note 28 Property, plant and equipment and infrastructure. Independent valuations are obtained every 3 to 5 years for infrastructure.

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

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

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

Asset Revaluation Surplus
The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets on a class of assets basis as described in note 28 Property, plant and equipment and infrastructure.

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

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

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

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

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

Land is not depreciated.

2.08 Intangible assets

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

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

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

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

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

Software[(a)]	2.5 years

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

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

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

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

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

2.09 Impairment of assets

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

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

Intangible assets not yet available for use are tested for impairment at the end of each reporting year irrespective of whether there is any indication of impairment.

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

2.10 Leases

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

2.11 Financial instruments

In addition to cash and bank overdraft, the FPC has two categories of financial instrument:
- Loans and receivables;
- Financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

Financial Assets:
- Cash and cash equivalents
- Receivables

Financial Liabilities:
- Payables
- Bank overdraft
- Amounts due to Treasury

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

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

2.12 Cash and cash equivalents

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

2.13 Accrued salaries

Accrued salaries (see note 33 Payables) represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The FPC considers the carrying amount of accrued salaries to be equivalent to its fair value.

2.14 Inventories

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

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

2.15 Receivables

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

2.16 Investments and other financial assets

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

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

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

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

2.17 Biological assets

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

(a) The entity controls the asset as a result of past events;

(b) It is probable that future economic benefits associated with the asset will flow to the entity; and

(c) The fair value or cost of the asset can be measured reliably.

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

AASB 141 defines a group of biological assets as an aggregation of similar living animals or plants. Therefore, the FPC determines that it 'holds' three types of biological assets: (1) plantation timber; (2) native forest; and (3) sandalwood.

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

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

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

Plantation Timber

The FPC values pine plantations that are managed across a broad geographic area of approximately 71,686 hectares. The value of the softwood plantation is based on a forest estate model that forecasts supply from all sources to each market. This model also forecasts the revenues and costs associated with the forest estate.

The FPC values sandalwood plantations that are managed across an area of approximately 5,808 hectares. The value of the sandalwood plantation is based on revenues and costs associated with the forest estate.

Native Timber

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

On the basis of the long term sustainable yield forecast in the FMP a perpetual terminal value approach is adopted for the cash flows post the current FMP. Should Government policy change the value of the Native Forest will need to be reviewed.

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

Management silviculture obligations associated with jarrah are included in the fair value measurement. Karri regeneration costs are excluded. The cost associated with regenerating Native Forest areas harvested at reporting date are provided for as a liability; refer to Note 35(d).

Sandalwood

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

The annual harvest limit set by Executive Council under the Sandalwood (Limitation of Removal of Sandalwood) Order (2015) is a maximum of 1,250 tonnes of green and 1,250 tonnes of dead sandalwood.

The FPC is licenced to harvest up to 1,125 tonnes of green and 1,125 of dead sandalwood each year. Dead sandalwood is not included in the biological assets valuation as it is not a living asset.

The fair value of Sandalwood is measured based on the 2015 Order period which ends 31 December 2026. The period of valuation will be reviewed when future Orders are gazetted.

Valuation of biological assets

Plantation Timber

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

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

Native Forest and Sandalwood

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

Fair Value

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

Finally, by applying a discount rate, the Net Present Value (NPV) of those cash flows is assessed. The NPV is an estimation of the amount that one would pay today to receive the future cash flows from the harvest of forest products and management of the asset until harvest. NPV is calculated as the net of the future cash inflows and outflows associated with forest production activities, discounted back to current values.

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

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

2.18 Payables

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

2.19 Borrowings

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

2.20 Provisions

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

(i) Provisions – employee benefits

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

Annual leave

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

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

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

Long service leave

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

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

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

Deferred leave

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

Deferred leave is reported as a current provision as employees can leave the scheme at their discretion at any time.

Superannuation

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

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

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

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

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

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

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

(ii) Provisions – other

Employment on-costs

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

Native Forest Regeneration Provision

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

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived to the FPC from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The position in relation to these contracts is assessed at the end of each reporting period. When contracts are no longer determined to be onerous, income is taken to profit or loss.

Dividends

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

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

2.21 Superannuation expense

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

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

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

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

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

2.23 Comparative figures

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

3.0 OTHER ACCOUNTING POLICIES

3.01 Segment information

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

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

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

3.02 Foreign currency translation, derivative financial instrument and hedge accounting

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

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

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

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

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

3.03 Goods and services tax

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

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

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

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

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

4.0 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

4.01 Long service leave

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

4.02 Biological assets

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

Calculations performed in assessing the value of the Biological assets incorporate uncertainty with discount rates, harvest yields and volumes that could be realistically marketed and sold. See note 31.3 for sensitivity analysis

4.03 Property, plant and equipment and infrastructure

Land and buildings are revalued as at 1 July 2017 by the Western Australian Land Authority (Valuation Services). The valuations were performed during the year ended 30 June 2018 and recognised at 30 June 2018. In undertaking the revaluation, fair value was determined by reference to market values for land and buildings. For the remaining balance, fair value of buildings was determined on the basis of depreciated replacement cost and fair value of land was determined on the basis of comparison with market evidence for land with low level utility (high restricted use land).The most significant assumptions in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated economic life. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

5.0 DISCLOSURE OF CHANGES IN ACCOUNTING POLICY AND ESTIMATES

5.01 Future impact of Australian Accounting Standards not yet operative

The FPC cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 Application of Australian Accounting Standards and Other Pronouncements or by an exemption from TI 1101. By virtue of a limited exemption, the FPC has early adopted AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities. Where applicable, the FPC plans to apply the following Australian Accounting Standards from their application date:

		Operative for reporting periods beginning on/after
AASB 9	**Financial Instruments** This Standard supersedes AASB 139 *Financial Instruments: Recognition and Measurement*, introducing a number of changes to accounting treatments. The FPC has assessed that adoption of the expected credit losses model will have a minimal financial impact on the FPC's Surplus/(Deficit) for the period.	**1 Jan 2018**
AASB 15	**Revenue from contracts with customers** This Standard establishes the principles that the FPC shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The mandatory application date of this Standard is currently 1 January 2019 after being amended by AASB 2016-7. The FPC has assessed that this new standard will not have a material financial impact on the reporting of revenue from contracts with customers.	**1 Jan 2019**

AASB 16	**Leases** This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low-value. Whilst the impact of AASB 16 has not yet been quantified, the entity currently has operating lease commitments for $2,920,000. The FPC anticipates most of this amount will be brought onto the statement of financial position, excepting amounts pertinent to short-term or low-value leases. Interest and amortisation expense will increase and rental expense will decrease.	**1 Jan 2019**
AASB 1058	**Income of Not-for-Profit Entities** This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability, or a performance obligation (a promise to transfer a good or service), or, an obligation to acquire an asset. The FPC anticipates that application will not materially impact untied grant revenues.	**1 Jan 2019**
AASB 1059	**Service Concession Arrangements: Grantors** This Standard addresses the accounting for a concession arrangement (a type of public private partnership) by a grantor that is a public sector agency by prescribing the accounting for the arrangement from the Grantor's perspective. Timing and measurement for the recognition of a specific asset class occurs on commencement of the arrangement and the accounting for associated liabilities is determined by whether the grantee is paid by the grantor or users of the public service provided. This FPC has not identified any public private partnership within scope of the Standard.	**1 Jan 2019**
AASB 2010-7	**Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]** This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. The FPC has assessed that application of this standard will have minimal financial impact.	**1 Jan 2018**
AASB 2014-1	**Amendments to Australian Accounting Standards** Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. The FPC has assessed that application of this standard will have minimal financial impact.	**1 Jan 2018**
AASB 2014-5	**Amendments to Australian Accounting Standards arising from AASB 15** This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The FPC has assessed that this new standard will not have a financial impact on the reporting of revenue from contracts with customers.	**1 Jan 2019**
AASB 2014-7	**Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)** This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The FPC has assessed that application of this standard will have minimal financial impact.	**1 Jan 2018**

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

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

[1] Revenue from cost recovery operations is due mainly to services to Department of Biodiversity, Conservation and Attractions (DBCA) for fire support, the recoup of plantation maintenance costs and insurance premium adjustments. Expenses associated with these contributions are included in expenses from ordinary activities.

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

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

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

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

[1] Insurance includes payments to Riskcover.

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

		2018 $000	2017 $000
15.0	**ACCOMMODATION EXPENSES**		
	Lease rentals and accommodation	302	287
	Other property	133	153
		435	**439**
16.0	**GRANTS AND SUBSIDIES**		
	Grants and subsidies provided[1]	20	-
		20	**-**
	[1] Grants provided to various community groups under a community grants program.		
17.0	**LOSS ON DISPOSAL OF NON-CURRENT ASSETS**		
	Net proceeds from disposal of non-current assets		
	Plant, equipment and vehicles	-	-
	Net costs of disposal of non-current assets		
	Plant, equipment and vehicles	-	11
	Carrying amount of non-current assets disposed		
	Plant, equipment and vehicles	-	74
	Net loss	**-**	**85**
18.0	**OTHER EXPENSES**		
	Audit fees – Auditor General	162	162
	Audit fees – Other	83	65
	Increase/(Decrease) in allowance for doubtful debts	(24)	244
	Telephone, postage, communications	757	723
	Employment on-costs	197	23
	Plantation maintenance provision movement	(82)	(39)
	Other administration costs	244	225
	Resources received free of charge	183	98
		1,519	**1,501**

19.0 Related Party Transactions

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

Related parties include:

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

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

		2018 $000	2017 $000
	– payment for services provided by the Department of Primary Industries and Regional Development (Note 15);	(232)	(179)
	– commitments for future lease payments to the Department of Primary Industries and Regional Development (Note 39.2);	(1,910)	(2,116)

Material transactions with related parties

The FPC had no material related party transactions with Ministers/senior officers or their close family members or their controlled (or jointly controlled) entities for disclosure.

		2018 $000	2017 $000
20.0	**BIOLOGICAL ASSET INCREASE/(DECREASE)**		
	Increment/(decrement) from revaluations	(2,052)	(6,663)
		(2,052)	**(6,663)**
	Reconciliation of decrease on revaluations to movement of biological assets		
	Gross movement on biological assets	2,826	(4,077)
	Provision for replanting - Harvey Coast	-	1,962
	New plantations	(4,878)	(4,548)
		(2,052)	**(6,663)**
21.0	**ONEROUS CONTRACTS**		
	Annuity obligations associated with non-core share farms considered onerous [1]	1,173	196
		1,173	**196**

[1]Comprises an adjustment for plantation sandalwood estate no longer considered onerous (2017) and Esperance pine (2018).

		2018 $000	2017 $000
22.0	**GRANTS AND SUBSIDIES FROM STATE GOVERNMENT**		
	Revenue received during the period:		
	Government operating subsidy [(a)]	833	1,451
	Royalties for Regions Fund – A Vision for the Forest Industry in Western Australia [(b)]	250	250
	Myalup Primary Industries Reserve Project [(c)]	4,520	-
		5,603	**1,701**

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

[(b)] This is a sub-fund within the over-arching 'Royalties for Regions Fund'. The recurrent funds are committed to projects and programs in WA regional areas.

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

		2018 $000	2017 $000
23.0	**RESTRICTED CASH AND CASH EQUIVALENTS**		
	Current		
	Myalup Primary Industries Reserve Project [(a)]	1,245	-
	Royalties for Regions Fund [(b)]	-	127
		1,245	**127**

[(a)] Unspent funds are committed to the purchase of land.

[(b)] Unspent funds are committed to projects and programs in WA regional areas.

		2018 $000	2017 $000
24.0	**INVENTORIES**		
	Current		
	Inventories held for resale at cost[1]:		
	– Plant propagation centre	1,753	1,969
	– Sandalwood	3,738	2,505
	– Timber on forest landings	1,262	1,015
		6,752	**5,489**

[1] Cost is the net market value of inventories at the time assets were no longer classified as biological assets.

		2018 $000	2017 $000
25.0	**RECEIVABLES**		
	Current		
	Trade and other receivables	18,630	20,790
	Allowance for doubtful debts	(964)	(987)
		17,667	**19,803**
	Reconciliation of change in the allowance for doubtful debts		
	Balance at start of year	(987)	(744)
	Amounts written off during the year	-	1

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

[1] Land and buildings were revalued as at 1 July 2017 by the Western Australian Land Information Authority (Valuation Services). The valuations were performed during the year ended 30 June 2018 and recognised at 30 June 2018. In undertaking the revaluation, fair value was determined by reference to market values for land: $10,174,300 (2017: $10,329,400) and buildings: $4,107,000 (2017: $4,190,000). For the remaining balance, fair value of buildings was determined on the basis of depreciated replacement cost and fair value of land was determined on the basis of comparison with market evidence for land with low level utility (high restricted use land).

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

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

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

28.3 Reconciliations

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

Cost or fair value	Freehold land $000	Buildings $000	Nursery infrastructure $000	Plant, equipment and vehicles $000	Office equipment $000	Total $000
Balance at 1 July 2016	11,101	5,959	13,172	3,787	964	34,983
Additions	6,006	81	-	15	58	6,160
Disposals	-	(79)	-	(237)	(186)	(502)
Revaluation increase	289	97	-	-	-	386
Accumulated depreciation written back	-	(298)	-	-	-	(298)
Derecognition	-	-	-	(15)	-	(15)
Reclassifications				(14)	(256)	
Balance at 30 June 2017	**17,396**	**5,760**	**13,172**	**3,536**	**580**	**40,444**
Balance at 1 July 2017	17,396	5,760	13,172	3,536	580	40,444
Additions	3,275	-	-	89	59	3,423
Disposals	-	-	-	(59)	(19)	(78)
Revaluation (decrease)/increase	(203)	112	-	-	-	(91)
Accumulated depreciation written back		(283)	-	-	-	(283)
Balance at 30 June 2018	**20,468**	**5,589**	**13,172**	**3,566**	**620**	**43,415**
Depreciation and impairment losses	-	-	-	-	-	-
Balance at 1 July 2016		(2)	(9,225)	(3,288)	(895)	(13,410)
Depreciation	-	(301)	(659)	(150)	(51)	(1,161)
Derecognition	-	-	-	-	(27)	(27)
Disposal	-	5	-	238	185	428
Accumulated depreciation written back	-	298	-	-	-	298
Reclassifications				8	262	270
Balance at 30 June 2017	**-**	**-**	**(9,884)**	**(3,193)**	**(525)**	**(13,602)**
Balance at 1 July 2017	-	-	(9,884)	(3,193)	(525)	(13,602)
Depreciation	-	(288)	(659)	(111)	(16)	(1,073)
Disposal	-	-	-	59	19	78
Accumulated depreciation written back	-	283	-	-	-	283
Reclassifications				(70)	(7)	(77)
Balance at 30 June 2018	**-**	**(5)**	**(10,543)**	**(3,315)**	**(529)**	**(14,392)**
Carrying Amounts						
At 1 July 2016	**11,101**	**5,957**	**3,947**	**499**	**69**	**21,573**
At 30June 2017	**17,396**	**5,760**	**3,288**	**343**	**55**	**26,842**
At 1 July 2017	**17,396**	**5,760**	**3,288**	**343**	**55**	**26,842**
At 30 June 2018	**20,468**	**5,584**	**2,629**	**251**	**91**	**29,023**

28.4 Fair value measurements

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

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

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

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

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

2017	**Land $000**	**Buildings $000**	**Infrastructure $000**
Fair Value at start of period	11,101	5,957	3,947
Additions	6,006	81	-
Revaluation increments/(decrements) recognised in other comprehensive income	289	97	-
Disposals	-	(74)	-
Depreciation expense	-	(301)	(659)
Fair Value at end of period	**17,396**	**5,760**	**3,288**

Valuation processes
There were no changes in valuation techniques during the year.

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

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

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

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

Consumed economic benefit/obsolescence of asset
These are estimated by the Western Australian Land Information Authority (Valuation Services).

Selection of land with restricted utility
Fair value for restricted use land is determined by comparison with market evidence for land with low level utility. Relevant comparators of land with low level utility are selected by the Western Australian Land Information Authority (Valuation Services).

Historical cost per cubic metre (m^3)
The costs of construction of infrastructure are extracted from financial records of the FPC and indexed by movements in construction costs by quantity surveyors.

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

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

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

Basis of Valuation

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

29.0 INTANGIBLE ASSETS

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

Reconciliation

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

	Intangible Assets $000
Cost	
Balance at 1 July 2016	**722**
Additions from external sources	240
Reclassifications	270
Disposals	(238)
Balance at 30 June 2017	**994**
Balance at 1 July 2017	**994**
Additions from external sources	292
Disposals	(131)
Balance at 30 June 2018	**1,155**
Amortisation and impairment losses	
Balance at 1 July 2016	**(502)**
Amortisation of software costs	(132)
Reclassifications	(270)
Disposals	238
Balance at 30 June 2017	**(666)**
Balance at 1 July 2017	**(666)**
Amortisation of software costs	(126)
Disposals	131
Balance at 30 June 2018	**(660)**
Carrying Amounts	
At 1 July 2016	141
At 30June 2017	328
At 1 July 2017	328
At 30 June 2018	**495**

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

30.0 BIOLOGICAL ASSETS

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

30.1 Fair Value measurement

Fair value hierarchy

The fair value for standing timber has been categorised as Level 3 fair values based on the inputs to the valuation technique used (a combination of the income approach and comparable sales approach under a discounted cash flow framework).

Level 3 fair values

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

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

Notes

Native Forests

1. **2017:** The updating of the valuation from 2016 to 2017 includes an increase in the projected volume for harvest based on market demand projections, primarily in low-grade resource. The impact of the revised woodflow is a $12. 6 million increase in value.

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

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

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

3. **2017:** The movement in unit costs between 2016 and 2017 has resulted in a net present value decrease of $24.6 million. The driver of the increase is a combination of increased volume, an increase in cost projected for forest management, administration and inforest, partly offset by a reduction in forecast roading costs.

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

4. **2017:** The discount rate for 2017 has been provided by an independent valuation company Indufor Asia Pacific. This discount rate is real, pre-tax and takes into consideration the forecast period timeframe and risks of achieving the forecast cash flows over that timeframe. The discount rate for 2017 is 9.5% (2016 9.5%).

   2018: The discount rate for 2018 has been provided by an independent valuation company Indufor Asia Pacific. This discount rate is real, pre-tax and takes into consideration the forecast period timeframe and risks of achieving the forecast cash flows over that timeframe. The discount rate for 2018 is 9.5% (2017 9.5%).

Sandalwood

1. **2017:** The updating of the valuation from 2016 to 2017 occurs following a transition period to new contractual arrangements for the processing, marketing and sale of wild sandalwood. The volume available is specified by the Sandalwood (Limitation of Removal of Sandalwood) Order 2015 (OIC) for the period ended 31 December 2026. In 2024 a review of the OIC will specify volume available for harvest post 2026.The limiting of the volumes to 31 December 2016 has been incorporated into the valuation. The impact of this is a net present value decrease of $12.3 million.

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

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

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

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

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

4. **2017:** The discount rate for 2017 has been provided by an independent valuation company Indufor Asia Pacific. This discount rate is real, pre-tax and takes into consideration the forecast period timeframe and risks of achieving the forecast cash flows over that timeframe. The discount rate for 2017 is 9.5% (2016 9.5%).

   2018: The discount rate for 2018 has been provided by an independent valuation company Indufor Asia Pacific. This discount rate is real, pre-tax and takes into consideration the forecast period timeframe and risks of achieving the forecast cash flows over that timeframe. The discount rate for 2018 is 10.3% (2017 9.5%). The impact of the increase in the discount rate is a decrease in the value by $1.5 million.

Plantations

1. **2017** The updating of the valuation from 2017 to 2018 includes a review of the available volume for harvest, which has resulted in an increase in the level of the projected wood flows. This is the result of a combination of factors including: revision of the stocked forest area as a consequence of harvesting and replanting; updating of yield estimates for areas where new inventory has been completed, and development of a revised harvesting strategy and projected woodflow. The impact of the revised woodflow is a $18.91 million increase in value.

2018: The updating of the valuation from 2017 to 2018 includes a review of the available volume for harvest, which has resulted in a decrease in the level of the projected wood flows. This is the result of a combination of factors including: revision of the stocked forest area as a consequence of harvesting and replanting; updating of yield estimates for areas where new inventory has been completed, and development of a revised harvesting strategy and projected woodflow. The impact of the revised woodflow is a $6.12 million decrease in value.

2. **2017:** The movement of forecast unit prices between 2017 and 2018 has resulted in a net present value decrease of $11.77 million over the period the current crop is forecast to be harvested. The primary contributing factor to the decrease is the reduction in log price for Wespine.

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

3 **2017:** The movement of forecast expenses between 2017 and 2018 has resulted in a net present value decrease of $6.48 million over the period the current crop is forecast to be harvested. The primary drivers of the decrease are higher transport and overhead costs, and higher stumpage share payments.

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

4. **2017:** The discount rate for 2018 has been provided by an independent valuation company Indufor Asia Pacific. This discount rate is for application to real, pre-tax cashflows and takes into consideration the forecast period timeframe and risks of achieving the forecast cash flows over that timeframe. The discount rate for 2018 is 9.0% (2017 9.0%).

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

5. **2017:** This represents the movement in net present value for the sandalwood plantation forest estate which was previously recognised in 2015/16. The discount rate for 2017 is 9.5%.

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

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

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

Description and Fair Value as at 30 June 2018	30-Jun-18 $000	30-Jun-17 $000	Valuation technique(s)	Unobservable Inputs	Significant unobservable inputs 2018	2017	Relationship of unobservable inputs to fair value measurement
Standing timber – Native forest	79,008	78,471	Discounted cash flows: the valuation model considers the present value of the net cash flows to be generated from the forest. The cash flow projections include specific estimates for the Forest Management Plan (FMP) period plus a perpetual terminal value for the sustainable volumes post FMP. The expected net cash flows are discounted using a risk adjusted discounted rate.	Estimated future timber market prices (gross profit) per cubic metre:	$6.20 to $74.19 weighted average $31.64	$4.88 to $73.21 weighted average $29.10	The estimated fair value would increase (decrease) if: – the estimated timber gross profit price per cubic metre was higher (lower); – the estimated volume was higher (lower); – the estimated management cost per cubic metre were lower (higher); or – the risk-adjusted discount rate was lower (higher).
				Estimated average volume per annum	633,000 cubic metres	686,000 cubic metres	
				Estimated management costs per cubic metre to sell the volume	$20.56	$19.05	
Standing timber – Sandalwood	55,051	65,350	Discounted cash flows: the valuation model considers the present value of the net cash flows to be generated from the forest. The cash flows projections include specific estimates for the Order in Council (OIC) period.	Estimated future timber market prices based on AUD/USD dollar forward exchange rates provided by Western Australian Treasury Corporation.	The exchange rate fluctuates over the period from $0.7435 in 2019 to $0.7473 in 2027.	The exchange rate decreases over the period from $0.77 in 2018 to $0.72 in 2027.	The estimated fair value would increase (decrease) if: – the estimated timber gross profit price per cubic metre were higher (lower); – the estimated volume was higher (lower); – the estimated cost to harvest, produce and sell per tonne were lower (higher); or – the risk-adjusted discount rate were lower (higher) – the estimated AUD/USD dollar forward exchange rates were lower (higher);
				The weighted average price for products	Domestic market A$17,073 per tonne; Export market USD $12,370 per tonne.	Domestic market A$17,493 per tonne; Export market USD $12,693 per tonne.	
				Estimated average volume per annum	1125 tonnes per annum.	1125 tonnes per annum.	
				Estimated cost per tonne to harvest, produce and sell the volume over the forecast horizon	$7,827	$7,842	

Description and Fair Value as at 30 June 2018	30-Jun-18 $000	30-Jun-17 $000	Valuation technique(s)	Significant unobservable inputs: Unobservable Inputs	2018	2017	Relationship of unobservable inputs to fair value measurement
Standing timber - Plantations	189,945	177,987	Discounted cash flows: the valuation model considers the present value of the net cash flows to be generated from the forest. The cash flows projections include specific estimates for 38 years (the period over which the current crop is forecast to be harvested). The expected net cash flows are discounted using a risk adjusted discount rate. As far as practical asset risks specific to the asset have been incorporated into the cashflow.	The area stocked	The area stocked as at 30 June 2018 is projected to be 71,424 hectares. Beyond that date, it is not possible to declare the forest area with certainty. Indufor has developed the cashflow model on a June year basis.	The area stocked as at 31 March 2017 is 70,271 hectares. Beyond the current date, it is not possible to declare the forest area with certainty. Indufor has developed the cashflow model on a March year basis but reduced the first period cashflow by approximately 24.9% to allow for the cashflow that occurs between 1 April 2017 and 30 June 2017.	The estimated fair value would increase (decrease) if: – Yields from plantations were higher (lower) than predicted. – the estimated timber gross profit price per cubic metre were higher (lower); – the estimated management cost per cubic metre were lower (higher); – the risk-adjusted discount rate were lower (higher).
				Estimated future timber market prices per cubic metre:	Estimated future delivered market log prices range from $16.50 per cubic metre ($m^3$) to $128.63/$m^3$. Such prices are based on past and current evidence and reflect differences paid for the range of grades sold. The future level is a matter for informed conjecture. While contractual price adjustment mechanisms provide some certainty around future prices such things as the potential for mills to close and variation in export prices will influence future price levels.	Estimated future delivered market log prices range from $26.13 per cubic metre ($m^3$) to $94.87/$m^3$. Such prices are based on past and current evidence and reflect differences paid for the range of grades sold. The future level is a matter for informed conjecture. While contractual price adjustment mechanisms provide some certainty around future prices such things as the potential for mills to close and variation in export prices will influence future price levels.	
				Future wood flow projections	Future woodflow projections are based on a combination of the forest area, assumed yields from those plantations and a plausible harvest strategy. The estimation of all such inputs involves forward-looking processes for which the results are not assured.	Future woodflow projections are based on a combination of the forest area, assumed yields from those plantations and a plausible harvest strategy. The estimation of all such inputs involves forward-looking processes for which the results are not assured.	

Description and Fair Value as at 30 June 2018				Significant unobservable inputs			
	30-Jun-18 $000	30-Jun-17 $000	Valuation technique(s)	Unobservable Inputs	2018	2017	Relationship of unobservable inputs to fair value measurement
Sandalwood Plantations	3,805	4,377	Discounted cash flows: the valuation model considers the present value of the net cash flows to be generated from the forest. The cash flows projections include specific estimates for 19 years. The expected net cash flows are discounted using a risk adjusted discounted rate.	Estimated future timber market prices based on AUD/USD dollar forward exchange rates to 2037 provided by Western Australian Treasury Corporation.	The exchange rate decreases over the period from $0.74 in 2019 to $0.72 in 2037.	The exchange rate decreases over the period from $0.77 in 2018 to $0.66 in 2037.	The estimated fair value would increase (decrease) if: – the estimated timber gross profit price per cubic metre were higher (lower); – the estimated volume was higher (lower); – the estimated cost to harvest, produce and sell per tonne were lower (higher); or – the risk-adjusted discount rate were lower (higher). – the estimated AUD/USD dollar forward exchange rates were lower (higher);
				The weighted average price for products	Export market USD $3,080 per tonne.	Export market USD $3,080 per tonne.	
				Estimated average volume per annum	Future woodflow projections are based on a combination of the forest area and assumed yields from those plantations.	Future woodflow projections are based on a combination of the forest area and assumed yields from those plantations.	
				Estimated cost per tonne to harvest, produce and sell the volume over the forecast horizon	$1,977	$1,967	
Esperance pine Plantations	1,202	-	Discounted cash flows: the valuation model considers the present value of the net cash flows to be generated from the forest. The cash flows projections include specific estimates for 23 years. The expected net cash flows are discounted using a risk adjusted discounted rate.	The area stocked	The area stocked as at 30 June 2018 is 4,437 hectares.	-	The estimated fair value would increase (decrease) if: – Yields from plantations were higher (lower) than predicted. – the estimated timber gross profit price per hectare were higher (lower); – the estimated management cost per hectare were lower (higher); – the risk-adjusted discount rate were lower (higher).
				Estimated future timber average market prices per hectare:	$5,330	-	
				Estimated average volume per annum	Future woodflow projections are based on a combination of the forest area and assumed yields from those plantations.	-	
				Estimated cost per hectare to harvest, produce and sell the volume over the forecast horizon	$2,333	-	

31.0 BIOLOGICAL ASSETS RISK ANALYSIS

31.1 Risk management strategies related to agricultural products

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

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

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

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

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

The annual harvesting limits are set by Executive Council under the Sandalwood (Limitation of Removal of Sandalwood) Order (2015). FPC projections of future harvest are based on the 2015 Order. FPC also harvests dead sandalwood but consistent with prior years, this is not considered a biological asset.

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

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

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

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

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

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

i) **Regulatory and environmental risk.**
The FPC has established environmental management policies and procedures aimed at compliance with the requirements of the FMP.

ii) **Supply and demand risks.**
The FPC is exposed to risks arising from competition in the market for Sandalwood products.

31.2 Discount rates

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

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

31.3 Sensitivity analysis

The value of biological assets is dependent on assumptions underpinning the FPC's growth models and cash flow assumptions. Discount rates have been adjusted to take account of significant risk factors not adjusted directly through cash flows.

The following sensitivity analysis has been provided to assist in the assessment of the impact of variances in these assumptions.

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

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

31.4 Cash flows

(a) Cash flows are real and pre tax.

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

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

31.5 Insurance

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

32.0 IMPAIRMENT OF ASSETS

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

The FPC held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use (2017: Nil).

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

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

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

Explanations:

(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

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

(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. An actuarial assessment was provided by PwC for the year ended 30 June 2018. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

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

(c) Defined benefit superannuation plans

Gold State Superannuation Scheme

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

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

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

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

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

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

	2018 $000	2017 $000
The pre-transfer benefit for the GSS exposes the Authority to actuarial risks, such as salary risk, longevity risk and interest rate risk. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, holding all other assumptions constant.		
	Defined Benefit Obligation	
	Increase $000	Decrease $000
Discount rate (0.5% movement)	(4)	4
Future salary growth (0.5% movement)	(3)	3

Employer funding arrangements for the defined benefit plans

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

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

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

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

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

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

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

		2018 $000	2017 $000
37.0	**EQUITY**		
	The West Australian Government holds the equity interest in the FPC on behalf of the community. Equity represents the residual interest in the net asset of the FPC. The asset revaluation surplus represents that portion of equity resulting from the revaluation of non-current assets.		
37.1	**Contributed equity**		
	Balance at the start of the year	342,241	340,141
	Equity injection	1,300	2,100
	Balance at the end of year	**343,541**	**342,241**
37.2	**Reserves**		
	Asset Revaluation Surplus		
	Balance at start of year	10,705	10,378
	Net asset revaluation increase	(92)	467
	Deferred tax on items of other comprehensive income (Note 44 Taxation equivalent)	28	(140)
	Balance at end of year	**10,641**	**10,705**
	Land revaluations are supplied by the Department of Land Information (Valuation Services) and are net of tax.		
	Cashflow Hedge Reserve		
	Balance at start of year	43	107
	Net movement in reserve	(156)	(91)
	Income tax on items of other comprehensive income	47	27
		(66)	**43**
	Forward exchange contracts are held to hedge against fluctuations in US dollars; (Note 3.02)		
	Reserves total	**10,575**	**10,748**
37.3	**Retained earnings**		
	Balance at the start of year	11,789	10,352
	Profit for the year [1]	8,002	3,967
	Dividend paid	(3,617)	(2,530)
	Balance at end of year	**16,174**	**11,789**
	[1] Includes remeasurement of defined benefit liability		

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

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

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

		2018 $000	2017 $000
39.0	**COMMITMENTS**		
39.1	**Expenditure commitments**		
	Expenditure commitments, being contracted expenditure additional to the amounts reported in the financial statements, are payable as follows:		
	Within 1 year	1,819	1,740
	Later than 1 year and not later than 5 years	5,595	5,636
		7,414	**7,376**
	These commitments include future expenditures for core estate share farm agreements, and are inclusive of GST.		
39.2	**Lease commitments**		
	Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, are payable as follows:		
	Within 1 year	271	226
	Later than 1 year and not later than 5 years	1,196	1,060
	Later than 5 years	1,453	1,134
		2,920	**2,420**
	Non-cancellable operating leases	**2,920**	**2,420**
	These commitments are inclusive of GST.		
	Contingent rental payments have been determined based on existing rental agreements, escalation clauses, payments and lease periods. Renewal options, where applicable, have not been brought to account.		

39.3 Guarantees and undertakings

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

40.0 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities

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

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

Contaminated sites

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

The FPC currently has one site reported, on which it is an occupier for harvesting operation purposes and not an owner, which has been classified by DER as 'possibly contaminated - investigation required'. The site is owned by the DBCA who have an asbestos management plan in place.

41.0 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

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

42.0 EXPLANATORY STATEMENT

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

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

Explanation:

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

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

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

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

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

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

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

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

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

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

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

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

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

Explanation:

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

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

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

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

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

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

43.0 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

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

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

The maximum exposure to credit risk at the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at note 43.1 Financial instrument disclosures and note 25 Receivables.

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

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

Provision for impairment of financial assets is calculated based on past experience, and current and expected changes in client credit ratings. Factors such as customer credit risk, security and the prevailing economic conditions are considered during this process. The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provision for impairment, as shown in note 43.4.

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

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

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

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

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

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the FPC's income or the value of its holdings of financial instruments. The FPC's policy in regard to managing foreign exchange risks through the use of financial exchange contracts is dealt with in Note 43.2.

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

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

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

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

The FPC also holds a USD commercial bank account which exposes the FPC to foreign currency risk. The balance of this account at 30 June 2018 is USD 0.521 million (2017: USD 0.441 million).

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

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

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

43.1 Financial instrument disclosures

The following table details the exposure to liquidity risk and interest rate risk as at the reporting date. The FPC's maximum exposure to credit risk at the reporting date is the contractual cash flows in the following table. Except for Land Annuities Payable and deferred rental, the contractual cash flows is the carrying amount as at reporting date. The carrying amount of land annuity payments is $5.189 million (2017 : $7.284 million).

2018	Note	Effective Interest Rate %	Total $000	0 - 12 months $000	1 - 2 years $000	2 - 5 years $000	More than 5 years $000
Financial assets							
Commonwealth Bank Cash Management Account	38.1	2.12%	29,844	29,844	-	-	-
Commonwealth Bank USD Account	38.1	0.00%	705	705	-	-	-
Trade receivables	25.0	n/a	18,630	18,630	-	-	-
Provision for doubtful debts	25.0	n/a	(964)	(964)	-	-	-
Collateral security held - cash	43.5	n/a	2,710	2,710	-	-	-
Collateral security held - non cash		n/a	7,782	7,782	-	-	-
Total credit exposure - trade receivables			**28,158**	**28,158**	**-**	**-**	**-**
Foreign exchange contracts	27.0	n/a	-	-	-	-	-
			58,707	**58,707**	**-**	**-**	**-**
Financial liabilities							
Trade payables	33.0	n/a	3,822	3,822			
Forward exchange contracts			94	94			
Land annuities payable		n/a	5,189	355	355	1,066	3,413
			9,105	**4,271**	**355**	**1,066**	**3,413**
2017							
Financial assets							
Commonwealth Bank Cash Management Account	38.1	1.98%	30,642	30,642	-	-	-
Commonwealth Bank USD Account	38.1	0.00%	574	574	-	-	-
Trade receivables	25.0	n/a	20,790	20,790	-	-	-
Provision for doubtful debts	25.0	n/a	(987)	(987)	-	-	-
Collateral security held - cash	43.5	n/a	2,470	2,470	-	-	-
Collateral security held - non cash		n/a	8,023	8,023	-	-	-
Total credit exposure - Trade Receivables			**30,296**	**30,296**	**-**	**-**	**-**
Foreign exchange contracts	27.0	n/a	62	62	-	-	-
			61,574	**61,574**	**-**	**-**	**-**
Financial liabilities							
Trade payables	33.0	n/a	7,620	7,620	-	-	-
Land annuities payable		n/a	7,284	438	438	1,313	5,095
			14,904	**8,058**	**438**	**1,313**	**5,095**

43.2 Forward foreign exchange contracts

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

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

Sell currency	Value date	USD sell amount $000	Historic forward rate	Buy currency	Buy amount $'000	Current forward points	Current forward rate	Revalued buy currency 30 June 2017	Revalued buy amount 30 June 2017 $'000	Variance currency	Variance amount $'000
USD	31-Dec-18	2,609	0.764	AUD	3,414	-0.024	0.740	AUD	3,525	AUD	(111)
USD	28-Jun-19	4,470	0.741	AUD	6,033	0.002	0.743	AUD	6,016	AUD	17
		7,079			**9,447**				**9,541**		**(94)**

43.3 Sensitivity analysis

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

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

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

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

2017	Carrying amount ($000's)	-1% change Profit ($000's)	-1% change Equity ($000's)	+1% change Profit ($000's)	+1% change Equity ($000's)
Interest rate sensitivity analysis					
Financial Assets					
Cash and cash equivalents	31,216	(215)	(215)	215	215
Financial Liabilities					
Land annuities payable	5,126	(267)	(267)	239	239

	Carrying amount ($000's)	-10% change Profit ($000's)	-10% change Equity ($000's)	+10% change Profit ($000's)	+10% change Equity ($000's)
Currency sensitivity analysis					
Financial Assets					
USD Bank Account	574	45	45	(37)	(37)

USD rate used in this analysis was the spot rate as at 30 June 2017: 1 AUD = 0.769

43.4 Credit risk concentrations

Accounts receivable consists largely of timber debtors, for which deposits and securities equivalent to an average of six weeks' deliveries are required to be lodged in favour of the FPC under timber contracts of sale. These deposits and securities are held in trust until the expiry or default of contracts. As at 30 June 2018, the value of deposits and securities was greater than overdue accounts by $6.747 million (deposits and securities was greater than overdue accounts by $8.808 million at 30 June 2017).

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

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

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

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

The likelihood of recovery as at 30 June 2018 was estimated and factored into the amounts provided for impairment of receivables (refer note 25). Where applicable, interest is charged under the terms of the customer's supply contract.

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

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

43.5 Funds held in trust

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

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

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

43.6 Fair values

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

44.0 Taxation equivalent

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

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

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

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

Unrecognised net deferred tax asset

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

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

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

45.0 Compensation of Key Management Personnel

The FPC has determined that key management personnel include Ministers, members and senior officers of the FPC. However, the FPC is not obligated to compensate Ministers and therefore disclosures in relation to Ministers' compensation may be found in the *Annual Report on State Finances*.

Total compensation for key management personnel, comprising members and senior officers, of the FPC for the reporting period are presented within the following bands:

Compensation of Members of the Accountable Authority

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

Compensation of Senior Officers

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

46.0 RELATED AND AFFILIATED BODIES

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

47.0 REMUNERATION OF AUDITOR

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

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

48.0 SUPPLEMENTARY FINANCIAL INFORMATION

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

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

48.3 Gifts of public property	-	-

49.0 SCHEDULE OF INCOME AND EXPENSES BY SERVICE

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

Main operating segments:

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

Sandalwood – Responsible for harvesting and regeneration activities associated with sandalwood and other arid timbers.

Plantations – Responsible for all harvesting, replanting and maintenance of the FPC's plantation estate as well as the maintenance of core sharefarm plantations. The objective of the core sharefarms is to maintain establishments that sustain and develop the timber industry.

Policy and Industry Development – This segment is responsible for policy, industry development and corporate support to Government

Non Commercial – activities that are non-core to the main operating segments.

	Native Forest $000	Plantations $000	Sandalwood $000	Policy and Industry Development $000	Non Commercial $000	Eliminations $000	Total $000
2018							
Revenue							
External Segment Revenues	33,974	59,862	20,016	194	66	-	114,112
Internal segment revenue	-	2,968	-	(197)	-	(2,771)	-
Total Revenue	**33,974**	**62,830**	**20,016**	**(3)**	**66**	**(2,771)**	**114,112**
Expenses							
Employee Expenses	(5,603)	(9,177)	(2,610)	(2,055)	(584)	-	(20,029)
External Segment Expenses	(28,021)	(48,087)	(10,298)	(2,860)	(493)	2,771	(86,988)
Finance Charges	-	(407)	(76)	-	-	-	(483)
Total Expenses	**(33,624)**	**(57,671)**	**(12,984)**	**(4,915)**	**(1,077)**	**2,771**	**(107,500)**
Operating profit[1]	**350**	**5,159**	**7,032**	**(4,918)**	**(1,011)**	**-**	**6,612**
Biological Asset Valuation (Decrease) / Increase	537	7,710	(10,299)	-	-	-	(2,052)
Grants and subsidies from State Government	-	5,353	-	250	-	-	5,603
Onerous Contracts	-	-	-	-	1,173	-	1,173
Profit / (Loss) before Tax	**887**	**18,222**	**(3,267)**	**(4,668)**	**162**	**-**	**11,336**
Allocation of Income Tax Equivalent	(266)	(5,467)	980	1,400	15	-	(3,338)
Profit / (Loss) for the year	**621**	**12,755**	**(2,287)**	**(3,268)**	**177**	**-**	**7,998**
Total Segment Assets	**81,766**	**215,108**	**55,100**	**-**	**62,126**	**-**	**414,100**
Total Segment Liabilities	**4,940**	**5,501**	**359**	**-**	**33,010**	**-**	**43,810**

[1] Profit before change in biological assets valuation and onerous contracts

	Native Forest $000	Plantations $000	Sandalwood $000	Policy and Industry Development $000	Non Commercial $000	Eliminations $000	Total $000
2017							
Revenue							
External Segment Revenues	36,539	55,045	22,727	-	-	-	114,311
Internal segment revenue	70	3,302	484	39	165	(1,752)	2,308
Total Revenue	**36,609**	**58,347**	**23,211**	**39**	**165**	**(1,752)**	**116,619**
Expenses							
Employee Expenses	(6,059)	(8,849)	(2,134)	(1,766)	(1,492)	-	(20,300)
External Segment Expenses	(28,471)	(43,966)	(10,536)	(2,547)	(1,662)	1,752	(85,430)
Finance Charges	-	(448)	(62)	-	-	-	(510)
Total Expenses	**(34,530)**	**(53,263)**	**(12,732)**	**(4,313)**	**(3,154)**	**1,752**	**(106,240)**
Operating profit[1]	**2,079**	**5,084**	**10,479**	**(4,274)**	**(2,989)**	**-**	**10,379**
Biological Asset Valuation Increase / (Decrease)	(144)	231	(5,958)	-	(792)	-	(6,663)
Grants and subsidies from State Government	-	-	-	250	1,451	-	1,701
Onerous Contracts	-	-	-	-	196	-	196
Profit / (Loss) before Tax	**1,935**	**5,315**	**4,521**	**(4,024)**	**(2,134)**	**-**	**5,613**
Allocation of Income Tax Equivalent	(581)	(1,595)	(1,356)	1,282	601	-	(1,649)
Profit / (Loss) for the year	**1,354**	**3,720**	**3,165**	**(2,742)**	**(1,533)**	**-**	**3,964**
Total Segment Assets	**81,305**	**202,752**	**65,401**	**-**	**63,312**	**-**	**412,770**
Total Segment Liabilities	**5,531**	**5,599**	**440**	**-**	**36,422**	**-**	**47,992**

[1] Profit before change in biological assets valuation and onerous contracts

50.0 ADDITIONAL INFORMATION

Domicile and legal form:
The Forest Products Commission is a Statutory Authority domiciled in Western Australia.

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

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

Parent entity
Government of Western Australia.

Key performance indicators

Our public specialty timber auctions provide timber for small commercial operators, hobbyists and craftspeople.

Certification of the key performance indicators

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 2018.

Mr Ross Holt
Chairman
14 September 2018

Mr Robert Pearce
Commissioner
14 September 2018

Key effectiveness indicators

Key performance indicators

This year, the FPC is reporting against 10 new key performance indicators (KPI's) which are aligned to State Government goals.

State Government goals

1: Better places
A quality environment with liveable and affordable communities and vibrant regions

2: Strong communities
Safe communities and supported families

3: Future jobs and skills
Grow and diversify the economy, create jobs and support skills development

4: Sustainable finances
Responsible financial management and better service delivery

The new KPIs have been provided with one previous year as a comparative.

Key effectiveness indicators

Outcome: Provide healthy forests for future generations

1. Quantity of native forest hardwood log timber harvested compared to the *Forest Management Plan 2014-23* sustainable levels and targets

The Forest Management Plan (FMP) is developed by the DBCA and sets the annual average allowable cut of forest over a 10-year period. The FPC manages the level of harvest to ensure that it conforms with those limits. Note that this KPI is reported in calendar years, rather than financial years, consistent with the FMP.

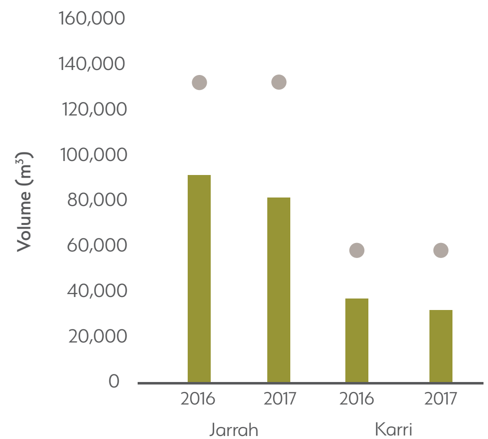
The graph compares the quantity of first and second-grade sawlogs produced by the FPC compared with the allowable cut. The FPC produces a range of different sawlog products and calculates the proportion of first and second-grade material contained within these logs. The data does not include adjustments made by the DBCA for utilisation.

First and second-grade jarrah and karri sawlogs

Target: Native forest harvest level does not exceed the level prescribed in the FMP

In 2017, the production of both jarrah (81,451 m^3) and karri sawlogs (34,111 m^3) were respectively 10 per cent and 12 per cent lower than the previous year.

This was due to difficult market conditions that resulted in a reduced demand for sawlogs including the temporary closure of a major customer.



	Jarrah 2016	Jarrah 2017	Karri 2016	Karri 2017
FMP lower limit	132,000	132,000	59,000	59,000
Actual	89,582	81,451	38,509	34,111

First and second-grade jarrah and karri sawlogs

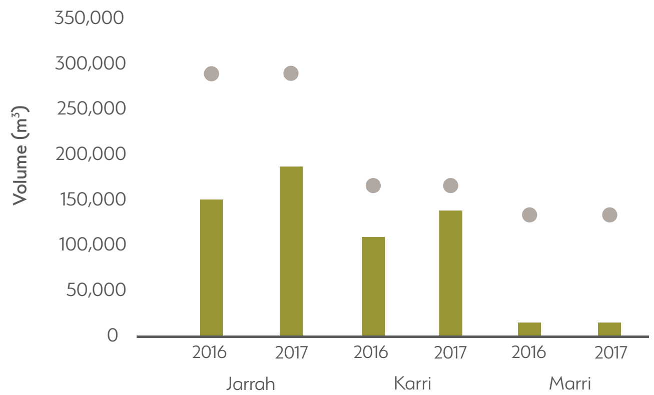
Other bole volume for jarrah, karri and marri

Target: Other bole volume harvest does not exceed the level prescribed in the FMP

The FMP has upper and lower limits for the average allowable cut of other bole volume logs. The FPC manages the level of harvest to ensure that it conforms with those limits.

Other bole volume is all material not assessed to be a sawlog as described in the FMP.

For 2017, the production of other bole volume products was 133,770 m^3 for karri, an increase of 14 per cent on 2016, 190,313 m^3 for jarrah, an increase of 25 per cent on 2016, and marri 14,346 m^3. The increase for karri and jarrah on the previous year was due to increasing demand for a range of products, including the use of karri in the production of laminated veneer lumber and increased local use of jarrah.



	Jarrah 2016	Jarrah 2017	Karri 2016	Karri 2017	Marri 2016	Marri 2017
FMP lower limit	292,000	292,000	164,000	164,000	140,000	140,000
Actual	152,735	190,313	117,721	133,770	13,437	14,346

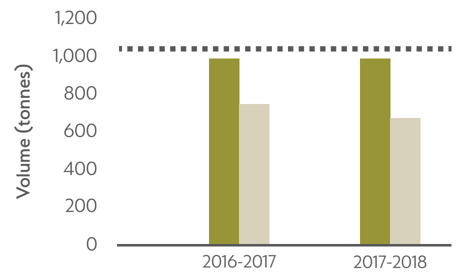
Other bole volume for jarrah, karri and marri

Harvest of sandalwood does not exceed Order in Council

Target: Sandalwood harvest does not exceed the level prescribed in the Order in Council

The annual allowable harvest for green and dead sandalwood is set by the *Sandalwood (Limitation on Removal of Sandalwood) Order (No.2) 2015* and is 1,250 tonnes per annum each of green and deadwood, of which 1,125 tonnes of each is licensed to the FPC. The graph below shows the quantity of green and dead sandalwood harvested in the last two years.

During 2017–2018, the FPC harvested 91 per cent of its green wood license under the Order in Council, or 1,023 tonnes. There were difficulties in accessing quantities of deadwood in the locations harvested resulting a drop in production to 690 tonnes.



	2016-2017	2017-2018
OIC allowable limit	1,125	1,125
Green	1,008	1,023
Dead	743	690

Harvest of sandalwood does not exceed Order in Council

2. Effectiveness of forest regeneration

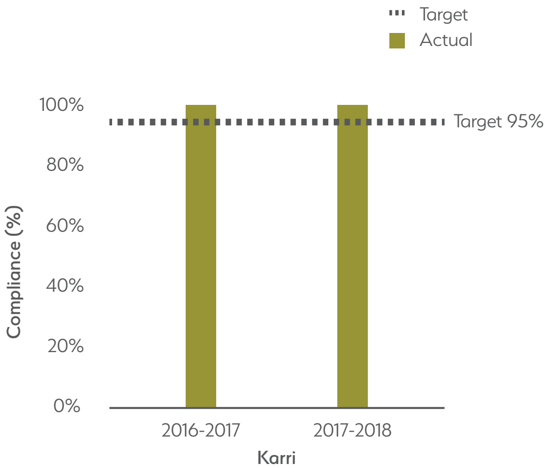
This KPI has been expanded to include sandalwood and jarrah.

Karri

Target: 95 per cent of the area regenerated requires no remedial action

The FMP requires the FPC to closely monitor forest regeneration work and monitor seedling survival rates. The first year following planting is critical to long-term seedling survival. The chart below measures the percentage of the sampled regeneration that meets the stocking standard set out in the DBCA's *Silviculture Guideline For Karri 2014*.

Over the last four years, no karri planted areas have required remedial treatment.



Sandalwood

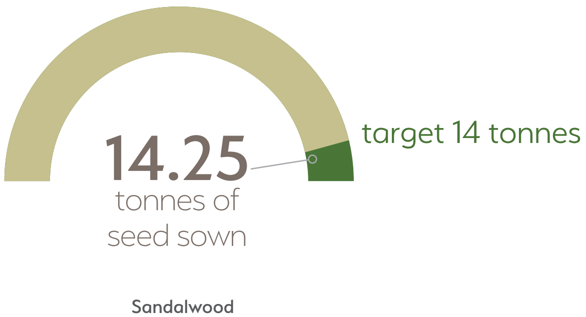
NEW

Target: Average 50,000 seedlings established annually

The current average seedling survival over seven years is 48,925 per annum. To ensure that the FPC remains on target, the seeding program for future years has been increased from 10 tonnes to 14 tonnes of seed planted.

During 2017-2018, a total of 1,036 kilometres of rip lines were sown with about four million sandalwood seeds, or 14.25 tonnes of seed.

Rainfall for the 2017 winter was very low across rangeland seeding operation areas. No areas seeded received the minimum rainfall required for effective germination. Additional seeds may germinate in subsequent years as seeds remain viable for several years in the soil. Monitoring will continue over the coming years.

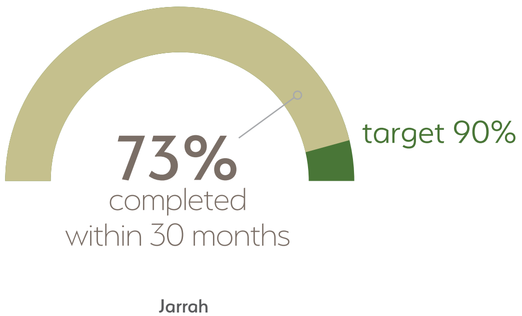


Jarrah

NEW

Target: 90 per cent of the areas cutover for regeneration are completed within 30 months

Seventy-three per cent of areas cutover for regeneration over the 30-month period were completed. The shortfall was due to delays in completing the follow-up prescribed burning with the DBCA.



3. The achievement of thinning schedules

This KPI has been expanded to include softwood plantations and sandalwood plantations.

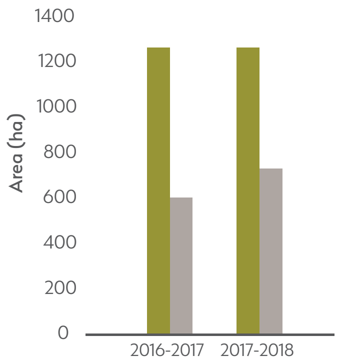
Thinning is important for forest health and productive future forests. Thinning helps protect catchments from the effects of climate change and reduces the impact of fire. The FMP requires thinning for forest health and to ensure future sustained yield. It is important to note that the FMP thinning schedules do not take into account existing or available markets.

The FPC does not receive any funding to undertake non-commercial thinning. Thinning is only carried out when markets are available for the products produced.

Karri

The graph below depicts the area of karri scheduled for thinning each year as prescribed by the FMP and the area actually thinned. The area actually thinned represents the economically viable areas that can be thinned. New markets need to be established to be able to achieve the targets set under the FMP.

Over the last four years, the area for karri thinning has increased. To ensure future areas scheduled for thinning are completed, the FPC is working with industry to create new markets for karri products from thinning operations.



	2016-2017	2017-2018
Area (ha) provisionally prescribed for first thinnings	1,230	1,230
Area (ha) thinned	617	724

Karri

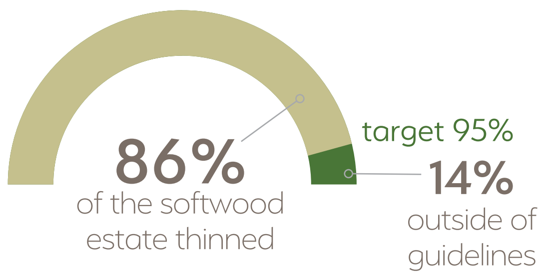
Softwood plantations

NEW

Target: 95 per cent of softwood plantations are thinned within two years of the scheduled operation

Managing the density of the plantations provides for optimal growth and minimises the risk of damage from drought and wind.

Thinning is an ongoing process for the FPC but is limited to available markets for the products produced. The FPC is currently working through the backlog of thinning as market demand is strong.



Softwood plantations

Sandalwood plantations

NEW

Target: Plantations stocking is assessed and, if required, thinned by 14 years of age

The health of sandalwood plantations is adversely affected if they are overstocked with sandalwood, as this affects the health and vitality of the host species.

Assessment has now been completed on 100 per cent of FPC sandalwood plantations and a target thinning of 2,007 hectares across the estate has been set.

The FPC will commence thinning of these sandalwood plantations in the 2018-2019 financial year.

The FPC aims to achieve the following annualised thinning program over the next four years.

Year	Target (hectares)
2018-2019	200
2019-2020	500
2020-2021	550
2021-2022	550

4. All aspects of road construction within guidelines

NEW

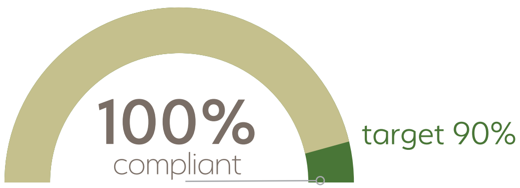
Target: 90 per cent of assessed roads compliant

Well-constructed roads are required for safe and efficient operations, as well as minimising environmental impacts.

During 2017-2018, the FPC prepared 65 new road alignments within forest operations. These roads were prepared in accordance with the FPC's contractor roading procedures and compliance was monitored and assessed by the FPC. The six core elements used for assessment were:

1. Clearing to the correct width as per the concept plan.
2. Clearing to the right alignment.
3. Ensuring that crowning elevation meets the defined specification.
4. Carriage width as per specification.
5. Sufficient off-shoot drains constructed and spaced as per specifications.
6. Entry and exit points of pipes are clear.

In all elements checked across all new road alignments, the FPC was 100 per cent compliant.



5. All operations commence with required approvals

NEW

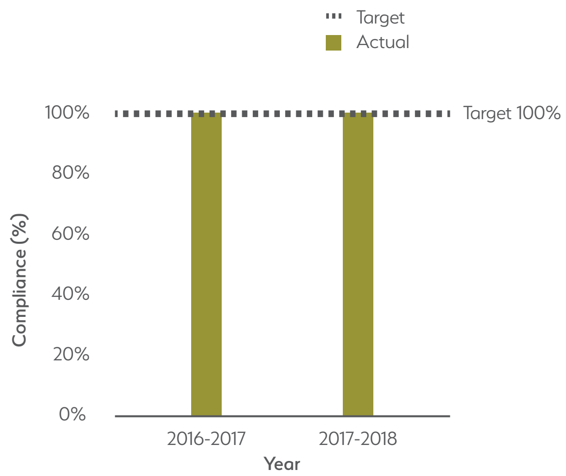
Target: 100 per cent of pre-operation planning approvals completed and approved prior to commencement

Approval processes ensure that all social, environmental and heritage values have been assessed and appropriately managed.

During 2017-2018, 33 new forest operations commenced.

During 2016-2017, 27 new forest operations commenced.

For both years, the FPC was 100 per cent compliant. All forest operation approvals were granted by the DBCA before the start of forestry activities.



Pre-operation planning approvals completed

6. Independent certification maintained

NEW

Target: The FPC maintains appropriate certification

Certification provides independent oversight of forest management systems and operations to internationally recognised standards.

The FPC was audited against the Environmental Management Standard (EMS) 14001 (2004) and the Australian Forestry Standard (AFS) 4708 (2013) during 2016-2017 and 2017-2018.

The FPC successfully maintained both independent certifications during 2016-2017 and 2017-2018.

7. Planned firebreak activities achieved

NEW

Target: 90 per cent of firebreaks adequate and trafficable

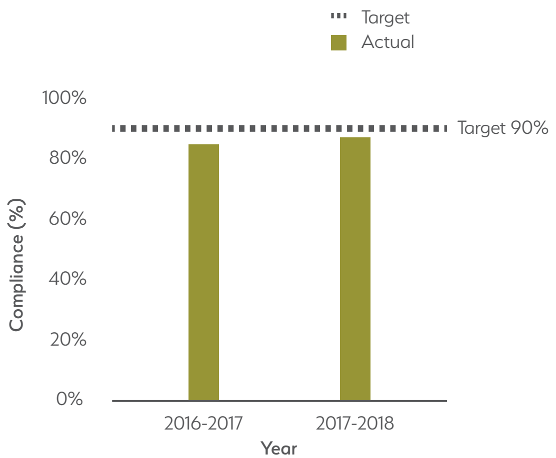
Fire represents a major threat to communities and forest assets.

The FPC is responsible for ensuring firebreak maintenance on over 600 forest blocks across the south-west of Western Australia. During 2016-2017 and 2017-2018, the FPC assessed compliance against two core elements of firebreak management. These were:

1. Adequacy of firebreaks.
2. Trafficability of firebreaks.

In 2017-2018, 493 assessments were completed and in 2016-2017, 102 assessments were completed. For the two compliance elements assessed, the FPC was compliant for 88 per cent of assessments in 2017-2018 and 85 per cent of assessments in 2016-2017.

Further investment in firebreaks is planned for 2018-2019 to improve their quality.



Adequate and trafficable firebreaks

8. Area of softwood plantation established against target

Target: 100 per cent of the target area of softwood plantation established

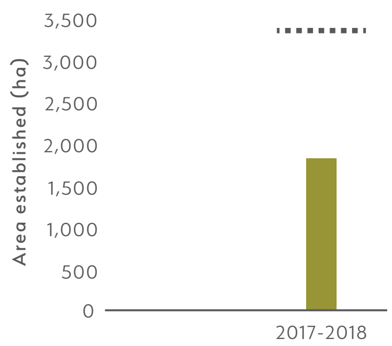
The replanting of harvested pine plantations (2R) and the establishment of new plantations are both critical to the achievement of the *Softwood Industry Strategy for Western Australia* to ensure the viability of the future softwood industry.

The replanting of harvested pine plantations is carried out during winter. Therefore, areas of establishment reported in the annual report are those established during the previous winter.

The replanting of pine plantations following clearfelling provides for the long-term sustainability of timber supplies.

During 2017-2018, 1,768 hectares of 2R replanting was achieved, which included some replanting for fire losses, and additional areas were planted at Yanchep for foraging habitat for cockatoos. The target below includes first rotation establishment (1R) and future years will have a separate target for 1R and 2R.

Comparative information was unavailable for the previous financial year.



	2017-2018
Target (1R and 2R)	3,419
Area established 2R (ha)	1,768

Area of softwood plantation

9. Expansion of the plantation estate

NEW

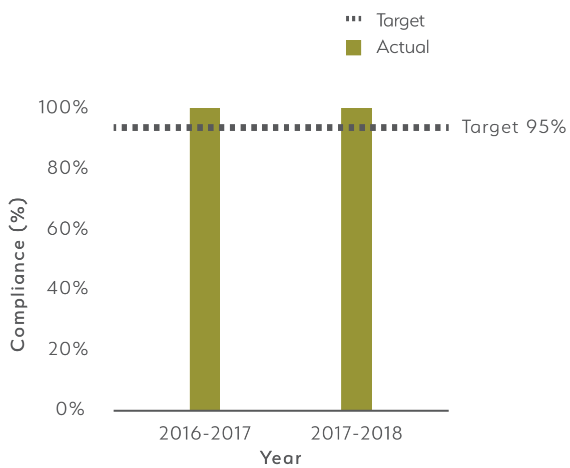
Target: 95 per cent of land planned to be established each year to be planted subject to the availability of seedlings

To ensure the long-term viability of the industry, the *Softwood Industry Strategy for Western Australia* requires an increased plantation estate.

All areas acquired were planted in both 2016-2017, 475 hectares, and 2017-2018, 1,583 hectares.

Over the last two years, the FPC has expanded the size of the State's plantation estate in line with the *Softwood Industry Strategy for Western Australia*.

These new first rotation plantings were primarily on land purchased over the last two years and are in addition to replanting recently harvested plantations.



Expansion of the plantation estate

10. Increase in low-value resource delivered to and processed by local markets[1]

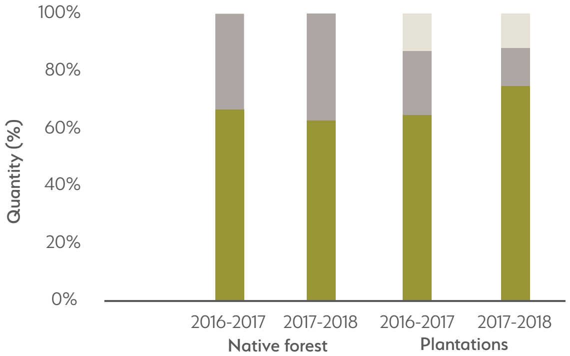
NEW

The utilisation of lower-grade forest products is critical to ensuring that regeneration costs are minimised, fire hazards are reduced, and silvicultural objectives are met. Processing lower-grade wood in local markets has the additional benefit of strengthening regional economies and providing employment for local communities. This KPI reports on the proportion of low-grade products where further processing is undertaken in Western Australia.

There has not been any material change in the local market for lower-value native forest products over the previous two years. To undertake karri thinning, the FPC has remained reliant on export markets for woodchips that are used for paper production. Export of woodchips for energy production has also provided an opportunity to salvage and regenerate areas impacted by the Northcliffe fire.

Trends in the domestic use of low-value plantation products are impacted by a decline in the export of pine woodchips in 2017-2018 as a result of changes in contractual arrangements, and changes in the demand from the particleboard plant. There has not been any material change in the capacity of local markets to utilise these low-value products.

[1]No sandalwood products are considered low-value products.



	Native forest 2016-2017	Native forest 2017-2018	Plantations 2016-2017	Plantations 2017-2018
Domestic	242,839	228,894	283,997	213,506
Woodchip export	134,669	149,249	109,158	30,182
Log export	-	-	66,066	37,454

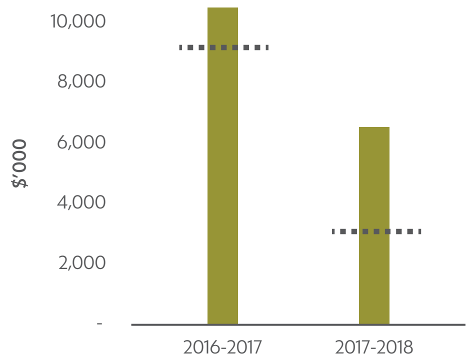
Low-value resource delivered to and processed by local markets

11. Operating profit

Target: The FPC achieves a profit before abnormal accounting items, grants and subsidies from State Government and movements in biological asset valuations

The FPC has achieved positive operating profit results and exceeded budget in both 2016-2017 and 2017-2018.

This has been achieved primarily due to better than target results in the softwood business segment.



	2016-2017	2017-2018
Target	9,465	2,876
Actual	10,379	6,612

Operating profit

Key efficiency indicators

Key efficiency indicators

NEW

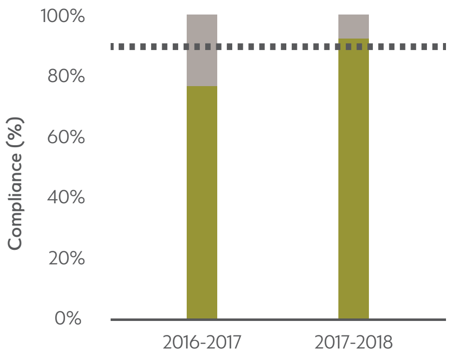
1. Timeliness of initial response to Ministerial requests and Parliamentary Questions

Target: 90 per cent of responses provided on time

Providing accurate and timely information to our Minister, Parliament and the public is an important function of the FPC.

To ensure we are meeting the needs and expectations of our Minister and the Western Australian public, we have set ourselves the target of ensuring that 90 per cent of requests for information are provided within the timeframes defined by the Minister's Office.

In 2017-2018, the FPC achieved the target. There was also a 26 per cent increase in the number of requests for information compared to the previous year. In 2016-2017, we achieved timely responses 78 per cent of the time, while noting there was no target in place for 2016-2017. Our performance improved significantly in 2017-2018.



	2016-2017	2017-2018
Target	90%	90%
On-time	78%	91%
Overdue	22%	9%

Responses to Ministerial requests and Parliamentary Questions provided on time

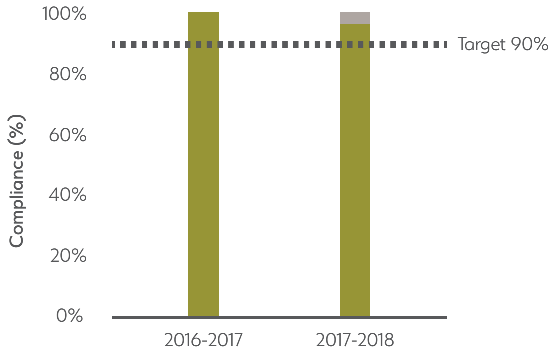
NEW

2. Timeliness of response to stakeholder concerns or complaints

Target: Response to 90 per cent of stakeholder concerns or complaints within 28 days (excluding the initial confirmation response)

Over the last two years the FPC has been 100 per cent compliant. The timeliness in responding to complaints and concerns has remained consistent with more than 95 per cent of issues addressed within defined timeframes.

A new stakeholder management system is helping to improve the tracking of all responses and the FPC is confident in continuing to provide timely responses to enquiries.



	2016-2017	2017-2018
Target	28 days	28 days
On-time	55	72
Overdue	0	3

Response time for stakeholder

NEW

3. All high-value sawlog resource processed locally

Target: 100 per cent of sawlog is processed locally – excluding any trials or research undertaken

In 2016-2017 and 2017-2018 the FPC sold 159,000 tonnes and 143,000 tonnes respectively of high-value native forest products. All of the contracts include a specific clause requiring mandatory domestic processing, which is monitored through contract performance appraisals.

The only exception to domestic processing was a small volume of less than 1,500 tonnes in each year that was exported for the purpose of undertaking research, with a view to attracting and establishing subsequent domestic processing infrastructure.

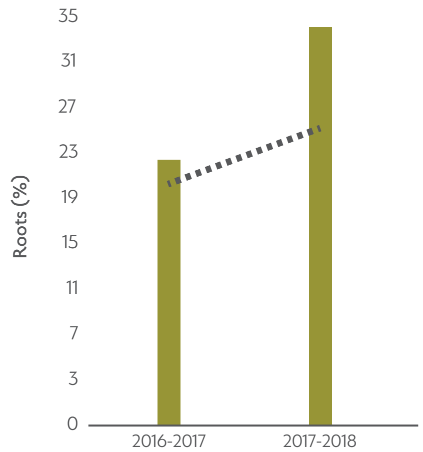
In 2016-2017 and 2017-2018, the FPC sold 460,000 cubic metres and 586,000 cubic metres respectively of high-value plantation products. All of the logs were processed domestically.

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

Target: Total green volume includes a minimum of 25 per cent roots

Sandalwood is a limited resource. To ensure its long-term sustainability it is important to use as much of each tree as possible, maximising utilisation and minimising waste.

The target for 2017-2018 of total green volume includes a minimum of 25 per cent roots. The FPC met the target set.



	2016-2017	2017-2018
Target	20%	25%
Actual	22%	34%

Percentage of sandalwood roots in green sandalwood harvested

5. Log delivery consistent with contractual obligations

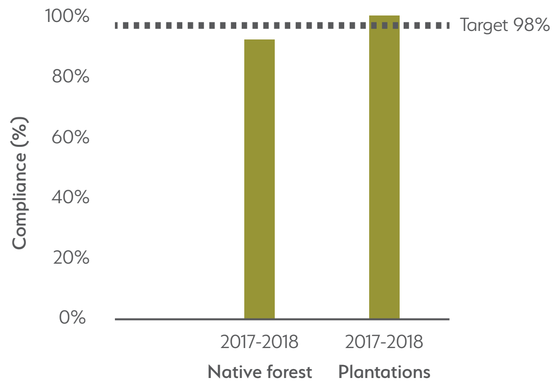
Target: 98 per cent of log deliveries satisfy contractual obligations

Native forest

Native forest deliveries in 2017-2018 were less than target due to the temporary closure of a major sawmill, delays with a major customer commissioning a processing line, and low-grade product sales being significantly less than forecast.

Plantations

Plantations exceeded target in 2017-2018 primarily due to increased customer demand.

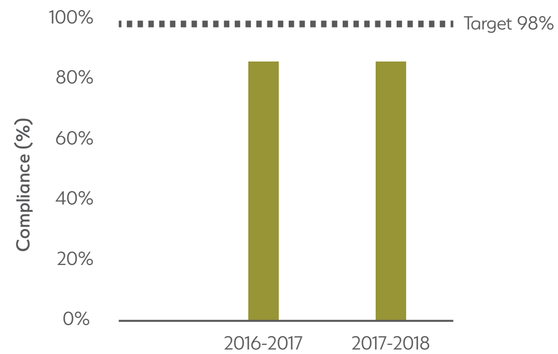


	2017-2018 Native forest	2017-2018 Plantations
Target	721	949
Actual (tonnes '000s)	572	897

Native forest and plantations

Sandalwood

The volume available of sandalwood to be delivered is prescribed in the *Sandalwood (Limitation on Removal of Sandalwood) Order (No.2) 2015*. International market difficulties in 2016-2017 which continued into 2017-2018, combined with the financial difficulties of a domestic customer in 2017-2018, have resulted in the volume sold for the last two financial years being less than target.



	2016-2017	2017-2018
Target	2,100	2,100
Actual (tonnes '000s)	1,745	1,742

Sandalwood

6. Cost per dollar of revenue generated

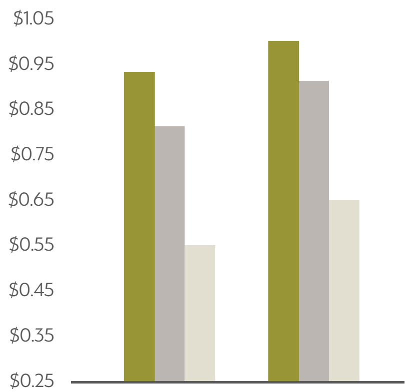
NEW

Target: The cost per dollar of revenue generated to decrease over time

Native forest
The unit cost per dollar generated in 2017-2018 increased by 5 cents due to the reduction in the quantity of logs produced and the closure of a major sawmill. This is expected to improve in future with increased markets for low-value products and sawlog sales.

Plantations
The cost versus revenue ratio remained stable.

Sandalwood
Sandalwood revenue decreased due to the unsettled oil market and the long-term interruption to the major customer, whose parent company was under administration for most of the year, resulting in an increase in cost per dollar generated.



	2016-2017	2017-2018
Native forest	$0.94	$0.99
Plantations	$0.91	$0.92
Sandalwood	$0.55	$0.65

Cost per dollar of revenue generated

Disclosures

We manage approximately 6,000 hectares of sandalwood plantation estate in Western Australia.

Disclosures and legal compliance

Administered legislation

The FPC is governed by the *Forest Products Act 2000* (the Act) and sections of the Forest Management Regulations 1993.

Ministerial directives

No Ministerial directives under the Act were received during the 2017-2018 reporting period.

Governance disclosures

Contracts with senior officers

At the date of reporting no senior officers had any interests in existing or proposed contracts with the FPC, other than normal employment contracts.

Commissioners

The FPC governing body is a Commission of seven commissioners appointed by the Governor, on the Minister for Forestry's recommendation. The Governor appoints a Chairman and Deputy Chairman from the commissioners. Commissioners may hold office for up to three years and are eligible to be reappointed. Individuals are nominated for a position on the Commission based on expertise and business acumen relevant to the core functions of the FPC. Profiles for the commissioners can be found on pages 6 and 7.

Committees

Audit and Risk

The Audit and Risk Committee is responsible for making recommendations to the Commission 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. Members of the committee included Mr Geoffrey Totterdell (Chairman), Ms Amelia Yam, Mr Edwald Valom (1 July 2017 to 30 September 2017) and Mr Nick Bayes (commencing 1 October 2017).

People and Safety

The People and Safety Committee was formed in December 2017 to have oversight of the FPC's corporate culture, people and leadership and the health, well-being and safety of FPC staff and contractors. Mr Ross Holt (Chairman), Mr Robert Pearce and Ms Vanessa Elliott are members of the committee.

Commission meetings and remuneration

The role and functions of the Commission are set out in the Act and the Commission is subject to the provisions within the Statutory Corporations (Liability of Directors) Act 1996. The Commission is responsible for the performance of the FPC's statutory functions and determines its strategic direction.

The Commission formally met seven times throughout the year. Individual members of the Commission provided their expertise on a number of important strategic issues relating to the forest industry, safety, strategic risk management, financial and fire management. The Commissioners visited a variety of forestry field operations and met with key industry stakeholders.

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

			Commission		Audit and Risk Committee		People and Safety Committee	
Number of meetings held			7		5		2	
Name	**Period of membership**	**Gross annual remuneration**	**Attended**	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**	**Eligible to attend**
Mr Ross Holt (Chairman)	1 July 2017 to 30 June 2018	**$52,141**	7	7			2	2
Mr Geoffrey Totterdell (Deputy Chairman – 1 October 2017 to 30 June 2018)	1 July 2017 to 30 June 2018	**$21,789**	7	7	5	5		
Mr Robert Pearce	1 July 2017 to 30 June 2018	**$21,652**	7	7			2	2
Ms Amelia Yam	1 July 2017 to 30 June 2018	**$21,652**	6	7	4	5		
Ms Vanessa Elliott	1 October 2017 to 30 June 2018	**Public Sector Employee No remuneration**	5	5			2	2
Mr Nick Bayes	1 October 2017 to 30 June 2018	**$16,359**	4	5	3	3		
Dr Louise Duxbury	1 October 2017 to 30 June 2018	**$16,359**	4	5				
Mr Ewald Valom (Deputy Chairman)	1 July 2017 to 30 September 2017	**$7,009**	2	2	2	2		
Mr Grant Woodhams	1 July 2017 to 30 September 2017	**$6,972**	2	2				

Other legal requirements

Freedom of Information
The WA *Freedom of Information Act 1992* requires agencies to publish certain information about their operations, policies and practices. To meet the requirements of Part 5 of the Act, an information statement is available on the FPC website.

This year, the FPC received four applications under Freedom of Information (FOI) legislation. Statistics for 2017-2018 were reported for inclusion in the Information Commissioner's Annual Report.

Internal control
The FPC, through the Audit and Risk Committee oversees the corporate governance responsibilities of the financial reporting process, internal control system, risk management, the audit process, and compliance monitoring with applicable laws and regulations.

Management has responsibility for establishing and maintaining an effective system of internal control structures.

Compliance with public sector standards and ethical codes
We comply with the Public Sector Code of Ethics, through our own Code of Conduct.

Our employees are required to complete the Public Sector Commission's Accountable and Ethical Decision Making (AEDM) refresher training every two years. AEDM workshops have been scheduled for the second half of 2018.

The FPC's Individual Development Plan system also requires staff to reaffirm they have read and understood the information provided in the Code of Conduct.

Public Interest Disclosure
In accordance with the *Public Interest Disclosure Act 2003*, a public interest disclosure (PID) is made when a person discloses to a proper authority, such as a PID officer, information that tends to show past, present or proposed future improper conduct by a public body in the exercise of public functions.

Public Interest Disclosure Officers for the FPC have been appointed. Internal procedures relating to our obligations under the Act have been implemented.

During the year, no public interest disclosures were received by the FPC.

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

The RKP describes how records are created, maintained, managed and disposed of in accordance with regulatory and best practice requirements, ensuring proper and adequate records are maintained.

The Plan was reviewed in May 2018 and will be updated to incorporate new business systems. A highlight was the August 2017 upgrade of the Electronic Document and Records Management System.

Online records management training for new staff and awareness and compliance training for existing staff will be produced in-house.

Disability access and inclusion plan
Our Disability Access and Inclusion Plan (DAIP) ensures that people with disability, their families and carers are able to access our services and facilities, providing them with the same opportunities, rights and responsibilities enjoyed by all.

The DAIP is available on the FPC website with a review of the Plan to take place over the next 12 months.

Reportable expenditure

In accordance with section 175ZE of the *Electoral Act 1907*, the FPC incurred the following expenditure in advertising, market research, polling, direct mail and media advertising. Total expenditure for 2017-2018 was $115,924.61 (including GST).

EXPENDITURE TYPE	DESCRIPTION	AMOUNT	TOTAL
Advertising agencies		$0	$0
Market research agencies		$82,859.70	$82,859.70
Polling organisations		$0	$0
Direct mail organisations		$0	$0
Media advertising organisations			
Adcorp	Recruitment	$13,134.38	$33,064.91
	Forest operations notices	$19,930.53	
Total			**$115,924.61**

Government policy requirements

Workforce profile
Our workforce demographics demonstrate the work achieved in the area of Equal Opportunity Employment.

DIVERSITY GROUP	* REPRESENTATION WITHIN THE FPC – JUNE 2018 (%)	* PUBLIC SECTOR AVERAGE – DIVERSITY SNAPSHOT – 2017 (%)
Women in Management Tier 2 & 3 combined	35	34.2
Indigenous Australians	1.13	2.7
People from culturally diverse backgrounds	12.43	12.7
People with a disability	3.95	1.9
Youth (aged 24 and under)	2.26	4.4
Mature (aged 45 and over)	59.89	52.6

* The Public Sector Quarterly Entity profile for June 2018 was not available at the time this report was produced

** This data includes fixed term and casual employees

Unauthorised use of credit cards
Officers of the FPC hold corporate credit cards where their functions warrant usage of this facility. Despite each cardholder being reminded of their obligations under the FPC's credit card procedure, four employees inadvertently utilised the corporate credit card for personal expenses.

These matters were not referred for disciplinary action as the Chief Finance Officer noted prompt settlement of the personal use amounts, and, that the nature of the expenditure was immaterial and characteristic of honest mistakes.

Statistics

Other bole volume is a by-product of forestry operations that primarily produce high-value products.

Trends in the area of native forest harvested (hectares)

				Karri forest	
Year	Jarrah forest	Mixed jarrah/karri forest	Jarrah/wandoo forest	Clearfelled or partially cut	Thinned
1976-77	32,320	-	1,170	2,610	-
1977–78	26,020	-	740	4,450	-
1978–79	25,540	-	530	2,710	-
1979–80	25,150	-	860	2,110	60
1980–81	22,930	-	1,440	2,080	180
1981–82	24,680	-	610	2,180	320
1982–83	23,740	-	330	990	190
1983–84	21,540	-	580	1,490	260
1984–85	20,010	-	1,440	2,360	500
1985–86	22,640	-	650	1,590	340
1986	19,340	-	1,150	1,090	490
1987	17,180	-	1,380	1,310	700
1988	23,400	-	490	1,180	840
1989	15,130	-	200	1,510	910
1990	12,960	-	100	1,560	340
1991	10,910	-	-	1,920	230
1992	13,990	-	30	1,540	310
1993	14,250	-	40	1,630	80
1994	14,050	-	50	1,440	-
1995	17,830	-	30	2,410	-
1996	22,320	-	50	1,300	60
1997	18,240	-	60	1,870	60
1998	19,250	-	60	1,970	320
1999	14,200	-	50	1,890	360
2000	20,570	-	10	1,310	70
2001	15,130*	-	-	1,380	120
2002	12,870*	-	30	700	350
2003	8,520*	-	-	720	485
2004	8,860*	-	-	330	920
2005	6,220*	-	30	460	1,070
2006	8,425*	33	380	363	1,127
2007	7,189*	16	59	547	999
2008	6,583*	36	0	347	661
2009	8,993*	94	0	650	921
2010	4,522*	33	0	371	1,212
2011	6,149*	7	35	465	853
2012	6,762*	28	0	344	650
2013	5,883*	2	0	292	554
2014	5,070*	4	0	290	480
2015	5,462*	29	0	210	657
2016	6668*	37	0	438	667
2017	4958	16	0	301	866

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

Area of coniferous (pine) plantations as at 31 December 2017 (hectares)

	Commission owned								Commission managed sharefarms		
	Pinus radiata				Other pine						
	1st rotation		Subsequent rotations		1st rotation		Subsequent rotations		1st rotation		
Year	State	Sharefarms	State	Sharefarms	State	Sharefarms	State	Sharefarms	Pinus radiata	Other pine	Grand total
Pre1970	105	0	26	0	1,319	0	43	0	0	0	1,493
1970	25	0	0	0	41	0	19	0	0	0	85
1971	68	0	0	0	3	0	0	0	0	0	71
1972	32	0	0	0	2	0	0	0	0	0	34
1973	42	0	18	0	204	0	3	0	0	0	267
1974	220	0	0	0	3	0	0	0	0	0	223
1975	58	0	0	0	841	0	0	0	0	0	899
1976	73	0	4	0	200	0	1	0	0	0	278
1977	3	0	10	0	159	0	0	0	0	0	172
1978	25	0	0	0	125	0	0	0	0	0	150
1979	43	0	2	0	0	0	0	0	0	0	45
1980	2	0	0	0	605	0	0	0	0	0	607
1981	362	0	0	0	490	0	0	0	0	0	852
1982	660	0	0	0	431	0	4	0	0	0	1,095
1983	649	0	138	0	481	0	86	0	0	0	1,354
1984	1,324	0	3	0	478	0	9	0	0	0	1,814
1985	1,202	0	1	0	413	0	2	0	0	0	1,618
1986	843	37	0	0	286	0	0	0	0	0	1,166
1987	365	579	74	0	18	0	0	0	0	0	1,036
1988	408	931	88	0	0	0	0	0	0	0	1,427
1989	538	332	345	23	21	0	22	0	0	0	1,281
1990	231	579	233	0	0	0	16	0	0	0	1,059
1991	58	901	461	31	0	0	21	0	0	0	1,472
1992	10	1,576	477	0	0	0	32	0	0	0	2,095
1993	8	602	1,012	0	133	5	127	0	0	0	1,887

	Commission owned										
	Pinus radiata				Other pine				Commission managed sharefarms		
	1st rotation		Subsequent rotations		1st rotation		Subsequent rotations		1st rotation		
Year	State	Sharefarms	State	Sharefarms	State	Sharefarms	State	Sharefarms	Pinus radiata	Other pine	Grand total
1994	144	406	425	0	17	0	114	0	0	0	1,106
1995	56	95	893	0	7	265	78	0	0	0	1,394
1996	35	9	1,028	0	108	410	13	0	0	0	1,603
1997	64	1	902	6	0	1,162	0	0	0	0	2,135
1998	14	82	24	0	0	1,450	4	0	0	288	1,862
1999	15	211	720	0	0	1,796	191	39	14	445	3,431
2000	0	191	866	0	27	3,688	4	0	5	277	5,058
2001	0	1	789	0	0	2,716	2	0	1	321	3,830
2002	43	69	480	0	3	600	0	0	0	211	1,406
2003	0	200	851	0	0	831	61	0	0	304	2,247
2004	106	0	1,018	0	437	516	118	0	0	131	2,326
2005	12	35	1,185	0	120	404	83	0	0	239	2,078
2006	8	55	1,447	0	49	1,410	1	0	0	97	3,067
2007	52	0	1,393	0	0	2,491	49	0	0	242	4,227
2008	2	538	1,339	9	0	1,224	0	0	0	14	3,126
2009	2	34	1,710	9	0	403	0	0	0	0	2,158
2010	0	0	411	66	0	5	3	0	0	0	485
2011	0	0	1,833	0	0	5	0	0	0	0	1,838
2012	0	0	1,690	0	0	0	0	0	0	0	1,690
2013	10	20	1,666	0	0	0	60	0	0	0	1,756
2014	232	0	1,197	0	28	0	674	0	0	0	2,131
2015	119	17	1,279	293	37	0	657	0	0	0	2,402
2016	56	419	1,808	57	0	0	37	0	0	0	2,377
2017	1,430	123	1,237	65	0	0	563	0	0	0	3,418
Grand Total	**9,754**	**8,043**	**29,083**	**559**	**7,086**	**19,381**	**3,097**	**39**	**20**	**2,569**	**79,631**

Area of broadleaved (*eucalypt/corymbia*) plantations as at 31 December 2017 (hectares)

	Commission owned				
	Eucalyptus globulus		Other eucalypts		
Year	State	Sharefarms	State	Sharefarms	Grand total
Pre1988	6	0	6,421	1	6,428
1988	0	0	10	0	10
1989	0	0	2	0	2
1990	20	0	24	0	44
1991	0	0	36	0	36
1992	11	12	0	1	24
1993	0	15	6	0	21
1994	7	0	2	0	9
1995	3	0	1	0	4
1996	0	4	0	4	8
1997	66	26	1	15	108
1998	410	0	2	8	420
1999	0	1	9	1	11
2000	0	1	13	2	16
2001	0	1	0	32	33
2002	0	27	21	216	264
2003	0	13	26	241	280
2004	0	17	138	423	578
2005	1	0	36	190	227
2006	0	0	6	622	628
2007	5	0	19	1,025	1,049
2008	2	7	0	624	633
2009	0	10	4	6,353	6,367
2010	1	0	0	76	77
2011	0	0	0	22	22
2012	0	0	0	98	98
2013	0	0	0	11	11
2014	0	0	0	1	1
Grand Total	**532**	**134**	**6,777**	**9,966**	**17,409**

Area of sandalwood (*spicatum/album*) plantations as at 31 December 2017 (hectares)

	Commission owned		Commission managed	
Year	State	Sharefarms	Sharefarms	Grand total
1932	0.3	0.0	0.0	0.3
1997	0.0	2.4	0.0	2.4
1998	0.0	2.2	6.7	8.9
2000	0.0	23.6	0.0	23.6
2001	0.0	45.5	0.0	45.5
2002	0.0	93.5	12.0	105.5
2003	0.0	59.9	20.9	80.8
2004	39.2	115.3	1.5	156.0
2005	38.9	173.3	0.0	212.2
2006	21.4	491.4	1.0	513.8
2007	46.7	1,507.2	0.0	1,553.9
2008	0.6	2,513.5	0.0	2,514.1
2009	0.7	638.2	0.0	638.9
2011	2.1	0.0	0.0	2.1
2012	0.0	0.0	10.8	10.8
2013	4.4	0.7	0.0	5.1
2014			1.8	1.8
Grand Total	**154.3**	**5,666.7**	**54.7**	**5,875.7**

Log production from Crown land and private property in 2017–2018

Product type	Crown land m³	Crown land tonnes	Private property m³	Private property tonnes	Total m³	Total tonnes
Sawlog timber						
Native forest sawlogs						
Jarrah *	76,971	112,076	-	-	76,971	112,076
Karri *	46,428	70,395	-	-	46,428	70,395
Marri	2,563	3,154	-	-	2,563	3,154
Blackbutt	854	1,098	-	-	854	1,098
Wandoo	-	-	-	-	-	-
Sheoak	65	65	-	-	65	65
Other	-	-	-	-	-	-
Total native forest sawlogs	**126,881**	**186,788**	**-**	**-**	**126,881**	**186,788**
Plantation hardwood sawlogs						
Yellow stringybark	-	-	-	-	-	-
Brown Mallet	-	-	-	-	-	-
Sub-total plantation hardwood sawlogs	**-**	**-**	**-**	**-**	**-**	**-**
Plantation softwood sawlogs and veneer logs						
Pinaster	120,022	120,022	-	-	120,022	120,022
Radiata	477,341	477,341	-	-	477,341	477,341
Sub-total plantation softwood sawlogs and veneer logs	**597,363**	**597,363**	**-**	**-**	**597,563**	**597,363**
Total sawlogs	**724,244**	**784,151**	**-**	**-**	**724,244**	**784,151**

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 and fencing material.

*** Includes woodchips

Log production from Crown land and private property in 2017–2018 (continued)

	Crown land		Private property		Total	
Product type	**m^3**	**tonnes**	**m^3**	**tonnes**	**m^3**	**tonnes**
Other log material						
Native forests						
Chiplogs	123,416	147,524	-	-	123,416	147,524
Firewood/charcoal logs	79,155	92,002	-	-	79,155	92,002
Sandalwood	1,993	1,993	-	-	1,993	1,993
Other **	106,153	128,016	-	-	106,153	128,016
Sub-total native forest other	**310,717**	**367,365**	**-**	**-**	**310,717**	**367,365**
Plantation hardwood						
Chiplogs***	-	-	-	-	-	-
Firewood/charcoal logs	-	-	-	-	-	-
Other **	-	-	-	-	-	-
Sub-total plantation hardwood other	**-**	**-**	**-**	**-**	**-**	**-**
Plantation softwood other						
Industrial wood	138,017	138,017	-	-	138,017	138,017
Woodchips	30,502	30,502	-	-	30,502	30,502
Other	-	-	-	-	-	-
Pine rounds	9,921	9,921	-	-	9,921	9,921
Sub-total plantation softwood other	**178,440**	**178,440**	**-**	**-**	**178,440**	**178,440**
Total other material	**489,157**	**545,805**	**-**	**-**	**489,157**	**545,805**
Total log timber	**1,213,401**	**1,330,156**	**-**	**-**	**1,213,401**	**1,330,156**

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 and fencing material.

*** Includes woodchips

Native forest sawlog production in 2017–2018

Species	Jarrah	Karri	Marri	Total
Cubic metres (m^3)				
High-grade feature	446	-	20	466
General purpose log	14,272	-	-	14,272
Bole sawlog	60,089	-	-	60,089
Veneer log	40	12,014	-	12,054
Whole bole log	2,123	-	-	2,123
1st grade sawlog	-	32,097	2,543	34,640
2nd grade sawlog	-	2,317	-	2,317
Total	**76,971**	**46,428**	**2,563**	**125,961**

Native forest other bole volume

Species	Jarrah	Karri	Marri	Total
Cubic metres (m^3)				
Burl	48	-	-	48
Low-grade feature	167	-	-	167
Dry charcoal	23,976	-	-	23,976
Residue bole	18,500	-	9,863	28,363
Debarked bole residue	22,121	-	-	22,121
Residue peeler	359	11,847	-	12,206
Timber product residue	65,172	-	-	65,172
Craftwood	10	-	-	10
Other bole volume on bole sawlog	9,241	-	-	9,241
Fuelwood	55,179	-	-	55,179
Chip log	-	125,139	-	125,139
3rd grade sawlog	-	2,268	-	2,268
Other bole volume attached on LVL logs	-	11,847	-	11,847
Sawlog	-	-	-	-
Total	**194,773**	**151,101**	**9,863**	**355,737**

Sandalwood production by the Commission from Crown land

Product type	2015–16 tonnes	2016–17 tonnes	2017–18 tonnes
Green butts, branches and logs [1]	923	788	837
Roots green	225	220	294
Green twigs [2]	36	39	160
Dead	707	743	702
Total	**1,891**	**1,790**	**1,993**

[1] previously defined as Green 1st and 2nd grade
[2] previously defined as Green 3rd grade

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
Second rotation	A new plantation established following the harvest of the initial planting
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)
Stumpage revenue	The stumpage revenue is the timber sales revenue less production charges which includes harvest and haulage costs, and sandalwood processing and marketing costs
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

Other key legislation

In the performance of our functions we comply with the following written laws:

- *Aboriginal Heritage Act 1972*
- *Aerial Spraying Control Act 1966*
- *Agriculture and Related Resources Protection Act 1976*
- *Agriculture and Related Resources Protection (European House Borer) Regulations 2006*
- *Auditor General Act 2006*
- *Biodiversity Conservation Act 2016*
- *Biosecurity and Agriculture Management Act 2007*
- *Bunbury Treefarm Project Agreement Act 1995*
- *Bush Fires Act 1954*
- *Collie Hardwood Plantation Agreement Act 1995*
- *Conservation and Land Management Act 1984*
- *Contaminated Sites Act 2003*
- *Control of Vehicles (Off-Road Areas) Act 1978*
- *Corruption and Crime Commission Act 2003*
- *Disability Services Act 1993*
- *Dangerous Goods Safety Act 2004*
- *Dardanup Pine Log Sawmill Act 1992*
- *Environment Protection and Biodiversity Conservation Act 1999**
- *Environmental Protection Act 1986*
- *Equal Opportunity Act 1984*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *Industrial Relations Act 1979*
- *Illegal Logging Prohibition Act 2012 **
- *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*
- *Silicon (Kemerton) Agreement Act 1987*
- *State Records Act 2000*
- *State Superannuation Act 2000*
- *State Supply Commission Act 1991*
- *Statutory Corporations (Liability of Directors) Act 1996*
- *Tree Plantation Agreements Act 2003*
- *Wildlife Conservation Act 1950*
- *Wood Processing (Wesbeam) Agreement Act 2002*
- *Wood Processing (WESFI) Agreement Act 2000*
- *Workers' Compensation and Injury Management Act 1981*

* Commonwealth legislation

Getting in touch with the FPC

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THE GOVERNMENT OF WESTERN AUSTRALIA

Forest Products Commission
WESTERN AUSTRALIA

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