



Forest
Products
Commission
WESTERN AUSTRALIA

ANNUAL REPORT

2015-2016

Photo: 3.4 million seedlings at our
Manjimup nursery ready for planting

/fpcwa

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Copies of this document are available in alternative formats on request.



Statement of compliance

For year ended 30 June 2016

Hon Mia Davies MLA | Minister for Forestry

In accordance with Section 63 of the *Financial Management Act 2006*, we hereby submit for your information and presentation to Parliament, the Annual Report of the Forest Products Commission for the financial year ended 30 June 2016.

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

A handwritten signature in black ink, appearing to read 'Ross Holt'.

Mr Ross Holt
Chairman
9 September 2016









A handwritten signature in black ink, appearing to read 'Stuart West'.

Mr Stuart West
General Manager
9 September 2016



All our annual reports can be found at
fpc.wa.gov.au/annualreport

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Commission
overview



COMMISSION OVERVIEW

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Commission
overview

CHAIRMAN'S REPORT

This is my first report as Chairman of the Forest Products Commission (the Commission). I am pleased to be a part of the forest products industry, which is an important contributor to Western Australia's regional communities and economy.

Since becoming Chairman I have visited a range of regional areas and met stakeholders to discuss key industry strategies. Most importantly these meetings provided an opportunity to discuss long-term strategies and effective support for industry development. A key focus will be to put in place policy frameworks for the industry segments (sandalwood, plantations and native forest) with the active support and encouragement of the Minister and government. We will also focus on fostering innovative solutions and efficiencies to build capacity throughout the forest products industry. Collaboration with industry is vital and it is excellent to see the high level of industry engagement in this process.

For the Western Australian forest products industry to be sustainable and play its role in a diversified state economy there also needs to be an alignment of State Government and Commonwealth objectives. We will continue to work closely with the Forest Industries Federation WA and other forestry representative groups to achieve this.

The Forest Industry Working Group was formed by the Minister for Forestry to provide advice to government on the forest and forestry products industry. As part of the group, I have enjoyed the opportunity to work closely with industry to provide advice on our long term strategic direction, as well as identify opportunities to encourage innovation, research and development.

Several changes occurred to the Board during the year, with the terms of commissioners Mr Robert Fisher (Chairman) and Mr Stuart Morgan finishing on 15 November 2015. I would like to thank both Robert and Stuart for their valuable contribution.

The Board also welcomed the appointment of Ms Amelia Yam and the reappointment of Mr Robert Pearce.

I wish to thank my fellow Board members for their support and consistent contribution to the Commission's performance throughout the year.

The year also saw the appointment of Mr Stuart West as General Manager of the Commission. The Board and I look forward to working with Stuart to strengthen the forest and timber products industry.

In addition, I would like to recognise the valuable contribution to the Commission by Vince Erasmus during his 16 month tenure as General Manager and by Gavin Butcher for his leadership and management of the Commission for the six months prior to Stuart's appointment.

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

I also recognise the Minister for Forestry, the Hon Mia Davies MLA, for her leadership and guidance.

Mr Ross Holt | Chairman

9 September 2016



Commission
overview



GENERAL MANAGER'S YEAR IN REVIEW

The Forest Products Commission is continuing to make good progress to ensure that it and the forest products industry are well positioned to meet future challenges and opportunities.

Since joining the Commission in June 2016 I have met a number of key stakeholders to learn and discuss our role and activities.

Key themes from the year have been around strengthening collaboration with industry and community, recovering from the Waroona bushfire and developing a new structure for the Western Australian sandalwood industry. All of this occurred while we continued our day-to-day operations – planning, harvesting, regeneration of forest and focussing on efficiency and safety.

During the devastating January Waroona fire, our staff worked alongside the Department of Parks and Wildlife to assist with the fire-fighting effort. The fire resulted in the loss of 3,300 hectares of plantation resource.

Following the fire staff worked quickly to identify opportunities to salvage timber. In addition to supplying timber to our current domestic customers, new markets were identified which has helped offset the salvage and clean-up costs ahead of new plantings.

We consulted with sandalwood stakeholders ahead of key sales, processing and marketing contracts coming to an end. The new industry arrangements have been designed to ensure market stability, to create opportunities for new entrants, and to increase regional and Aboriginal outcomes.

The strategy will also assist with a smooth transition to a mix of wild and plantation based sandalwood industries into the future.

New investments and developments by the forest industry sector are very positive and important innovations for the future of the forest products industry. The investment in technologies and processing enables the use of available regrowth and lower grade timber resources. This is important as this resource will form a major part of the industry going forward.

The reopening of the Greenbushes sawmill in February 2016 has provided a significant boost to the native forest sector and local communities.

We have a holistic corporate governance system incorporating our Risk Management Framework to identify and mitigate strategic and operational risks, and to drive continuous improvement.

The strategic planning process has commenced to ensure we focus on the key areas of our business and look forward to a productive 2016–17.

I have been impressed by the passion and commitment of our employees and would like to thank the Executive and staff for their hard work over the last 12 months.

Mr Stuart West | General Manager

9 September 2016



OPERATING AND FINANCIAL REVIEW

2015-16 highlights

Operations



Recertification of forest and environmental standards



New markets for fire damaged timber



5,000 hours of staff contribution to wildfire suppression



Karri forest fauna monitoring

Industry partnerships



Fostering innovation and efficiencies with peak industry groups



Promoting WA's unique hardwoods



Working with Forest Industry Federation WA on forestry policy

Engaging with the Forest Industry Working Group



Collaborating on national safety statistics and benchmarking

\$71 million

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

Investments

600 hectares

of pines planted to support the endangered Carnaby's Cockatoo



\$6 million

investment in the softwood estate in 2015-16



\$40 million

committed investment in the softwood estate over the next four years

Expenditure



\$0.56 million

for sandalwood regeneration



\$2.35 million

for South West native forest regeneration



\$17

million

operating profit for 2015-16 increase of \$8 million from 2014-15

Profit



The Commission at a glance



CORPORATE SNAPSHOT

The Forest Products Commission (the Commission) is a statutory authority responsible for the sustainable management and development of Western Australia's forest products industry using native forest, plantation and sandalwood products on land owned or leased by the state.

The Commission is governed by the *Forest Products Act 2000* (the Act) and sections of the *Forest Management Regulations 1993*.

The Act outlines the functions and principles to be undertaken by the Commission. Section 10 of the Act outlines our functions that include:

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

Section 12 of the Act specifies the principles on how we are to act whilst performing our functions. The Commission must try to ensure that a profit consistent with the planned targets is made from forest products while ensuring:

- the long-term viability of the forest products industry; and
- the principles of ecologically sustainable forest management are applied in the management of indigenous forest products located on public land.

In the performance of our functions we are required to comply with other relevant legislation, see *Other key legislation* section.

The Commission works with the forest products industry to deliver environmental, economic and social benefits in metropolitan and regional communities.

The Western Australian forest products industry:

- Provides direct employment for more than 5,000¹ Western Australians working in timber-related industries, including forest management, harvesting, primary processing and manufacturing sectors. The figures do not include indirect services, which support the sector.
- Makes a substantial financial contribution to the state's economy.

Over 70 per cent of our staff are regionally based. This fosters close working relationships with industry and stakeholders, and provides significant contributions to local communities.

¹ Australia's State of the Forests Report 2013, ABARES, Canberra, p326.



the forest products industry in Western Australia

The Forest Management Plan sets out stringent environmental conditions for the planning, harvesting and regeneration of forests in the south-west

protects
all old growth
forests



\$1

is worth
billion
to the state's
economy

supports other
industries such as



building furniture paper

provides direct
employment for over

5,000
people



many
of which
live in
regional
WA



offers
a renewable and
recyclable substitute for
more carbon-intensive
materials

has a positive and
sustainable future.



Our vision

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

Our mission

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

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

Our values

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

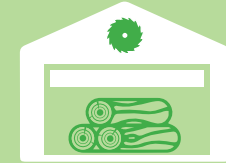
We are committed to achieving results and delivering excellent service to our customers, partners, the community and each other.

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



Sustainable forest management

Timber is natural, renewable, sustainable and carbon-positive



Forest products support industry employment and regional communities



building furniture paper



As part of our environmental responsibility forests are regenerated after harvesting



Extensive forest planning ensures the forest ecosystem is protected and regrown into productive forests

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

Our commitment to continuous improvement, supported by effective management planning, is integral to our everyday operations and activities. The continual improvement of our Environmental Management System (EMS) is acknowledged through certification to internationally recognised standards for sustainable forest management.

A growing forest stores carbon and provides important environmental, social and recreational benefits



We consult with community, industry and environmental stakeholders to ensure our activities are managed in a socially and environmentally responsible manner



Check out our video about sustainable forest management fpc.wa.gov.au/sustainability





Commission
overview

Organisational structure


Current as at 30 June 2016




Minister for Forestry
Hon Mia Davies MLA



Chairman (board of commissioners)
Ross Holt



General Manager
Stuart West



Forest Operations Division
Director: John Tredinnick



Policy and Strategy Division
Director: Gavin Butcher



Finance and ICT Division
Director: Ron Lucas

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

- Forest policy and liaison
- Executive support and governance
- Records management
- Media and corporate communications
- Human resources
- Occupational safety and health
- Environmental management system
- Governance and legal

- Finance
- Information and communications technology



Board of commissioners



Left to right: (back row) Jacqueline Jarvis, Geoffrey Totterdell, Grant Woodhams, Robert Pearce, Amelia Yam, (front row) Ed Valom (Deputy Chairman), Ross Holt (Chairman).



Mr Ross Holt | B.Econs (Hons)
Chairman

Chairman from 16 November 2015.
Term expires 15 November 2018.

Ross Holt has an honours degree in economics and spent 18 years in the Western Australian State Treasury Department including four years as Assistant Under Treasurer.

In 1993, he was appointed Chief Executive Officer of the WA Land Authority (LandCorp). During his 20-year tenure, Mr Holt oversaw significant growth in the land and infrastructure development agency across all areas of the Western Australian property industry. With annual revenues in the order of AU\$400–500 million and a staff of 220, LandCorp had a portfolio of more than 150 projects involving residential, commercial, regional and industrial development.

Board positions currently held by Mr Holt include the Deputy Chancellor of Murdoch University, non-executive Chair of quantity surveying firm Ralph and Beatty Bosworth, non-executive Director of the Water Corporation and property-infrastructure project management firm NS Projects.



Commission
overview



Mr Ewald (Ed) Valom | Deputy Chairman
Commissioner from 6 September 2011. Deputy Chairman
from 16 November 2012. Term expires 30 June 2017.

Through a career spanning fifty years, Ed Valom brings extensive timber industry experience to the post of commissioner. Joining Bunnings in 1961 under a Management Cadet program, Mr Valom’s career began at the grassroots of timber processing. He was later to become responsible for the operations of a number of timber mills in the south-west of Western Australia, before taking on the role of managing the Manjimup Production Centre, where he remained for 12 years.

As Manager of Timber Operations in hardwood and pine sawmills, Mr Valom directed the manufacture of truss, frame and laminated products, as well as the manufacture of furniture. From 2006 to 2009, he managed Plantation Pulpwood Terminals at Albany’s woodchip export facility. Over the past half-century, Mr Valom has acquired first-hand knowledge in the evolution of an industry in transition.



Mr Robert Pearce | Commissioner
Commissioner from 16 November 2012.
Term expires 15 November 2018.

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

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



Mr Geoffrey Totterdell | B.Com FCPA
Commissioner
Commissioner from 16 November 2013.
Term expires 15 November 2016.

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 in business consultancy.

Mr Totterdell has had significant government appointments including Chairman of the Swan River Trust from 1994 to 2003, Dairy WA Ltd from 2003 to 2006, Rottnest Island Authority from 2007 to 2010, Chairman of the Peel Development Commission and a member of the Regional Development Council from 2012 to 2014.



Ms Amelia Yam | B.Com CA GAICD
Commissioner
Commissioner from 1 June 2016. Term expires 31 May 2019.

Amelia Yam was a co-opted commissioner from April 2013 until the current appointment.

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

Ms Yam is currently consulting in financial management and business process improvements. Ms Yam is a member of the Institute of Chartered Accountants Australia and the Australian Institute of Company Directors.



Commission
overview



Mr Grant Woodhams | Commissioner

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

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

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

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



Mrs Jacqueline Jarvis | GAICD
Commissioner

Commissioner from 1 July 2014. Term expires 30 June 2017

Jacqueline Jarvis is an agribusiness professional with more than 20 years' experience in the finance sector before moving into the field of agricultural policy and workforce development. Mrs Jarvis has worked with the Chamber of Commerce and Industry Western Australia, the Department of Agriculture & Food WA and most recently with the Grain Industry Association of WA. In 2014, she was named the Western Australian Rural Woman of the Year and was runner-up to the national title.

Mrs Jarvis is Deputy Chairperson of Western Australia's Rural, Remote and Regional Women's Network. She previously served as the inaugural Chairperson of the Regional Development Australia South West and on the boards of the Australian Landcare Council and the Foundation for Australian Agricultural Women. She also served on committees of the WA Planning Commission's South West region and Whicher Water Resource Management.



Our executive team



(Left to right): John Tredinnick (Director Forest Operations), Stuart West (General Manger), Gavin Butcher (Director Policy and Strategy) and Ron Lucas (Director Finance & ICT)



Mr Stuart West | BSc For, FGLF
General Manager

Stuart West has an extensive background in the Australian forestry industry spanning more than 25 years, in particular having held executive responsibilities for the Forestry portfolio in government for the past fourteen years.

Mr West has detailed experience in government owned forestry businesses and Australian forest industry companies, and their production systems, as well as broad experience in national and international forestry matters. He was also a Board member of the South Australian Forestry Corporation, ForestrySA.

Mr West has a detailed working knowledge of the Australian industry and government in forestry, general industry and regional development issues, including lengthy experience providing information and advice to government on all forestry related matters, and broader industry issues.

Mr West led the South Australian government initiatives to attract new manufacturing and to generate new demand for forest products, including research and knowledge products. In recent years this has included new manufacturing opportunities for the forest industry, which he sees as vital to the growth of the industry.



Mr Gavin Butcher | BScFor
Director Policy and Strategy

With a career in plantation and native forest management spanning more than 35 years, Gavin Butcher's strengths are in the strategic, analytical and financial fields of forestry management.

Mr Butcher holds a Bachelor of Science in Forestry and has lectured at Edith Cowan University. His previous positions with the Commission have been Director, Technical Services; Executive Manager Operations and Plantations Group Manager with the Department of Conservation and Land Management.

Mr Butcher is a member of and is the past Chair of the Forest and Forest Products Committee, and is an Observer on the Forest Industry Advisory Committee.



Mr John Tredinnick | BScFor MSc
Director Forest Operations

John Tredinnick has been Director of Forest Operations since 2011. He has direct responsibility for the operational and commercial performance of the Commission.

Mr Tredinnick has over 30 years' experience working in the forest sectors of Western Australia, the eastern states of Australia, and internationally. Most of his previous work has been in the private sector and his experience includes resource management, forest valuation, forest certification and management of due-diligence projects associated with several large forest transactions.



Mr Ron Lucas | BBus CPA
Director Finance and ICT

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

Mr Lucas brings a strong business services background. He 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.



Legislative requirements

The Commission is governed by the *Forest Products Act 2000* (the Act) and sections of the Forest Management Regulations 1993.

Responsible Minister

The Commission reported to the Minister for Forestry, the Hon Mia Davies MLA, for the 2015–16 reporting period.

Administered legislation

Legislation administered by the Commission as at 30 June 2016

- *Forest Products Act 2000*

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*
- *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*
- *Dangerous Goods Safety Act 2004*
- *Dardanup Pine Log Sawmill Act 1992*
- *Disability Services Act 1993 (amended 2004)*
- *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



Performance management framework

In order for us to evaluate our contribution to State Government goals, our performance is measured in the delivery of the outcomes and services detailed in the Statement of Corporate Intent (SCI).

The SCI outlines how we intend to achieve our financial, industry, environmental and social objectives. The SCI is consistent with the Strategic Development Plan, which details our strategic planning over a five-year period.

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

In doing so we contribute to the following State Government goals:

- Social and environmental responsibility.
- Financial and economic responsibility.
- Regional focus.

Changes to Outcome Based Management Framework

Our Outcome Based Management Framework did not change during 2015–16.

Shared responsibilities with other agencies

The Commission did not share any responsibilities under the Act with other agencies in 2015–16.



We contribute to the following State Government goals



Social and environmental responsibility

Ensuring that economic activity is managed in a socially and environmentally responsible manner for the long-term benefit of the state.



Financial and economic responsibility

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



Regional focus

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



Outcome based management framework

Government goal

Social and environmental responsibility

Ensuring that economic activity is managed in a socially and environmentally responsible manner for the long-term benefit of the state.



Outcome

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



Effectiveness indicators

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



Service

Environmentally sustainable forest products industry



Efficiency indicators

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



Outcome based management framework

Government goal

Financial and economic responsibility

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

Regional focus

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



Outcome

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



Effectiveness indicators

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



Service

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



Efficiency indicators

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



Our
performance

OUR PERFORMANCE

Operational report for the 2015–16 financial year



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Our softwood plantations in the Blackwood Valley, find out more fpc.wa.gov.au/plantations



Our
performance

Sustainable forest management performance

The Statement of Corporate Intent (SCI) details how we are working towards a sustainable forest products industry.

During 2015–16 core actions focussed on:

- building the state's softwood plantation estates
- development and implementation of the post-2016 Western Australian sandalwood (*Santalum spicatum*) sales, processing and marketing arrangements
- improving transport efficiencies, maximising utilisation, and encouraging alternative harvesting, processing and manufacturing technologies in the native forest sector
- achieving recertification against Australian Forestry Standard (AFS), Environmental Management Systems ISO 14001 and Forest Stewardship Council (FSC) Controlled Wood.

The Environmental Management System (EMS) underpins all levels of operations and covers the processes and systems in place which support compliance with external forest certification.

These certifications allow us to clearly demonstrate our ongoing commitment to protecting Western Australia's unique environment.

Other actions implemented during 2015–16 included:

- Working collaboratively with other government agencies, including the Department of Parks and Wildlife (Parks and Wildlife) to address complex issues around fire, sustainability and land management.
- Continuing to review corporate solutions to drive efficiencies within the administrative and operational functions.
- Continuing to focus on the health and safety of staff and contractors.

Our forest management process is compliant
and comprises three-tiers



1

Internal monitoring and reporting of forest management performance.



2

Parks and Wildlife monitoring and reporting of environmental performance.

3

External auditing and reporting by independent certification bodies.





Our
performance



Internationally recognised certification

The Commission has developed a management plan for karri forests 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 FSC Controlled Wood Standard enables customers to evaluate sources of timber supply. It is our aim to ultimately achieve certification to the FSC Standard for responsible forest management in Australia.

During 2015–16 two external audits were conducted which assessed the Commission against the requirements of both the International Standard for Environmental Management Systems ISO 14001 (EMS) and the Australian Forestry Standard (AFS).

A routine surveillance assessment conducted in November 2015 and a major audit in April 2016 resulted in our recertification of AFS and EMS for a further three years.

There has been a strong and steady focus on improvement and system development and all staff at the operational level and in head office demonstrated a strong commitment to ensuring the system is continually improved and implemented.

Communication mechanisms within Forest Products Commission are very good with the Intranet and Internet extensively used.

*Lead Auditor, SAI Global Audit Report
June 2016*

Forest Management Plan compliance

The *Forest Management Plan 2014–2023* (FMP) provides a framework for the sustainable management of our South West native forests for a range of environmental, social and economic uses.

The FMP is developed by Parks and Wildlife on behalf of the Conservation and Parks Commission (formerly the Conservation Commission) in consultation with the community, and endorsed by the Minister for Environment.

The basis for the FMP stems from the principles of ecologically sustainable forest management (ESFM), as described in the *Conservation and Land Management Act 1984*. The FMP adopted the Montreal Criteria as the framework with which to set goals in line with these ESFM principles.

The FMP contains many recommendations that the Commission integrates into its operations and manages on a daily basis in collaboration with Parks and Wildlife.

We are committed to conducting forest operations in compliance with the terms of the FMP and related subsidiary documents.

A major five-yearly report on the FMP is due in 2018.



[Download the *Forest Management Plan 2014–2023*](#)



Our
performance

Environmental management

Environmental incident management is the methodology for reporting and reviewing incidents, ensuring corrective actions are effective, and establishing preventative actions to reduce the likelihood of the incidents recurring. Significant incidents are acted on immediately. Other incidents are closely monitored and must be rectified within 12 months.

The January 2016 Waroona fire was the only significant environmental incident reported. Further information regarding this incident is included in the *Restoring plantations to secure industry future* section.



In the karri forest we
have identified Quokkas

Photo courtesy of
Karlene Bain

Improved outcomes for threatened and priority fauna

In keeping with ecologically sustainable forest management practices, a continuous improvement initiative commenced in 2015 for fauna monitoring in karri forest areas available for timber harvesting. This approach is intended to improve outcomes for threatened and priority species. The initiative is led by an ecologist with considerable experience in the monitoring and management of fauna in the south-west of Western Australia. In addition, a number of staff have undergone fauna monitoring training.

The fauna monitoring includes call-based surveys, camera surveys and indirect monitoring techniques. The program currently has the following objectives:

- Determine the presence of threatened or priority listed species within a selection of karri forest areas planned for timber harvesting.
- Use the outcomes of surveys to assist with development of management objectives.
- Improve the functionality of the Fauna Distribution Information System (FDIS).
- Build and maintain our knowledge and skills relevant to fauna monitoring and biodiversity management within proposed harvest areas.
- Ensure approaches to monitoring remain contemporary, relevant and credible.

The information from the surveys has been used to complement data from FDIS as part of pre-harvest planning. In particular, where the surveys have detected the presence of threatened and priority fauna, additional advice from Parks and Wildlife on appropriate management actions has been sought.

On occasions our program has identified the presence of feral cats and foxes. This highlights the importance of our contribution for predator control programs to assist with threatened species protection.



Further information about our fauna monitoring is available on our website
fpc.wa.gov.au/karriforestmanagementplan



Our
performance



Softwood plantations

Pine plantations supply log and chip products to domestic and international markets. Western Australia's local softwood processing industry provides sawn timber, laminated veneer lumber (LVL) and particleboard largely for use in the local housing and construction industries.

The Commission facilitates the softwood industry by managing pine plantations on land owned or leased by the state. The plantations provide the resource for three main processing plants, two in Dardanup, and one in the northern Perth metropolitan area.

Without intervention, the current softwood plantation estate in Western Australia is projected to decrease due to harvest without replacement in the Gnangara region, the loss of plantations due to drought and fire, reduced investment in private plantations and other land use competition.

During 2015–16 our focus has been on building the state's softwood plantation estate in the higher rainfall areas within economic haulage distances, to facilitate an internationally competitive manufacturing industry. This is being achieved through the implementation of cost saving initiatives across the agency and redirecting expenditure towards growing the pine estate.

Considerable work has been undertaken to develop a softwood strategy to grow the estate. This is being developed in consultation with key stakeholders to identify opportunities to achieve a sustainable softwood industry.

Establishment of pine plantations

During 2015–16, 2,700 hectares (ha) of second rotation softwood plantations were prepared and planted, including more than 400 ha in fire damaged areas throughout the South West region.

We have been working with the Department of Premier and Cabinet on the Green Growth Plan to plant more than 600 ha of maritime pine in the Yanchep region as foraging habitat for the Carnaby's Cockatoo.

Under a Memorandum of Understanding with the Department of Water, over 600 ha of new plantations were established in the Wellington catchment. In addition site preparation was undertaken on approximately 500 ha of new land, mostly in the Wellington catchment, that will be added to the plantation estate during 2016–17.



Our
performance

forestry feature
Waroona wildfire



RESTORING PLANTATIONS TO SECURE INDUSTRY FUTURE

Our response to wildfire

Wildfire is an increasing risk for the Commission and the forest products industry. We are reviewing and developing new operational strategies to respond to fire. This includes site preparation, design, maintenance procedures and working relationships with the Department of Fire and Emergency Services and Parks and Wildlife.

Approximately 50 of our staff are on the Parks and Wildlife fire management roster, with the majority being front line first responders. Our staff accumulated nearly 5,000 hours on fire response during the 2015-16 bushfire season. This illustrates our commitment to assisting the state's bushfire effort.

A significant event in 2016 was the Waroona fire which began as a result of a lightning strike in the Lane Poole Reserve on 6 January 2016.

About 30 of our staff were deployed by Parks and Wildlife to assist with the fire-fighting and suppression efforts.

The fire burnt a total of 71,000 ha, including 2,800 ha of pine trees on Crown land in the McLarty and Myalup Plantations and 500 ha on privately leased land. The plantations damaged by the fire ranged in age from three to 40 years.

The significant forestry loss is estimated at 500,000 cubic metres of standing timber resource from these bushfires. This is equivalent to approximately seven month's supply to major log processors.

In the aftermath of the devastating Waroona fire, and before the salvage operations could commence, up to 20 of our staff were required to search for and neutralise any remaining hot spots in the plantations. This required a major effort outside of normal working hours.



The devastating Waroona fire burnt a total of 71,000 ha, including 2,800 ha of pine trees on Crown land in the McLarty and Myalup Plantations and 500 ha on privately leased land.



Our
performance

Forestry feature
Waroona wildfire



3.4 million seedlings at our Manjimup nursery ready for planting

Salvage operations

Following the Waroona fire, the Commission identified opportunities to salvage merchantable timber.

Salvage options were determined by age, level of damage and available markets. Time has been critical as burnt timber deteriorates quickly.

New markets were identified which helped minimise site clean-up and preparation costs ahead of new plantings.

By 30 June 2016, more than 900 ha had been salvage harvested, producing 140,000 tonnes of products which were sold to current domestic customers and new residue markets for power generation.

Approximately 1,000 ha remain to be salvaged with other areas too young to produce commercial outcomes.

Replanting

The Crown land plantations are estimated to cost \$6.2 million to replace, with the majority of funding budgeted for 2016–17 and 2017–18. The replacement process commenced in June 2016 with approximately 200 ha replanted. The balance of the plantation will require more than 2.7 million pine seedlings which be planted over the next two winter seasons.

The Commission's nursery staff have worked hard to prepare healthy pine seedlings for the replanting. The nursery has a long history of tree breeding and works to continuously improve the growth rates and quality of trees being planted.



[Find out more about our bushfire response](#)



Our
performance

Improved productive capacity of pine plantations

During 2015–16 we continued to refine strategies to improve the productive capacity of plantations. Highlights included:

- Monitoring harvest optimisation and comparing projected volumes with post-harvest yields (reconciliation of harvest yields).
- Continuing to maintain a focus on developing new markets for plantation thinnings. This has included;
 - export of small pine logs from Albany
 - development of new markets for heat and renewable energy
 - investigating options for pine chip export opportunities in Esperance.

The Commission has a nutrient sampling program for first thinning operations and second rotation sites. Fertiliser regimes have been developed based on the results of this analysis for improved productivity.



Sandalwood

Wild Western Australian sandalwood (*Santalum spicatum*) was first exported to China in 1844 to produce incense. Today sandalwood remains a highly sought after product in the domestic and international marketplace.

Sandalwood oil is extracted locally from high oil bearing wood for use in perfumes, cosmetics and therapeutic products in domestic and international markets. This is a market that returns a valuable income to the state and enables significant investment into the regeneration of the species in its natural environment.



REVITALISING OUR SANDALWOOD INDUSTRY



Sandalwood oil is extracted locally from high oil bearing wood for use in perfumes, cosmetics and therapeutic products in domestic and international markets. This is a market that returns a valuable income to the state and enables significant investment into regeneration of the species in its natural environment.



The sandalwood industry is an important component of the state's forestry strategy, particularly for remote and regional communities.

The industry for wild Western Australian sandalwood was restructured in 2015–16. In consultation with other government agencies, the industry and stakeholders, the Commission has undertaken work to review the harvest limit and regeneration protocols, review commercial arrangements for sales, processing and marketing, and take action on illegal harvesting.

The new sales, processing and marketing contracts will be awarded in 2016 and are designed to improve outcomes for regional and Aboriginal communities.

An extended inquiry into the sandalwood industry was conducted by the Legislative Council's Environment and Public Affairs Committee. This inquiry was open for public submissions. Their report (*Report No 35: Inquiry into the Sandalwood Industry in Western Australia*) was completed in May 2014. The government responded to this report and provided progress on implementing the recommendations.

Parks and Wildlife undertook a review of the Sandalwood Order of Limitation during 2015 and subsequently the Sandalwood (Limitation on Removal of Sandalwood) Order (No.2) 2015 was published in December 2015. The order, which takes effect from 1 July 2016, sets the annual quota at 2,500 tonnes, being 1,250 tonnes of green and 1,250 tonnes of deadwood. While this represents a reduction, the new volume is expected to be sufficient to service our markets by funding the ongoing regeneration program over the next 10 years and will support the ongoing sustainability of the industry.



Our performance

forestry feature Sandalwood industry



During 2015–16 core actions have focussed on:

- Development and implementation of the post 2016 wild Western Australian sandalwood sales, processing and marketing arrangements to meet the government’s social, environmental and economic criteria.
- Consultation with Aboriginal stakeholders to ensure that future sales, processing and marketing arrangements will support their involvement. This approach is consistent with the State Government's *Aboriginal Economic Participation Strategy 2012-2016* which aims to increase the potential for Aboriginal people to participate in the state's economy.

Tender processes

A Request for Proposal (RfP) process has been undertaken to implement new industry arrangements for the sales, processing and marketing of wild Western Australian sandalwood.

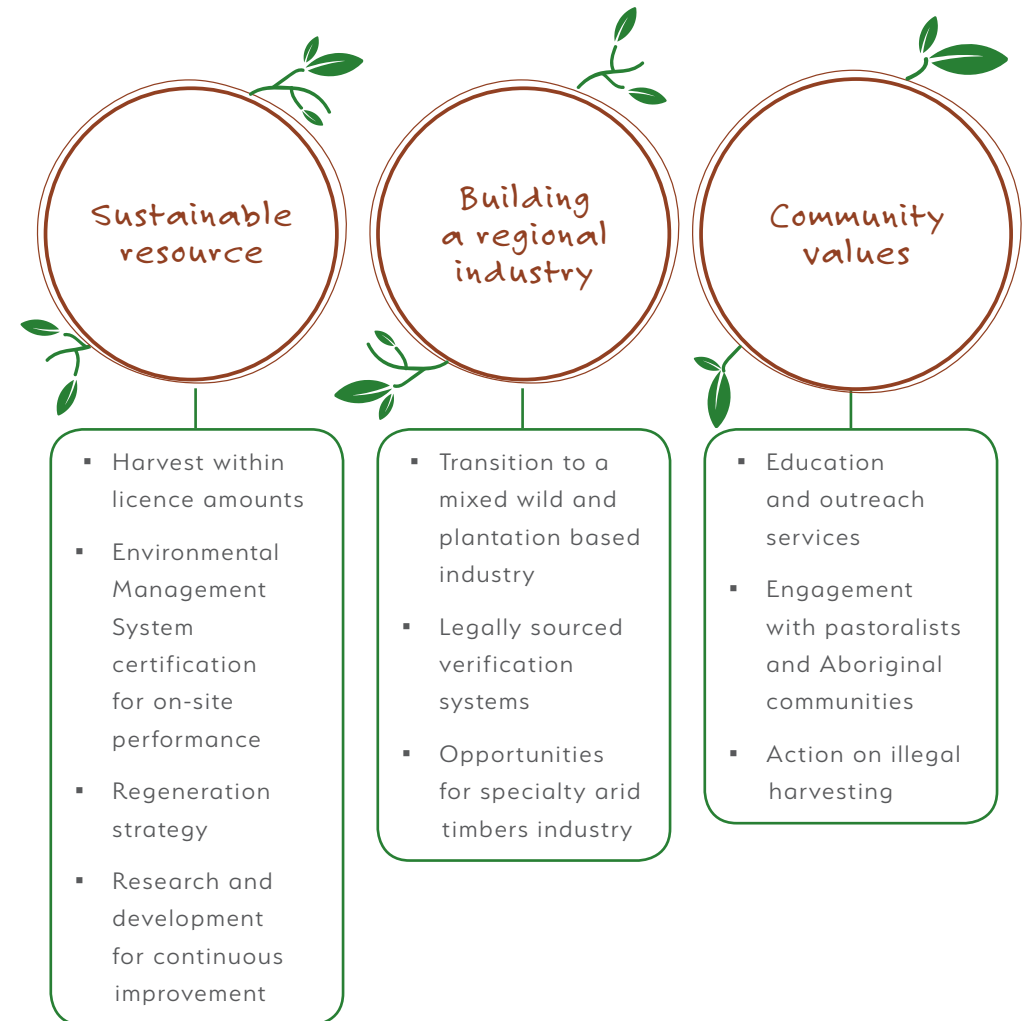
Following extensive consultation with stakeholders a new industry structure is being developed to meet a number of objectives including:

- market stability
- opportunities for new entrants in the industry
- employment and investment opportunities in regional Western Australia
- greater Aboriginal involvement in the industry
- a smooth transition to a mixed wild and plantation based industry into the future.

The tender process for sandalwood harvesting was released in April 2016. The new contractual arrangements will aim to enhance resource regeneration and sustainability measures, encourage greater Aboriginal involvement, and support new industry entrants.

The tender for haulage services will be released once the outcome of the RfP for the sales, processing and marketing arrangements, and distribution of sandalwood has been finalised.

Our three pillars for revitalising the sandalwood industry





Our
performance



Good rainfall during winter led to the successful regeneration of native sandalwood from seed sown, demonstrating the success of this program.



Sandalwood regeneration

'Operation Woylie' is a research program aimed at improving sandalwood regeneration in the semi-arid regions of Western Australia, through the use of mechanical ripping and seeding. The program started in 2008 and its name is derived from a small native marsupial called the Woylie, which has been shown to aid sandalwood regeneration by caching and distributing the seeds.

During 2016, the mechanical sandalwood seeder had another big year, sowing about 5 million seeds, the equivalent of 11.7 tonnes, within rip-lines over 900 kilometres.

Good rainfall during winter has led to the successful regeneration of native sandalwood from the seed sown, demonstrating the success of this program.

This regeneration program is important because sandalwood populations will significantly decline in the Murchinson and Goldfields areas in the absence of active regeneration programs. The program is funded from the proceeds of sandalwood harvest.

During spring, the Commission will assess sandalwood germination and survival within each seeding region. Over the next five years, these seeding sites will continue to be monitored to ensure the sandalwood is regenerating and to further refine the program.





Our
performance

Illegal sandalwood harvesting

A recommendation to address illegal harvesting of sandalwood was made in the Standing Committee for Public and Environmental Affairs *Report 35: Inquiry into the Sandalwood Industry in Western Australia*.

The Commission has partnered with Parks and Wildlife to implement the actions contained in the government's response to the report. During 2015–16 this included developing a joint program to manage the sandalwood resource and support the industry.

The illegal harvesting and theft of wild sandalwood has cost the industry millions of dollars. It has also caused significant disruption to sandalwood markets and the reputation of the Western Australian sandalwood industry.

Breaking the supply chain at the harvest end is very difficult given the vast size of the Rangelands. There has been some success, but results have been varied.

The Commission is continuing to work with Parks and Wildlife, the Commonwealth Department of Agriculture and industry stakeholders to implement a Legality Verification System based on a chain of custody system linked to the licensing process. Under this system anyone involved in the sandalwood industry must be able to prove the wood has come from a legal source.

The proposed new Biodiversity Conservation Bill will enable improved management of illegal sandalwood harvesting by requiring licencing at all key points along the supply chain.

Sandalwood plantations

The Commission manages a 6,000 ha sandalwood plantation estate which was established between 1999 and 2010 to facilitate the industry.

An assessment of the estate was completed during 2016. This data will assist with plantation management and the timing of future harvesting programs.

The sandalwood plantation industry has been active in the development of new products for sandalwood nuts. Both the oil and the shell of the nut are being used in products that range from face creams to industrial hand wash. The Commission has been working on ways to cost-effectively harvest nuts from the plantations, so that these markets can be further developed. Harvesting of the nuts provides an annual income to plantation owners and improves the financial viability of sandalwood plantation investment.

The Commission has also been working collaboratively with the sandalwood plantation industry to:

- exchange provenance and oil information
- investigate seed collection methodology
- develop a standardised grading system for plantation sandalwood across the industry
- discuss the benefits of alternative silvicultural treatments within sandalwood plantations.



Our
performance



South West native forests

Western Australia's public native forests are sustainably managed within the comprehensive policy and regulatory framework of the *Forest Management Plan 2014–2023* (FMP). Old growth forests have been protected since 2001.

During 2015–16 the core action in South West native forests focussed on allocating the timber resource to customers across the state in a manner that:

- improves transport efficiency
- reduces cost of transport to industry
- aligns timber processing capability with the resource
- maximises utilisation opportunities
- encourages development of alternative harvesting, processing and manufacturing technologies
- strengthens the viability of the industry.

Innovation and investment in South West native forests

The current FMP identifies the forest areas available for harvesting which are more widely dispersed and lower yielding than areas available in the previous FMP.

Through collaboration and engagement the Commission has encouraged industry innovation and new investment in technologies and processes that enable the use of the available regrowth and low grade timber resource. New investments and developments by industry are very positive and important innovations for the future of the forest products industry.

Nannup Timber Products completed the rebuilding and expansion of their kilns following a fire in December 2014. The kilns now operate with remote access control monitoring, which means the superior control of the heating and drying has significantly increased efficiency.

Peeling (rotary veneer)

Research and development trials in peeling Western Australian hardwoods have been undertaken by the Inglewood Products Group with the aim of producing veneer blocks which can then be re-sawn into large dimension boards. We assisted by providing timber resource to the required log specifications.

This product has proven to be of high quality and suitable for a range of high value uses. The new product is currently being tested in furniture manufacture, joinery, and flooring products, as well as new products such as cross-arms on power poles.

Peeling is considered to be highly suitable for small regrowth logs, which are more difficult to efficiently process with most sawmill technology.

In addition, hardwood regrowth timber veneers are being used by Wesbeam to improve the strength and stiffness of laminated veneer lumber (LVL). This initiative continues to show promising results that will complement the utilisation of softwood species in the manufacture of LVL.

forestry feature
Auswest timbers



INNOVATION & NEW TECHNOLOGY INCREASES REGIONAL PRODUCTIVITY



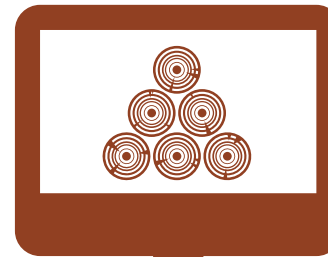
In February 2016 Auswest Timbers re-opened the Greenbushes sawmill site resulting in the creation of more than 20 local jobs. The re-opening of this site has provided a significant boost to the native forest sector and local communities.

Recommissioning small log line processing facilities, such as the Greenbushes site, is essential for the future of the industry as it provides the ability to efficiently process small diameter regrowth logs that are a major part of the future industry resource.

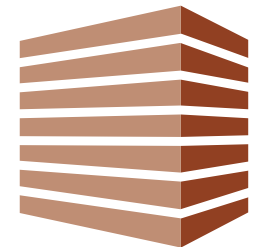
Auswest Timbers is also constructing another sawlog processing line on the same site that is capable of processing larger logs. While this construction has been taking place, the Greenbushes mill has only been able to accept smaller regrowth logs. To facilitate this transition, the Commission worked closely with harvesting contractors and other customers. This has required some changes to harvest schedules so that the distribution of log sizes matches industry capacity.



Our
performance



The multi-sensor imaging scanner recognises wood defects and grades to maximise dry timber processing operations. The addition of this technology will improve processing speed, recovery and value.



Combined with similar investments at Jarrahwood Australia and Nannup Timber Products, Auswest Timber's commitment to the processing of smaller diameter regrowth sawlogs provides the industry with greater flexibility to maximise utilisation of the full range of available sawlog sizes.

In addition Auswest Timbers initiated a project to install a multi-sensor imaging scanner (MRI) at its Manjimup plant to significantly improve recovery rates, processing speed, and value.

This technology, while commonplace within the softwood industry, is the first of its type for the Western Australian hardwood industry. It represents a positive shift to the use of technology to improve performance of hardwood processing.



Our
performance

Northcliffe salvage and regeneration trial

About 5,000 ha of young karri regrowth within state forest boundaries was severely burnt in the 2015 Northcliffe fires.

Of this area, 3,000 ha were extensively damaged and have been assessed as unlikely to regenerate into productive forests without any management intervention. Karri is easily damaged or destroyed by intense wildfires and the harvesting and regeneration of the severely fire-damaged forest was a responsible measure that would restore the long-term productivity of the forest.

In February 2016, following consultation with the local community, industry and local government, the Commission undertook a small 100 ha trial to investigate salvage and regeneration methods and ways to minimise the cost of the regeneration process.

The harvest methodology of whole tree extraction and infield chipping, followed by site preparation and planting, proved to be the most cost effective option for regenerating the forest. The salvage trial delivered a small quantity of sawlogs from older forest for local processing and charred timber for energy production.

Opportunities to undertake further salvage and regeneration of this area are now being sought.

Tackling climate change

The Commission entered into a partnership with the University of Western Sydney, Parks and Wildlife and Murdoch University to receive a Linkage Projects scheme grant from the Australian Research Council, to determine how factors such as climate change impact on marri trees.

Understanding the capacity of trees to respond to climate change is critical for maintaining biodiversity, forest health and productivity. In the south-west climate change has increased the frequency and intensity of droughts. Assessing genetic adaptation and physical tolerance to drought across species distributions is important to develop management tools for sustainable and productive forest ecosystems in a drying climate.

The study will investigate how marri has altered in size and adapted to climate change across its geographical range. The study will also examine how characteristics such as drought resistance are passed on to future generations and how fast marri responds to climate change pressures.

A PhD student will conduct research to develop a science-based foundation for building drought-resilience in future forests.



[Find out more about our regeneration trial](#)



Our performance



Community and stakeholder engagement

Engagement with stakeholders is an integral part of our operations and is embedded in our core values. The Commission is committed to engaging and building constructive and positive relationships with our stakeholder community.

Effective stakeholder engagement is essential to ensure our stakeholders' needs and interests are consistently, transparently and meaningfully considered in our activities

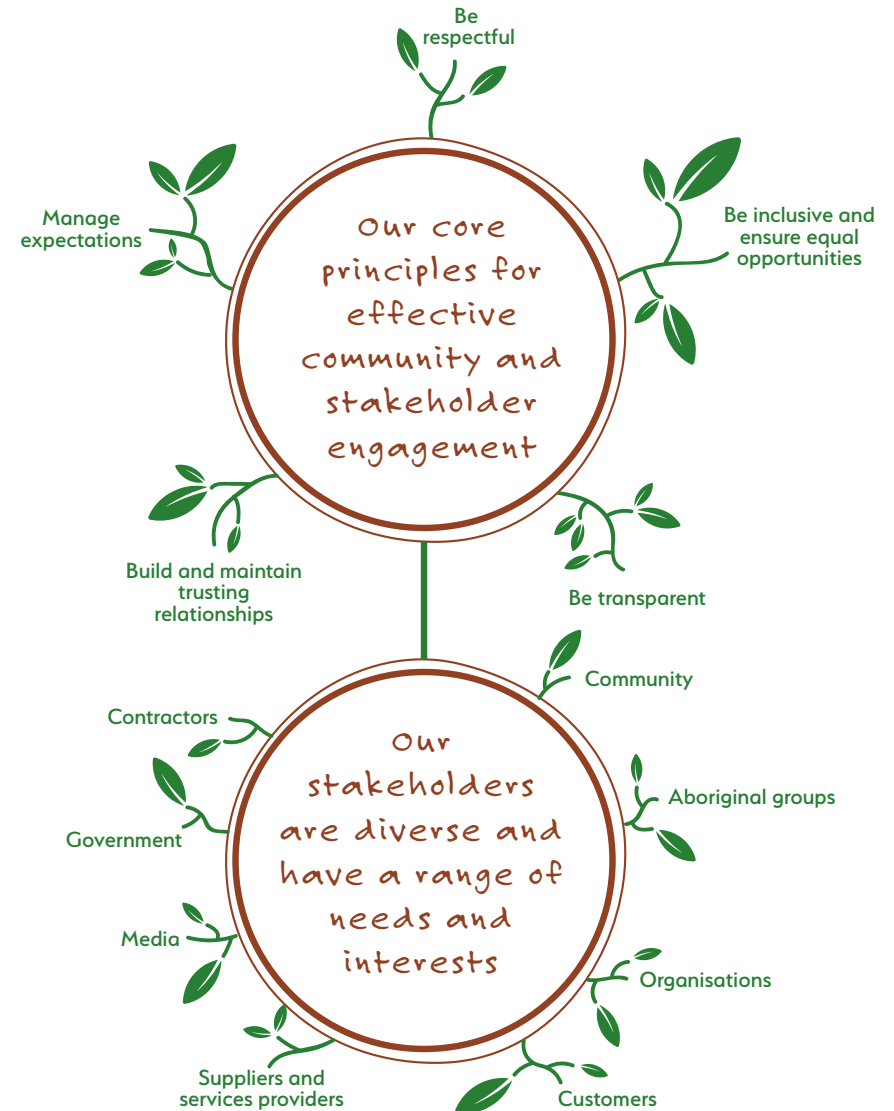
As part of our commitment to continuous improvement, stakeholder feedback is captured, appropriately responded or investigated, and monitored to identify potential trends or gaps, as well as identifying areas for improvements.



Do you have an interest in a particular area, region or topic? Visit our website to register your interest fpc.wa.gov.au/stakeholders

Who are our stakeholders?

Stakeholders are people and organisations who can influence our outcomes, have an interest in, or are affected by our activities.





Our
performance

Examples of engagement activities undertaken by the Commission in 2015–16 include:

- An extensive public consultation process to develop a new processing, sales and marketing structure for the sandalwood industry to meet government objectives.
- Ongoing stakeholder consultation on the *Karri forest management plan*, to meet the requirements of the Forest Stewardship Council (FSC) Controlled Wood Standard (FSC-STD-30-010; FSC-C120630).
- Consultation with local community, industry and local government on the Northcliffe fire salvage and regeneration operations was well received.
- Constructive collaboration with Margaret River Off-Road Cycling Association to address activities on local cycle trails in pine plantations.
- Community input and feedback on proposed timber harvesting plans including field silviculture inspections with representative groups.
- Commissioners meeting with key industry stakeholders throughout the year to discuss industry issues and the Commission's long-term strategic focus

Engagement with Aboriginal communities

Throughout Western Australia, Aboriginal people have connections to the land and waters. The Commission acknowledges this traditional ownership and we continually improve our practices and procedures to ensure the protection of their culture and heritage.

Our understanding of, and engagement with, Aboriginal people is essential for protecting heritage and cultural values.

We have maintained our engagement activity with Noongar peoples and their representative organisations and with other Aboriginal people away from south-west Noongar country.

Also, we have become a contributing member of an interagency working group collaborating with the Departments of Premier and Cabinet and Aboriginal Affairs (DAA) and the South West Aboriginal Land and Sea Council (SWALSC). We are committed to the progression and refinement for application of Noongar Standard Heritage Agreements and associated processes within the south-west.

Our staff have participated in specific activities such as:

- Forest field consultation tours into recent and planned harvesting coupes with traditional owners.
- Conducting a forest operations field tour for lead staff of the DAA and SWALSC.
- Forest harvesting presentation to a Native Title Claim Area Working Party meeting with SWALSC.
- Cultural awareness and traditional learning forums at Kojonup and the Wardan Cultural Centre.
- Cultural awareness training at Manjimup with Parks and Wildlife's Aboriginal Heritage Unit.

Goldfields engagement

Maximising the involvement of regional and Aboriginal communities has been identified as a key factor for the sale and marketing of sandalwood into the future.

Staff worked with an independent consultant to meet Aboriginal representatives in the Gascoyne, Murchison, Goldfields and Wiluna areas. This enabled the involvement of many remotely located Aboriginal stakeholders who would otherwise not be involved.



Our
performance



Reconciliation Week

As part of Reconciliation Week the DAA conducts a street banner project. These banners are sponsored by organisations and displayed throughout the Perth CBD.

We sponsored a banner located in the Hay Street Mall. The banner displayed our logo alongside this year's reconciliation message; Our History, Our Story, Our Future.

Forest Industry Working Group

The Minister for Forestry established a Forest Industry Working Group (the Working Group) to provide advice on the forest and forest products industry in Western Australia.

The Working Group was convened to identify opportunities to encourage innovation, research and development. Royalties for Regions funding is being pursued to deliver these strategic industry initiatives.

The Working Group is comprised of peak body industry representatives from the plantation, sandalwood and native forest sectors, including the Australian Sandalwood Network, Australian Furniture Association, South West Agroforestry Network, Australian Forest Products Association and Forest Industries Federation WA.



Left to right: (back row) Carlo Gossati, Bronwen Williams (Policy Officer), Ron Adams, Ruth Harvey, Steve Pickering, Melissa Haslam, Duncan Beggs. (front row) Bruce Storer, Vince Catania MLA, Stuart West (General Manager, Forest Products Commission), Gary Addison, Ross Holt (absent)

Forest Industry Working Group (roles)

State Government

Parliamentary Secretary to Minister for Forestry	Vince Catania MLA (Chairman)
Forest Products Commission	Ross Holt (Member)
	Ruth Harvey (Executive Officer)

Industry

Forest Industries Federation of WA	Gary Addison (Member)
	Melissa Haslam (Observer)
	Steve Pickering (Member)
Australian Forest Products Association	Ron Adams (Member)
South West Agroforestry Network	Duncan Beggs (Member)
Australian Furniture Association	Carlo Gossati (Member)
Australian Sandalwood Network	Bruce Storer (Member)



Our
performance

forestry feature
Silviculture education



TRAINING OUR NEXT GENERATION IN SUSTAINABLE FOREST MANAGEMENT

The Commission has a long-standing working relationship with Edith Cowan University's Environmental Science students, providing hands-on forestry experiences. Our partnership with the university also gives students opportunities to tap into the breadth of industry knowledge held by our senior foresters.

Students visited the Gnangara plantation to discuss pine silviculture, fire and cockatoo management, and practiced measurement techniques they had been learning in the classroom.

Our staff also took students to the Wellington Discovery Forest to learn about sustainable forest management. With the help of senior foresters, the students put theory into practice by measuring tree diameter, height and stand basal area of thinning trial sites.

While in the South West region our karri planning, harvest and regeneration operations were examined in detail, with the emphasis on applied sustainable forest management. The practical training continued with further thinning trial plot measurement work in 80 year old karri regrowth at Treen Brook, and an inspection of a blue gum eucalypt tree farm near Pemberton.

With the emphasis on applied sustainable forest management, the students turned classroom theory into relevant, applicable activities.



Download our fact sheet [Regrowing our South West native forest](#) for further information on silviculture

What is silviculture?

Silviculture is the management of controlling the establishment, growth, composition, health, and quality of forests to meet a wide range of needs and values.



The Commission's Andrew Lyon explains silviculture principles to Edith Cowan University students



Our
performance

Forestry partnerships

The Commission continues to utilise software tools developed by the Southern Tree Breeding Association to select the best pedigree trees to maximise productivity.

We continue our collaboration with the WA Forest Communities Network (WAFCN) to promote positive aspects of the forest products industry in the South West region. Direct support was provided for two events in Bunbury that raised technical and economic awareness of positive aspects of the use of wood in building and architectural applications. In Manjimup, our staff teamed with WAFCN and Timber Insight to run a local community networking event.

In relation to the growing number of commercial trees on private land, in-kind support and forest management was extended to the South West Agroforestry Network for field days, organisational and policy input.

In collaboration with the Australian Forest Operations Research Alliance we continue to increase our understanding, management and control of forest operational costs for harvest systems to ensure a financially effective industry.

We are an active participant in national forest industry forums with highlights for 2015–16 being the formation of a Forest Health and Biosecurity committee and the development of software to predict tree growth and wood properties

Educational initiatives

Initiatives during 2015–16 included:

- Continued collaboration with Forest Learning, which develops forest education resources to tie in with the national education curriculum.
- Presentations to school groups, which focussed on renewable resources and sustainability, management practices, stakeholders and different perspectives, as well as environmental impact and management, government regulations and laws.
- Supported industry to co-host teachers' professional development day. A range of operations within Western Australia's forest and forest products industry were demonstrated.

Commissioners met key industry stakeholders

Our business has a significant focus in the South West region and the forestry products industry plays a valuable role in diversifying regional economies and contributing to the resilience of local communities.

Commissioners met key industry stakeholders in Bunbury on 5 May 2016. The function provided an opportunity for commissioners, executive and senior managers to meet key stakeholders and inform them of our focus for the next 12 months.



Chairman Ross Holt outlines the Commission's vision for the forest products industry to our key stakeholders in May



Our performance

forestry feature
Furnitex



PARTNERING WITH INDUSTRY TO PROMOTE THE DIVERSITY OF WA HARDWOODS



Furnitex Melbourne 2015

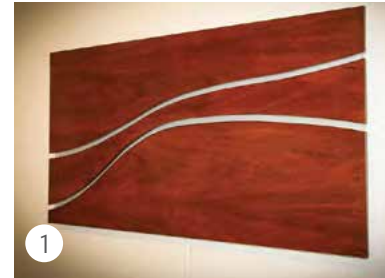
Our award winning 'Western Australian Hardwoods' stand at the Furnitex Connect exhibition in Melbourne last July showcased an exciting range of innovative furniture pieces made from unique Western Australian native timbers.

The Commission proudly partnered with reputable and emerging native timber furniture designers, manufacturers and timber suppliers to promote the state's sustainably managed native timbers to national and international buyers.

The objective was to demonstrate the strength and versatility of our hardwoods for use in contemporary furniture. The natural characteristics of feature grade jarrah and marri were popular with furniture enthusiasts, potential customers and members of the public.

Western Australia performed exceedingly well in the Australian Contemporary Emerging Design awards that were open to students and up and coming designers from all fields related to the furniture industry.

1. Jarrah wall art by Kyoto Designs.
2. Jarrah floating coffee table by Floating Edge Design
3. Karri arm chair by Malisa Benjamins
4. Web marri hall table by Simon Parsons of SP Furniture.





Our
performance

WA Wood Show

The Commission has been an exhibitor at the WA Wood Show and a sponsor of the student category of the 'Out of the Woods' competition for over ten years. With our help, the Fine Woodworkers Association is able to present winning students with quality hand tools so they can continue their exceptional timber craftsmanship.

The show, which runs over three days in early August, attracts wood enthusiasts of all ages, from the home handyman to professional renovators. This event is an opportunity for the public to understand more about Western Australia's unique timbers, their sustainable properties and an opportunity to engage with a wide range of stakeholders.

Our display provided an opportunity to showcase and promote Western Australia's unique and sustainably managed native hardwoods and the Commission's public timber auctions.

African delegation

A senior delegation from Africa was hosted on 1 September 2015 to share knowledge across the forest products industry sectors. The meeting formed part of the State Government's agreement with the Common Market for Eastern and Southern Africa (COMESA) member countries. Forest policy objectives were discussed to ensure the benefits from forest resources in COMESA countries flow through to their communities.

Public timber auctions

Three public specialty log and timber auctions were held during 2015–16, two at Harvey and one in Manjimup. These auctions provide the public, wood enthusiasts and craftspeople with the opportunity to buy a unique range of native timbers they would not normally have access to.

Local buyers bid keenly for a variety of Goldfields timbers for musical instruments, wood turning projects and unique pieces of furniture. Wood from this region is difficult to access, and bidders at the auction were impressed by the bold colours and patterns found in the timber.

Also on offer was a selection of South West native forest specialty feature timbers including marri, blackbutt and sheoak.



Location and times of our upcoming timber auctions are available on our website fpc.wa.gov.au/timberauctions



Our
performance



Efficient, effective and safe delivery of business outcomes

Strategies for our three business areas supported a number of ongoing corporate initiatives. During 2015–16 our focus has been on:

- strengthening our health and safety procedures for staff and contractors
- improving strategies for capacity building in this unique industry
- increased collaboration with other government departments and agencies
- rolling out information technology solutions to improve efficiencies
- building relationships with industry and industry representative bodies regarding future strategies.

Contract management

More than \$26 million of short and long term service and sale contracts were awarded in 2015-16 to Western Australian regional businesses.

The Commission has continued to promote regional industry viability and growth through expanded sale arrangements with existing customers, and with the welcome inclusion of new customers. Each new sale contract provides the opportunity for us to maximise the sustainable use of available forest resources. The diversified nature of forestry activities that occur under service contracts require specialised and non-specialised equipment and expertise, both contribute to achieving the Commission's core functions and benefits to the forest products industry.

Occupational safety, health and injury management

The Commission is committed to the provision of:

- a safe and healthy work environment for all staff and contractors
- appropriate injury management, including early intervention and return to work following a workplace injury.

The Board and Executive continue their strong leadership roles in ensuring a safe workplace remains a top priority. Achievement of a safe workplace is realised in consultation with staff representative participation in the Occupational Safety and Health (OSH) Committee and contractors through contract management processes. The Commission is participating in a national forestry safety benchmarking initiative to evaluate the performance differences with other industry participants.

This process is an important milestone in Australian forestry safety management that provides a learning and development opportunity to promote continuous improvement across the industry. Ultimately, the benchmarking initiative will result in identification and awareness of best safety practices across the industry.

As this new system is refined, additional indicators will be introduced to broaden the scope and opportunities resulting from this project.

While the Commission performs better than the industry average for most of the indicators, we are continually striving to improve our workplace safety.



Our
performance

Occupational Safety and Health

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

In 2015–16 the following was achieved:

- The OSH Committee developed a hazard risk register to document and monitor hazards, risk levels and controls.
- A sun safety awareness campaign was introduced with the aim of reducing the risk associated with exposure to ultraviolet radiation.
- Provision of a Western Power information session for working and managing contractors who work near powerlines. A new procedure for safe tree felling and machine operation near powerlines and other infrastructure was implemented.
- Co-sponsorship of industry safety forums in Albany and Manjimup.
- Implementation of an online safety induction process for staff and contractors.
- Participation in the Australian Forest Products Association Health and Safety Committee to develop an industry safety benchmarking system. We are also working with the committee to identify operational best practices and introduce training initiatives.
- Incident investigation training to key staff was provided for both safety and environmental incidents. This training will lead to improved corrective and preventative actions and will aim to reduce the number of future safety and environmental incidents.
- Provision of a workers compensation and injury management information session to help improve injury management outcomes and to assist us to comply with requirements under the *Workers Compensation and Injury Management Act 1981*.

Log truck safety

During 2015–16 the focus has been on the development and implementation of processes to improve contractor log truck safety and compliance with the new road transport 'compliance and enforcement' legislation. In addition to improved processes, several other initiatives were introduced to educate and improve awareness of the relevant issues and develop strategies to mitigate risk.

In 2015–16 the following was introduced to ensure the Commission was well-placed to meet our obligations under the new legislation:

- A Chain of Responsibility Steering Committee was formed to implement and continuously improve strategies to ensure log truck safety.
- All relevant staff were provided Chain of Responsibility awareness training.
- Operational staff were provided load restraint training and log truck compliance training.
- A webinar for staff and contractors was held regarding implementation of the Chain of Responsibility - Code of Practice.
- A log truck design information session was hosted in Bunbury for our staff and contractors.
- An independent audit was completed to review Chain of Responsibility processes and identify potential risks.



Our
performance

Summary of workplace injuries resulting in lost time from work

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

We continue to perform well against industry averages and constantly strive for zero Lost Time Injuries.

Measure	Actual results		Results against targets	
	2014-15	2015-16	Target	Comment on result
Number of fatalities	0	0	0	Fully achieved
Lost time injury and/or disease incidence rate	0	1.27	0	Preventative actions implemented
Lost time injury and/or disease severity rate	0	0	0	Fully achieved
Percentage of injured workers returned to work:				
(i) within 13 weeks	N/A	100%	100%	Fully achieved
(ii) within 26 weeks	N/A	N/A	100%	Fully achieved
Percentage of managers trained in occupational safety, health and injury management responsibilities	>80%	>80%	80% or greater	Yes



Quality assurance of pine seedlings being prepared for transportation



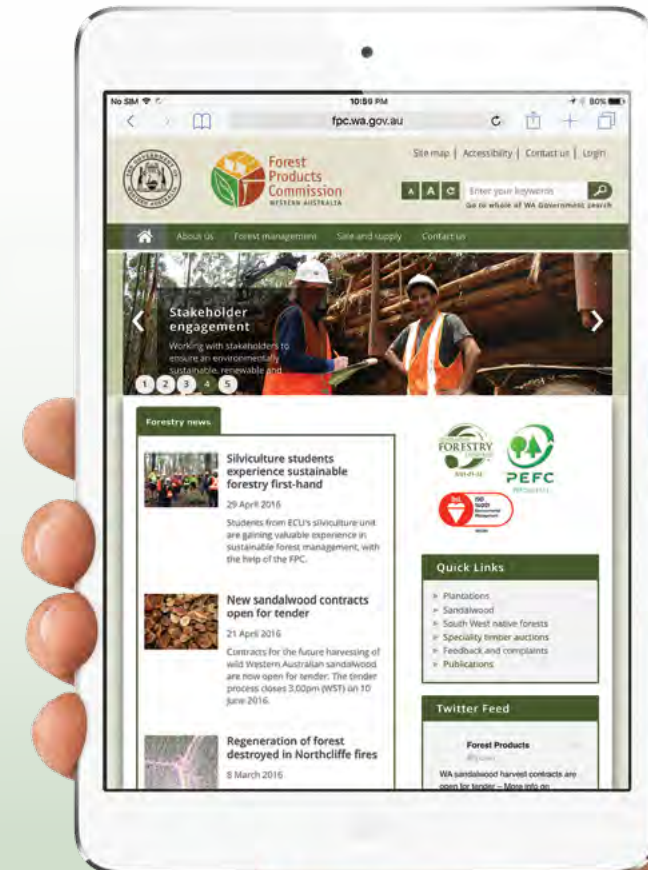
Our
performance

Business solutions

Throughout 2015–16 we continued to focus on reviewing corporate systems to meet business needs. In turn we introduced new efficiencies within the administrative and operational functions.

Key achievements this year have included:

- The initiation of an integrated corporate system for financial, contracts, stakeholder and records management. These changes will significantly reduce the number of standalone systems and bring time and/or financial efficiencies.
- A number of manual data capture forms were converted to electronic forms and are being trialled by operations staff utilising mobile devices.
- Development of business intelligence tools to enable the integration of financial and non-financial data. Previously this information was stored in separate standalone systems. This allows managers to better understand the performance of their operations and assist them to achieve commercial outcomes.
- Continuing the desktop refresh program to ensure all staff have access to current technology.
- The upgrade of the finance system server software was completed to enable commencement of the corporate systems improvement projects.
- Video conferencing facilities were setup between Kensington and Bunbury to reduce staff travel between sites.
- Our new corporate website launched in April 2016.





Our performance

Our workforce

More than 70 per cent of the Commission's 159 full time equivalent (FTE) employees are based in regional Western Australia. In addition the Commission also employs a number of casual workers to meet seasonal demand.

Our people work with industry, local communities and a range of stakeholders to ensure Western Australia's timber resources are sustainably managed.

Workforce planning

Our five-year Workforce and Diversity Plan 2014–2019 outlines the opportunities, challenges and priorities for the workforce and the initiatives that will be implemented. This will ensure our people have the capability to sustain and lead the business, now and into the future.

The outcomes achieved since the introduction of the plan include:

- The review and simplification of the performance management system that identifies how each person contributes to strategic business objectives.
- An integrated approach to learning and development that refocused training funds towards technical and functional skills of staff.
- The learning and development calendar directly links to the performance management system.
- Significant investment in training and development with operations staff progressing through post-graduate qualifications in forestry.
- Capability profiling for forest operations staff that identifies the behaviour needed to compliment job skills for superior performance.
- A scholarship program that has encouraged several staff to progress post-graduate studies in Forestry and International (Asian) Business Management and has produced project work that has directly benefited the business.
- Funding of traineeships for the Forest Operations Division, both school based and tertiary, to promote youth and Aboriginal employment.

Staff snapshot

We make an important contribution to regional WA

70%

of our staff are located in the regions

- Metropolitan Area
- Regions

■ Carnarvon

Gnangara ●
Kensington ●

■ Harvey
■ Collie
■ Nannup

■ Albany
Manjimup
West Manjimup

■ Kalgoorlie

■ Esperance

Employees

Staff numbers (by FTE) as at 30 June 2016

Full-time/part-time permanent	147
Full-time/part-time contract	11
On secondment	1
Total	159



Our
performance

Administration seminar

The Commission held a presentation and workshop in Bunbury for staff in May. This full day event was an opportunity for administrative staff to share information and improve financial arrangements and administration processes within the organisation.

Staff were provided training on our finance system and processes for journals, record keeping, salary codes, training, employment, online systems and fleet. Staff were also provided with a presentation on the vision for our business systems into the future.

There was a wealth of information exchanged and the success of the seminar highlighted how integral and intrinsic the work of our administrative staff is to business analysis, reporting and decision-making.



Staff attending the administration seminar

Aboriginal and youth employment

Our Workforce and Diversity Plan 2014-2019 integrates our Equal Employment Opportunity Plan and highlights where more effort is needed, including the employment of Indigenous people and youth.

During 2015-16 we implemented:

- A working relationship with the Clontarf Foundation in both Bunbury and Kalgoorlie to develop Aboriginal traineeship and employment opportunities.
- An Aboriginal traineeship position in Kalgoorlie working in the sandalwood industry.
- A youth traineeship based in the South West region to operate in either the native forest, plantations or silviculture branches.
- Two Aboriginal school based traineeships working across the South West native forest, plantations or silviculture branches.
- School based work experience opportunities provided in various branches.

Working arrangements with Department of Parks and Wildlife

Working together with Parks and Wildlife, we made significant progress in finalising the draft working arrangements which outline our various obligations and those of Parks and Wildlife's including requirements under the *Forest Management Plan 2014-2023*.

Five working groups have been established and have met to discuss the following:

- Training and accreditation.
- Compatible systems for the management and monitoring of weeds, pests and diseases.
- Access network construction and maintenance.
- Coordination of checking, monitoring, audit and reporting activities.
- Handover-handback procedures before and after harvesting.



PERFORMANCE SUMMARY

A snapshot of our performance for 2015-16

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Financial performance

The Commission 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 \$17 million has been achieved, which is a significant improvement of \$8 million on last year's result of \$9 million.

This has been achieved as a result of all business segments exceeding their profit targets.

The profit earned by the Commission has enabled the investment of \$7.1 million in building the state's softwood estate, native forest and sandalwood resource regeneration programs.

During 2015–16 a dividend of \$0.56 million was paid to the State Government for the 2014–15 year.

Pricing arrangements

Pricing arrangements are determined by a variety of factors including requirements under the *Forest Products Act 2000*. Section 59 prescribes the costs that are to be factored into a price for forest products. Contracts include indexation or an alternative escalation mechanism to minimise financial risk to the Commission.

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

	Target 2015–16 (\$ millions)	Actual 2015–16 (\$ millions)	Variance (\$ millions)
Financial targets			
Total expenses (sourced from Statement of Comprehensive Income)	126.6	109.0	17.6
Total income (sourced from Statement of Comprehensive Income)	130.7	126.0	(4.7)
Total equity (sourced from Statement of Financial Position)	325.9	361.0	35.1
Net increase / (decrease) in cash held (sourced from Statement of Cash Flows)	(3.5)	13.1	16.6
Financial outcomes			
Timber revenues	127.8	121.9	(5.9)
Operating profit	4.1	17	12.9
Net profit / (Loss) after tax	(4.1)	20.8	24.9
Closing cash balance	16.9	39.6	22.7
Dividends paid	0	0.6	0.6
Performance measures			
Return on assets (operating profit/total assets)	1.1	4.3	3.2
Return on equity	1.2	5.0	3.8
Operating profit to timber revenues	3.2	13.9	10.7



Summary of audited key performance indicators

More detailed information, including long term trends and supporting footnotes, are disclosed in the *Key performance indicators* section.

Key effectiveness indicators

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

	Target	Actual		Target	Actual
1 Quantity of native forest hardwood log timber compared to sustainable levels and targets			4 Timeliness of karri forest regeneration (% within 18 months)	75	100
Bole volume for jarrah, karri and marr (m³)			5 Effectiveness of regeneration of native karri forest		
Jarrah	292,000	147,207	Area (ha) not requiring remedial treatment (% of surveyed area)	95	100
Karri	164,000	121,067	6 The achievement of thinning schedules in karri forest (hectares)		
Marri	140,000	12,657	Karri area thinned	1200	657
First and second grade jarrah and karri sawlogs (m³)			7 Area of plantation established against target	2,400	2,605
Jarrah	132,000	100,392	8 Total payments to government (provide a return on investment to government) (\$ Millions)	0.9	1.5
Karri	59,000	38,424	9 Net profit before interest and tax (NPBIT) (\$ Millions)	4.06	17.3
2 Harvest of green sandalwood maintained at allowable cut (tonnes)					
Green 1st & 2nd grade	N/A	923			
Green 3rd grade	N/A	36			
Roots	N/A	215			
Total	1,350	1,184			
	Harvested	Regenerated			
3 Extent of native karri forest regenerated relative to area harvested (hectares)	229	346			



Key efficiency indicators

Service: Environmentally sustainable forest products industry

	Target	Actual
1 Green sandalwood roots as a percentage of green sandalwood harvested (%)	10	19
2 Plantation log production consistent with demand from industry (m ³)		
Supply of sawlog	546,900	538,253
Supply of industrial wood	286,500	333,387
3 Ratio of earnings before interest and tax to total assets (return on total assets) (%)	1.06	4.29
4 Stumpage revenue (\$ Millions)	53.30	59.96



Looking
forward

LOOKING FORWARD

Current issues and emerging trends



Our nursery has a long history of tree breeding and works to continuously improve growth rates and the quality of trees being planted visit fpc.wa.gov.au/nursery



Looking
forward

Significant issues impacting the agency

Current and emerging trends

- The WA Housing Industry Association is forecasting a steep decline in home building activity during 2017 and 2018 after reaching record highs in 2014–15. Forecasts predict new home building activity will begin to slowly decline in the latter part of 2016 and accelerate during 2017. This is expected to have an impact on the volume of softwood sawlogs delivered to customers over the next two years.

Western Australia's building industry is seeing a shift towards light weight prefabricated timber framing and flooring, particularly for second storey housing. In addition, Australian building regulation changes in January 2016 allow for the building of timber structures up to eight storeys in height.

- A changing climate is affecting the regional areas suitable for plantation establishment and increasing the fire risk in some areas.
- A substantial proportion of the current 8,000 hectare pine plantation estate in the Gnamptara region is expected to be harvested without replacement by 2022. Over the past 4 years approximately 1,500 hectares of maritime pine have been planted in the Yanchep region to provide food and habitat for endangered cockatoos as well as a future resource for the timber industry. However this additional planting is likely to be limited to competition for water resources in Gnamptara.
- The demand for renewable energy shows a positive trend. This is largely in response to the Australian Government's implementation of the Renewable Energy Target (RET) by legislation passed in June 2015.

Renewable energy provides a market for low grade thinnings and residue. Factors affecting the commercial viability of renewable energy from biomass include the quantity of available feedstock, collection and transport logistics and the capacity of the energy market to pay for renewable energy.

- A broad range of materials and products made from wood fibre are being investigated through worldwide research into bio-fuels, bio-energy, bio-based platform chemicals, and cellulosic fabrics.

Operational objectives

- Enable a competitive softwood manufacturing sector based around industry processing hubs. This will require an ongoing sustainable plantation estate. The Commission has developed a strategy to identify opportunities to achieve this.
- Facilitate a sustainable and ethical sandalwood industry that creates jobs and opportunity in regional Western Australia. Manage brand confidence and recognition to enable a smooth transition to a mixed wild and plantation based industry.
- Facilitating a transition in the native forests business to innovative products that will maximise the value of the available resource in state forest.
- Continue to focus on efficiencies and business improvements with the implementation of integrated corporate systems for contract, stakeholder and electronic record management. In addition, a new processing and billing system with electronic delivery notes will be implemented.



FINANCIAL STATEMENTS

A transparent account of our finances

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Auditor General Independent auditor's report

To the Parliament of Western Australia

FOREST PRODUCTS COMMISSION

Report on the Financial Statements

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

The financial statements comprise the Statement of Financial Position as at 30 June 2016, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Forest Products Commission at 30 June 2016 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Commission's Responsibility for the Financial Statements

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



Financial
statements

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 based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Report on Controls

I have audited the controls exercised by the Forest Products Commission during the year ended 30 June 2016.

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

Opinion

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 2016.

Commission's Responsibility for Controls

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

Auditor's Responsibility for the Audit of Controls

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

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

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

Report on the Key Performance Indicators

I have audited the key performance indicators of the Forest Products Commission for the year ended 30 June 2016.

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

Opinion

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 2016.

Commission's Responsibility for the Key Performance Indicators

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

Auditor's Responsibility for the Audit of Key Performance Indicators

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

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

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

Independence

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

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

This auditor's report relates to the financial statements and key performance indicators of the Forest Products Commission for the year ended 30 June 2016 included on the Commission's website. The Commission's management is responsible for the integrity of the Commission's website. This audit does not provide assurance on the integrity of the Commission's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA

Perth, Western Australia
14 September 2016

Certification of the financial statements

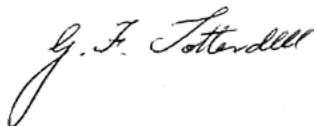
For the year ended 30 June 2016

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 2016 and the financial position as at 30 June 2016.

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



Mr Ron Lucas
Chief Finance Officer
9 September 2016



Mr Geoffrey Totterdell
Member of Accountable Authority
9 September 2016



Mr Ross Holt
Chairman of Accountable Authority
9 September 2016



Statement of comprehensive income

For the year ended 30 June 2016

	Note	2016 \$000	2015 \$000
Income			
Revenue			
Sales	6.1	121,854	114,516
Commonwealth grants and contributions	7.0	816	1,039
Interest revenue	8.0	805	635
Other revenue	9.0	1,454	2,731
Gains			
Gain on disposal of non-current assets	10.0	-	11
Other gains	11.0	1,042	964
Total income		125,971	119,896
Expenses			
Cost of sales	6.2	66,707	64,232
Employee benefits expense	12.0	17,648	18,443
Supplies and services	13.0	20,225	24,211
Depreciation and amortisation expense	14.0	1,208	1,202
Finance costs	15.0	1,246	996
Accommodation expenses	16.0	347	462
Loss on disposal of non-current assets		53	-
Other expenses	17.0	1,583	1,388
Total expenses		109,017	110,934
Profit before change in biological assets valuation and onerous contracts		16,954	8,962
Biological asset increase/(decrease)	18.0	5,005	(576)
Onerous contracts	19.0	2,871	68
Profit before income tax equivalent expense		24,830	8,454
Income tax expense	38.0	(4,051)	(3,019)
Profit for the year		20,779	5,435
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit liability		11	7
Changes in asset revaluation surplus	31.2	2,305	319
Deferred tax on items of other comprehensive income	31.2	(692)	(96)
Items that may be reclassified subsequently to profit or loss			
Changes in cash flow hedge reserve	31.2	153	71
Income tax on items of other comprehensive income	31.2	(46)	(21)
Total other comprehensive income		1,731	280
Total comprehensive income for the year		22,510	5,715

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



Statement of financial position

As at 30 June 2016

	Note	2016 \$000	2015 \$000
Assets			
Current assets			
Cash and cash equivalents	32.1	39,551	26,428
Inventories	20.0	4,704	8,147
Receivables	21.0	17,362	18,790
Biological assets	25.0	20,581	20,204
Other current assets	22.0	544	360
Total current assets		82,742	73,929
Non-current assets			
Property, plant and equipment and infrastructure	23.0	21,573	20,334
Deferred tax assets	38.0	2,970	7,759
Biological assets	25.0	309,681	293,658
Intangibles	24.0	220	240
Total non-current assets		334,444	321,991
Total assets		417,186	395,920
Liabilities			
Current liabilities			
Payables	28.0	15,138	16,152
Provisions	29.0	11,726	8,058
Deferred revenue	30.0	2,327	1,159
Total current liabilities		29,191	25,369
Non-current liabilities			
Payables	28.0	5,075	7,803
Provisions	29.0	6,254	4,277
Deferred revenue non current	30.0	15,688	19,442
Total non-current liabilities		27,017	31,522
Total liabilities		56,208	56,891
Net assets		360,978	339,029
Equity			
Contributed equity	31.0	340,141	340,141
Reserves		10,485	8,764
Retained earnings / (Accumulated losses)		10,352	(9,876)
Total equity		360,978	339,029

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 2016

	Note	Contributed equity \$000	Reserves \$000	Retained earnings (Accumulated losses) \$000	Total equity \$000
Balance at 1 July 2014		342,278	8,491	(13,165)	337,604
Profit for the year		-	-	5,435	5,435
Other comprehensive income for the year, net of income tax		-	273	7	280
Total comprehensive income for the year	31.0	-	273	5,442	5,715
Transactions with owners in their capacity as owners:					
Dividends paid	31.3	-	-	(2,153)	(2,153)
State contribution (repayment)	31.1	(2,137)	-	-	(2,137)
Balance at 30 June 2015		340,141	8,764	(9,876)	339,029
Balance at 1 July 2015		340,141	8,764	(9,876)	339,029
Profit for the year		-	-	20,779	20,779
Other comprehensive income for the year, net of income tax		-	1,721	11	1,732
Total comprehensive income for the year	31.0	-	1,721	20,790	22,511
Transactions with owners in their capacity as owners:					
Dividends paid	31.3	-	-	(562)	(562)
Balance at 30 June 2016		340,141	10,485	10,352	360,978

The 'Statement of changes in equity' should be read in conjunction with the accompanying notes.



Statement of cash flows

For the year ended 30 June 2016

	Note	2016 \$000	2015 \$000
Cash flows from operating activities			
Receipts			
Sale of goods and services		131,381	119,154
Interest received		806	636
Other receipts		1,364	2,226
Payments			
Employee benefits		(18,414)	(17,515)
Supplies and services		(22,284)	(25,550)
Forest management expenditure		(73,119)	(72,212)
Net cash generated by operating activities	32.2	19,734	6,739
Cash flows from investing activities			
Receipts			
Proceeds from sale of non-current physical assets		-	11
Payments			
Purchase of non-current physical assets		(90)	(225)
Purchase of intangible assets		(35)	(282)
Purchase of investments - Investment in new plantations		(5,924)	(5,637)
Net cash used in investing activities		(6,049)	(6,133)
Cash flows to State Government			
State contribution/ (repayment)		-	(2,137)
Dividends paid		(562)	(2,153)
Net cash provided to State Government		(562)	(4,290)
Net increase / (decrease) in cash and cash equivalents		13,123	(3,684)
Cash and cash equivalents at the beginning of year		26,428	30,112
Cash and cash equivalents at the end of year	32.1	39,551	26,428

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



Index of notes to the financial statements

No.	Title	Page	No.	Title	Page
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2.0	Summary of significant accounting policies	62	24.0	Intangible assets	82
3.0	Other accounting policies	72	25.0	Biological assets	83
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Notes to the financial statements

1.0 Australian Accounting Standards

General

The Forest Products Commission's (The Commission) financial statements for the year ended 30 June 2016 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

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

Early adoption of standards

The Commission cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 Application of Australian Accounting Standards and other pronouncements. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the Commission for the annual reporting period ended 30 June 2016.

2.0 Summary of significant accounting policies

2.1 General statement

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

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

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

2.2 Basis of preparation

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

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

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

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

2.3 Reporting entity

The reporting entity comprises the Commission.

2.4 Contributed equity

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

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

2.5 Income

Revenue recognition

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

- **Sale of goods**

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

- **Provision of services**

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

- **Interest**

Revenue is recognised as the interest accrues.

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

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

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

- **Gains**

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

- **Deferred revenue**

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

2.6 Income tax

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

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

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

2.7 Property, plant and equipment, and infrastructure

Capitalisation / expensing of assets

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

Initial recognition and measurement

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

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

Subsequent measurement

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

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

In the absence of market-based evidence, fair value of land and buildings is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use buildings is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost.

Where the fair value of buildings is determined on the depreciated replacement cost basis, the gross carrying amount and the accumulated depreciation are restated proportionately. Fair value for restricted use land is determined by comparison with market evidence for land with similar approximate utility (high restricted use land) or market value of comparable unrestricted land (low restricted use land).

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

Fair value of infrastructure has been determined by reference to the depreciated replacement cost (existing use basis) as the assets are specialised and no market-based evidence of value is available. Land under infrastructure is included in land reported under Note 23.0 'Property, plant and equipment and infrastructure'. Independent valuations are obtained every three to five years for infrastructure.

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

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

Derecognition

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

Asset revaluation surplus

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets on a class of assets basis as described in Note 23.0 'Property, plant and equipment, 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 Commission 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.

2.8 Intangible assets

Capitalisation/expensing of assets

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

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

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

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

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

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

Licences

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

Development costs

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

Computer software

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

Website costs

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

2.9 Impairment of assets

Property, plant and equipment, 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 a recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income. As the Commission is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

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

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

2.11 Financial instruments

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

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

Financial instruments have been disaggregated into the following classes:

Financial assets:

- Cash and cash equivalents.
- Receivables.

Financial liabilities:

- Payables.
- Bank overdraft.
- Amounts due to 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 28.0 'Payables') represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Commission considers the carrying amount of accrued salaries to be equivalent to its 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 Commission will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

2.16 Investments and other financial assets

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

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates, 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 Commission assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

2.17 Biological assets

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

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

Under this standard, the Commission 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 Commission determines that it 'holds' three types of biological assets: (1) plantation timber; (2) native forest; and (3) sandalwood.

The Commission 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.

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

Plantation timber

The Commission values pine plantations that are managed across a broad geographic area of approximately 73,410 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 Commission values sandalwood plantations that are managed across an area of approximately 5,508 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 2014–2023*, under which there are limitations and requirements in regards to harvesting limits and regeneration (sustainability). Sustainable yield means that the volume harvested will approximate, over long-term harvest cycles, annual forest growth of the harvestable forest areas.

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

Sandalwood

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

The annual harvest limit set by Executive Council under the Sandalwood (Limitation of Removal of Sandalwood) Order (2015) is a maximum of 1,250 tonnes of green and 1,125 tonnes of dead sandalwood.

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

Valuation of biological assets

Plantation timber

The Commission 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 Commission 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 Commission 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
- timber prices
- production costs, including management, marketing and selling costs
- the discount rate.

2.18 Payables

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

2.19 Borrowings

All loans payable are initially recognised at fair value, being the 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 Commission does not have an unconditional right to defer the settlement of the liability for at least 12 months after the end of the reporting period.

Long service leave

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

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

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

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 Commission makes contributions to GESB or other fund providers on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish the Commission's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

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

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

The GSS, the WSS, and the GESBS, where the current service superannuation charge is paid by the Commission 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 Commission's 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

Native forest regeneration provision

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

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived to the Commission from a contract are lower than the unavoidable cost of meeting its obligations under the contract. 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.
- 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 Commission would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services that can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the 'Statement of financial position'.

2.23 Comparative figures

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

3.0 Other accounting policies

3.1 Segment information

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

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

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

3.2 Foreign currency translation, derivative financial instrument and hedge accounting

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

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

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

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

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

3.3 Goods and services tax

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

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

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

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

4.0 Key sources of estimation uncertainty

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

4.1 Long service leave

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

4.2 Biological assets

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

Calculations performed in assessing the value of the Biological assets incorporate uncertainty with discount rates, harvest yields and volumes that could be realistically marketed and sold. See Note 26.3 for sensitivity analysis around these estimates.

4.3 Property, plant and equipment and infrastructure

Land and buildings are revalued as at 1 July 2015 by the Western Australian Land Authority (Valuation Services). The valuations were performed during the year ended 30 June 2016 and recognised at 30 June 2016. 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

5.1 Initial application of an Australian Accounting Standard

The Commission has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2015 that impacted on the Commission:

AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

Part C of this Standard defers the application of AASB 9 to 1 January 2017. The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB 2014-1. The Commission has not yet determined the application or the potential impact of AASB 9.

AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) - Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]

This Standard makes amendments to AASB 9 Financial Instruments (December 2009) and AASB 9 Financial Instruments (December 2010), arising from the issuance of AASB 9 Financial Instruments in December 2014. The Commission has not yet determined the application or the potential impact of AASB 9.

AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. There is no financial impact.

AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities [AASB 13]

This Standard relieves not-for-profit public sector entities from the reporting burden associated with various disclosures required by AASB 13 for assets within the scope of AASB 116 that are held primarily for their current service potential rather than to generate future net cash inflows. It has no financial impact.

5.2 Future impact of Australian Accounting Standards not yet operative

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

		Operative for reporting periods beginning on/after
AASB 9	Financial Instruments	1 January 2018
	<p>This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments.</p> <p>The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2014-1 Amendments to Australian Accounting Standards. The Commission has not yet determined the application or the potential impact of the Standard.</p>	
AASB 15	Revenue from contracts with customers	1 January 2018
	<p>This Standard establishes the principles that the Commission 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 Commission has not yet determined the application or the potential impact of the Standard.</p>	
AASB 16	Leases	1 January 2019
	<p>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. The Authority has not yet determined the application or the potential impact of the Standard.</p>	
AASB 1057	Application of Australian Accounting Standards	1 January 2016
	<p>This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. There is no financial impact.</p>	
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & 128]	1 January 2018
	<p>This Standard amends AASB 10 and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. There is no financial impact.</p>	



	Operative for reporting periods beginning on/after		Operative for reporting periods beginning on/after		
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 & 140]	1 January 2016	AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017
	These amendments arise from the issuance of International Financial Reporting Standard Annual Improvements to IFRSs 2012–2014 Cycle in September 2014, and editorial corrections. There is no financial impact.			This Standard amends AASB 107 'Statement of cash flows' (August 2015) to require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. There is no financial impact.	
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]	1 January 2016	AASB 2016-4	Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	1 January 2017
	This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. There is no financial impact.			This Standard clarifies that the recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 Fair Value Measurement. The Commission has not yet determined the application or the potential impact.	
AASB 2015-6	Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]	1 July 2016			
	The amendments extend the scope of AASB 124 to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities. There is no financial impact.				



	2016 \$000	2015 \$000
6.0 Trading profit		
6.1 Sales		
Harvesting operations	76,495	61,981
Recovery of harvesting costs	45,227	52,073
Plant propagation centre revenue	132	462
Total sales	121,854	114,516
6.2 Cost of sales		
Harvesting costs	(61,840)	(60,348)
Roading maintenance and construction	(3,784)	(4,398)
Write back of inventory to net realisable value	(1,083)	514
Cost of goods sold	(66,707)	(64,232)
Trading profit	55,147	50,284
7.0 Commonwealth grants and contributions		
Recognition of Commonwealth Government contribution to National Action Plan for Salinity and Water Quality	816	1,039
	816	1,039
8.0 Interest revenue		
Interest revenue	805	635
	805	635
9.0 Other revenue		
Contracts and other	56	93
Revenue from cost recovery operations ¹	1,376	2,617
Resource received free of charge	22	21
	1,454	2,731

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

	2016 \$000	2015 \$000
10.0 Gain on disposal of non-current assets		
Net proceeds from disposal of non-current assets		
Plant, equipment and vehicles	-	11
Carrying amount of non-current assets disposed		
Plant, equipment and vehicles	-	-
Net gain	-	11
11.0 Other gains		
Gain on foreign currencies	1,042	964
	1,042	964
12.0 Employee benefits expense		
Wages and salary	13,672	13,693
Fringe benefits tax	19	19
Leave expense	1,485	2,368
Payroll tax	961	827
Superannuation - defined contribution plans	1,506	1,529
Superannuation - defined benefit plans (Note 29)	5	7
	17,648	18,443

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

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

	2016 \$000	2015 \$000
13.0 Supplies and services		
Travel	214	275
Sundry supplies and services	1,350	2,120
Operating lease	1,471	1,390
Other services	93	173
Legal fees and consultants	802	1,034
Parks and Wildlife service level agreements	7,826	8,981
Materials	684	691
Forest management expenses	5,309	6,119
Fire salvage and remedial works	1,879	3,000
Repairs and maintenance	521	378
Vehicle expenses	76	50
	20,225	24,211

14.0 Depreciation and amortisation expense

Plant, equipment, vehicles, office equipment and nursery infrastructure	865	856
Buildings	244	301
Amortisation of software	99	45
	1,208	1,202

15.0 Finance costs

Interest on contract obligations	1,079	996
Foreign exchange loss	167	-
	1,246	996

16.0 Accommodation expenses

Lease rentals and accommodation	201	285
Other property	146	177
	347	462

17.0 Other expenses

	2016 \$000	2015 \$000
Audit fees - Auditor General	152	152
Audit fees - Other	105	76
Increase/(decrease) in allowance for doubtful debts	84	4
Telephone, postage, communications	859	710
Employment on-costs	92	350
Plantation maintenance provision movement	(23)	(45)
Other administration costs	292	120
Resources received free of charge	22	21
	1,583	1,388

18.0 Biological asset increment/decrement

Increment/(decrement) from revaluations	5,005	(576)
	5,005	(576)

Reconciliation of decrease on revaluations to movement of biological assets

Gross movement on biological assets	16,400	5,061
Provision for replanting - Harvey Coast	(5,470)	-
New plantations	(5,925)	(5,637)
	5,005	(576)

19.0 Onerous contracts

Annuity obligations associated with non-core share farms considered onerous ¹	2,871	68
	2,871	68

¹ Comprises of an adjustment for plantation sandalwood estate no longer considered onerous



	2016 \$000	2015 \$000
20.0 Inventories		
Current		
Inventories held for resale at cost ¹ :		
▪ Plant propagation centre	1,058	2,216
▪ Sandalwood	2,632	5,154
▪ Timber on forest landings	1,014	777
	4,704	8,147

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

21.0 Receivables

Current		
Trade and other receivables	18,106	19,551
Allowance for doubtful debts	(744)	(761)
	17,362	18,790

Reconciliation of change in the allowance for doubtful debts

Balance at start of year	(761)	(757)
Amounts written off during the year	101	-
Doubtful debts expense recognised in the 'Statement of comprehensive income'	(84)	(4)
Balance at end of year	(744)	(761)

22.0 Other assets

Current		
Prepayments	87	139
Derivative asset	153	-
Accrued revenue	304	221
	544	360

23.0 Property, plant and equipment, and infrastructure

23.1 Land and buildings

	2016 \$000	2015 \$000
Freehold land at fair value ¹	11,101	11,491
	11,101	11,491
Buildings at fair value ¹	5,959	4,969
Accumulated depreciation	(2)	(209)
	5,957	4,760
Total land and buildings	17,058	16,251

¹ Land and buildings were revalued as at 1 July 2015 by the Western Australian Land Information Authority (Valuation Services). The valuations were performed during the year ended 30 June 2016 and recognised at 30 June 2016. In undertaking the revaluation, fair value was determined by reference to market values for land: \$10,017,200 (2015: \$10,727,500) and buildings: \$4,235,000 (2015: \$3,676,000). For the remaining balance, fair value of buildings was determined on the basis of depreciated replacement cost and fair value of land was determined on the basis of comparison with market evidence for land with low level utility (high restricted use land).

23.2 Plant, equipment, infrastructure and vehicles

Nursery infrastructure at fair value at 30 June 2016	13,172	12,664
Accumulated depreciation	(9,225)	(9,287)
Nursery infrastructure	3,947	3,377
Plant, equipment and vehicles at cost	3,787	3,757
Accumulated depreciation	(3,288)	(3,182)
	499	575
Office equipment at cost	964	1,186
Accumulated depreciation	(895)	(1,055)
	69	131
Total plant, equipment and vehicles	4,515	4,083
Total property, plant and equipment, and infrastructure	21,573	20,334



23.3 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.

	Freehold land \$000	Buildings \$000	Nursery infrastructure \$000	Plant equipment and vehicles \$000	Office equipment \$000	Total \$000	
Cost or fair value	Balance at 1 July 2014	11,350	8,404	12,664	4,267	2,267	38,952
	Additions	-	-	-	246	14	260
	Disposals	-	-	-	(25)	-	(25)
	Revaluation increase/(decrease)	141	178	-	-	-	319
	Accumulated depreciation written back	-	(3,596)	-	-	-	(3,596)
	Derecognition	-	(17)	-	(732)	(1,095)	(1,844)
	Reclassifications	-	-	-	-	-	-
	Balance at 30 June 2015	11,491	4,969	12,664	3,756	1,186	34,066
	Balance at 1 July 2015	11,491	4,969	12,664	3,756	1,186	34,066
	Additions	-	-	-	115	20	135
	Disposals	-	(94)	-	(129)	(698)	(921)
Revaluation increase/(decrease)	(390)	1,495	1,203	-	-	2,308	
Accumulated depreciation written back	-	(411)	(695)	-	-	(1,106)	
Derecognition	-	-	-	45	456	501	
Balance at 30 June 2016	11,101	5,959	13,172	3,787	964	34,983	
Depreciation and impairment losses	Balance at 1 July 2014	-	(3,521)	(8,877)	(3,704)	(1,968)	(18,070)
	Depreciation	-	(301)	(410)	(256)	(190)	(1,157)
	Derecognition	-	17	-	754	1,103	1,874
	Disposal	-	-	-	25	-	25
	Accumulated depreciation written back	-	3,596	-	-	-	3,596
	Reclassifications	-	-	-	-	-	-
	Balance at 30 June 2015	-	(209)	(9,287)	(3,181)	(1,055)	(13,732)
	Balance at 1 July 2015	-	(209)	(9,287)	(3,181)	(1,055)	(13,732)
	Depreciation	-	(244)	(633)	(167)	(64)	(1,108)
	Derecognition	-	-	-	(36)	(402)	(438)
	Disposal	-	40	-	96	626	762
Accumulated depreciation written back	-	411	695	-	-	1,106	
Balance at 30 June 2016	-	(2)	(9,225)	(3,288)	(895)	(13,410)	
Carrying amounts	At 1 July 2014	11,350	4,883	3,787	563	299	20,882
	At 30 June 2015	11,491	4,760	3,377	575	131	20,334
	At 1 July 2015	11,491	4,760	3,377	575	131	20,334
	At 30 June 2016	11,101	5,957	3,947	499	69	21,573



23.4 Fair value measurements

Assets measured at fair value:	Level 1	Level 2	Level 3	Fair value at end of year
	\$000	\$000	\$000	\$000
2016				
Land (Note 23.1)	-	-	11,101	11,101
Buildings (Note 23.1)	-	-	5,957	5,957
Infrastructure (Note 23.2)	-	-	3,947	3,947
	-	-	21,005	21,005

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

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

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

Fair value measurements using significant unobservable inputs (Level 3)

	Land \$000	Buildings \$000	Infrastructure \$000
2016			
Fair value at start of year	11,491	4,760	3,377
Revaluation increments/(decrements) recognised in other comprehensive income	(390)	1,495	1,203
Disposals	-	(54)	-
Depreciation expense	-	(244)	(633)
Fair value at end of year	11,101	5,957	3,947

Total gains or losses for the period included in profit or loss, under 'Other gains'	-	-	-
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2015			
Fair value at start of year	11,350	4,883	3,787
Revaluation increments/(decrements) recognised in other comprehensive income	141	178	-
Depreciation expense	-	(301)	(410)
Fair value at end of year	11,491	4,760	3,377

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).

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

Description	Fair Value 30 June 2016 \$000	Fair Value 30 June 2015 \$000	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs to fair value
Land	11,101	11,491	Market approach	Selection of land with similar approximate utility	Higher value of similar land increases estimated fair value.
Buildings	5,957	4,760	Market approach	Consumed economic benefit/obsolescence of asset	Greater consumption of economic benefit or increased obsolescence lowers fair value.
Infrastructure	3,947	3,377	Depreciated replacement cost	Consumed economic benefit/obsolescence of asset	Greater consumption of economic benefit or increased obsolescence lowers fair value.

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

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

- **Historical cost per square metre floor area (m²)**
The costs of constructing specialised buildings with similar utility are extracted from financial records of the Commission, then indexed by movements in CPI.
- **Consumed economic benefit/obsolescence of asset**
These are estimated by the Western Australian Land Information Authority (Valuation Services).
- **Selection of land with restricted utility**
Fair value for restricted use land is determined by comparison with market evidence for land with low level utility. Relevant comparators of land with low level utility are selected by the Western Australian Land Information Authority (Valuation Services).
- **Historical cost per cubic metre (m³)**
The costs of construction of infrastructure are extracted from financial records of the Commission and indexed by movements in construction costs by quantity surveyors.

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 Commission's enabling legislation.

	2016 \$000	2015 \$000
24.0 Intangible assets		
24.1 Software		
Software - cost	722	672
Software - accumulated amortisation	(502)	(432)
Total intangible assets	220	240

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 2014	399
Additions from external sources	282
Derecognition	(9)
Disposals	-
Balance at 30 June 2015	672
Balance at 1 July 2015	672
Additions from external sources	79
Derecognition	(29)
Disposals	-
Balance at 30 June 2016	722
Amortisation and impairment losses	
Balance at 1 July 2014	(367)
Amortisation of software costs	(65)
Disposals	-
Balance at 30 June 2015	(432)
Balance at 1 July 2015	(432)
Amortisation of software costs	(99)
Depreciation	29
Disposals	-
Balance at 30 June 2016	(502)
Carrying amounts	
At 1 July 2014	32
At 30 June 2015	240
At 1 July 2015	240
At 30 June 2016	220



	2016 \$000	2015 \$000
25.0 Biological assets		
Current (Biological assets at valuation)		
Native Forest		
Native Forest standing timber	5,751	6,310
Sandalwood standing timber	7,208	6,002
Native Forest biological assets at valuation	12,959	12,312
Plantations		
Plantations biological assets at valuation	7,622	7,892
Total biological assets at valuation current	20,581	20,204
Non-current (Biological assets at valuation)		
Native Forest		
Native Forest standing timber	72,864	78,173
Sandalwood standing timber	64,100	54,180
Native Forest biological assets at valuation	136,964	132,353
Plantations		
Mature standing timbers	169,708	161,305
Plantation sandalwood	3,009	-
Plantations biological assets at valuation	172,717	161,305
Total biological assets at valuation non-current	309,681	293,658
Total biological assets at valuation	330,262	313,862
The Plantations estate is represented by:		
Pine plantations standing timber	177,330	169,197
Plantation sandalwood	3,009	-
Total Plantations Biological assets at valuation	180,339	169,197

	2016 \$000	2015 \$000
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	313,862	308,801
Gain / (loss) from changes in fair value	5,005	(576)
Add Harvey Coast provision	5,470	-
Add second rotation capitalisation	5,925	5,637
Less impairment	-	-
Carrying amount at end of year	330,262	313,862

	Hectares (Ha)	Hectares (Ha)
25.1 Hectares under management		
Plantations		
Mature plantations	83,177	81,266
Immature plantations	21,128	25,473
Total plantation hectares under management	104,305	106,739

25.2 Fair value measurement

Fair value hierarchy

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

Level 3 fair values

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



	Note	Native Forest \$000	Sandalwood \$000	Plantations \$000
Opening Balance 1 July 2014		83,936	61,953	162,912
Additions		-	-	5,637
Revaluation increments/ (decrements) recognised in profit or loss		547	(1,771)	648
Closing balance 30 June 2015		84,483	60,182	169,197
Balance at 1 July 2015		84,483	60,182	169,197
Additions		-	-	5,924
Revaluation (decrements)/ increments recognised in profit or loss		(5,868)	11,126	5,217
Closing balance 30 June 2016		78,615	71,308	180,339
Opening balance 1 July 2014		83,936	61,953	162,912
Volume	1	19,310	(3,984)	(11,530)
Revenue	2	(26,733)	19,935	29,240
Expense	3	7,970	(17,722)	(11,425)
Closing balance 30 June 2015		84,483	60,182	169,197
Balance at 1 July 2015		84,483	60,182	169,197
Volume	1	(2,045)	(6,964)	(9,452)
Revenue	2	(1,163)	19,963	(3,040)
Expense	3	(2,660)	(1,873)	20,625
Discount rate	4	-	-	-
Plantation sandalwood recognition	5	-	-	3,009
Closing balance 30 June 2016		78,615	71,308	180,339

Notes:

Native Forests

1 2015: The updating of the valuation from 2014 to 2015 includes an increase in the projected harvest volume for jarrah and karri timber products based on market demand projections. The impact of the revised woodflow is a \$19.31 million increase in value.

2016: The updating of the valuation from 2015 to 2016 includes an increase in the projected harvest volume based on market demand projections. The impact of the revised woodflow is a \$2.045 million decrease in value.

2 2015: The movement of unit prices between 2014 and 2015 has resulted in a net present value decrease of \$26.733 million over the valuation time horizon of 50 years. The driver of the decrease is the review of the timber product woodflows which has increased the volume of lower value products forecast to be harvested.

2016: The movement of unit prices between 2015 and 2016 has resulted in a net present value decrease of \$1.163 million over the valuation time horizon of 50 years. The primary contributing factor to the decrease arises from a review of the forecast karri product mix, which has increased the quantum of lower value product to be harvested, partly offset by a review of jarrah product mix, which has increased forecast sawlog sales and reduced firewood sales. This revision decreases the forecast revenue.

3 2015: The movement in unit costs between 2014 and 2015 has resulted in a net present value increase of \$7.97 million over the valuation time horizon of 50 years. The primary contributing factor being a reduction in the harvest cost driven by an increase in the volume of lower value timber products.

2016: The movement in unit costs between 2015 and 2016 has resulted in a net present value decrease of \$2.660 million over the valuation time horizon of 50 years. The primary driver of the decrease being an increase in forecast forest management costs, partly offset by a reduced forecast for roading costs.



4 2015: The discount rate for 2015 has been provided by an independent valuation company Indufor Asia Pacific. This discount rate is real, pre-tax and takes into consideration the forecast period timeframe and risks of achieving the forecast cash flows over that timeframe. The discount rate for 2015 is 9.5% (2014 9.5%).

2016: The discount rate for 2016 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 2016 is 9.5% (2015 9.5%).

Sandalwood

1 2015: The updating of the valuation from 2014 to 2015 includes a reduction to the available volume for harvest based on resource woodflow projections. The impact of the revised woodflow is a \$3.984 million reduction in value.

2016: The updating of the valuation from 2015 to 2016 occurs during a transition period to new contractual arrangements for the processing, marketing and sale of wild sandalwood. During this period of uncertainty a reduction in volume to be harvested over the valuation time horizon of 50 years has been incorporated into the valuation. The impact of this reduction is a net present value decrease of \$6.964 million.

2 2015: The movement of unit prices between 2014 and 2015 has resulted in a net present value increase of \$19.935 million over the valuation time horizon of 50 years. The primary contributing factor to the increase is the increase in wild sandalwood prices in the domestic and export market.

2016: The movement of unit prices between 2015 and 2016 has resulted in a net present value increase of \$19.963 million over the valuation time horizon of 50 years. The primary contributing factor to the increase is the increase in wild sandalwood prices in the domestic market.

3 2015: The movement in unit costs between 2014 and 2015 has resulted in a net present value decrease of \$17.772 million over the valuation time horizon of 50 years. The primary contributing factor to the decrease being higher harvest costs

2016: The movement in unit costs between 2015 and 2016 has resulted in a net present value decrease of \$1.873 million over the valuation time horizon of 50 years. The primary contributing factor to the decrease being higher processing costs

4 2015: The discount rate for 2015 has been provided by an independent valuation company Indufor Asia Pacific. This discount rate is real, pre-tax and takes into consideration the forecast period timeframe and risks of achieving the forecast cash flows over that timeframe. The discount rate for 2015 is 9.5% (2014 9.5%).

2016: The discount rate for 2016 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 2016 is 9.5% (2015 9.5%).

Plantations

1 2015: The updating of the valuation from 2014 to 2015 includes a review of the available volume for harvest, which has resulted in a decrease in the level of the projected wood flows. This is the result of a combination of factors including: revision of the stocked forest area as a consequence of harvesting and replanting and drought and fire losses; updating of yield estimates for areas where new inventory has been completed, and development of a revised harvesting strategy and projected woodflow. The impact of the revised woodflow is a \$11.53 million reduction in value.

2016: The updating of the valuation from 2015 to 2016 includes a review of the available volume for harvest, which has resulted in a decrease in the level of the projected wood flows. This is the result of a combination of factors including: revision of the stocked forest area as a consequence of harvesting and replanting and drought and fire losses; updating of yield estimates for areas where new inventory has been completed, and development of a revised harvesting strategy and projected woodflow. The impact of the revised woodflow is a \$9.45 million reduction in value.



2 2015: The movement of forecast unit prices between 2014 and 2015 has resulted in a net present value increase of \$29.24 million over the period the current crop is forecast to be harvested. The primary contributing factor to the increase is the increase in log prices resulting from price adjustment mechanisms outlined in the major wood supply agreements.

2016: The movement of forecast unit prices between 2015 and 2016 has resulted in a net present value decrease of \$3.04 million over the period the current crop is forecast to be harvested. The primary contributing factor to the decrease is the decrease in projected log prices for the export and Albany industrial wood market.

3 2015: The movement of forecast expenses between 2014 and 2015 has resulted in a net present value decrease of \$11.425 million over the period the current crop is forecast to be harvested. The primary driver of the decrease is higher harvesting, and roading and transport costs.

2016: The movement of forecast expenses between 2015 and 2016 has resulted in a net present value increase of \$20.625 million over the period the current crop is forecast to be harvested. The primary driver of the increase is generally lower harvesting and transport costs.

4 2015: The discount rate for 2015 has been provided by an independent valuation company Indufor Asia Pacific. This discount rate is for application to real, pre-tax cashflows and takes into consideration the forecast period timeframe and risks of achieving the forecast cash flows over that timeframe. The discount rate for 2015 is 9.0% (2014 9.0%).

2016: The discount rate for 2016 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 2016 is 9.0% (2015 9.0%).

5 2016: This represents the recognition of the sandalwood plantation forest estate as an asset, which was previously valued at zero.



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

Standing timber - Native Forest

Description and Fair Value as at 30 June 2016		Valuation technique(s)	Significant unobservable inputs			Relationship of unobservable inputs to fair value measurement
30 June 2016 \$000	30 June 2015 \$000		Unobservable inputs	2016	2015	
78,615	84,483	Discounted cash flows: the valuation model considers the present value of the net cash flows to be generated from the forest. The cash flows projections include specific estimates for 50 years. The expected net cash flows are discounted using a risk adjusted discounted rate.	Estimated future timber market prices (gross profit) per cubic metre.	\$4.88 to \$73.96, weighted average \$32.50	\$19.71 to \$73.14, weighted average \$33.68	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> the estimated timber gross profit price per cubic metre were higher (lower) the estimated volume was higher (lower) the estimated management cost per cubic metre was lower (higher) the risk-adjusted discount rate was lower (higher).
			Estimated average volume per annum.	548,000 cubic metres	558,000 cubic metres	
			Estimated management costs per cubic metre to sell the volume.	\$20.03	\$21.51	



Standing timber - Sandalwood

Description and Fair Value as at 30 June 2016		Significant unobservable inputs			Relationship of unobservable inputs to fair value measurement	
30 June 2016 \$'000	30 June 2015 \$'000	Valuation technique(s)	Unobservable inputs	2016		2015
71,308	60,182	Discounted cash flows: the valuation model considers the present value of the net cash flows to be generated from the forest. The cash flows projections include specific estimates for 50 years. The expected net cash flows are discounted using a risk adjusted discounted rate.	Estimated future timber market prices based on AUD/USD dollar forward exchange rates over the 50 year horizon provided by Western Australian Treasury Corporation.	The exchange rate decreases over the period from \$0.74 in 2017 to \$0.53 in 2066.	The exchange rate decreases over the period from \$0.76 in 2015 to \$0.40 in 2065.	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> the estimated timber gross profit price per cubic metre were higher (lower) the estimated volume was higher (lower) the estimated cost to harvest, produce and sell per tonne were lower (higher) the risk-adjusted discount rate were lower (higher) the estimated AUD/USD dollar forward exchange rates were lower (higher).
			The weighted average price for products.	Domestic market \$21,538 per tonne; Export market \$11,072 per tonne.	Domestic market \$12,704 per tonne; Export market \$14,223 per tonne.	
			Estimated average volume per annum.	To FY26 is 975 tonnes, then 500 tonnes to FY43, and thereafter 300 tonnes.	To FY25 is 1125 tonnes, then 600 tonnes to FY42, and thereafter 300 tonnes.	
			Estimated cost per tonne to harvest, produce and sell the volume over the forecast horizon.	\$10,214	\$10,164	



Standing timber - Plantations

Description and Fair Value as at 30 June 2016		Valuation technique(s)	Significant unobservable inputs			Relationship of unobservable inputs to fair value measurement
30 June 2016 \$000	30 June 2015 \$000		Unobservable inputs	2016	2015	
177,330	169,197	Discounted cash flows: the valuation model considers the present value of the net cash flows to be generated from the forest. The cash flows projections include specific estimates for 39 years. The expected net cash flows are discounted using a risk adjusted discounted 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 31 March 2016 is 73,410 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 2016 and 30 June 2016.	As at 31 March 2015 is 71,477 hectares. Beyond the current date, it is not possible to declare the forest area with certainty. Indufor has developed the 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 2015 and 30 June 2015.	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> the estimated timber gross profit price per cubic metre were higher (lower) yields from plantations 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 \$33.05 per cubic metre (M ³) to \$91.58/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.	Range from \$42.63 per cubic metre (M ³) to \$91.94/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.	Are based on a combination of the forest area, assumed yield tables and a plausible harvest strategy. The estimation of all such inputs involves forward-looking processes for which the results are not assured.	



Sandalwood Plantations

Description and Fair Value as at 30 June 2016		Significant unobservable inputs			Relationship of unobservable inputs to fair value measurement	
30 June 2016 \$000	30 June 2015 \$000	Valuation technique(s)	Unobservable inputs	2016		2015
3,009	-	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 21 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 over the 50 year horizon provided by Western Australian Treasury Corporation.	The exchange rate decreases over the period from \$0.74 in 2017 to \$0.65 in 2037.	-	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> the estimated timber gross profit price per cubic metre were higher (lower) the estimated volume was higher (lower) the estimated cost to harvest, produce and sell per tonne were lower (higher) the risk-adjusted discount rate were lower (higher) the estimated AUD/USD dollar forward exchange rates were lower (higher).
			The weighted average price for products	Export market USD \$3,500 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.	-	
			Estimated cost per tonne to harvest, produce and sell the volume over the forecast horizon	\$2,307	-	

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

26.0 Biological assets risk analysis

26.1 Risk management strategies related to agricultural products

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

i Regulatory and environmental risk

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

ii Supply and demand risks

The Commission is exposed to risks arising from fluctuations in the price and sales volumes of timber. The Commission 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 Commission is exposed to the following risks relating to its Sandalwood asset:

i Regulatory and environmental risk

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

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

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

ii Supply and demand risks

The Commission 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 Commission manages the market price risk through an agent and the illegal harvesting through promoting legal reforms.

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

i Regulatory and environmental risk

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

ii Supply and demand risks

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

i Regulatory and environmental risk.

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

ii Supply and demand risks.

The Commission is exposed to risks arising from competition in the market for Sandalwood products.

26.2 Discount rates

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

	2016 %	2015 %
Plantations	9.00%	9.00%
Native Forest and Sandalwood	9.50%	9.50%

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

26.3 Sensitivity analysis

The value of biological assets is dependent on assumptions underpinning the Commission'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:

		2016 \$000	2015 \$000
		Increase / decrease	
Discount rate:			
+300 bpts	Total biological assets at valuation	(71,024)	(66,887)
- 300 bpts	Total biological assets at valuation	115,256	108,074
Future prices:			
+ 3%	Total biological assets at valuation	28,436	28,652
- 3%	Total biological assets at valuation	(28,436)	(28,651)
Future costs:			
+ 3%	Total biological assets at valuation	(14,727)	(14,591)
- 3%	Total biological assets at valuation	14,727	14,591

26.4 Cash flows

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

Category	Years
Native forest standing timber	50
Standing sandalwood	50
Plantations standing timber	39
Plantations sandalwood - non-core	21

26.5 Insurance

The Commission does not insure its biological assets.

27.0 Impairment of assets

There were no indications of impairment to property, plant and equipment, infrastructure or intangible assets at 30 June 2016 (2015: Nil).

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

All surplus assets at 30 June 2016 have either been classified as assets held for sale or written-off.



	2016 \$000	2015 \$000
28.0 Payables		
Current		
Trade payables	3,109	3,588
GST payable	168	237
Payroll tax accrual	108	67
Accrued logging costs	2,866	2,874
Other accruals	8,214	7,658
Accrued salaries and wages	230	1,042
Land annuity obligations	443	687
	15,138	16,152
Non-current		
Land annuity obligations	5,075	7,803
	5,075	7,803

	2016 \$000	2015 \$000
29.0 Provisions		
Current		
Employee benefits provision		
Annual leave (a)	1,198	1,172
Long service leave (b)	2,778	2,756
Deferred salary scheme (c)	118	118
	4,094	4,046
Other provisions		
Provision for regeneration of Native Forest (e)	3,988	3,914
Provision for replant (Harvey Coast) (f)	3,547	-
Unearned revenue (g)	27	28
Provision for sandalwood plantation maintenance (h)	70	70
	7,632	4,012
Total current	11,726	8,058
Non-current		
Employee benefits provision		
Long service leave (b)	948	789
Superannuation (d)	161	194
	1,109	983
Other provisions		
Provision for regeneration of Native Forest (e)	2,813	2,862
Provision for replant (Harvey Coast) (f)	1,923	-
Provision for sandalwood plantation maintenance (h)	409	432
	5,145	3,294
Total non-current	6,254	4,277



2016	2015
\$000	\$000

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	595	684
More than 12 months after the end of the reporting period	603	488
	1,198	1,172

(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 2016. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Within 12 months of the end of the reporting period	1,211	1,075
More than 12 months after the end of the reporting period	2,515	2,469
	3,726	3,544

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

Within 12 months of the end of the reporting period	118	-
More than 12 months after the end of the reporting period	0	118
	118	118

2016	2015
\$000	\$000

(d) 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:

Liability at start of period	194	194
Included in profit or loss		
Current service cost	-	-
Past service cost	-	-
Interest cost	5	7
	5	7
Included in other comprehensive income		
Re-measurements loss (gain) recognised:		
▪ demographic assumptions	(2)	-
▪ financial assumptions	(13)	(18)
▪ experience adjustments	4	11
	(11)	(7)
Contributions		
Benefits paid	(27)	-
	(27)	-
Liability at end of period	161	194



The Commission 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:

	2016 %	2015 %
Discount rate	2.26%	2.74%
Future salary increases	3.50%	4.00%

At 30 June 2016, the weighted-average duration of the defined benefit obligation was 5.8 years (2015: 6.9 years).

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

	Defined benefit obligation	
	Increase \$000	Decrease \$000
Discount rate (0.5% movement)	(5)	4
Future salary growth (0.5% movement)	(10)	9

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 Commission on their retirement. Funding requirements are based on invoices provided to the Commission by GESB that represent the cost of benefits paid to members during the reporting period.

Employer contributions of \$22,000 (2015: \$7,000) are expected to be paid to the Gold State Superannuation Scheme in the subsequent annual reporting period.

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

- (f) The Commission has provided for the replantation of an area of the Harvey Coast that was destroyed by fires during the 2015–16 year.
- (g) Unearned revenue received by the Commission for the delivery of forestry services to be delivered in the future.
- (h) The Commission has an obligation under contract to maintain a sandalwood plantation in Kununurra. The associated expense is disclosed in Note 17.0 'Other expenses'.

	2016 \$000	2015 \$000
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Movement in other provisions

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

Provision for regeneration of Native forest

Carrying amount at start of period	6,775	6,048
Additional/(reversals of) provisions recognised	739	1,606
Payments/other sacrifices of economic benefits	(713)	(879)
Unwinding of discount	-	-
Carrying amount at the end of period	6,801	6,775

Provision for replantation of Harvey Coast

Carrying amount at start of period	-	-
Additional/(reversals of) provisions recognised	5,470	-
Payments/other sacrifices of economic benefits	-	-
Unwinding of discount	-	-
Carrying amount at the end of period	5,470	-



	2016 \$000	2015 \$000
Unearned revenue		
Carrying amount at start of period	28	481
Additional/(reversals of) provisions recognised	(9)	(453)
Payments/other sacrifices of economic benefits	-	-
Unwinding of discount	-	-
Carrying amount at the end of period	19	28
Provision for sandalwood plantation maintenance		
Carrying amount at start of period	502	547
Additional/(reversals of) provisions recognised	-	-
Payments/other sacrifices of economic benefits	(23)	(45)
Unwinding of discount	-	-
Carrying amount at the end of period	479	502

30.0 Deferred revenue

Current		
National Action Plan for Salinity and Water Quality revenues	666	1,032
Contractual obligations	130	127
Forward Sold Log Supply	1,531	
	2,327	1,159
Non-current		
Contractual obligations	5,954	6,191
National Action Plan for Salinity and Water Quality revenues	-	450
Forward sold log supply	9,734	12,801
	15,688	19,442

31.0 Equity

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

31.1 Contributed equity

	2016 \$000	2015 \$000
Balance at the start of the year	340,141	342,278
Equity repayment	-	(2,137)
Balance at the end of year	340,141	340,141

31.2 Reserves

	2016 \$000	2015 \$000
Asset revaluation surplus		
Balance at start of year	8,764	8,541
Net asset revaluation increase (decrease)	2,305	319
Deferred tax on items of other comprehensive income (Note 38.0 Taxation equivalent)	(691)	(96)
Balance at end of year	10,378	8,764

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

	2016 \$000	2015 \$000
Cashflow hedge reserve		
Balance at start of year	(0)	(50)
Net movement in reserve	153	71
Income tax on items of other comprehensive income	(46)	(21)
	107	(0)

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

Reserves total	10,485	8,764
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	2016 \$000	2015 \$000
31.3 Retained earnings		
Balance at the start of year	(9,876)	(13,165)
Result for the year ¹	20,790	5,442
Dividend paid	(562)	(2,153)
Balance at end of year	10,352	(9,876)

1 Includes re-measurement of defined benefit liability

32.0 Notes to the Statement of cash flows

32.1 Reconciliation of cash

Cash at the end of the financial year as shown in the 'Statement of cash flows' is reconciled to the related items in the 'Statement of financial position' as follows:

Petty cash	3	3
Commonwealth Bank - Cash management account	38,634	19,974
Commonwealth Bank - USD bank account	914	6,451
	39,551	26,428

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

Profit from ordinary activities after income tax	20,779	5,435
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Taxable items presented in Other comprehensive income

Remeasurements of defined benefit liability	11	7
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Non-cash items:

Depreciation and amortisation expense	1,208	1,202
Movement in provision for doubtful debts	(17)	4
Net (gain)/loss on disposal of property, plant and equipment	-	(11)
Change in fair value of biological assets	(5,005)	576

	2016 \$000	2015 \$000
Decrease/(increase) in assets:		
Current inventories	3,443	842
Current receivables	1,445	(4,270)
Other current assets	(561)	6,256
Other assets	(2,606)	(3,567)
Increase/(decrease) in liabilities:		
Payables	(1,014)	2,254
Unearned revenue and deferred income	2,588	3,026
Other liabilities	(537)	(5,015)
Net cash provided by operating activities	19,734	6,739

32.3 Borrowing facilities

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

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

Facilities in use as at reporting date:

Credit cards	47	32
	47	32

Available facilities not in use as at reporting date:

Credit cards	703	718
Bank overdraft facility	9,000	9,000
	9,703	9,718

33.0 Commitments

33.1 Expenditure commitments

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

	2016 \$000	2015 \$000
Within 1 year	1,896	1,618
Later than 1 year and not later than 5 years	6,181	5,634
	8,077	7,252

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

33.2 Lease commitments

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

Within 1 year	229	258
Later than 1 year and not later than 5 years	1,085	1,294
Later than 5 years	1,110	1,278
	2,424	2,830
Non-cancellable operating leases	2,424	2,830

These commitments are inclusive of GST.

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

33.3 Guarantees and undertakings

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

34.0 Contingent liabilities and contingent assets

Contingent liabilities

The Commission 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 Commission is therefore unable to determine a reliable estimate of the amount of any potential obligation that may arise in the future.

The Commission is undertaking further 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 Commission 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 Commission may have a liability in respect of further investigation or actual remediation of the site.

The Commission 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 Department of Parks and Wildlife who have an asbestos management plan in place.

35.0 Events occurring after the end of the reporting period

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



36.0 Explanatory statement

Significant variations between estimates and actual results for 2016 and between the actual results for 2016 and 2015 are shown below. Significant variations are considered to be those greater than 10 per cent or \$5 million.

	2016 Actual \$000	2016 Estimate ¹ \$000	Variance from Estimate \$000	Explanation
36.1 Significant variances between estimate and actual for 2016				
Income				
Revenue from the sale of goods and services	121,854	127,499	(5,645)	a
Commonwealth grants and contributions	816	923	(107)	b
Interest revenue	805	685	120	c
Other revenue	1,454	1,235	219	d
Other gains	1,042	-	1,042	e
Expenses				
Cost of sales	66,707	80,347	(13,640)	f
Supplies and services	20,225	23,820	(3,595)	g
Finance costs	1,246	250	996	h
Accommodation expenses	347	485	(138)	i
Other expenses	1,583	1,872	(289)	j
Biological asset increase/(decrease)	5,005	(9,898)	14,903	k

¹ Estimates are sourced from the 2015–16 Statement of Corporate Intent

Explanation:

- a Revenue was less than forecast in the Native Forest segment due to reduction in customer demands and production interruptions as a result of fire restrictions and protest actions, offset by a better performance from Plantations and Sandalwood segments.
- b The recognition of revenue received for the National Action Plan for Salinity and Water Quality was slightly lower than budget.
- c Interest revenue is higher due to higher closing cash balance than budget.
- d Other revenue is higher primarily due to recovery of costs for wildfire suppression and recognition of prepaid revenue.
- e Gains on foreign currencies due to the fall in the Australian dollar against the US dollar.

- f The cost of sales for native forests (harvest, haul and roading cost) reduced in proportion to a fall in activity level. Reduction in nursery stock value due to high seedling numbers in 2015.
- g The decrease is primarily due to savings in legal fees and forest management expenses
- h Finance costs was more than forecast due to unbudgeted costs associated with sharefarm annuity payments.
- i The decrease is primarily due to savings in office accommodation payments.
- j The decrease is primarily due to a savings in workers' compensation payment.
- k The increase is a combination of the value for wild sandalwood increasing as a result of transition to new contractual arrangements; the recognition of plantation sandalwood as an asset; and an increase in pine plantation valuation primarily due to lower harvesting and cartage costs against a budgeted decrease in sandalwood and plantation values and unbudgeted decrease in the native forest valuation (refer to note 25.2).

	2016 \$000	2015 \$000	Variance \$000	Explanation
36.2 Significant variances between actual results for 2016 and 2015				
Income				
Revenue from the sale of goods and services	121,854	114,516	7,338	a
Commonwealth grants and contributions	816	1,039	(223)	b
Interest revenue	805	635	170	c
Other revenue	1,454	2,731	(1,277)	d
Expenses				
Supplies and services	20,225	24,211	(3,986)	e
Finance costs	1,246	996	250	f
Accommodation expenses	347	462	(115)	g
Other expenses	1,583	1,388	195	h
Biological asset increment/decrement	5,005	(576)	5,581	i

Explanation:

- a Favourable foreign exchange rates combined with better sales performance in Sandalwood international market and Plantation segments.
- b The recognition of revenue received for the National Action Plan for Salinity and Water Quality (see note 30.0) is lower than 2014–15, reflecting a decreased level of infill activity undertaken in 2015–16 financial year.

- c Higher cash holdings in 2015–16 has resulted in higher earnings from interest.
- d 2015 included finalisation of consulting project works and higher revenue recognition for maintenance works.
- e The decrease is primarily due to savings in payments to the Department of Parks and Wildlife and forest management expenses.
- f Finance costs was higher due to costs associated with sharefarm annuity payments.
- g The decrease is primarily due to savings in office accommodation payments.
- h The increase is due to an increase in debtor provisions and higher freight and other staff costs.
- i The increase is a combination of the value for wild sandalwood increasing as a result of transition to new contractual arrangements; the recognition of plantation sandalwood as an asset; and an increase in pine plantation valuation primarily due to lower harvesting and cartage costs, partly offset by a decrease in the native forest valuation (refer note 25.2).

37.0 Financial instruments

(a) Financial risk management objectives and policies

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

Credit Risk

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

The maximum exposure to credit risk at the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at Note 37.1 'Financial instrument disclosures' and Note 21.0 'Receivables'.

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

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

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

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

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

Liquidity risk

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

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

The Commission's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, borrowings and finance leases. The Commission 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 Commission's income or the value of its holdings of financial instruments. The Commission's policy in regard to managing foreign exchange risks through the use of financial exchange contracts is dealt with in Note 37.2.

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

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

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

Currency risk

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

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

The Commission also holds a USD commercial bank account which exposes the Commission to foreign currency risk. The balance of this account at 30 June 2016 is USD 0.679 million (2015: USD 4.955 million).

Interest rate risk

The Commission 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:

	2016 %	2015 %
Financial assets		
Cash and cash equivalents	39,551	26,428
Loans and receivables		
Trade receivables	17,362	18,790
Forward Exchange Contracts	153	-
	57,066	45,218
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade and other payables	14,695	15,466
Land annuity obligations	5,518	8,490
	20,213	23,956



37.1 Financial instrument disclosures

The following table details the exposure to liquidity risk and interest rate risk as at the balance date. The Commission's maximum exposure to credit risk at the balance sheet date is the contractual cash flows in the following table. Except for land annuities payable and deferred rental, the contractual cash flows is the carrying amount as at balance sheet date. The carrying amount of land annuity payments is \$7.991 million (2015: \$12.779 million).

	Note	Effective interest rate %	Total \$000	0 – 12 months \$000	1 – 2 years \$000	2 – 5 years \$000	More than 5 years \$000
2016							
Financial assets							
Commonwealth bank cash management account	32.1	2.39%	38,634	38,634	-	-	-
Commonwealth bank USD account	32.1	0.00%	915	915	-	-	-
Trade receivables	21.0	N/A	18,106	18,106	-	-	-
Provision for doubtful debts	21.0	N/A	(744)	(744)	-	-	-
Collateral security held - cash	37.5	N/A	2,830	2,830	-	-	-
Collateral security held - non cash	-	N/A	7,075	7,075	-	-	-
Total credit exposure - Trade receivables			27,268	27,268	-	-	-
Foreign exchange contracts	22.0	N/A	153	153	-	-	-
			66,970	66,970	-	-	-
Financial liabilities							
Trade payables	28.0	N/A	3,109	3,109	-	-	-
Foreign exchange contracts	28.0	N/A	-	-	-	-	-
Land annuities payable	-	N/A	7,991	453	453	1,360	5,725
			11,100	3,562	453	1,360	5,725



	Note	Effective interest rate %	Total \$000	0 – 12 months \$000	1 – 2 years \$000	2 – 5 years \$000	More than 5 years \$000
2015							
Financial assets							
Commonwealth bank cash	32.1	2.44%	19,974	19,974	-	-	-
Commonwealth bank USD	32.1	0.00%	6,451	6,451	-	-	-
Trade receivables	21.0	N/A	19,551	19,551	-	-	-
Provision for doubtful debts	21.0	N/A	(761)	(761)	-	-	-
Collateral security held - cash	37.5	N/A	3,091	3,091	-	-	-
Collateral security held - non cash		N/A	7,544	7,544	-	-	-
Total credit exposure - Trade receivables			29,425	29,425	-	-	-
Foreign exchange contracts	22.0	N/A	-	-	-	-	-
			55,850	55,850	-	-	-
Financial liabilities							
Trade payables	28.0	N/A	3,588	3,588	-	-	-
Foreign exchange contracts	-	N/A	-	-	-	-	-
Land annuities payable	-	N/A	12,779	703	703	2,110	9,263
			16,367	4,291	703	2,110	9,263



37.2 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	Historical forward rate	Buy currency	Buy amount \$000	Current forward points	Current forward rate	Revalued buy currency 30 June 2016	Revalued buy amount 30 June 2016 \$000	Variance currency	Variance amount \$000
USD	30-Dec-16	4,585	0.720213	AUD	6,366	0.017756	0.737969	AUD	6,213	AUD	153
		4,585			6,366				6,213		153

37.3 Sensitivity analysis

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

	Carrying amount \$000	-1% change		+1% change	
		Profit \$000	Equity \$000	Profit \$000	Equity \$000
2016					
Interest rate sensitivity analysis					
Financial assets					
Cash and cash equivalents	39,548	(270)	(270)	270	270
Financial liabilities					
Land annuities payable	5,518	(303)	(303)	270	270
	Carrying amount \$000	-10% change		+10% change	
		Profit \$000	Equity \$000	Profit \$000	Equity \$000
Currency sensitivity analysis					
Financial assets					
USD bank account	915	71	71	(58)	(58)

USD rate used in this analysis was the spot rate as at 30 June 2016: 1 AUD = 0.743

	Carrying amount \$000	-1% change		+1% change	
		Profit \$000	Equity \$000	Profit \$000	Equity \$000
2015					
Interest rate sensitivity analysis					
Financial assets					
Cash and cash equivalents	26,425	(140)	(140)	185	185
Financial liabilities					
Land annuities payable	8,490	(470)	(470)	418	418
	Carrying amount \$000	-10% change		+10% change	
		Profit \$000	Equity \$000	Profit \$000	Equity \$000
Currency sensitivity analysis					
Financial assets					
USD bank account	6,451	385	385	(315)	(315)

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



37.4 Credit risk concentrations

Accounts receivable consists largely of timber debtors, for which deposits and securities equivalent to an average of six weeks deliveries are required to be lodged in favour of the Commission under timber contracts of sale. These deposits and securities are held in trust until the expiry or default of contracts. As at 30 June 2016, the value of deposits and securities was greater than overdue accounts by \$5.404 million (deposits and securities was greater than overdue accounts by \$4.917 million at 30 June 2015).

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

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

	Number of customers	Value overdue ¹ \$000	Impairment \$000
2016	1 to 30	32	2,805
	31 to 60	14	388
	Greater than 60	12	638
	All overdue accounts	54	3,831
2015	1 to 30	38	2,820
	31 to 60	16	1,175
	Greater than 60	22	483
	All overdue accounts	54	4,478

1 Overdue beyond the Commission's agreed trading terms.

The likelihood of recovery as at 30 June 2016 was estimated and factored into the amounts provided for impairment of receivables (refer Note 21.0). Where applicable, interest is charged under the terms of the customer's supply contract.

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

	2016 \$000	2015 \$000
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Maximum exposure to credit risk for trade receivables by type of customer:

▪ State Government	-	-
▪ Forest product manufacture / supply	17,362	18,790
	17,362	18,790

37.5 Funds held in trust

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

Opening balance	3,091	2,134
Receipts	210	1,234
Payments	(471)	(277)
Closing balance	2,830	3,091

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

37.6 Fair values

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



	2016	2015
	\$000	\$000

38.0 Taxation equivalent

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

Profit from ordinary activities before Income tax ¹	24,841	8,461
Income tax calculated at 30% of operating profit	7,452	2,538
Reversal of net deferred asset	(3,427)	-
Underprovided in prior years	26	481
	4,051	3,019
Current income tax payable		
Current year	-	-
	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	4,051	3,019
	4,051	3,019
Total income tax expense in the 'Statement of comprehensive income'	4,051	3,019

¹ Includes remeasurement of defined benefit liability



	Assets		Liabilities		Net	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Recognised deferred tax assets and liabilities						
Receivables	(224)	(229)	-	-	(224)	(229)
Land	(87)	(87)	1,461	1,578	1,374	1,491
Buildings	(319)	(314)	2,210	1,762	1,891	1,448
Nursery infrastructure	(964)	(860)	777	417	(187)	(443)
Plant, equipment and vehicles	(161)	(207)	-	-	(161)	(207)
Biological assets	(2,184)	(2,658)	20,520	15,600	18,336	12,942
Intangible asset	(2,041)	(2,041)	-	-	(2,041)	(2,041)
Employee provisions	(1,561)	(1,485)	-	-	(1,561)	(1,485)
Share farm annuities	(11,693)	(11,009)	-	-	(11,693)	(11,009)
Auditing fees provision	(61)	(72)	-	-	(61)	(72)
Restoration provision	(3,826)	(2,184)	-	-	(3,826)	(2,184)
Deferred income	(4,470)	(4,651)	-	-	(4,470)	(4,651)
Incentive payments provision	(1,631)	(2,546)	-	-	(1,631)	(2,546)
Research and development offset	(803)	(1,480)	-	-	(803)	(1,480)
Hedge Contract	-	-	46	-	46	-
Tax value of loss carry-forwards recognised	-	(2,761)	-	-	-	(2,761)
Unrecognised net deferred asset	2,041	5,468			2,041	5,468
Net tax (assets)/liabilities	(27,984)	(27,116)	25,014	19,357	(2,970)	(7,759)



Movement in temporary differences during the year	Balance 1 July 2014 \$000	Recognised in income \$000	Recognised in equity \$000	Balance 30 June 2015 \$000	Balance 1 July 2015 \$000	Recognised in income \$000	Recognised in equity \$000	Balance 30 June 2016 \$000
Receivables	(227)	(2)	-	(229)	(229)	5	-	(223)
Land	1,448	43	-	1,491	1,491	(117)	-	1,374
Buildings	1,426	22	-	1,448	1,448	443	-	1,891
Nursery infrastructure	(500)	57	-	(443)	(443)	256	-	(187)
Plant, equipment and vehicles	(236)	29	-	(207)	(207)	46	-	(161)
Biological assets	10,985	1,957	-	12,942	12,942	5,394	-	18,336
Intangible asset	(2,041)	-	-	(2,041)	(2,041)	-	-	(2,041)
Employee provisions	(1,409)	(76)	-	(1,485)	(1,485)	(76)	-	(1,561)
Share farm annuities	(10,279)	(730)	-	(11,009)	(11,009)	(684)	-	(11,693)
Auditing fees provision	(73)	1	-	(72)	(72)	11	-	(61)
Restoration provision	(1,979)	(205)	-	(2,184)	(2,184)	(1,642)	-	(3,826)
Deferred income	(4,995)	344	-	(4,651)	(4,651)	181	-	(4,470)
Incentive payments provision	(2,601)	55	-	(2,546)	(2,546)	915	-	(1,631)
Research and development offset	(1,063)	(417)	-	(1,480)	(1,480)	677	-	(803)
Reserves	(167)	50	117	-	-	(692)	737	46
Tax value of loss carry-forwards recognised	(4,235)	1,474	-	(2,761)	(2,761)	2,761	-	-
Unrecognised tax losses	5,051	417	-	5,468	5,468	(3,427)	-	2,041
	(10,895)	3,019	117	(7,759)	(7,759)	4,051	737	(2,970)



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	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Intangible asset	(2,041)	(2,041)	-	-
Research and development offset	-	(1,480)	-	-
Tax value of loss carry-forwards unrecognised	-	(1,947)	-	-
Net tax (assets)/liabilities	(2,041)	(5,468)	-	-

Provision for taxation

Opening	-	-
Provision raised/(reversed)	-	-
Tax paid	-	-
Closing	-	-

39.0 Remuneration of members of the Accountable Authority and Senior Officers

39.1 Remuneration of members of the Accountable Authority

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

	Members	Members
\$0 - \$10,000	1	-
\$20,001 - \$30,000	6	7
\$30,001 - \$40,000	2	-
\$50,001 - \$60,000	-	1
	9	8

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

	2016 \$000	2015 \$000
Total remuneration of Members of the Accountable Authority for the financial period was	217,970	223,278
Remuneration of members of the Accountable Authority was comprised of:		
Cash remuneration received	208,417	213,518
Other benefits	9,553	9,760
	217,970	223,278

The total remuneration includes the superannuation expense incurred by the Commission in respect of members of the Accountable Authority.

39.2 Remuneration of Senior Officers

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

	Members	Members
\$130,001 - \$140,000	-	1
\$150,001 - \$160,000	2	-
\$170,001 - \$180,000	-	1
\$180,001 - \$190,000	1	-
\$190,001 - \$200,000	-	1
\$200,001 - \$210,000	1	-
\$220,001 - \$230,000	1	1
\$300,001 - \$310,000	-	1
	5	5



	2016 \$000	2015 \$000
Total remuneration of senior officers for the financial period was	923,661	914,051
Remuneration of Senior Officers was comprised of:		
Remuneration received	923,661	914,051
Other benefits	-	-
	923,661	914,051

The total remuneration includes the superannuation expense incurred by the Commission in respect of Senior Officers other than Senior Officers reported as Members of the Accountable Authority.

40.0 Related and affiliated bodies

The Commission has no related or affiliated bodies as defined by Treasurer's Instruction TI 951 Related and Affiliated Bodies.

41.0 Remuneration of auditor

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

Auditing the accounts, financial statements and performance indicators	146	141
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42.0 Supplementary financial information

42.1 Write-offs		
Debtors	101	-
Assets	53	-
Total	154	-
42.2 Losses through theft, defaults and other causes		
	-	-
42.3 Gifts of public property		
	-	-

43.0 Schedule of income and expenses by service

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

Main operating segments:

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



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	Native Forest \$000	Plantations \$000	Sandalwood \$000	Policy \$000	Non Commercial \$000	Eliminations \$000	Total \$000
2016							
Revenue							
External segment revenues	32,462	59,041	32,201	-	-	-	123,704
Internal segment revenues	116	1,516	437	61	137	-	2,267
Inter-segment sales	-	2,596	-	-	-	(2,596)	-
Total revenue	32,578	63,153	32,638	61	137	(2,596)	125,971
Expenses							
Employee expenses	(3,905)	(6,739)	(933)	-	-	-	(11,577)
External segment expenses	(27,215)	(47,448)	(12,575)	(700)	-	2,596	(85,342)
Internal segment expenses	(2,378)	(557)	(1,857)	(3,592)	(2,468)	-	(10,852)
Finance charges	-	(1,079)	(167)	-	-	-	(1,246)
Total expenses	(33,498)	(55,823)	(15,532)	(4,292)	(2,468)	2,596	(109,017)
Operating profit¹	(920)	7,330	17,106	(4,231)	(2,331)	-	16,954
Biological asset valuation – increase/(decrease)	(5,868)	(253)	11,126	-	-	-	5,005
Onerous contracts	-	-	-	-	2,871	-	2,871
Profit/(loss) before tax	(6,788)	7,077	28,232	(4,231)	540	-	24,830
Allocation of income tax	2,036	(2,123)	(8,470)	1,269	3,237	-	(4,051)
Profit/(loss) for the year	(4,752)	4,954	19,762	(2,962)	3,777	-	20,779
Total segment assets	86,301	190,895	71,355	-	68,635	-	417,186
Total segment liabilities	6,801	5,954	479	-	42,974	-	56,208

¹ Profit before change in biological assets valuation and onerous contracts



Financial
statements

	Native Forest \$000	Plantations \$000	Sandalwood \$000	Policy \$000	Non Commercial \$000	Eliminations \$000	Total \$000
2015							
Revenue							
External segment revenues	29,904	62,280	24,457	-	-	-	116,641
Internal segment revenues	169	2,194	626	198	68	-	3,255
Inter-segment sales	-	1,821	-	-	-	(1,821)	-
Total revenue	30,073	66,295	25,083	198	68	(1,821)	119,896
Expenses							
Employee expenses	(3,662)	(6,641)	(761)	-	-	-	(11,064)
External segment expenses	(27,042)	(49,495)	(11,014)	(700)	-	1,821	(86,430)
Internal segment expenses	(2,903)	(1,630)	(2,357)	(3,625)	(2,560)	-	(13,075)
Finance charges	-	(365)	-	-	-	-	(365)
Total expenses	(33,607)	(58,131)	(14,132)	(4,325)	(2,560)	1,821	(110,934)
Operating profit¹	(3,534)	8,164	10,951	(4,127)	(2,492)	-	8,962
Biological asset valuation – increase/(decrease)	547	648	(1,771)	-	-	-	(576)
Onerous contracts	-	-	-	-	68	-	68
Profit/(loss) before tax	(2,987)	8,812	9,180	(4,127)	(2,424)	-	8,454
Allocation of income tax	896	(2,643)	(2,754)	1,238	244	-	(3,019)
Profit/(loss) for the year	(2,091)	6,169	6,426	(2,889)	(2,180)	-	5,435
Total segment assets	84,994	187,070	60,182	-	63,674	-	395,920
Total segment liabilities	6,775	25,348	502	-	24,266	-	56,891

¹ Profit before change in biological assets valuation and onerous contracts



44.0 Additional information

Domicile and legal form:

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

Principal office:

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

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:

State Government of Western Australia.



KEY PERFORMANCE INDICATORS

Our detailed key performance indicators for 2015-16



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Over the last five years the Commission has replanted over 11,000 hectares of pine plantations



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 2016.

A handwritten signature in black ink, appearing to read 'R. Holt'.

Mr Ross Holt | Chairman
9 September 2016

A handwritten signature in black ink, appearing to read 'G. F. Totterdell'.

Mr Geoffrey Totterdell | Commissioner
9 September 2016



Key performance indicators

The 2015–16 financial year is the fourth reporting period where key performance indicators (KPIs) have focussed on sustainability and forest regeneration. These changes were made to ensure we can report on our contribution to the government goal of social and environmental responsibility related to the *Forest Management Plan 2014–2023*, as well as financial and economic responsibility. Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

The table below highlights the linkages between government goals and the Commission’s outcomes and services.

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

Index of indicators

No.	Title	Page
Key effectiveness indicators		
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Key effectiveness indicators

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

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

Native forest harvesting levels are based on an annual allowable cut which is determined by the Forest Management Plan (FMP), which accounts for all resource as either sawlog or other bole volume.

First and second grade jarrah and karri sawlogs

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

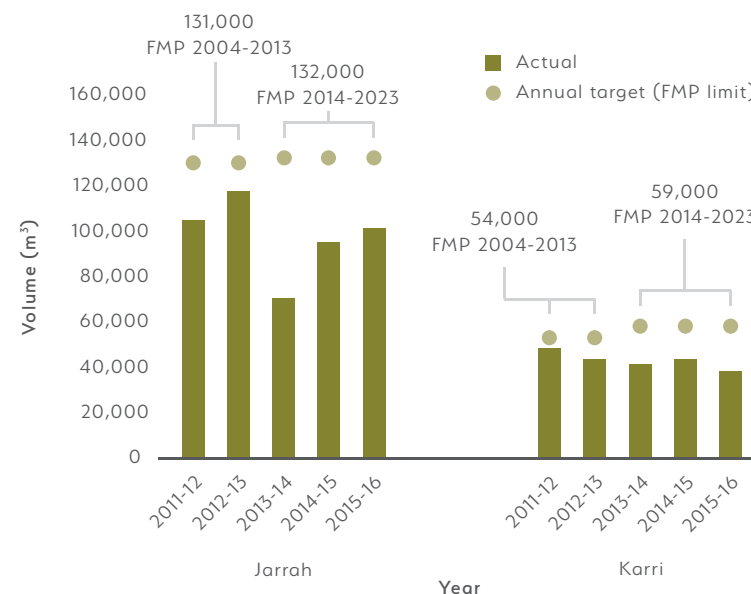
The allowable cut of first and second grade sawlogs for jarrah and karri are:

	FMP 2004–2013	FMP 2014–2023
Jarrah	131,000 m ³	132,000 m ³
Karri	54,000 m ³	59,000 m ³

In 2015–16, production of jarrah sawlogs (100,392 m³) increased from the previous year as processors continued to expand production to meet demand, karri sawlog production (38,424 m³) continues to be below FMP levels.

The chart compares the quantity of first and second grade sawlogs produced by the Commission compared to the allowable cut. The Commission produces a range of different sawlog products and calculates the proportion of first and second grade material contained within these logs.

¹ FMP 2004–2013 was amended on 1 November 2011, backdated to the commencement of the FMP, to allow for an increase in karri other bole yield from 117,000 m³ to 160,000 m³.



Other bole volume for jarrah, karri and marri

For the previous FMP, the annual sustained yield of other bole volume (excluding first and second grade sawlogs) for jarrah and karri was 534,000 m³ and 160,000 m³ respectively¹. For all marri logs the total sustained yield was 196,000 m³. The previous FMP only had a single upper limit for these products.

The FMP 2014–2023 now has an upper and lower limit for the harvest of other bole volume logs which are detailed in the below table.

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

* Excludes first and second grade sawlogs for jarrah and karri.

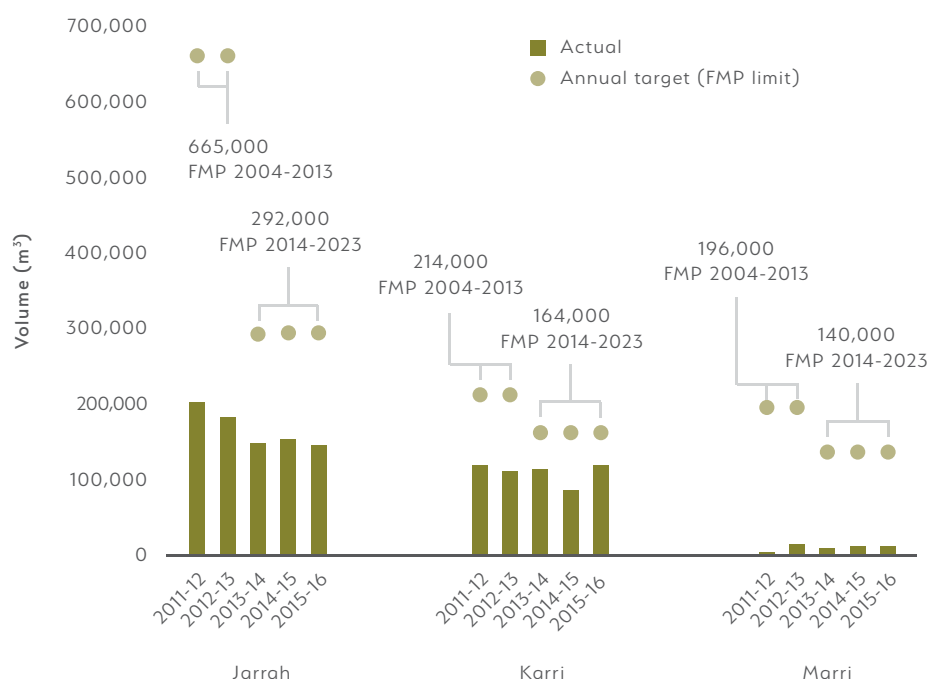


Key performance indicators for other bole volume for 2013-2014 onwards, report actual harvest against the new FMP lower limit. The annual upper limit is only accessible following the development of new markets for lower grade wood products. Previous years continue to report annual harvest against the single FMP upper limit.

The target (FMP sustainable level) is the average allowable annual harvest over the 10 years of the FMP. Data presented below covers a period which overlaps two FMPs.

For 2015-16:

- The production of karri other bole of 121,067 m³ volume is approximately 31,000 m³ higher compared to the previous year. This is in part due to improved market conditions for karri residues and in part a result of conducting salvage harvesting of fire affected karri.
- The quantity of jarrah (147,207 m³) and marri (12,657 m³) other bole volume harvested, has been consistent for the last three years.

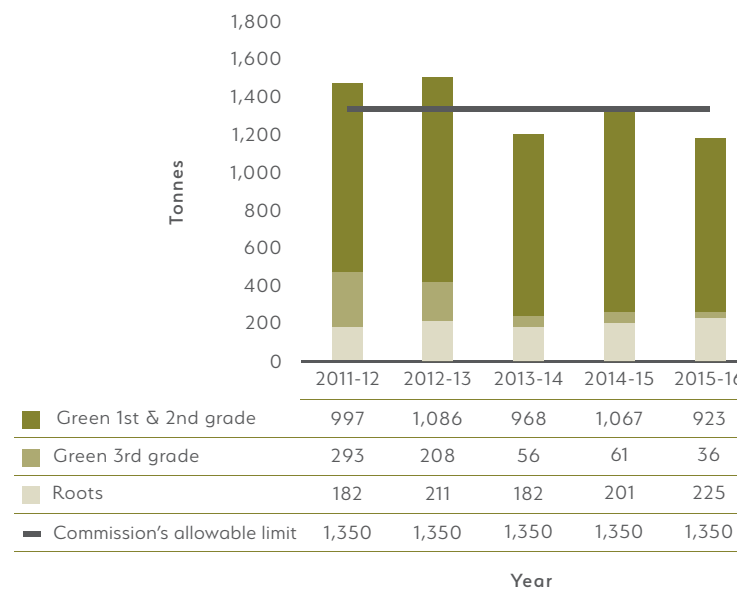


2 Harvest of green sandalwood maintained at allowable cut

The annual allowable harvest for green sandalwood is determined by the Sandalwood Order 1996 and was 1,500 tonnes per annum up to July 2016, of which 1,350 tonnes was licensed to the Commission. The graph below shows the actual tonnage of green sandalwood harvested for the last five years.

Since 2006, improved harvesting techniques have resulted in greater utilisation of third grade and sandalwood root products. These products were previously not able to be efficiently processed and were not accounted for in total production. While this increased utilisation is good in terms of efficiency, it resulted in the Commission unintentionally exceeding its allowable cut in previous years. This has been rectified over the last three years.

During 2015-16, the Commission harvested 88 per cent of the Order in Council allowable limit. This is approximately 10 per cent less than the previous year, mainly due to reducing stock levels at the end of the processing and sales contract, and adjusting for over production in previous years as discussed above.





3 Extent of native karri forest regenerated relative to area harvested

Karri regeneration

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

The area harvested refers to the calendar year reported. The area regenerated is the area prepared and planted in the winter of the same calendar year and is a consequence of the area harvested in the previous year, as well as any areas harvested in the early part of the current calendar year.

	2014 (hectares)	2015 (hectares)
Area of karri forest clear-felled or partially harvested	294	229
Area of regeneration completed *	359	316

* Areas that were harvested in either the current or previous years.

The area reported is the net area cut over, which is equal to the entire coupe area less the area of informal reserves and other uncut patches within the coupe.

Over the last five years the area of karri forest regenerated (1,918 hectares) has exceeded the area harvested (1,714 hectares).





4 Timeliness of karri forest regeneration

The FMP requires replanting of karri forest immediately following harvesting. This ensures a level of habitat restoration and recovery and also ensures the sustainability of the industry in the longer term. Timing of planting is dependent on winter rains and this may impact on the availability of data for the most recent year being reported.

100% complete

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

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



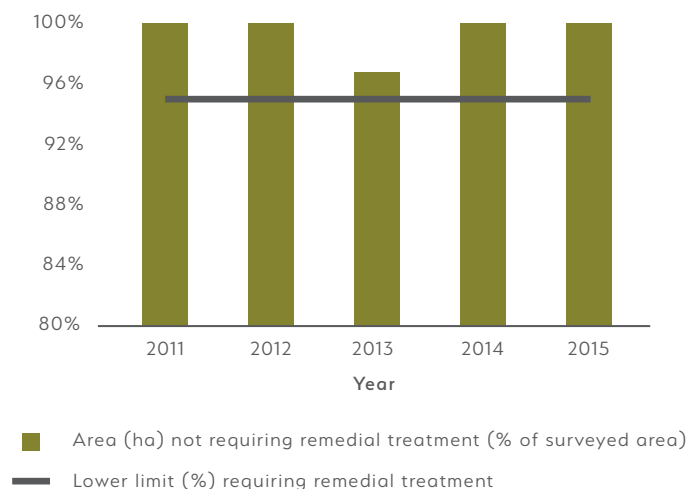
5 Effectiveness of regeneration of native karri forest

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

Over the last five years we have met the seedling stocking standard set out in the guidelines

The chart below measures the percentage of the sampled regeneration that meets the stocking standard set out in the Karri Silviculture Guideline².

The target is that no more than five per cent of the area regenerated requires remedial action. This target has been met each year in the last five years.



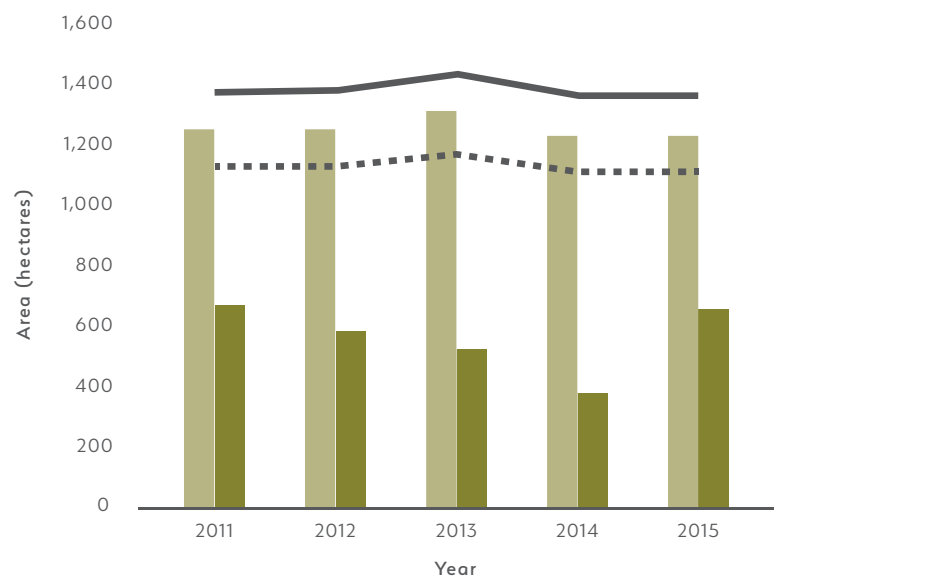
² Department of Parks and Wildlife 2014, *Karri Silviculture Guideline*. Sustainable Forest Management Series, FEM Guideline 3.



6 The achievement of thinning schedules in karri forest

Thinning promotes forest productivity by removing some of the standing trees and reducing competition for resources.

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



■ Area (ha) provisionally prescribed for first thinnings — Upper thinning threshold (ha) (-10%)
■ Area (ha) thinned - - - - Lower thinning threshold (ha) (+10%)

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

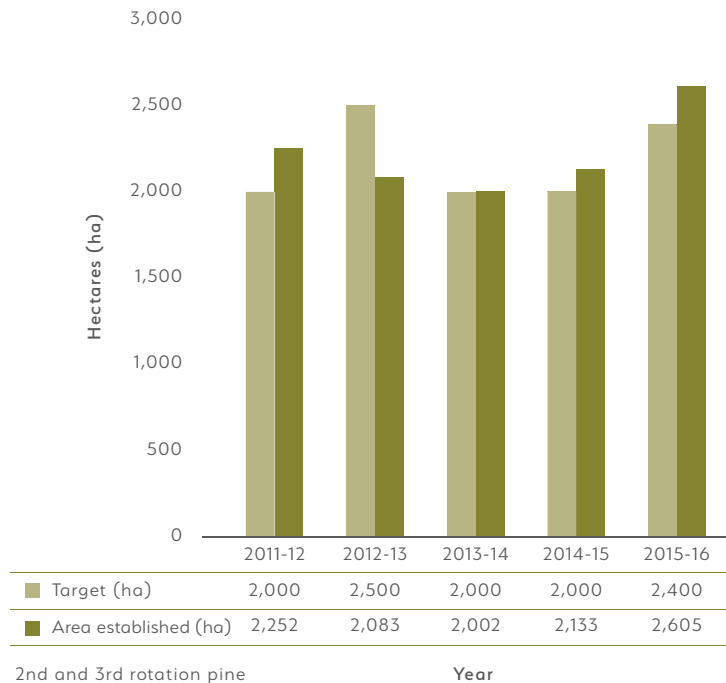
7 Area of plantation established against target

The planting of second and third rotation plantation pine species is critical to ensure the supply of softwood to the timber industry. This is increasingly important given that the area of plantation land is decreasing.

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

It should be noted that each year a percentage of this replanting program is generated as a consequence of losses through wildfire, which in recent years have been significant.

Over the last five years the Commission has established over 11,000 hectares of plantations.



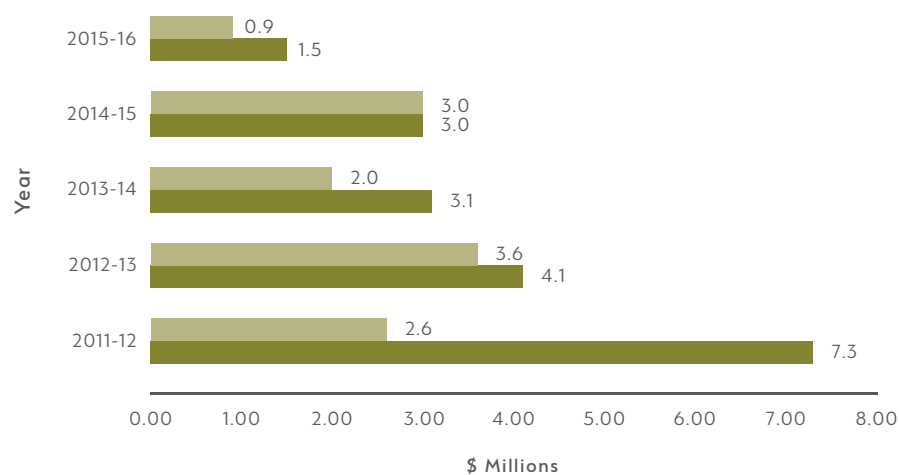


Outcome: Facilitate a viable forest industry to deliver social and economic benefits to the people of Western Australia

8 Total payments to government (provide a return on investment to government)

This measure highlights the direct financial return to the government in the form of dividends and taxes from the previous straddle financial years.

For 2015–16 the Commission paid dividend and taxes of \$1.5 million.

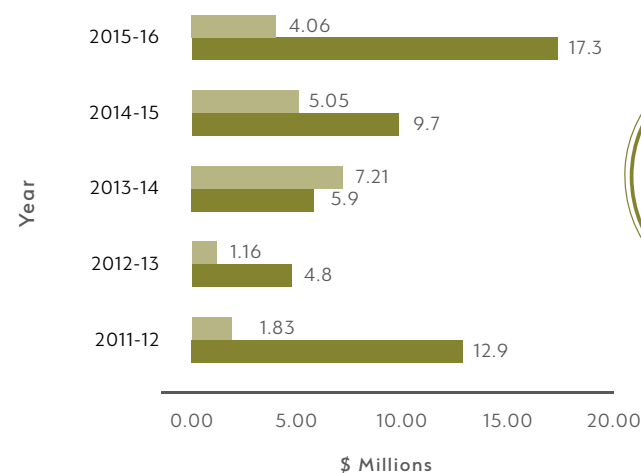


	2011-12	2012-13	2013-14	2014-15	2015-16
Target	2.6	3.6	2.0	3.0	0.9
Actual	7.3	4.1	3.1	3.0	1.5

9 Net profit before interest and tax (NPBIT)

Earnings before interest and tax do not include changes in biological assets, onerous contracts, Commonwealth grants and contributions, adjustments in doubtful debts and change in provision for native forest regeneration.

Earnings before interest and tax in 2015–16 was \$17.3 million. This result exceeded budget by 12.9 million which was achieved as a result of all business segments exceeding targets. The Commission has operated profitably for each of the last five years.



	2011-12	2012-13	2013-14	2014-15	2015-16
Target	1.83	1.16	7.21	5.05	4.06
Actual	12.9	4.8	5.9	9.7	17.3



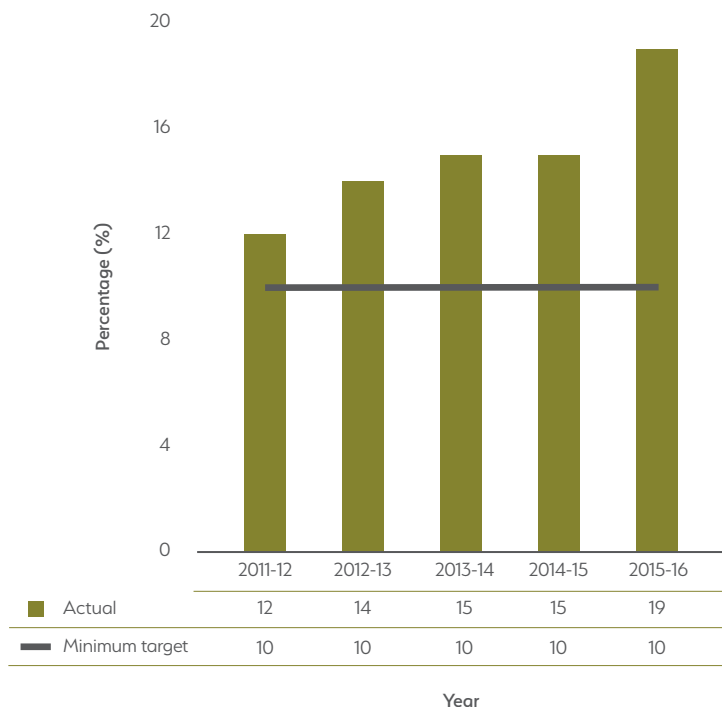
Key efficiency indicators

Service: Environmentally sustainable forest products industry

1 Green sandalwood roots as a percentage of green sandalwood harvested

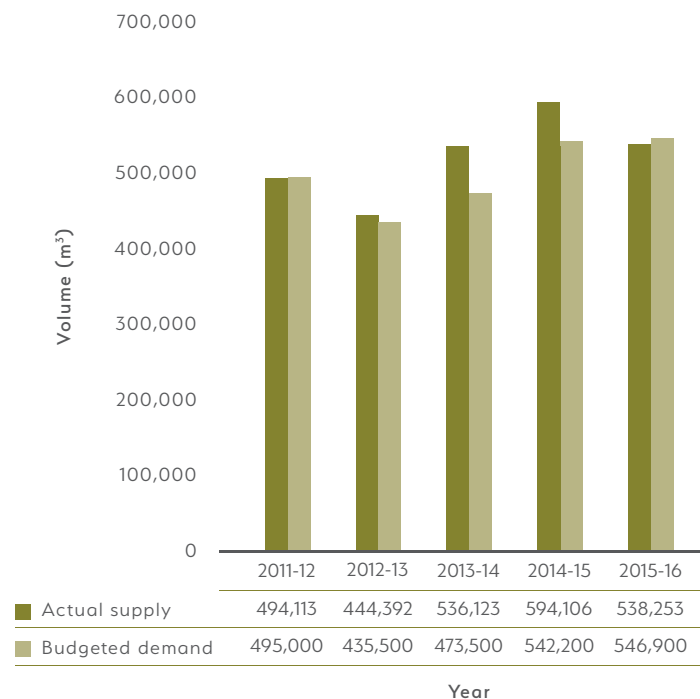
The Commission targets a minimum percentage of total sandalwood harvest from the roots of the trees. The Commission has achieved its highest root percentage this year with 19 per cent as a result of further improvements in harvesting techniques.

Given that there is a limit to the tonnage of sandalwood that can be harvested each year, and root material contains high oil contents, extracting a greater percentage of roots from the ground increases the value of the overall product and also improves tree utilisation.



2 Plantation log production consistent with demand from industry

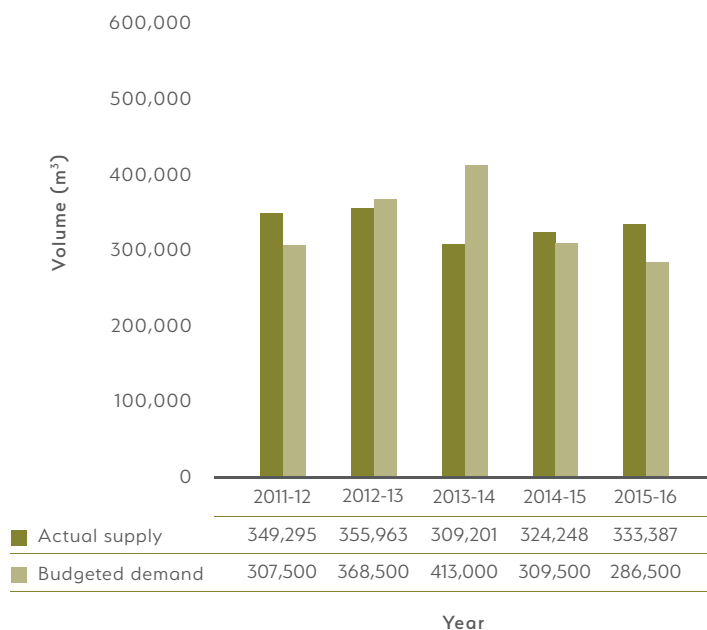
Actual sawlog production and delivery in 2015-16 was slightly below budgeted demand. Improved market conditions have meant strong supply over the past three years.





Plantation industrial wood production consistent with contracted supply to industry

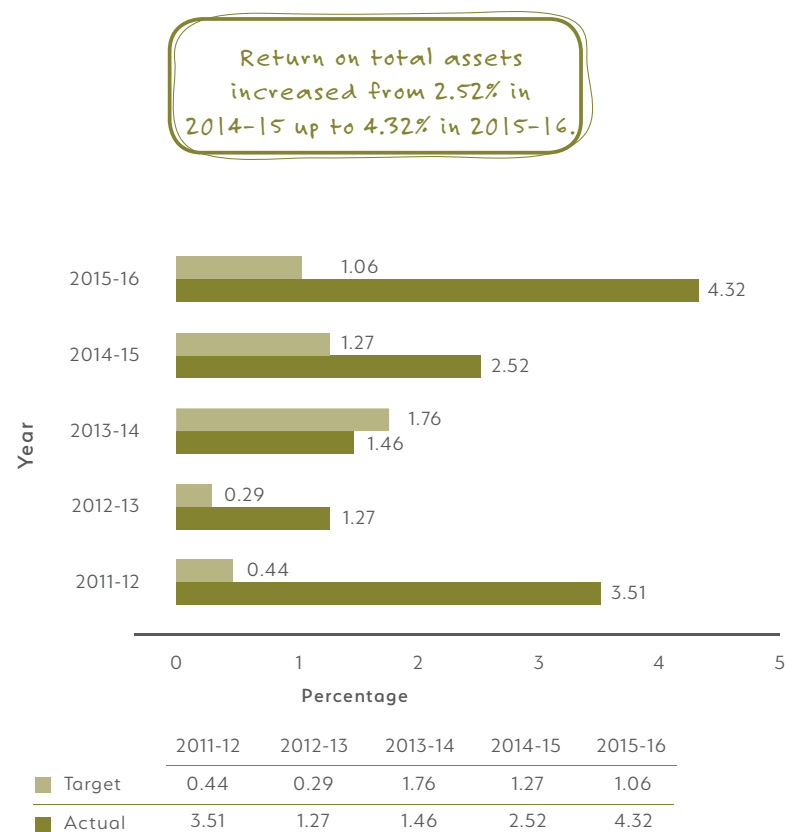
Supply of industrial wood during 2015–16 was up compared to the anticipated budgeted demand.



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

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

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



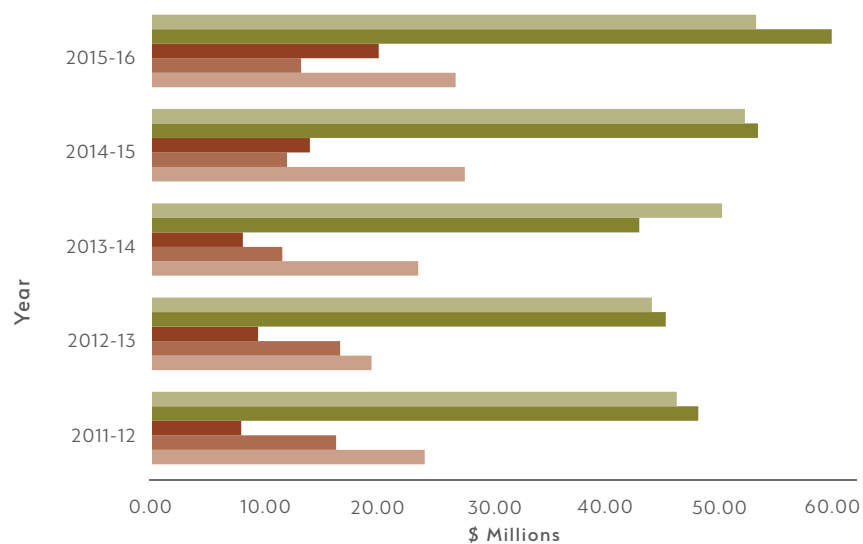


4 Stumpage revenue

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

Total stumpage revenue in 2015–16 (\$59.96 million) was 12.2 per cent higher than the target (\$53.30 million) and higher than the actual from the previous year (\$53.45 million).

For the year there was a 43.50 per cent increase in sandalwood sales and an increase of 10.6 per cent in South West native forest sales.



	2011-12	2012-13	2013-14	2014-15	2015-16
Target total	\$46.30	\$44.10	\$50.30	\$52.30	\$53.30
Actual total	\$48.19	\$45.34	\$43.00	\$53.45	\$59.96
Sandalwood	\$7.88	\$9.37	\$8.01	\$13.94	\$20.00
SW native forest	\$16.25	\$16.60	\$11.50	\$11.91	\$13.17
Plantations	\$24.07	\$19.37	\$23.48	\$27.60	\$26.78



DISCLOSURES

Our legal and governance requirements

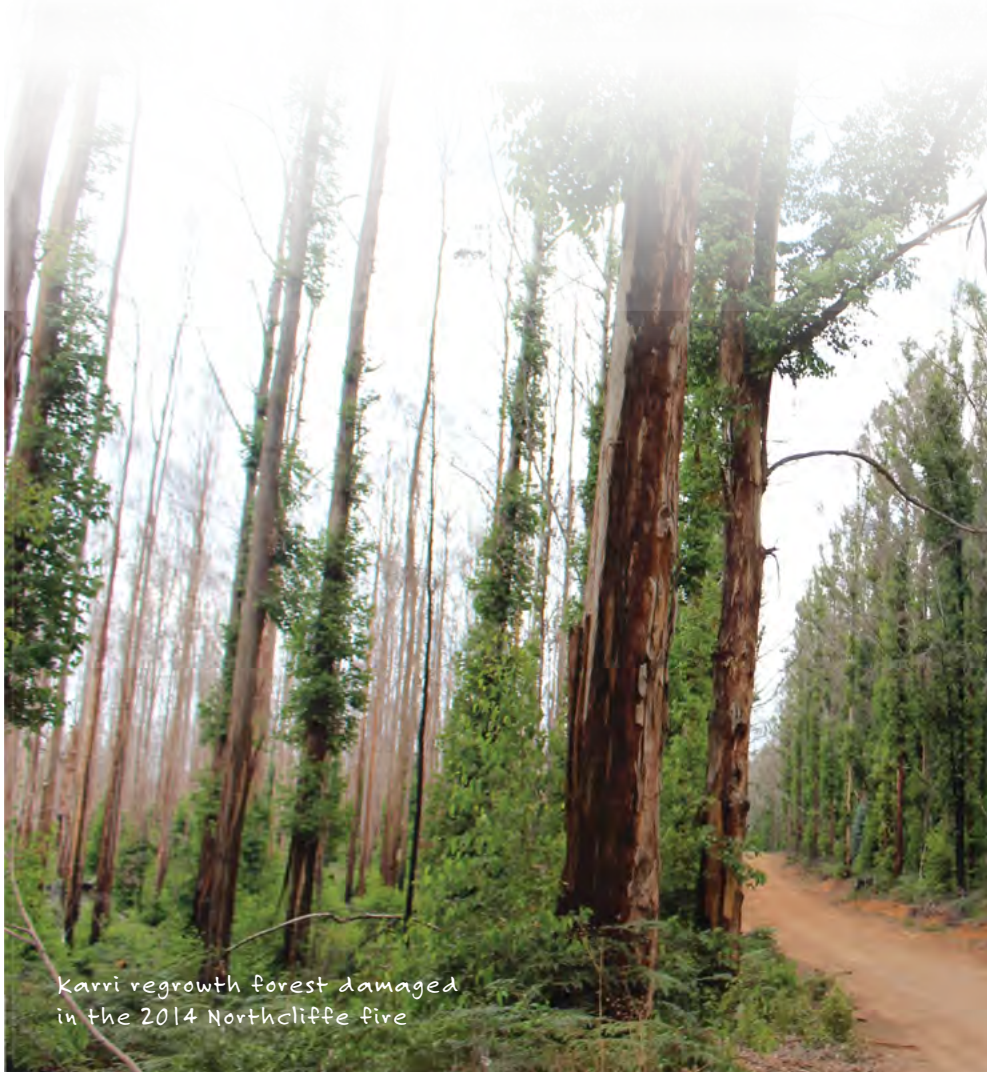


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Ministerial directives

No Ministerial directives were received during the 2015–16 reporting period.



Karri regrowth forest damaged in the 2014 Northcliffe fire

Governance disclosures

Contracts with Senior Officers

At the date of reporting, other than normal contracts of employment of service, no senior officers had any interests in existing or proposed contracts with the Forest Products Commission.

This includes firms of which senior officers are members and entities in which senior officers have substantial interests.

Commissioners

The Forest Products Commission's governing body is a Board of seven commissioners appointed by the Governor, on the Minister for Forestry's recommendation.

From the commissioners, the Governor must appoint a Chairman and Deputy Chairman.

Commissioners may hold office for up to three years, and are eligible to be re-appointed. Individuals are nominated for a position on the Board based on expertise and business acumen relevant to the core functions of the Commission.

The Board of commissioners profile can be found in the *Corporate snapshot* section.

Audit and Risk Committee

The Audit and Risk Committee was the only committee of the Board that operated during the year ended 30 June 2016.

The Audit and Risk Committee is chaired by Mr Geoffrey Totterdell and includes commissioners Mr Ewald Valom and Ms Amelia Yam.

The committee's role is to make recommendations to the Board on the adequacy of internal and external audit arrangements, financial statements, financial administration policies, internal control systems, business policies and practices, compliance with laws, monitoring business risk and reporting procedures.



Board meetings and remuneration

The Board met formally seven times during the year. On a number of occasions individual members of the board provided their expertise on a number of important strategic issues such as the restructure of the sandalwood industry and illegal harvesting, strategic risk management and fire management. Throughout the year members of the board visited a variety of forestry field operations and met key industry stakeholders.

The Audit and Risk Committee met formally four times during the year. In addition the Audit and risk Committee held a special meeting to discuss the annual financial statements, key performance indicators and mid-year review.

Name	Type of remuneration	Period of membership	Gross remuneration	Board		Audit and Risk Committee	
				Attended	Eligible to attend	Attended	Eligible to attend
Ross Holt (Chairman)	Annual	16/11/15 – 30/06/16	\$31,539	4	4		
Ewald Valom (Deputy Chair)	Annual	1/07/15 – 30/06/16	\$21,652	7	7	3	4
Robert Pearce	Annual	1/07/15 – 30/06/16	\$21,652	7	7		
Geoffrey Totterdell	Annual	1/07/15 – 30/06/16	\$21,652	7	7	4	4
Grant Woodhams	Annual	1/07/15 – 30/06/16	\$21,652	6	7		
Jacqueline Jarvis	Annual	1/07/15 – 30/06/16	\$21,652	6	7		
Amelia Yam ¹	Annual	1/06/16 – 30/06/16	\$2,406	7	7	4	4
Robert Fisher	Annual	1/7/15 – 15/11/15	\$20,385	3	3		
Stuart Morgan	Annual	1/7/15 – 15/11/15	\$2,406	3	3		

¹ Ms Yam was a co-opted commissioner from 1 July 2015 to 31 May 2016. Ms Yam attended all seven meetings as a co-opted commissioner.



Other legal requirements

Expenditure on advertising, market research, polling and direct mail

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

Total expenditure for 2015–16 was \$22,544 (excluding GST).

Expenditure was incurred in the following areas

Expenditure type	Total	Expenditure	Amount
Advertising agencies	Nil	N/A	Nil
Market research agencies	Nil	N/A	Nil
Polling organisations	Nil	N/A	Nil
Direct mail organisations	Nil	N/A	Nil
Media advertising organisations	\$22,544	Adcorp	
		Contracts & tenders	\$18,995
		Recruitment	\$1,140
		Forest operation notices	\$2,409
Total	\$22,544		\$22,544

Disability access and inclusion plan

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

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

- access the services of, and any events organised by the Commission
- access the buildings and other facilities
- receive information from the Commission in a format that will enable them to access the information as readily as other people have to access it
- receive same level and quality of service from our staff
- provide feedback
- participate in public consultation
- obtain and maintain employment with the Commission.

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



Download our *Disability access and inclusion plan 2014–2019*
fpc.wa.gov.au/daip



Compliance with public sector standards and ethical codes

We comply with the Public Sector Code of Ethics, through our own Code of Conduct. Accountable and Ethical Decision Making (AEDM) refresher training workshops were rolled out in 2015–16, with 62 per cent of employees completing the training.

The Code of Conduct has been reviewed and all staff now directly access policies, procedures and information as they work through and understand the Code of Conduct.

Our performance management system requires staff to reaffirm they have read and understand the information provided in the Code of Conduct.

Commissioners

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

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

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

Public Interest Disclosure

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

Public Interest Disclosure officers for the Commission have been appointed. Internal procedures relating to our obligations under the act have been implemented.

There were no public interest disclosures for 2015–16.

State Records Act 2000

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

We are committed to meeting the Plan's regulatory and best practice requirements, ensuring proper and adequate records are maintained.

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

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

Freedom of Information

The Western Australian *Freedom of Information Act 1992* (FOI Act) provides a legal right of access to documents held by all state and local government agencies.

It is our aim to make information available promptly, at the least possible cost, and wherever possible documents will be provided outside the Freedom of Information (FOI) process.

If information is not routinely available, the FOI Act provides the right to apply for documents held by us and to enable the public to ensure that personal information in documents is accurate, complete, up to date and not misleading.

Our Annual Report serves the purpose of our Information Statement to meet the requirements of s. 96(1) of the FOI Act.

For information regarding our structure and function refer to our *Corporate Snapshot* section.



How our functions affect members of the public

Functions which have a direct effect on members of the public include (but are not limited to):

- impact of field operations such as road construction and timber harvesting on local amenity values or local convenience
- the provision and regulation of harvest of natural resources
- the provision of employment, especially in rural areas
- access to resources or markets for resources.

Further information regarding how members of the public can provide input regarding our operations can be found on our website

How to make an FOI application

Applications under the FOI Act can only be lodged in writing and must:

- include sufficient information so that the documents requested can be identified
- provide an Australian address to which notices can be sent
- include any application fee payable.

Applications can be mailed to:

Freedom of Information Coordinator
 Forest Products Commission
 Locked Bag 888
 PERTH BUSINESS CENTRE WA 6849

Or lodged in person at:

Freedom of Information Coordinator
 Forest Products Commission
 Leve 1, D Block
 3 Baron-Hay Court
 KENSINGTON WA 6151

Fees and Charges

A scale of fees and charges is set under the Freedom of Information Regulations 1993. Apart from the application fee for non-personal information all charges are discretionary.

The charges are as follows:

Personal information about the applicant	No fee
Application fee (for non-personal information)	\$30
Charge for time taken dealing with application	\$30 per hour
Access time supervised by staff	\$30 per hour
Charges for photocopying (Staff time)	\$30 per hour
Per copy:	\$0.20
Charge for staff time for transcribing information from tape, film or computer	\$30 per hour
Charge for duplicating a tape, film or computer information	Actual Cost
Charge for delivery, packaging and postage	Actual Cost



Processing FOI applications

The coordination and assessment of FOI applications is centralised, with decentralised decision making. All applications are acknowledged in writing.

As soon as possible but in any case within 45 calendar days a notice of decision will be provided and include information such as:

- the date on which the decision was made
- the name and designation of the person who made the decision
- if the document is classed as an exempt document under the Act, the reasons for classifying the matter exempt; or the fact that access is given to an edited document
- information on the right to review and the procedures to be followed to exercise those rights.

Access arrangements

Access to documents can be granted by way of inspection, copy of the documents, a copy of an audio or videotape, a computer disk, a transcript of a recorded, shorthand or encoded document from which words can be reproduced.

Rights of review

Applicants who are dissatisfied with a decision are entitled to ask for an internal review by the Commission. Applications should be made in writing within 30 calendar days of receiving the notice of decisions. Applicants will be notified of the outcome of the review within 15 calendar days.

If the applicant disagrees with the results of the internal review the applicant can apply to the Information Commissioner for an external review. A request for an external review must be submitted within 60 calendar days of the notice of decision for internal review (or 30 calendar days for third parties).

No fees or charges are applied to internal or external reviews.

Amendments to personal information

Members of the public who believe that personal information held by us is inaccurate, incomplete, out of date or misleading, may apply in writing to have the information corrected. Applications of this nature, which are free, should be forwarded to the FOI Coordinator.

Documents held

For the purposes of the FOI Act, the term 'document' covers many forms of records and includes files, computer printouts, maps, plans, photographs, tape recordings, films, video tapes and electronically stored information.

Documents available outside of FOI

The following publications are available at no cost for download from our website.

- Annual Report
- Annual Indicative Harvest Plans
- Forest Management Plan compliance reports
- Forest Management Policy
- Media statements
- Statement of Corporate Intent
- Information sheets.



Types of documents held for which a FOI Application is required:

- audit reports and supporting documentation
- business plans
- operations information
- contracts
- administrative information
- incident reports
- minutes, agendas and papers of meetings
- personnel information: Except where documents solely involve the individual requiring the correspondence.
- service level agreements and memorandum of understandings
- tender and quotation responses.

Government policy requirements

Substantive equality

We are committed to:

- Ensuring our employees are treated in a fair and equitable manner in all decisions and processes that affect them.
- Fostering a workplace that is free from all forms of discrimination, harassment and victimisation.
- Building a flexible and attractive workplace environment that considers our employee’s family structures, age, culture and social backgrounds and endeavours to provide a range of flexible working arrangements to accommodate these factors.

Our workforce demographics demonstrate the work achieved in the past for equal opportunity employment.

Diversity Group	*Representation within organisation June 2016 (%)	*Public Sector Average as at June 2016 (%)
Women in Management Tier 2	40	34.2
Women in Management Tier 3	30.77	42.5
Women in Management Tier 2 & 3 combined	35.38	40.4
Indigenous Australians	0.0	2.9
People from culturally diverse backgrounds	11.8	12.4
People with a disability	3.9	2.4
Youth	6.74	4.9
Mature (aged 45 and over)	58.54	52.0

*This data includes casuals



Government building training policy

This policy is not applicable to the Commission.

Unauthorised use of credit cards

There have been no instances where a government purchasing card has been utilised for personal use.



More information about our policies and practices are available on our website
fpc.wa.gov.au/policy

STATISTICS

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Our pine plantations provide approximately 70% of the state's timber requirements and 50% of the state's panel board requirements

Statistical information

Trends in the area of native forest harvested (hectares)

Year	Jarrah forest	Mixed jarrah/ karri forest	Jarrah/ wandoo forest	Karri forest	
				Clearfelled or partially cur	Thinned
1976-77	32,320	-	1,170	2,610	-
1977-78	26,020	-	740	4,450	-
1978-79	25,540	-	530	2,710	-
1979-80	25,150	-	860	2,110	60
1980-81	22,930	-	1,440	2,080	180
1981-82	24,680	-	610	2,180	320
1982-83	23,740	-	330	990	190
1983-84	21,540	-	580	1,490	260
1984-85	20,010	-	1,440	2,360	500
1985-86	22,640	-	650	1,590	340
1986	19,340	-	1,150	1,090	490
1987	17,180	-	1,380	1,310	700
1988	23,400	-	490	1,180	840
1989	15,130	-	200	1,510	910
1990	12,960	-	100	1,560	340
1991	10,910	-	-	1,920	230
1992	13,990	-	30	1,540	310
1993	14,250	-	40	1,630	80
1994	14,050	-	50	1,440	-
1995	17,830	-	30	2,410	-

Year	Jarrah forest	Mixed jarrah/ karri forest	Jarrah/ wandoo forest	Karri forest	
				Clearfelled or partially cur	Thinned
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

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

Area of coniferous (pine) plantations as at 31 December 2015 (hectares)

Year	Commission owned								Commission managed sharefarms		Total
	Pinus radiata				Other pine				1st rotation		
	1st rotation		Subsequent rotations		1st rotation		Subsequent rotations		1st rotation		
	State	Sharefarm	State	Sharefarm	State	Sharefarm	State	Sharefarm	Pinus radiata	Other pine	
Pre 1970	157	-	26	-	1,512	-	43	-	-	-	1,739
1970	25	-	-	-	41	-	19	-	-	-	85
1971	84	-	-	-	3	-	-	-	-	-	87
1972	47	-	-	-	23	-	-	-	-	-	70
1973	42	-	18	-	366	-	3	-	-	-	429
1974	220	-	-	-	48	-	0	-	-	-	269
1975	124	-	-	-	1,104	-	-	-	-	-	1,228
1976	88	-	4	-	830	-	1	-	-	-	923
1977	3	-	30	-	667	-	-	-	-	-	700
1978	25	-	-	-	125	-	-	-	-	-	150
1979	43	-	2	-	-	-	-	-	-	-	45
1980	2	-	-	-	613	-	-	-	-	-	615
1981	392	-	93	-	724	-	12	-	-	-	1,220
1982	712	-	36	-	431	-	4	-	-	-	1,183
1983	779	-	198	-	481	-	86	-	-	-	1,545
1984	1,630	-	3	-	478	-	9	-	-	-	2,119
1985	1,390	14	1	-	413	-	2	-	-	-	1,820
1986	872	132	-	-	286	-	-	-	-	-	1,290
1987	478	579	144	-	18	-	0	-	-	-	1,219
1988	408	1,046	120	1	-	-	-	-	-	-	1,574
1989	538	350	405	23	21	-	22	-	-	-	1,358
1990	231	593	233	-	-	-	16	-	-	-	1,072
1991	58	901	493	0	-	-	21	-	-	-	1,473
1992	9	1,576	477	-	-	-	32	-	-	-	2,093

Area of coniferous (pine) plantations as at 31 December 2015 (hectares)

Year	Commission owned								Commission managed sharefarms		Total
	Pinus radiata				Other pine				1st rotation		
	1st rotation		Subsequent rotations		1st rotation		Subsequent rotations				
	State	Sharefarm	State	Sharefarm	State	Sharefarm	State	Sharefarm	Pinus radiata	Other pine	
1993	8	602	1,009	-	133	5	132	-	-	-	1,889
1994	144	406	442	-	17	-	114	-	-	-	1,123
1995	56	95	899	-	7	265	72	-	-	-	1,395
1996	35	9	1,032	-	108	409	13	-	-	-	1,607
1997	64	1	999	-	-	1,167	165	-	-	-	2,395
1998	16	82	79	-	-	1,451	4	-	-	288	1,920
1999	15	200	724	-	-	1,813	195	39	14	445	3,443
2000	-	123	938	-	27	3,797	16	-	5	276	5,182
2001	-	1	831	-	-	2,759	-	-	1	327	3,919
2002	43	174	551	-	3	612	-	-	-	211	1,593
2003	58	563	941	2	0	834	69	-	-	304	2,770
2004	106	-	1,099	-	437	517	138	-	-	131	2,429
2005	12	35	1,252	-	120	405	83	-	-	239	2,146
2006	8	54	1,471	-	49	1,433	-	-	-	97	3,112
2007	52	-	1,411	-	-	2,476	49	-	-	242	4,230
2008	2	540	1,498	9	0	1,227	-	-	-	14	3,290
2009	2	35	1,997	9	-	459	6	-	-	-	2,507
2010	-	-	570	66	-	5	14	-	-	-	655
2011	-	-	2,025	-	-	5	-	-	-	-	2,031
2012	-	-	2,082	-	-	-	-	-	-	-	2,082
2013	10	20	1,700	-	-	-	60	-	-	-	1,790
2014	232	-	1,198	-	28	-	674	-	-	-	2,132
2015	119	28	1,399	268	37	-	657	-	-	-	2,507
Grand Total	9,338	8,157	28,426	377	9,152	19,640	2,730	39	20	2,574	80,453

Area of broadleaved (Eucalypt / Corymbia) plantations as at 31 December 2015 (hectares)

Year	Commission owned				Grand total
	Eucalyptus globulus		Other Eucalyptus		
	State	Sharefarms	State	Sharefarms	
Pre 1988	6		6,421	1	6,429
1988			10		10
1989			2		2
1990	20		24		43
1991	0		36		36
1992	6	13		1	20
1993		15	6		21
1994			2		2
1995	3		1		4
1996		4	6	3	13
1997	24		1	10	36
1998	391	0	2	8	400
1999		1	9	1	11
2000		1	13	2	16
2001		1		32	32
2002		27	21	224	272
2003		26	26	241	294
2004		17	142	482	641
2005	1		36	190	226
2006			6	622	628
2007	3		18	1,027	1,048
2008	1	7	0	629	638
2009		34	4	6,474	6,512
2010	1		0	76	76
2011				22	22
2012				98	98
2013				11	11
2014				1	1
2015	-	-	-	-	-
Grand total	456	148	6,786	10,152	17,542

Area of sandalwood (Spicatum / Album) plantations as at 31 December 2015 (hectares)

Year	Commission owned		Commission managed	Grand total
	State	Sharefarms	Sharefarms	
1932	0.3			0.3
1997		2.4		2.4
1998		2.2	6.7	8.9
2000		23.6		23.6
2001		45.5		45.5
2002		93.5	12.0	105.5
2003	3.5	59.9	20.9	84.3
2004	38.5	115.3	1.5	155.3
2005	38.9	173.3		212.2
2006	21.6	496.9	1.0	519.5
2007	46.7	1,507.7		1,554.4
2008	0.6	2,510.8		2,511.4
2009	0.7	642.1		642.8
2011	2.1			2.1
2012			10.8	10.8
2013	4.4	0.7		5.1
2014			1.8	1.8
2015	-	-	-	-
Grand total	157.2	5,673.9	54.7	5,885.8

Log production from Crown land and private property in 2015–16

Product type	Crown land		Private property		Total	
	m ³	tonnes	m ³	tonnes	m ³	tonnes
Sawlog timber						
Native forest sawlogs						
Jarrah *	120,994	157,292	1,100	1,430	122,094	158,722
Karri *	45,628	56,578	-	-	45,628	56,578
Marri	4,924	6,107	35	43	4,959	6,150
Blackbutt	580	720	-	-	580	720
Wandoo	67	83	18	22	85	105
Sheoak	537	537	-	-	537	537
Other	2	3	-	-	2	3
Total native forest sawlogs	172,732	221,320	1,153	1,495	173,885	222,815
Plantation hardwood sawlogs						
Brown Mallet	-	-	-	-	-	-
Sub-total plantation hardwood sawlogs	0	0	-	-	0	0
Plantation softwood sawlogs and veneer logs						
Pinaster	138,766	138,766	50	50	138,816	138,816
Radiata	388,947	388,947	-	-	388,947	388,947
Sub-total plantation softwood sawlogs and veneer logs	527,713	527,713	50	50	527,763	527,763
Total sawlogs	700,445	749,033	1,203	1,545	701,648	750,578

Includes logs from Crown land sold under Minor Production contracts.

* Includes LVL logs

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

*** Includes woodchips

Log production from Crown land and private property in 2015–16 (continued)

Product type	Crown land		Private property		Total	
	m ³	tonnes	m ³	tonnes	m ³	tonnes
Other log material						
Native forests						
Chiplogs	121,973	146,605	-	-	121,973	146,605
Firewood/charcoal logs	106,855	126,134	850	850	107,705	126,984
Sandalwood	1,859	1,859	-	-	1,859	1,859
Other **	4,492	5,829	-	-	4,492	5,829
Sub-total native forest other	235,179	280,427	850	850	236,029	281,277
Plantation hardwood						
Chiplogs***	-	-	-	-	-	-
Firewood/charcoal logs	477	477	-	-	477	477
Other **	-	-	-	-	-	-
Sub-total plantation hardwood other	477	477	0	0	477	477
Plantation softwood other						
Industrial wood	264,983	266,155	372	372	265,355	266,527
Woodchips	56,992	56,992	-	-	56,992	56,992
Other	12,283	12,283	-	-	12,283	12,283
Pine rounds	11,040	11,040	-	-	11,040	11,040
Sub-total plantation softwood other	345,298	346,470	372	372	345,670	346,842
Total other material	580,954	627,374	1,222	1,222	582,176	628,596
Total log timber	1,281,399	1,376,407	2,425	2,767	1,283,824	1,379,174

Includes logs from Crown land sold under Minor Production contracts.

* Includes LVL logs

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

*** Includes woodchips

Native forest sawlog production in 2015–16

Species	High quality sawlogs	1st and 2nd grade sawlogs	Bole sawlogs	Other sawlogs	Total
Cubic metres (m³)					
Jarrah	553	-	90,182	31,359	122,094
Karri	-	35,627	-	10,001	45,628
Marri	34	-	-	4,925	4,959
Other species	11	-	656	537	1,204
Total	598	35,627	90,838	46,822	173,885
Tonnes					
Jarrah	718	-	117,237	40,767	158,722
Karri	-	44,177	-	12,401	56,578
Marri	43	-	-	6,107	6,150
Other species	15	-	813	537	1,365
Total	776	44,177	118,050	59,812	222,815

Native forest chiplog production

Species	Crown land 2013–14		Crown land 2014–15		Crown land 2015–16	
	m ³	tonnes	m ³	tonnes	m ³	tonnes
Marri	5,836	7,087	9,375	11,545	7,734	9,590
Karri	104,998	125,383	80,060	96,596	114,239	137,015
Other	10,412	12,182	1,501	1,861	-	-
Total	121,246	144,652	90,936	110,002	121,973	146,605

Native forest fuelwood production

Product type	2013–14	2014–15	2015–16
	tonnes	tonnes	tonnes
Firewood logs	89,056	65,650	64,089
Charcoal logs	79,871	66,769	62,895
Total	168,927	132,419	126,984

Sandalwood production by the Commission from Crown land

Product type	2013–14	2014–15	2015–16
	tonnes	tonnes	tonnes
Green 1st and 2nd grade	968	1,067	923
Roots	182	201	225
Green 3rd grade	56	61	36
Dead	890	625	707
Total	2,096	1,954	1,891

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 (m³)	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

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The Forest Products Commission encourages your comment to help us improve the clarity, and presentation of our publications. Your assistance in completing this form would be greatly appreciated.

1 Did the report help you form an understanding of the Commission and its purpose, services and performance?

not at all | not really | somewhat | yes | absolutely

2 Did you find the design and presentation functional and effective?

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3 Was the report clear, concise and easy to understand?

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