Forest Products Commission
WESTERN AUSTRALIA

ANNUAL REPORT
2016-2017

Photo: The FPC's pine plantations supply timber to WA's sustainable softwood industry

/fpcwa

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September 2017

General Manager
Forest Products Commission
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Copies of this document are available in alternative formats on request.

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

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Statement of compliance

For year ended 30 June 2017

Hon. Dave Kelly 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 2017.

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

Mr Ross Holt
Chairman
8 September 2017

Mr Stuart West
General Manager
8 September 2017

WHO WE ARE

Financial highlights

Our annual turnover was $113 million. We operated at a profit, paid a dividend to the State Government and invested in innovation, jobs and communities.

$2.1 million

native forest profit

$10.5 million

sandalwood profit

$5.1 million

plantation profit

Chairman's report

It has been a productive year at the Forest Products Commission (FPC). We have continued to work with industry to drive investment and innovation.

This year the FPC delivered a number of projects such as the plans for the softwood and sandalwood sectors, and commencement of a strategic growth plan for forestry. These projects are all aimed at strengthening the sustainability and long-term future of the Western Australian forestry industry.

Work also began on the Branding and Marketing Western Australian Native Hardwood project. We understand the importance of the native hardwood industry, as it navigates its way beyond the significant transformation over the past decade, and understand the importance of increasing opportunities for product innovation.

As we move forward, we remain committed to engaging with the Western Australian community to increase the understanding of the benefits of the forestry industry.

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

I welcome the incoming Minister for Forestry, the Hon. Dave Kelly MLA. We look forward to his leadership and guidance in the forestry industry.

Mr Ross Holt | **Chairman**
8 September 2017

General Manager's report

This has been a year of significant achievements for the FPC and a key development has been the return to profitability of our native forest business.

We have developed and delivered strategies which have paved the way for sustainable forest management over the coming years.

Our native forest business recorded a $2.1 million profit, which contributed to our overall turnover of $113 million. I am pleased to see all business units contributed to our $10.4 million profit this year.

It is a great achievement and most significantly, the majority of it has been invested back into the community, particularly in regional areas.

Forestry continues to be an important driver of jobs and we have played a valuable role in supporting the industry.

We have done this through our ongoing investment to increase the softwood estate, a $94 million spend in regional Western Australia supporting employment and services, and our commitment to sandalwood and native forest regeneration.

I recognise and thank our dedicated staff who have embraced the changes and challenges associated with implementing continued improvements as we strive to deliver beyond our annual targets.

Mr Stuart West | **General Manager**
8 September 2017

Our investment in community

We support the Western Australian forestry industry which provides employment for around 5,000 people.

$94 million

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

$11.8 million

investment in the softwood estate in 2016-2017

$28 million

committed to invest in the softwood estate over the next four years

$0.6 million

for sandalwood regeneration

$1.1 million

for South West native forest regeneration

$250 million

in contracts awarded, including 13 sale and 70 service contracts

Our agency

We are 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.

During 2016-2017, we reported to the former Minister for Forestry, the Hon. Mia Davies MLA, between July 2016 and March 2017, and to the Hon. Dave Kelly MLA between March and June 2017.

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

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

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

In the performance of our functions, we are required to comply with other relevant legislation. A list of the other relevant legislation can be found on page 142.

We are committed to helping the forestry industry provide direct employment to around 5,000 Western Australians working in timber related industries. These industries include forest management, harvesting, primary processing and manufacturing sectors.

Our agency

Our vision

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

Our mission

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

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

Our values

We operate responsibly, ethically and sustainably. Our products and services provide renewable resources.

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

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

Our role

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

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

Organisational structure

Minister for Forestry
Hon. Dave Kelly MLA

Board Chairman
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

Current as at 30 June 2017

Board of commissioners

Mr Ross Holt
Chairman | B.Econs (Hons)

Appointed November 2015.

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

Mr Ewald (Ed) Valom
Deputy Chairman

Appointed September 2011.
Appointed Deputy Chairman November 2012.

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

Mr Robert Pearce
Commissioner

Appointed November 2012.

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

Mr Geoffrey Totterdell
Commissioner | B.Com FCPA

Appointed November 2013.

Geoffrey Totterdell retired from a 20-year partnership with an international accounting firm in December 2006, where he was primarily involved in the administration of insolvent companies and business consultancy. Geoffrey has held significant State Government appointments including Chairman of the Swan River Trust for nine years, Dairy WA Ltd for three years, Rottnest Island Authority for three years, Chairman of the Peel Development Commission and a member of the Regional Development Council for three years.

Board of commissioners

Mrs Jacqueline Jarvis
Commissioner | GAICD

Appointed July 2014.

Jacqueline Jarvis is an agribusiness professional with more than 20 years' experience in the finance sector, agricultural policy and workforce development. Jacqueline has worked with the Chamber of Commerce and Industry Western Australia, the former Department of Agriculture and Food WA, and most recently with the Grain Industry Association of WA. She previously served as the inaugural Chairperson of Regional Development Australia South West, and on the boards of the Australian Landcare Council and the WA Planning Commission.

Mr Grant Woodhams
Commissioner

Appointed July 2014.

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

Ms Amelia Yam
Commissioner | B.Com CA GAICD

Appointed June 2016.

Amelia Yam has held senior management positions in finance, business advisory and consulting whilst working with PricewaterhouseCoopers 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. Previously Chief Financial Officer at Horizon Power and the University of Notre Dame Australia, Amelia has also been a Director of Amaroo Care Inc. She was also the co-opted commissioner for the FPC from April 2013 until her current appointment.

Executive team

Mr Stuart West | BSc For FGLF
General Manager

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

Mr Gavin Butcher | BScFor
Director Policy and Strategy

With a career in plantation and native forestry management spanning more than 35 years, Gavin's strengths are in the strategic, analytical and financial fields of forestry management. Previous roles with the FPC have included Director of Technical Services, Executive Manager Operations and Plantations, and Group Manager (Department of Conservation and Land Management). Gavin previously chaired and is a current member 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 Forest Operations since 2011. He has direct responsibility for the operational and commercial performance of the FPC. John is leading a number of transformational projects which are aimed at introducing efficiencies and innovation. John has more than 30 years' experience working in Australia's forestry industry, and internationally. His experience includes resource management, forest valuation, forest certification and management.

Mr Ron Lucas | BBus FCPA
Director Finance and ICT

Ron Lucas is a Certified Practising Accountant. Ron brings a strong business services background and has extensive experience in corporate services and financial management throughout his employment in senior management roles in the tourism, transport, information technology, agriculture, and not-for-profit sectors.

OUR PERFORMANCE

Performance management framework

In order to evaluate our contribution to the State Government's goals, the Annual Report links our performance to our *Strategic Plan 2017-2021*. Our achievements have been categorised according to the goals outlined in the plan.

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.

Regional focus

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

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.

Our strategic goals

1

Goal 1: Healthy forests

Provide healthy forests for future generations.

2

Goal 2: Vibrant forest industry

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

3

Goal 3: Business outcomes

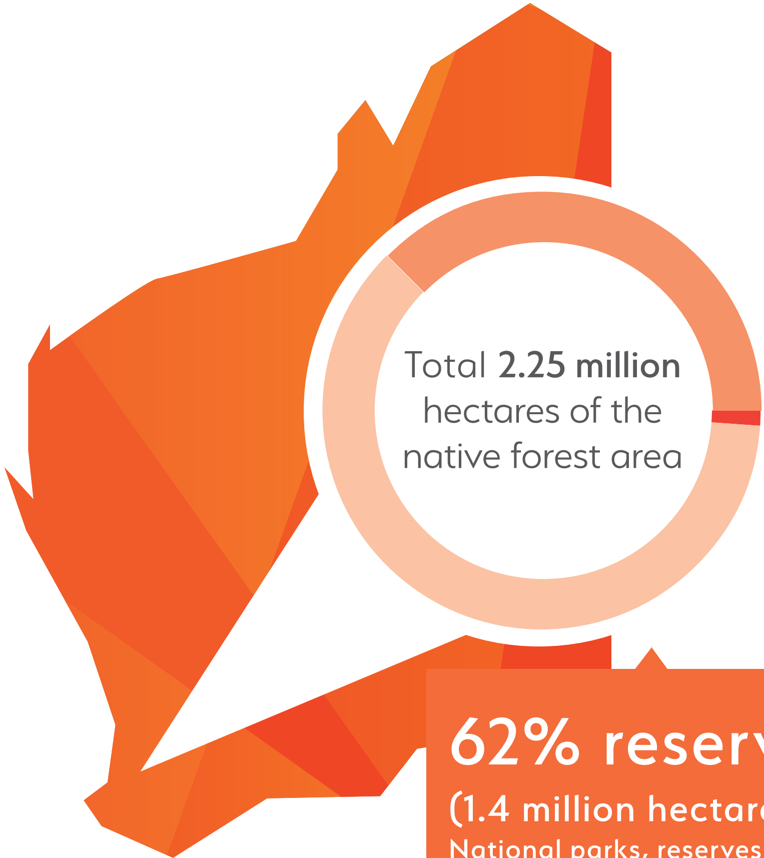
Ensure efficient, effective and safe delivery of business outcomes.

Goal 1:
Provide healthy forests for future generations

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

Sustainable forest management

We identify suitable habitat trees and protect them before harvesting operations start to ensure shelter is available for wildlife into the future.



38% accessible

(850,000 hectares)

Regrowth forest accessible for harvest

we harvest less than

1% of accessible native forest annually

62% reserved

(1.4 million hectares)

National parks, reserves and other protected areas, including all old-growth forest, are not available for harvest

Regeneration of native forests

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

During winter 2016, an area of approximately 350 hectares of karri forest was successfully regenerated following harvest.

This included all harvested areas and approximately 75 hectares of young karri regrowth forest destroyed in the 2015 Northcliffe fires.

Post-harvest regeneration burning was undertaken on approximately 2,150 hectares of harvested jarrah forest.

Operation Woylie is our flagship sandalwood regeneration program. Better than average rainfall over the Rangelands this year has provided excellent conditions for good germination and survival of the previous year's sandalwood seeding.

In 2016-2017, the mechanical woylie seeded more than 1,000km of rip-lines, an increase of 100km on the 2015-2016 year, planting more than 14.7 tonnes of sandalwood seed.

This project is complemented with hand seeding at selected sites and will continue as a way to supplement the mechanical seeder in sensitive areas.

This year, we had a bumper karri seed harvest and collected more than 3 million seeds in the southern native forests. This will help to rebuild our depleted seed stocks. The Manjimup nursery sows approximately 1 million karri seeds a year and they are used to regenerate karri forests after harvest.

FORESTCHECK

During the year, we continued to support FORESTCHECK, a unique site-based monitoring program managed by the Department of Biodiversity, Conservation and Attractions (DBCA).

It is designed to gauge the effects of timber harvesting and silviculture in the jarrah forest and is increasing our knowledge of the effects of forest harvesting on biodiversity and the effectiveness of forest management.

The DBCA has been establishing monitoring grids across the South West jarrah forest since FORESTCHECK started in 2001.

Over the coming year, further analysis of data will be undertaken, with the results to be made available to the public.

Monitoring protocols will be reviewed and new techniques will be incorporated with a view to improve efficiencies and the quality of data collected. The monitoring will also provide a basis for reporting on forest condition for the FMP mid-term performance report.

Carnaby's black cockatoos

Carnaby's black cockatoos have developed a reliance on pines as a food source.

In response, we have planted 1,500 hectares of commercial pine plantations in the Gnangara area since 2012 to support the endangered cockatoo.

This year, our nursery in Manjimup grew more than 1 million pine seedlings and an additional 500 hectares of pines were planted in Gnangara to support cockatoos and to provide timber products.

The future land use for this area is under consideration as part of the *Strategic Assessment of the Perth and Peel Region* (SAPPR).

Fauna monitoring in karri forest

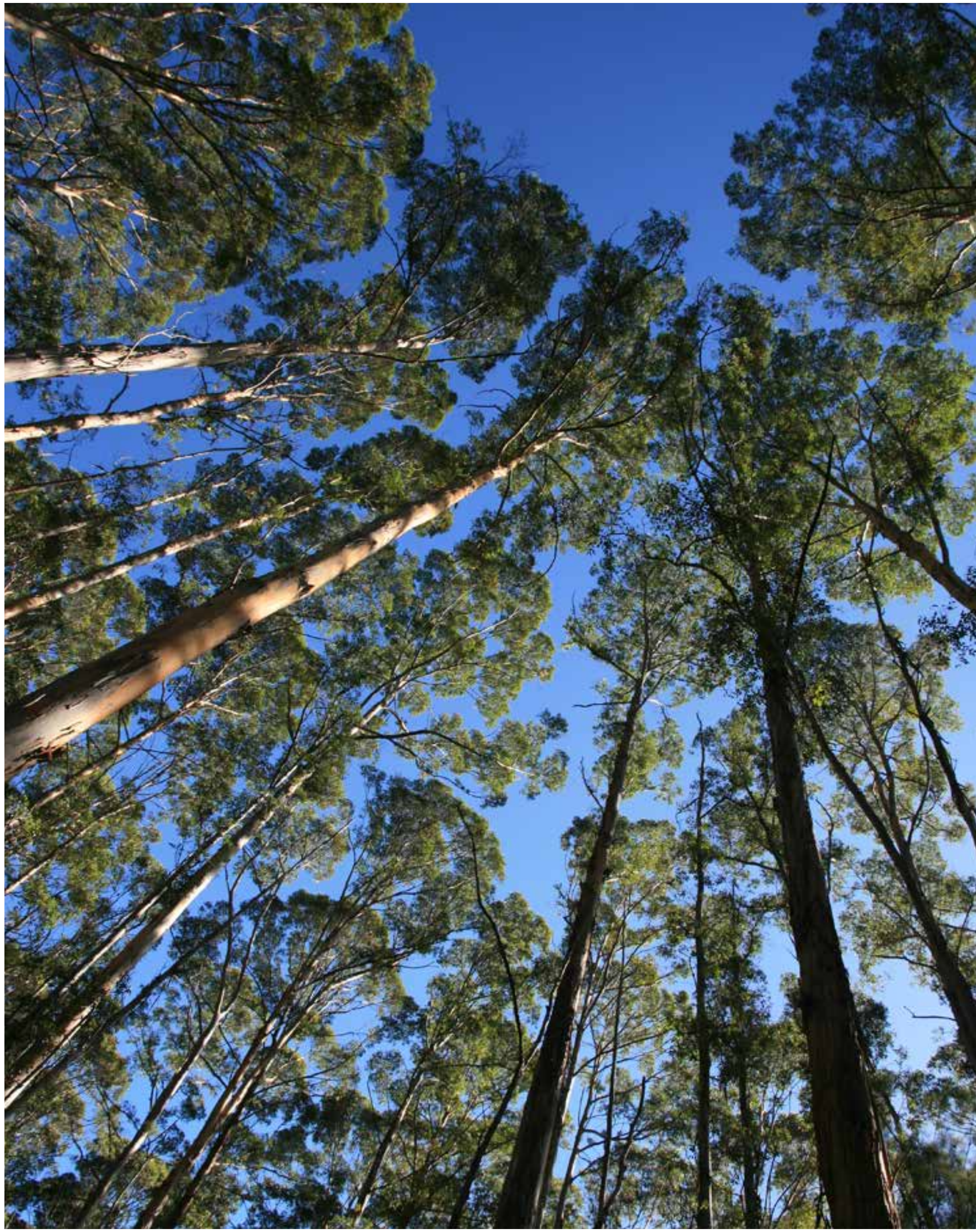
We began fauna monitoring of karri forests during the year. The data collected will help predict where threatened species are present in harvest areas.

We have appointed a consultant ecologist to oversee the implementation of fauna monitoring and to train our staff. All results are recorded and information is reviewed by our forest managers. The DBCA then verifies the survey results and provides advice on appropriate management actions.

An outcome of this project has been to highlight the impact and the identification of feral cats in the southern karri forests, which has lead to our support of an Eradicat trial.

It will be the first time the feral cat baiting program delivered by DBCA has been trialled in the southern karri forests.

FORESTCHECK has shown that no species has become extinct due to forestry operations.



Fire

Wildfire poses a risk for the community and the forest products industry. We assist the DBCA and the Department of Fire and Emergency Services (DFES) to protect life and property from the threat of fires in regional and semi-urban areas.

Approximately 50 of our staff members participate in joint agency emergency response rosters. They help with fire suppression, prescribed burning and fulfil key roles in operational and support functions as part of the State's bushfire response.

These staff complete annual training which incorporates fitness and competency testing through DBCA's Fire Management Services Branch.

We are also part of a national, multi-agency, mechanical fuel load reduction bushfire mitigation trial.

The trial involves the removal of woody biomass to reduce fuel loads. This trial supports a recommendation in the Ferguson Report to investigate mechanical fuel reduction load methods.

Our role in fire is essential to ensuring plantation values and regeneration objectives are integrated into the planning and delivery of DBCA's fire management programs.

Goal 2:
Facilitate a vibrant forestry industry to deliver social and economic benefits, particularly in regional Western Australia

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

Western Australia's forest products

The forest industry injects $1 billion into the WA community annually.

Softwood

- Sawn timber
- Engineered timber
- Particle board

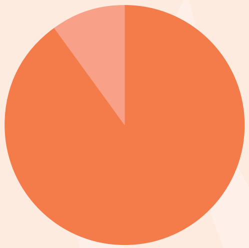
Native hardwood

- Furniture and joinery timber
- Flooring
- Decking
- Cladding
- Residue for silicon production

Sandalwood

- Oil for perfume
- Logs for carving and jewellery
- Powder for incense and cream

Our resource sectors

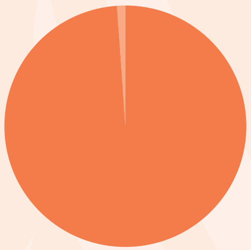


Softwood

5,400 hectares harvested

80,000 hectares total estate

In 2016-2017, we produced **919,989 tonnes** of log products

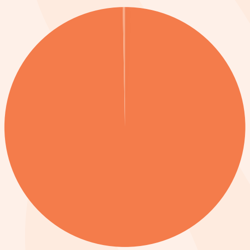


Native hardwood

8,800 hectares harvested

850,000 hectares total accessible area

In 2016-2017, we harvested **582,148 tonnes** of log products



Sandalwood

12,600 hectares harvested

spread across **14 million hectares**

In 2016-2017, we harvested **1,790 tonnes** of log products

Softwood plantations

The softwood plantation sector represents a significant component of Western Australia's forestry industry, providing jobs for the community across a number of regions.

Activities within the sector involve plantation establishment, harvesting, timber haulage and processing.

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

In recent years, Western Australia's softwood estate has decreased in size as a result of the strategic exit of plantations in the Gnangara area, as well as losses due to drought and fire, and competing land uses. We developed a policy to address this decline.

The *Softwood Industry Strategy for Western Australia* was released in September 2016.

It was developed in collaboration with industry and key stakeholders and it provides a platform to expand the softwood estate and ensure the long-term future of the industry.

Our initial $21 million investment in the strategy started in 2016 and 1,400 hectares of new plantation areas are now available.

The plantation establishment program resulted in the planting of approximately 3.5 million seedlings, including second rotation establishment and new plantings in the Wellington catchment. The plantings in the catchment are aimed at increasing the softwood estate and improving the quality and quantity of water in the Wellington reservoir.

China is a significant consumer of Western Australian sandalwood, mainly for the manufacture of incense and joss sticks. Last year, our General Manager Stuart West pitted his skills against students in a joss stick competition at a trade event.

Sandalwood plantations

Our Western Australian sandalwood (*Santalum spicatum)* plantation estate is approximately 6,000 hectares and extends from Geraldton, through the Wheatbelt regions and down to Esperance.

Over the past two years, each property has been assessed for tree health, stocking rates, host-to-sandalwood ratios and growth rates. This information is currently being used to manage the plantations and also to estimate yields over the next 20 years.

Collaborative work with the Western Australian sandalwood industry has resulted in information sharing regarding regional variation, oil yields, inventory, growth rates, wood grades and plantation management.

We also continue to have an extension role providing the public with information on sandalwood plantation establishment and maintenance. We maintain a working relationship with universities and the sandalwood industry to better understand the processes related to oil development within sandalwood plantations.

We continue to support the sandalwood industry to develop more efficient seed harvesting methods and identify more commercial uses for the seeds. Sandalwood seeds have the potential to deliver supplementary income while trees reach harvestable size.

Wild Western Australian sandalwood

Western Australian sandalwood has been harvested for more than 170 years, and continues to be an economic driver in the State.

In 2016-2017, we increased Aboriginal participation in the industry and expanded the regeneration of sandalwood in the Rangelands to ensure the long-term future of the industry.

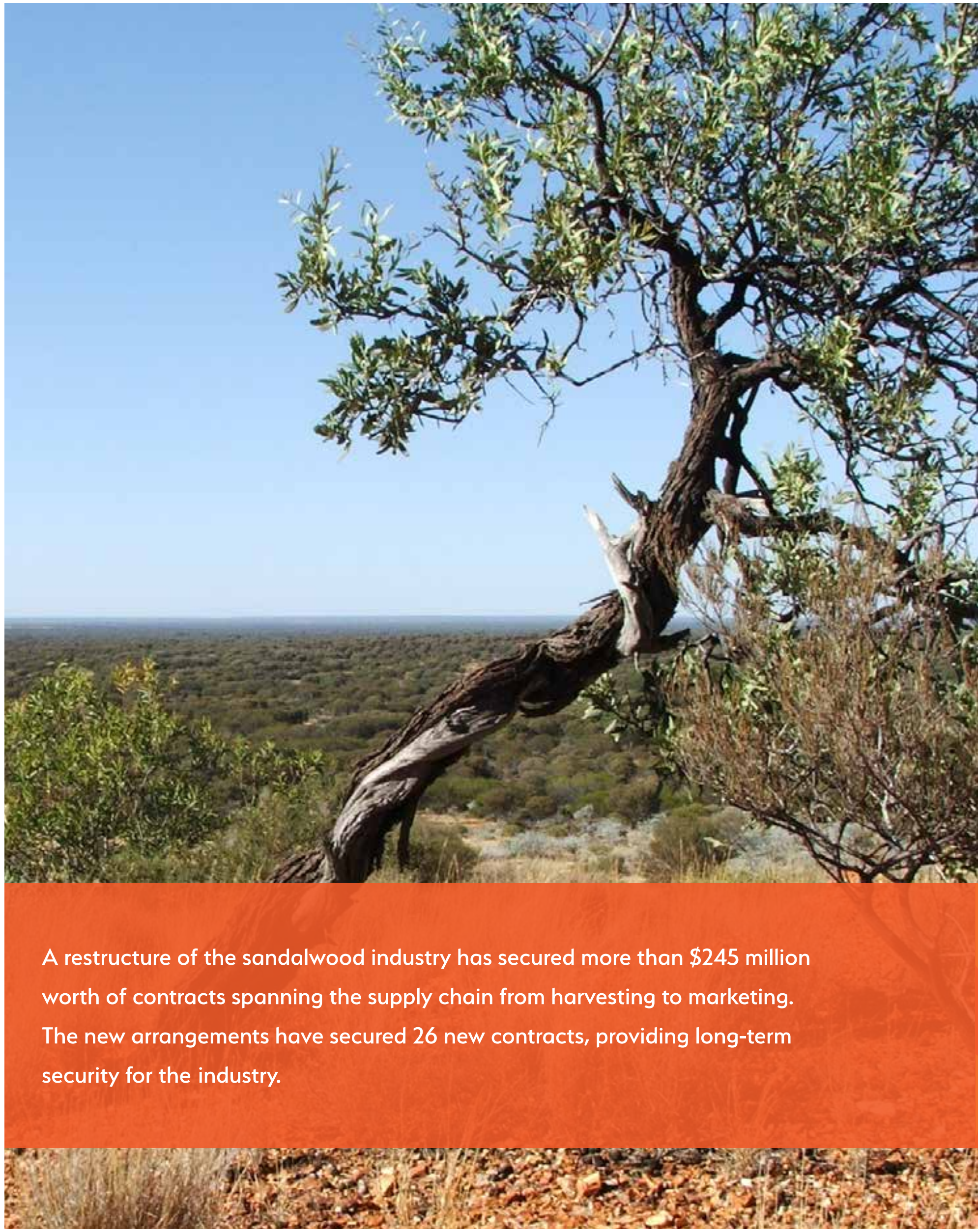
We launched the *Native Sandalwood Industry Strategy* in Kalgoorlie in January 2017. It was developed in consultation with the community, industry and key State government stakeholders including DBCA and the Department of Planning, Lands and Heritage (DPLH).

The theft of wild sandalwood remains a significant threat to the sustainability of the wild Western Australian sandalwood industry. In 2016, the *Biodiversity Conservation Act 2016* replaced outdated legislation.

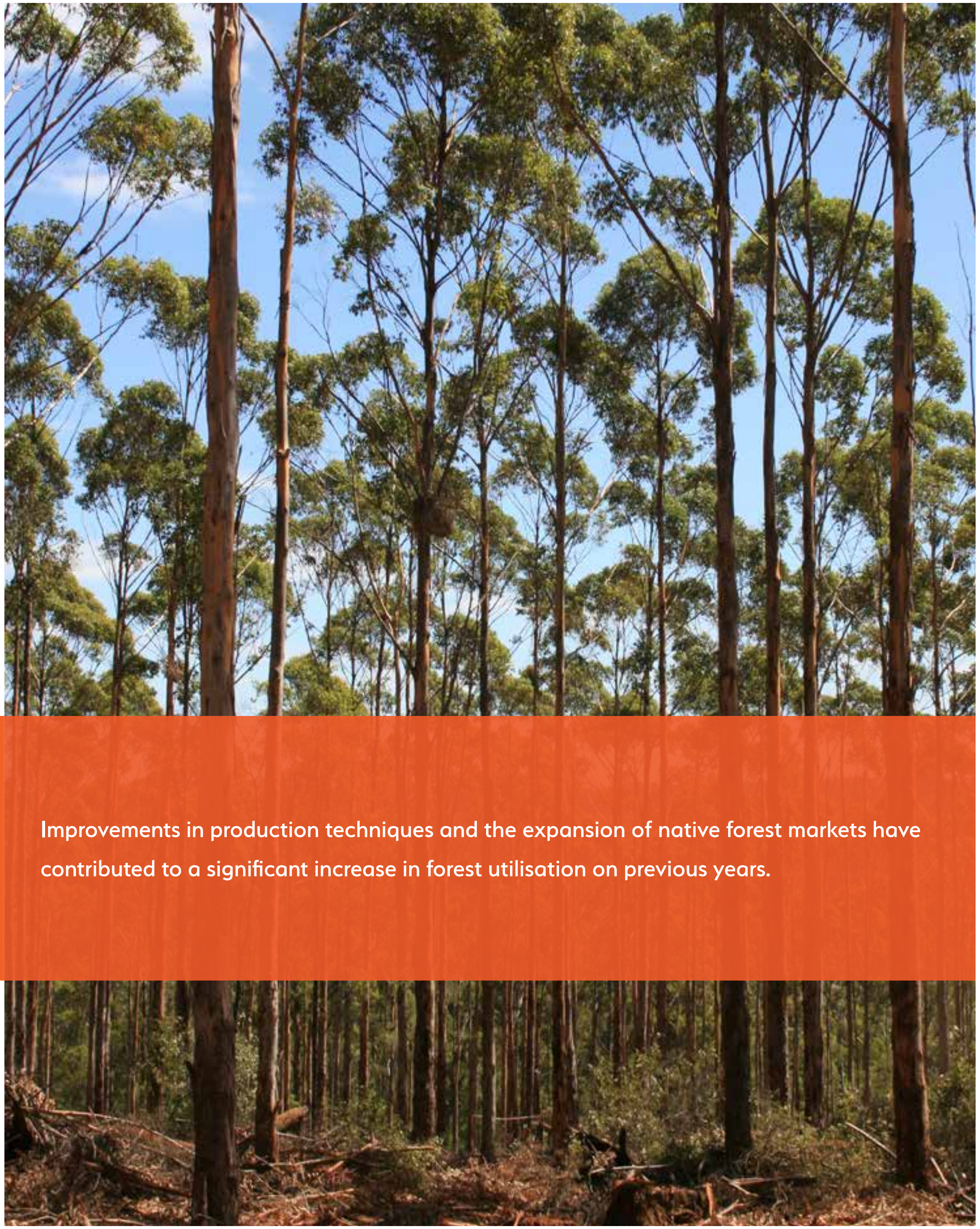
The legislative overhaul will see an increase in penalties for individuals stealing sandalwood to $200,000, with corporations liable for fines of up to $1 million.
The new laws support the implementation of a legality verification process that will allow sandalwood to be traced from point of harvest to the marketplace.

In response to the new laws, we have funded an additional compliance position based within DBCA to further protect sandalwood from theft.

DBCA's Sandalwood Order (No.2) took effect on 1 July 2016. The order provides for an annual quota at 2,250 tonnes available to the FPC (comprising of 1,125 tonnes of green and 1,125 tonnes of deadwood).
The new sustainable volumes are a reduction on the previous Order, but are sufficient to service our markets, fund the restoration program over the next 10 years, and support the ongoing sustainability of the industry.



A restructure of the sandalwood industry has secured more than $245 million worth of contracts spanning the supply chain from harvesting to marketing. The new arrangements have secured 26 new contracts, providing long-term security for the industry.



Improvements in production techniques and the expansion of native forest markets have contributed to a significant increase in forest utilisation on previous years.

Native forest

The native forest industry requires ongoing investment in new processing capacity and technology.

To achieve this, we:

- Provided support to Auswest's relocation transition to the Greenbushes site during the year. We worked with our contractors to supply a specific diameter range to suit their processing capacity;
- Continued to investigate opportunities to integrate native timber residue into energy systems that generate heat and power. This use of sustainable forest residue can displace non-renewable fossil fuels for energy production;
- In cooperation with Simcoa, we investigated and developed alternative production methods for the supply of jarrah from integrated operations; and
- Supported the use of native timbers in the manufacture of laminated veneer and engineered timber products.

The Australian Forest Operations Research Alliance (AFORA) was also engaged to investigate opportunities to improve the operational efficiency of native forest harvesting.

Further harvesting took place for fire damaged karri forest, allowing for the recovery of areas impacted by the Northcliffe fire. Without management intervention, the burnt karri forest in this area would struggle to recover.

During the year, we started a study into the feasibility of an integrated log merchandising yard. It is looking at methods to reduce costs and increase the use of lower-grade timber, and may have the potential to allow for greater utilisation of forest resources.

Community and stakeholder engagement

We continue to work with our stakeholders, maintaining a strong focus on engaging with the community, industry, Aboriginal groups and their representative organisations.

Our stakeholders include forest users, industry, community organisations, local government and other government agencies.

Engagement with these stakeholders is an integral part of our business operations and inherent to our core values. We ensure that their views are considered in our planning and operational activities.

During the year, a new Stakeholder Management System was established and is being implemented throughout the FPC to improve internal communication.

Examples of engagement activities undertaken by us in 2016-2017 include:

> ongoing communication with stakeholders on the *Karri forest management plan*;

> liaison with forest advocates and environmental groups on topics such as old-growth forest identification and operational practices in forestry;

> seeking community advice and liaison on planned and current timber harvesting activities, including several field inspections with specific stakeholders;

> engaging with shires, industry and WA forest community representatives on principles of wood encouragement, and with timber marketers, architects and builders on the changing face of timber use in built structures; and

> extensive consultation undertaken with community and industry stakeholders in the development of the softwood and native sandalwood strategies.

We engaged with the Shire of Augusta-Margaret River and the surrounding community, including mountain bike user groups and recreational organisations, regarding pine plantation harvesting, scheduling, fire risk management and site access at a high profile site located on the border of Margaret River town centre. Photo: A 'Break the Boundary' handcyclist participating in the 2016 Cape to Cape MTB Credit: Travis Deane.

Engagement with Aboriginal groups

We form part of a whole of government approach to provide advice and support to implement Noongar Standard Heritage Agreements and associated processes in the South West.

During the year, we worked with specialists and traditional owners on the identification and protection of heritage sites in or near planned harvest coupes.

We launched Sandalwood Dreaming. It is an initiative we designed to expand the sandalwood regeneration program. Aboriginal rangers are engaged to collect and plant seed as part of our sustainable harvesting operations.

As part of the new arrangements for marketing and sale of wild Western Australian sandalwood, we entered into a new contract with Dutjahn Sandalwood Oils (DSO).

Dutjahn Custodians, an indigenous group from the desert regions of the Goldfields, is a 50 per cent shareholder in DSO. The company plans to build a sandalwood distillation plant in the Goldfields region and use the arrangement with us as a foundation to further develop sandalwood-based industries in the region.

Our staff have also participated in specific activities such as forest field consultation tours into recent and planned harvesting coupes with traditional owners, and a forest harvesting presentation to a Native Title Claim Area Working Party meeting with South West Aboriginal Land and Sea Council.

As part of Reconciliation Week, the Department of Aboriginal Affairs 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; 'Let's take the next step'.

Goal 3:
Ensure efficient, effective and safe delivery of business outcomes

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

Our State Government partners

Working together, we will ensure that the forestry industry remains viable and continues to create jobs into the future.

Department of the Premier and Cabinet

We are a member of the State Government steering committee and the pines working group on the *Strategic Assessment of the Perth and Peel Region*.

Department of Water and Environmental Regulation

We are a member of the Water for Food technical advisory group, and partner on activities in the Wellington catchment. In 2017 we will deliver around 2,000 hectares of pine plantings in the catchment.

Department of Primary Industries and Regional Development

We are a member of the Biosecurity Senior Officers Group and maintain a close relationship with the Western Australian Biosecurity Council.

Department of Fire and Emergency Services

We are a member of the State Bushfire Coordinating Committee. Our staff are involved in prescribed burning and fire suppression.

Department of Biodiversity, Conservation and Attractions

We provide DBCA with $10 million per year for forest management, and $200,000 has been invested to fund a sandalwood enforcement officer.

Department of Planning, Lands and Heritage

We seek to increase opportunities for Aboriginal engagement and jobs in the forestry industry. We are supporting the establishment of a sandalwood processing facility in Kalgoorlie.

Working with government

During the year, we continued to provide strategic, planning and policy frameworks for the FPC and industry in collaboration with government, stakeholders and the community.

The Forest Industry Working Group, established to encourage industry innovation and research, successfully secured $500,000 to support a number of projects to deliver a vision for the forestry industry in Western Australia. Work on these projects has now commenced.

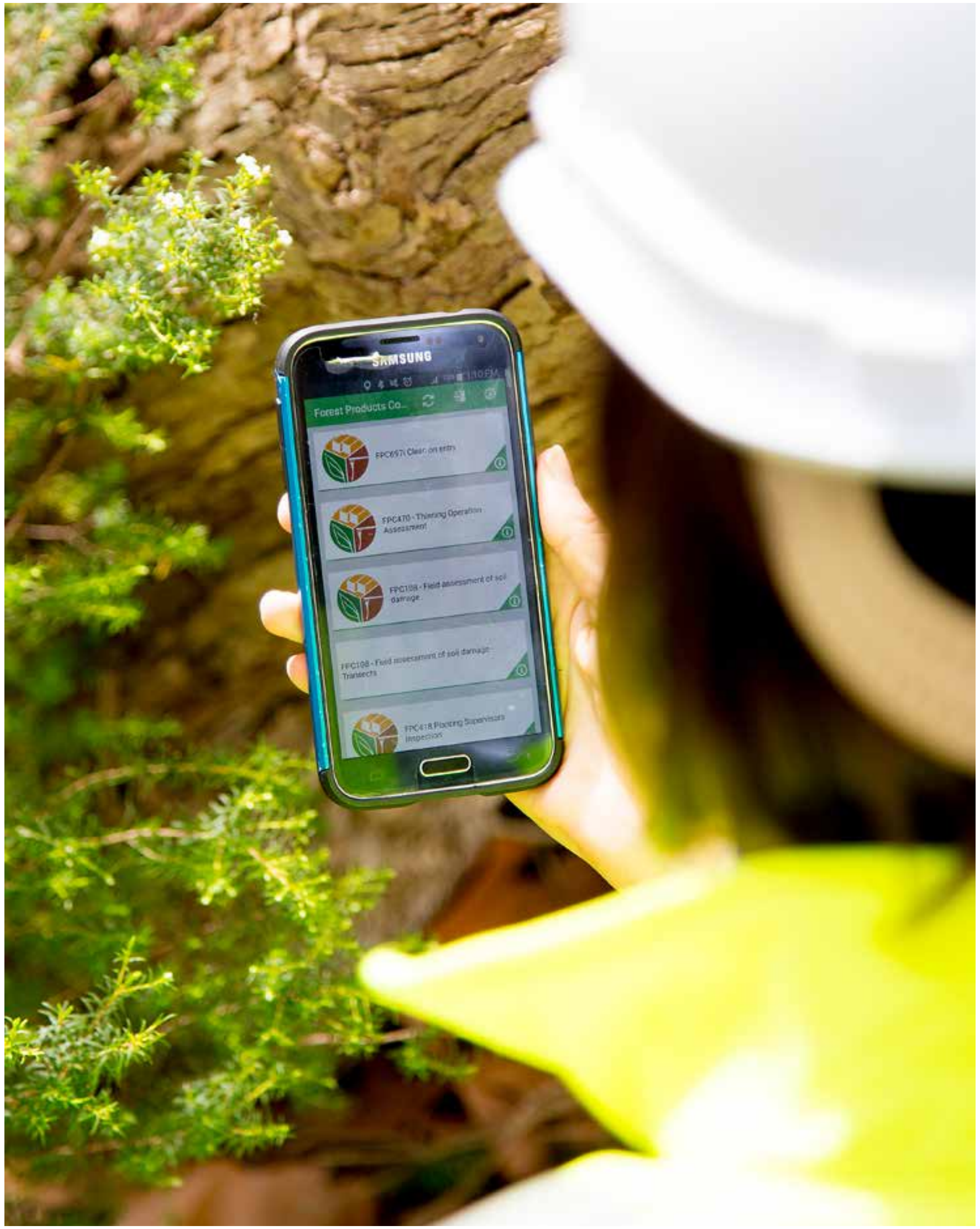
Development has begun on the *Timber Industry Development Plan*, a strategic growth plan for Western Australia's forest industry. It will define key directions and identify specific actions required to maximise forestry's contribution to social, economic and environmental development of the State.

The *Farm Forestry Framework* will define mechanisms required to allow farm forestry to develop, paving the way for an increase in the plantation estate. This strategy will promote a viable local softwood industry by ensuring a sufficient plantation base for long-term resource supply.

The Transition to Native Sandalwood Plantations project will support the sustainability and profitability of the high-value sandalwood industry. This project will develop a clear set of evidence based processes ensuring the industry is established with a mix of wild-grown and plantation native sandalwood.

The Branding and Marketing Western Australian Native Hardwood project will develop a marketing strategy for the State's native timbers, strengthening demand and increasing returns on high-value products.

The *Farm Forestry Framework* is an important part of the *Softwood Industry Strategy for Western Australia*. It aims to create a viable and competitive plantation industry in the South West, expand the regional economy and create jobs.



Business improvements

We continue to strive for business efficiency. In the past year, we progressed the development of our integrated corporate system.

The functionality around contract management and stakeholder systems was completed and the development of a new deliveries and billing system was started.

The design and development of this integrated solution is focused on providing a centralised system for all corporate information that can be accessed by a mobile workforce.

Improved bandwidth and stabilised corporate systems access has been rolled out to locations in Kensington, Harvey, Manjimup, Albany, Esperance, Nannup and West Manjimup.

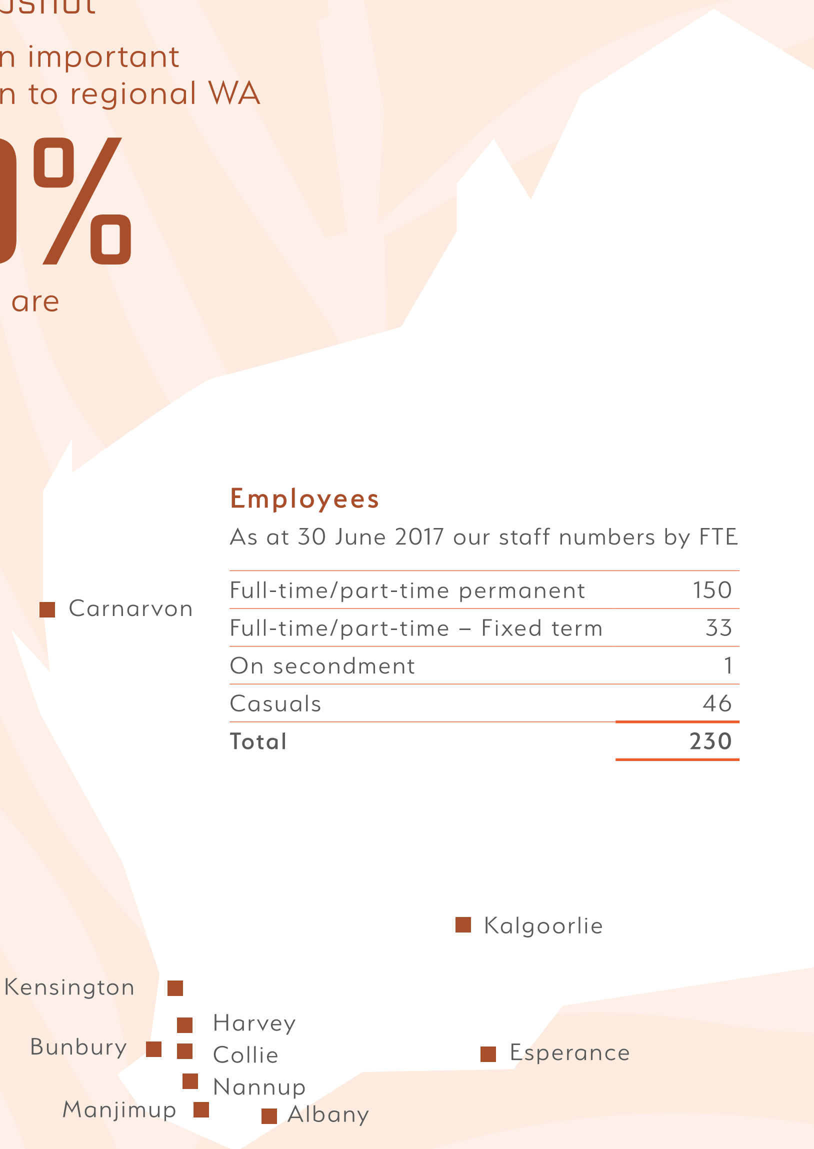
We have progressed with capturing data electronically in the field, with a number of manual forms converted to electronic format and integrated into general work practices.

Staff snapshot

We make an important contribution to regional WA

70%

of our staff are located in the regions



Employees

As at 30 June 2017 our staff numbers by FTE

Full-time/part-time permanent	150
Full-time/part-time – Fixed term	33
On secondment	1
Casuals	46
Total	**230**

Our workforce plan

Our five-year *Workforce and Diversity Plan 2014-2019* outlines our opportunities, challenges, priorities and initiatives to ensure our staff have the capability to effectively lead the FPC now and into the future.

The outcomes achieved since the introduction of the plan include:

- enhancements to the performance management system to allow employees to understand how they contribute to the strategic business objectives;
- implementation of an integrated learning and development system;
- significant investment in training and development; and
- a scholarship program that has encouraged several staff to progress postgraduate studies and has produced project work that has directly informed the business.

We put a strategy in place to ensure the FPC was within public sector guidelines for excess leave. We reduced our excess leave liability by $1,094,507 by 30 June 2017, and we had no leave outside of guidelines at the end of the financial year.

Our trainee program is not just about increasing Aboriginal engagement; it is also about building a succession plan to make sure we are developing young people and the next generation of foresters.

Aboriginal and youth employment

We are constantly striving for improvement and through our *Our Equal Opportunity Plan,* we have identified a need to increase opportunities for Aboriginal and youth employment.

Acting on this, we have implemented:

- working relationships with the Clontarf Foundation in both Bunbury and Kalgoorlie to develop Aboriginal traineeship and employment opportunities;
- working relationship with Manea College to develop traineeship and employment opportunities throughout the South West;
- an Aboriginal traineeship position in Kalgoorlie working in the sandalwood industry; and
- two Aboriginal School Based Traineeships working across the South West native forest, plantations or silviculture branches.

In addition, during the year, two of the mainstream integrated harvesting contracts were awarded to registered Aboriginal businesses.

Sustainable forest management performance

Environmental management systems and compliance

Our operational activities have three management levels to ensure our forest and plantation operations meet all relevant compliance requirements.

This three-tiered system includes:

- the FPC's own Integrated Forest Management System;
- DBCA's environmental compliance monitoring and reporting; and
- external independent audit of our systems and processes for environmental management.

External monitoring – Department of Biosecurity, Conservation and Attractions and *Forest Management Plan*

We implement environmental management practices consistent with the principles of ecologically sustainable forest management as described in the *Conservation and Land Management Act 1984* and the FMP.

In conjunction with the DBCA, we implemented a program to monitor log utilisation from harvested coupes. It allows us to monitor and improve operational efficiencies in line with the FMP. We also report annually on key performance indicators related to forest utilisation, forest regeneration and general forest management. These indicators can be found on page 111.

In 2017-2018, the DBCA and the Conservation Commission will undertake a mid-term performance review of the FMP. We are currently preparing key performance information for the DBCA. The mid-term performance report will be published in 2018.

There were no major environmental incidents recorded in 2016-2017.

External monitoring – Forest Stewardship Council's® (FSC®) Controlled Wood Standard (FSC-STD-30-010; FSC-C120630)

During the year, we have reviewed our *Karri forest management plan* 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.

We undertake stakeholder consultation on the identification of HCVs within the defined forest management unit (FMU) and the precautionary measures in place to protect them.

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

AFS/01-21-13

PEFC/21-23-13

In February 2017, we were externally audited by SAI Global against both the ISO 14001 standard and the AFS as part of a routine surveillance audit which resulted in continued certification.

System improvements were identified and will form part of our forward work programs, leading up to the next surveillance audit scheduled for November 2017.

Occupational safety and health

We remain committed to providing a safe and healthy work environment for our staff and contractors. During 2016-2017, our work in this area continued.

Our occupational safety and health committee was restructured following a review of our safety management systems.

We continue to participate in the Australian Forest Products Association Safety Committee. The Committee is working to develop national standards for best practice log truck load restraint, training competencies and machine safety.

With a commitment to safety and health, the FPC is currently developing a strategy to manage the risk of alcohol and other drugs in the workplace. The strategy will include processes for drug and alcohol testing.

We investigated strategies to lower the risks associated with driving.

The hazard risk register has been improved to assist the organisation to prioritise its prevention activities.

Our employees have access to an annual skin cancer screening through a sun safety strategy.

We provided online incident reporting refresher training to improve employee awareness about incident reporting requirements, and to ensure lessons learned from incidents help to improve safety.

During 2016-2017, we conducted an independent review of our safety management systems.

Log truck safety

During 2016-2017, our Chain of Responsibility Steering Committee made improvements to the process of monitoring and tracking truck load mass compliance.

In a proactive approach to safety, we organised rollover prevention training for the Western Australia timber industry. In total, 259 people attended.

We also held a log truck rollover workshop, providing a forum for contractors to discuss rollover risks, and discuss new preventative initiatives.

Our Safety Management Systems were reviewed during the year, and actions implemented.

Safety incidents

Workers compensation statistics for FPC staff

Indicator*	2015–2016	2016-2017	Target
Number of fatalities[1]	0	0	0
Lost time injury/disease incident rate	1.27	0.59	0
Lost time injury severity rate	0	0	0
Percentage of injured workers returned to work within (i) 13 weeks and (ii) 26 weeks	i) 100% ii) 0	i) 0 ii) 0	100% 100%
Percentage of managers trained in OSH and injury management	>80%	>80%	80%

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

[1] Whilst there were no FPC employee fatalities to report for the 2016–2017 year, there was a fatality of an FPC contractor's employee.

Looking forward

Current and emerging trends

It's an exciting time to be in the forestry industry.

We are adopting new technologies to develop products from a renewable resource, while ensuring future generations can enjoy the benefits of our forests.

A changing resource base and global market competition will continue to provide challenges, but there will also be new opportunities through innovation.

In the sandalwood and native forest sectors, we will work with industry and regional communities to develop new products that are based on lower-grade wood. This will be achieved with technologies that allow cost effective manufacturing of high-value products and increased utilisation of our forests.

The branding and marketing strategies we are working on with industry will highlight and add value to the unique properties of our timbers.

In the softwood sector, the industry will continue to benefit from changes in construction techniques and preferences for timber as a carbon friendly building product.

The ongoing development of engineered wood products, and the use of timber in pre-fabricated flooring, walls and roof systems, will provide new markets for plantation timbers.

Continued page 38

A recent trial using drone technology shows the sky is now the limit when it comes to improving our harvest planning processes.

Continued from previous page

Globally, a broad range of new products and uses for wood fibre are being investigated. These include bio-energy, bio-based chemicals, and cellulosic fibres.

Of these new markets, the demand for renewable energy is expected to provide new markets for forest thinning and parts of the tree that are not suitable for high-value products. However, there are still a number of factors that affect the commercial viability of using wood for renewable energy, including collection and transport logistics, and the market price for energy.

Climate change is expected to continue to affect Western Australia. This will impact on the areas where we establish new plantations and influence stocking levels and management regimes.

The increased risk of bushfires in regional Western Australia will also continue to be a key risk. We will continue our commitment to work with the industry and other government departments to protect forest assets from fire.

Policies that recognise the value of carbon in plantation forests and in harvested wood products will support the future expansion of new plantations.

PERFORMANCE SUMMARY

Financial performance

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

This financial year, an operating profit result of $10.4 million has been achieved.

This has been achieved primarily as a result of native forest and plantation segments significantly exceeding their profit targets. The profit earned by the FPC has enabled the investment of $6.8 million in building the State's softwood estate, native forest and sandalwood resource regeneration programs.

During 2016–2017, a dividend of $2.5 million was paid to the State Government for the 2015–2016 year.

Pricing arrangements

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

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

	Target 2016–17 ($ millions)	Actual 2016–17 ($ millions)	Variance ($ millions)
Financial targets			
Total expenses (sourced from Statement of Comprehensive Income)	123.0	106.2	16.8
Total income (sourced from Statement of Comprehensive Income)	132.5	118.3	(14.2)
Total equity (sourced from Statement of Financial Position)	335.4	364.8	29.4
Net increase / (decrease) in cash held (sourced from Statement of Cash Flows)	(8.4)	(8.2)	0.2
Financial outcomes			
Timber revenues	127.2	113.4	(13.8)
Operating profit	9.5	10.4	0.9
Net profit / (loss) after tax	(4.1)	4.0	68.1
Closing cash balance	15.7	31.3	15.6
Dividends paid	0.5	2.5	2.0

	Target 2016–17 (%)	Actual 2016–17 (%)	Variance (%)
Performance measures			
Return on assets (operating profit/total assets)	2.2%	3.1%	0.9%
Return on equity	2.8%	3.5%	0.7%
Operating profit to timber revenues	7.4%	9.2%	1.8%

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

Service: Provide healthy forests for future generations; and
Facilitate a vibrant forestry industry to deliver social and economic benefits, particularly in regional Western Australia.

	Target	Actual
1 Quantity of native forest hardwood log timber compared to sustainable levels and targets		
Bole volume for jarrah, karri and marri (m^3)		
Jarrah	292,000	199,770
Karri	164,000	108,772
Marri	140,000	17,403
First and second grade jarrah and karri sawlogs (m^3)		
Jarrah	132,000	99,542
Karri	59,000	50,542
2 Harvest of green sandalwood maintained at allowable cut (tonnes)		
Green butts, branches and logs	-	788
Roots green	-	220
Green twigs	-	39
Total	1,125	1,047

	Harvested	Regenerated
3 Extent of native karri forest regenerated relative to area harvested (hectares)	475	370

	Target	Actual
4 Timeliness of karri forest regeneration (% within 18 months)	75	100
5 Effectiveness of regeneration of native karri forest		
Area (ha) not requiring remedial treatment (% of surveyed area)	95	100
6 The achievement of thinning schedules in karri forest (hectares)		
Karri area thinned	1230	617
7 Area of plantation established against target	2,400	2,378
8 Total payments to government (provide a return on investment to government) ($ millions)	2.0	4.6
9 Net profit before interest and tax (NPBIT) ($ millions)	8.4	11.1

Key efficiency indicators

Service: Environmentally sustainable forest products industry

	Target	Actual
1 Green sandalwood roots as a percentage of green sandalwood harvested (%)	20	22
2 Plantation log production consistent with demand from industry (m^3)		
Supply of sawlog	441,000	488,360
Supply of industrial wood	367,000	445,016
3 Ratio of earnings before interest and tax to total assets (return on total assets) (%)	2.18	3.00
4 Stumpage revenue ($ millions)	57.30	51.98

FINANCIAL STATEMENTS

Auditor General
Independent auditor's report

To the Parliament of Western Australia

FOREST PRODUCTS COMMISSION

Report on the financial statements

Opinion

I have audited the financial statements of the Forest Products Commission which comprise the Statement of Financial Position as at 30 June 2017, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Forest Products Commission for the year ended 30 June 2017 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Commission in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 11 0 Code of Ethics for Professional Accountants (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibility of the Commission for the financial statements

The Commission is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions, and for such internal control as the Commission determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibility for the audit of the financial statements

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

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

> Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

> Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control.

> Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commission.

> Conclude on the appropriateness of the Commission's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.

> Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on controls

Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Forest Products Commission. The controls exercised by the Commission are those policies and procedures established by the Commission to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions (the overall control objectives).

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

In my opinion, in all material respects, the controls exercised by the Forest Products Commission are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2017.

The Commission's responsibilities

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

Auditor General's responsibilities

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

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

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

Limitations of controls

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

Report on the Key Performance Indicators

Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Forest Products Commission for the year ended 30 June 2017. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Forest Products Commission are relevant and appropriate to assist users to assess the Commission's performance and fairly represent indicated performance for the year ended 30 June 2017.

The Commission's responsibility for the key performance indicators

The Commission is responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such internal control as the Commission determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

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

Auditor General's responsibility

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

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

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

My independence and quality control relating to the reports on controls and key performance indicators

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

Matters relating to the electronic publication of the audited financial statements and key performance indicators

This auditor's report relates to the financial statements and key performance indicators of the Forest Products Commission for the year ended 30 June 2017 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
8 September 2017

Certification of the financial statements

For the year ended 30 June 2017

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 2017 and the financial position as at 30 June 2017.

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

Mr Ross Holt
Chairman of Accountable Authority
8 September 2017

Mr Geoffrey Totterdell
Chairman of Audit and Risk Committee and Member of Accountable Authority
8 September 2017

Mr Ron Lucas
Chief Finance Officer
8 September 2017

Statement of comprehensive income

For the year ended 30 June 2017

		Note	2017 $000	2016 $000
Income	**Revenue**			
	Sales	6.1	113,400	121,854
	Commonwealth grants and contributions	7.0	666	816
	Interest revenue	8.0	916	805
	Other revenue	9.0	1,320	1,454
	Gains			
	Other gains	10.0	317	1,042
	Total income		**116,619**	**125,971**
Expenses	Cost of sales	6.2	63,749	66,707
	Employee benefits expense	11.0	18,874	17,648
	Supplies and services	12.0	19,546	20,225
	Depreciation and amortisation expense	13.0	1,292	1,208
	Finance costs	14.0	753	1,246
	Accommodation expenses	15.0	439	347
	Loss on disposal of non-current assets		85	53
	Other expenses	16.0	1,501	1,583
	Total expenses		**106,240**	**109,017**
Profit before change in biological assets valuation and onerous contracts			**10,379**	**16,954**
Biological asset (decrease) / increase		18.0	(6,663)	5,005
Onerous contracts		19.0	196	2,871
Profit before grants and subsidies from State Government			**3,912**	**24,830**
Grants and subsidies from State Government		20.0	1,701	-
Profit before income tax equivalent expense			**5,613**	**24,830**
Income tax expense		*41.0*	(1,649)	(4,051)
Profit for the year			**3,964**	**20,779**
Other comprehensive income	**Items that will not be reclassified subsequently to profit or loss**			
	Remeasurements of defined benefit liability		3	11
	Changes in asset revaluation surplus	34.2	467	2,305
	Deferred tax on items of other comprehensive income	34.2	(140)	(692)
	Items that may be reclassified subsequently to profit or loss			
	Changes in cash flow hedge reserve	34.2	(91)	153
	Income tax on items of other comprehensive income	34.2	27	(46)
	Total other comprehensive income		**266**	**1,731**
	Total comprehensive income for the year		**4,230**	**22,510**

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

Statement of financial position

As at 30 June 2017

		Note	2017 $000	2016 $000
Assets	**Current assets**			
	Cash and cash equivalents	35.1	31,219	39,551
	Restricted cash and cash equivalents	21.0, 35.1	127	-
	Inventories	22.0	5,489	4,704
	Receivables	23.0	19,803	17,362
	Income tax receivable	24.0, 41.0	561	-
	Biological assets	28.0	23,540	20,581
	Other assets	25.0	1,008	544
	Total current assets		**81,747**	**82,742**
	Non-current assets			
	Property, plant and equipment and infrastructure	26.0	26,842	21,573
	Deferred tax assets	41.0	1,208	2,970
	Biological assets	28.0	302,645	309,681
	Intangibles	27.0	328	220
	Total non-current assets		**331,023**	**334,444**
	Total assets		**412,770**	**417,186**
Liabilities	**Current liabilities**			
	Payables	31.0	14,625	15,138
	Provisions	32.0	8,827	11,726
	Deferred revenue	33.0	1,678	2,327
	Total current liabilities		**25,130**	**29,191**
	Non-current liabilities			
	Payables	31.0	4,698	5,075
	Provisions	32.0	3,536	6,254
	Deferred revenue	33.0	14,628	15,688
	Total non-current liabilities		**22,862**	**27,017**
	Total liabilities		**47,992**	**56,208**
	Net assets		**364,778**	**360,978**
Equity	Contributed equity	34.1	342,241	340,141
	Reserves	34.2	10,748	10,485
	Retained earnings / (Accumulated losses)	34.3	11,789	10,352
	Total equity		**364,778**	**360,978**

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 2017

	Note	Contributed equity $000	Reserves $000	Retained earnings (Accumulated losses) $000	Total equity $000
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		-	1,721	20,790	22,511
Transactions with owners in their capacity as owners:					
Dividends paid	34.3	-	-	(562)	(562)
State contribution (repayment)		-	-	-	-
Balance at 30 June 2016	34.0	**340,141**	**10,485**	**10,352**	**360,978**
Balance at 1 July 2016		**340,141**	**10,485**	**10,352**	**360,978**
Profit for the year		**-**	**-**	**3,964**	**3,964**
Other comprehensive income for the year, net of income tax		-	263	3	266
Total comprehensive income for the year		-	263	3,967	4,230
Transactions with owners in their capacity as owners:					
Dividends paid	34.3	-	-	(2,530)	(2,530)
State contribution / (repayment)	34.1	2,100	-	-	2,100
Balance at 30 June 2017	34.0	**342,241**	**10,748**	**11,789**	**364,778**

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 2017

	Note	2017 $000	2016 $000
Cash flows from operating activities			
Receipts			
Sale of goods and services		119,296	131,381
Interest received		916	806
Other receipts		1,219	1,364
Payments			
Employee benefits		(19,973)	(18,414)
Supplies and services		(23,335)	(22,284)
Forest management expenditure		(74,901)	(73,119)
Net cash generated by operating activities	35.2	**3,222**	**19,734**
Cash flows from investing activities			
Payments			
Purchase of non-current physical assets		(6,077)	(90)
Purchase of intangible assets		(211)	(35)
Purchase of investments - Investment in new plantations		(5,849)	(5,924)
Net cash used in investing activities		**(12,137)**	**(6,049)**
Cash flows from / (to) State Government			
Royalties for Regions Fund		250	-
State Contribution (equity injection)		2,100	-
State operating subsidy		1,451	-
Dividends paid		(2,530)	(562)
Taxation equivalents		(561)	-
Net cash received from State Government		**710**	**(562)**
Net (decrease) / increase in cash and cash equivalents		(8,205)	13,123
Cash and cash equivalents at the beginning of year		39,551	26,428
Cash and cash equivalents at the end of year	35.1	**31,346**	**39,551**

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

Index of notes to the financial statements

Notes to the financial statements

1.0 Australian Accounting Standards

General

The Forest Products Commission's (FPC) financial statements for the year ended 30 June 2017 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

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

Early adoption of standards

The FPC cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 Application of Australian Accounting Standards and Other Pronouncements. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the FPC for the annual reporting period ended 30 June 2017.

2.0 Summary of significant accounting policies

2.1 General statement

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

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

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

2.2 Basis of preparation

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

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

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

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

2.3 Reporting entity

The reporting entity comprises the FPC.

2.4 Contributed equity

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

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

2.5 Income

Revenue recognition

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

- Sale of goods
  Revenue is recognised from the sale of timber products and disposal of other assets when the significant risks and rewards of ownership transfer to the purchaser and can be measured reliably.
- Provision of services
  Revenue is recognised by reference to the stage of completion of the transaction.
- Interest
  Revenue is recognised as the interest accrues.
- Grants, donations, gifts and non-reciprocal contributions
  Revenue is recognised at fair value when the FPC obtains control over the assets comprising the contributions, usually when cash is received.

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

  Royalties for Regions funds are recognised as revenue at fair value in the period in which the FPC obtains control over the funds. The FPC obtains control of the funds at the time the funds are deposited into the FPC's bank account.
- Gains
  Realised and unrealised gains are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and some revaluations of non-current assets.
- Deferred Revenue
  Deferred revenue is recognised as income proportionately as the contractual obligation conditions are met.

2.6 Income tax

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

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

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

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

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

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

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

2.7 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 nominal cost, cost is their fair value at the date of acquisition.

Subsequent measurement

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

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

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

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

Fair value of infrastructure has been determined by reference to the depreciated replacement cost (existing use basis) as the assets are specialised and no market-based evidence of value is available. Land under infrastructure is included in land reported under note 26 Property, plant and equipment and infrastructure. Independent valuations are obtained every 3 to 5 years for infrastructure.

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

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

Derecognition

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

Asset Revaluation Surplus

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets on a class of assets basis as described in note 26 Property, plant and equipment and infrastructure.

Depreciation

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

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

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

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

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

Land is not depreciated.

2.8 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 nominal cost, the cost is their fair value at the date of acquisition.

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

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

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

Software[(a)]	2.5 years

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

Licences

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

Development costs

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

Computer Software

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

Website costs

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

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

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

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

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

2.10 Leases

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

2.11 Financial instruments

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

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

Financial instruments have been disaggregated into the following classes:

- Financial Assets:
- Cash and cash equivalents
- Receivables

Financial Liabilities:

- Payables
- Bank overdraft
- Amounts due to Treasury

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

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

2.12 Cash and cash equivalents

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

2.13 Accrued salaries

Accrued salaries (see note 31 Payables) represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The FPC considers the carrying amount of accrued salaries to be equivalent to its fair value.

2.14 Inventories

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

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

2.15 Receivables

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

2.16 Investments and other financial assets

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

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

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

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

2.17 Biological assets

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

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

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

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

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

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

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

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

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

Plantation Timber

The FPC values pine plantations that are managed across a broad geographic area of approximately 75,627 hectares. The value of the softwood plantation is based on a forest estate model that forecasts supply from all sources to each market. This model also forecasts the revenues and costs associated with the forest estate.

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

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

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

Management silviculture obligations associated with jarrah are included in the fair value measurement. Karri regeneration costs are excluded. The cost associated with regenerating Native Forest areas harvested at reporting date are provided for as a liability; refer to Note 32.0(e).

Sandalwood

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

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

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

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

Valuation of biological assets

Plantation Timber

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

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

Native Forest and Sandalwood

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

Fair Value

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

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

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

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

2.18 Payables

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

2.19 Borrowings

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

2.20 Provisions

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

(i) Provisions – employee benefits

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

Annual leave

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

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

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

Long service leave

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

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

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

Deferred leave

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

Superannuation

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

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

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

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

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

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

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

(ii) Provisions – other

Employment on-costs

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

Native Forest Regeneration Provision

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

Onerous contracts

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

Dividends

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

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

2.21 Superannuation expense

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

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

profit or loss:

- current service cost;
- past service cost; and
- interest cost.

other comprehensive income:

- actuarial gains and losses.

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

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

2.23 Comparative figures

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

3.0 Other accounting policies

3.1 Segment information

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

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

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

3.2 Foreign currency translation, derivative financial instrument and hedge accounting

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

Forward foreign exchange contracts are entered into as hedges to 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 reporting period.

4.1 Long service leave

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

4.2 Biological assets

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

Calculations performed in assessing the value of the Biological assets incorporate uncertainty with discount rates, harvest yields and volumes that could be realistically marketed and sold. See note 29.3 for sensitivity analysis

4.3 Property, plant and equipment and infrastructure

Land and buildings are revalued as at 1 July 2016 by the Western Australian Land Authority (Valuation Services). The valuations were performed during the year ended 30 June 2017 and recognised at 30 June 2017. 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 FPC has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2016 that impacted on the FPC:

AASB 1057	**Application of Australian Accounting Standards** This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. There is no financial impact.
AASB 2014-4	**Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]** The adoption of this Standard has no financial impact for the FPC as depreciation and amortisation is not determined by reference to revenue generation, but by reference to consumption of future economic benefits.
AASB 2015-1	**Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 & 140]** These amendments arise from the issuance of International Financial Reporting Standard Annual Improvements to IFRSs 2012-2014 Cycle in September 2014, and editorial corrections. The FPC has determined that the application of the Standard has no financial impact.
AASB 2015-2	**Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]** This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. There is no financial impact.
AASB 2015-6	**Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]** The amendments extend the scope of AASB 124 to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities. There is no financial impact.
AASB 2015-10	**Amendments to Australian Accounting Standards Effective Date of Amendments to AASB 10 & 128** This Standard defers the mandatory effective date (application date) of amendments to AASB 10 & AASB 128 that were originally made in AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016. There is no financial impact.

5.2 Future impact of Australian Accounting Standards not yet operative

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

		Operative for reporting periods beginning on/after
AASB 9	**Financial Instruments** This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement , introducing a number of changes to accounting treatments. The 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 FPC is assessing the potential impact of the Standard.	1 Jan 2018
AASB 15	**Revenue from contracts with customers** This Standard establishes the principles that the FPC shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The FPC is assessing the potential impact of the Standard on 'User charges and fees' and 'Sales' revenues. In broad terms, it is anticipated that the terms and conditions attached to these revenues will defer revenue recognition until the FPC has discharged its performance obligations.	1 Jan 2019

		Operative for reporting periods beginning on/after
AASB 16	**Leases** This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Whilst the impact of AASB 16 has not yet been quantified, the entity currently has operating lease commitments for $2,420,000. The worth of non-cancellable operating leases which the FPC anticipates most of this amount will be brought onto the statement of financial position, excepting amounts pertinent to short-term or low- value leases. Interest and amortisation expense will increase and rental expense will decrease.	1 Jan 2019
AASB 1058	**Income of Not-for-Profit Entities** This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability, or a performance obligation (a promise to transfer a good or service), or, an obligation to acquire an asset. The FPC has not yet determined the application or the potential impact of the Standard.	1 Jan 2019

		Operative for reporting periods beginning on/after
AASB 2010-7	**Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]** This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. The FPC is assessing the potential impact of the Standard.	1 Jan 2018
AASB 2014-1	**Amendments to Australian Accounting Standards** Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. The FPC is assessing the potential impact of the Standard.	1 Jan 2018
AASB 2014-5	**Amendments to Australian Accounting Standards arising from AASB 15** This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The FPC is assessing the potential impact of the Standard.	1 Jan 2018
AASB 2014-7	**Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)** This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The FPC is assessing the potential impact of the Standard.	1 Jan 2018

		Operative for reporting periods beginning on/after
AASB 2015-8	**Amendments to Australian Accounting Standards – Effective Date of AASB 15** This Standard amends the mandatory effective date (application date) of AASB 15 Revenue from Contracts with Customers so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. For Not-For-Profit entities, the mandatory effective date has subsequently been amended to 1 January 2019 by AASB 2016-7. The FPC has not yet determined the application or the potential impact of AASB 15.	1 Jan 2019
AASB 2016-1	**Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]** The FPC has no unrealised losses as at report date. This will be reviewed for future reporting periods.	1 Jan 2017
AASB 2016-2	**Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107** 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.	1 Jan 2017
AASB 2016-3	**Amendments to Australian Accounting Standards – Clarifications to AASB 15** This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and, provides further transitional provisions to AASB 15. The FPC is assessing the potential impact of the Standard.	1 Jan 2018

		Operative for reporting periods beginning on/after
AASB 2016-4	**Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities** 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 FPC is assessing the potential impact of the Standard.	1 Jan 2017
AASB 2016-7	**Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not- for-Profit Entities** This Standard amends the mandatory effective date (application date) of AASB 15 and defers the consequential amendments that were originally set out in AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 for not-for-profit entities to annual reporting periods beginning on or after 1 January 2019, instead of 1 January 2018. There is no financial impact.	1 Jan 2017
AASB 2016-8	**Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities** This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact.	1 Jan 2019

		Operative for reporting periods beginning on/after
AASB 2017-2	**Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle** This Standard clarifies the scope of AASB 12 by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5. There is no financial impact.	1 Jan 2017

		2017 $000	2016 $000
6.0	**Trading profit**		
6.1	**Sales**		
	Harvesting operations	66,164	76,495
	Recovery of harvesting costs	47,128	45,227
	Plant propagation centre revenue	108	132
	Total sales	**113,400**	**121,854**
6.2	**Cost of sales**		
	Harvesting Costs	(60,974)	(61,840)
	Roading maintenance and construction	(3,351)	(3,784)
	Write back of inventory to net realisable value	576	(1,083)
	Cost of goods sold	**(63,749)**	**(66,707)**
Trading profit		**49,651**	**55,147**

		2017 $000	2016 $000
7.0	**Commonwealth grants and contributions**		
	Recognition of Commonwealth Government contribution to National Action Plan for Salinity and Water Quality	666	816
		666	**816**

		2017 $000	2016 $000
8.0	**Interest revenue**		
	Interest revenue	916	805
		916	**805**

		2017 $000	2016 $000
9.0	**Other revenue**		
	Contracts and other revenue	49	56
	Revenue from cost recovery operations[1]	1,173	1,376
	Resources received free of charge	98	22
		1,320	**1,454**

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

		2017 $000	2016 $000
10.0	**Other gains**		
	Gain on foreign currencies	317	1,042
		317	**1,042**

		2017 $000	2016 $000
11.0	**Employee benefits expense**		
	Wages and salary	14,481	13,672
	Fringe benefits tax	24	19
	Leave expense	1,633	1,485
	Payroll tax	1,037	961
	Superannuation - defined contribution plans	1,695	1,506
	Superannuation - defined benefit plans (Note 32)	3	5
		18,874	**17,648**

Employment on-cost expenses, such as worker's compensation insurance, are included in note 16 Other expenses

The employment on-costs liability is included at note 32 provisions.

		2017 $000	2016 $000
12.0	**Supplies and services**		
	Travel	300	214
	Sundry supplies and services	2,036	898
	Insurance[1]	977	497
	Operating lease	1,404	1,471
	Other services	55	93
	Legal fees and consultants	550	802
	DBCA service level agreements	7,474	7,826
	Materials	727	684
	Forest management expenses	4,058	5,265
	Fire salvage and remedial works	1,327	1,879
	Repairs and maintenance	572	521
	Vehicle expenses	66	76
		19,546	**20,225**

[1] Insurance includes payments to Riskcover.

	2017 $000	2016 $000
13.0 Depreciation and amortisation expense		
Plant, equipment, vehicles, office equipment and nursery infrastructure	859	865
Buildings	301	244
Amortisation of software	132	99
	1,292	**1,208**
14.0 Finance costs		
Interest on contract obligations	691	1,079
Foreign exchange loss	62	167
	753	**1,246**
15.0 Accommodation expenses		
Lease rentals and accommodation	287	201
Other property	152	146
	439	**347**
16.0 Other expenses		
Audit fees - Auditor General	162	152
Audit fees - Other	65	105
Increase in allowance for doubtful debts	244	84
Telephone, postage, communications	771	859
Employment on-costs	23	92
Plantation maintenance provision movement	(39)	(23)
Other administration costs	177	292
Resources received free of charge	98	22
	1,501	**1,583**

	2017 $000	2016 $000

17.0 Related Party Transactions

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

Related parties of the department include:

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

Significant transactions with government related entities

Significant transactions include:

	2017 $000	2016 $000
- income from Royalties for Regions Fund (Note 20);	250	
- State Government contributions (Note 34.1);	2,100	
- State Government operating subsidy (Note 20);	1,451	
- Recoup of costs from DBCA (Note 9);	496	
- payments to DBCA (note 12);	(4,198)	
- payments to Treasury for works performed by DBCA (Note 12);	(6,857)	
- payments to Treasury for dividends and tax (refer statement of cashflows);	(3,091)	
- superannuation payments to GESB (Note 11);	(341)	
- insurance payments to the Insurance Commission of WA (Riskcover) (Note 12);	(1,396)	
- payment for services provided by the Auditor General (Note 44);	(179)	
- payment to the State Solicitors Office for land acquisition;	(4,377)	
- payment for services provided by Synergy (Note 12);	(135)	
- payment for services provided by the Department of Water (Note 12);	(117)	
- payment for services provided by the Department of Housing (Note 15);	(112)	
- payment for services provided by the Department of Primary Industries and Regional Development (Note 15);	(179)	
- commitments for future lease payments to the Department of Primary Industries and Regional Development (Note 36.2);	(2,116)	

Material transactions with related parties

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

18.0 Biological asset increase/(decrease)

	2017 $000	2016 $000
Increment/(decrement) from revaluations	(6,663)	5,005
	(6,663)	**5,005**
Reconciliation of decrease on revaluations to movement of biological assets		
Gross movement on biological assets	(4,077)	16,400
Provision for replanting - Harvey Coast	1,962	(5,470)
New plantations	(4,548)	(5,925)
	(6,663)	**5,005**

19.0 Onerous contracts

	2017 $000	2016 $000
Annuity obligations associated with non-core share farms considered onerous [1]	196	2,871
	196	**2,871**

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

	2017 $000	2016 $000
20.0 Grants and subsidies from State Government		
Government operating subsidy[a]	1,451	-
Royalties for Regions Fund – A Vision for the Forest Industry in Western Australia[b]	250	-
	1,701	**-**

[a] Subsidy from the Strategic Assessment of the Perth and Peel Regions to replant 500 ha of pine plantations

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

21.0 Restricted cash and cash equivalents

	2017 $000	2016 $000
Current		
Royalties for Regions Fund [a]	127	-
	127	**-**

[a] Unspent funds are committed to projects and programs in WA regional areas.

22.0 Inventories

	2017 $000	2016 $000
Current		
Inventories held for resale at cost[1]:		
- Plant propagation centre	1,969	1,058
- Sandalwood	2,505	2,631
- Timber on forest landings	1,015	1,015
	5,489	**4,704**

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

23.0 Receivables

	2017 $000	2016 $000
Current		
Trade and other receivables	20,790	18,106
Allowance for doubtful debts	(987)	(744)
	19,803	**17,362**
Reconciliation of change in the allowance for doubtful debts		
Balance at start of year	(744)	(761)
Amounts written off during the year	1	101
Doubtful debts expense recognised in the Statement of comprehensive Income	(244)	(84)
Balance at end of year	**(987)**	**(744)**

24.0 Income tax receivable

	2017 $000	2016 $000
Current		
Income tax receivable	(561)	-
	(561)	**-**

25.0 Other assets

	2017 $000	2016 $000
Current		
Prepayments	549	87
Derivative asset	62	153
Accrued revenue	397	304
	1,008	**544**

26.0 Property, plant and equipment and infrastructure

	2017 $000	2016 $000
26.1 Land and buildings		
Freehold land at fair value[1]	17,396	11,101
	17,396	**11,101**
Buildings at fair value[1]	5,760	5,959
Accumulated depreciation	-	(2)
	5,760	**5,957**
Total land and buildings	**23,156**	**17,058**

[1] Land and buildings were revalued as at 1 July 2016 by the Western Australian Land Information Authority (Valuation Services). The valuations were performed during the year ended 30 June 2017 and recognised at 30 June 2017. In undertaking the revaluation, fair value was determined by reference to market values for land: $10,349,200 (2016: $10,017,200) and buildings: $4,190,000 (2016: $4,235,000). 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).

		2017 $000	2016 $000
26.2	**Plant, equipment, infrastructure and vehicles**		
	Nursery infrastructure at fair value[1]	13,172	13,172
	Accumulated depreciation	(9,884)	(9,225)
	Nursery infrastructure	**3,288**	**3,947**
	Plant, equipment and vehicles at cost	3,536	3,787
	Accumulated depreciation	(3,193)	(3,288)
		343	**499**
	Office equipment at cost	580	964
	Accumulated depreciation	(525)	(895)
		55	**69**
	Total plant, equipment and vehicles	**3,686**	**4,515**
	[1] Nursery infrastructure was revalued at 30 June 2016 on a 'written down replacement value' basis by independent valuers McGarry Associates Pty Ltd.		
	Total Property, plant and equipment and infrastructure	**26,842**	**21,573**

26.3 Reconciliations

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

Cost or fair value	Freehold land $000	Buildings $000	Nursery infrastructure $000	Plant equipment and vehicles $000	Office equipment $000	Total $000
Balance at 1 July 2015	11,491	4,969	12,664	3,756	1,186	34,066
Additions	-	-	-	115	20	135
Disposals	-	(94)	-	(129)	(698)	(921)
Revaluation increase	(390)	1,495	1,203	-	-	2,308
Accumulated depreciation written back	-	(411)	(695)	-	-	(1,106)
Derecognition	-	-	-	45	456	501
Reclassifications				-	-	
Balance at 30 June 2016	**11,101**	**5,959**	**13,172**	**3,787**	**964**	**34,983**
Balance at 1 July 2016	11,101	5,959	13,172	3,787	964	34,983
Additions	6,006	81	-	15	58	6,160
Disposals	-	(79)	-	(237)	(186)	(502)
Revaluation (decrease)/increase	289	97	-	-	-	386
Accumulated depreciation written back		(298)	-	-	-	(298)
Derecognition	-	-	-	(15)	-	(15)
Reclassifications				(14)	(256)	(270)
Balance at 30 June 2017	**17,396**	**5,760**	**13,172**	**3,536**	**580**	**40,444**

		Freehold land $000	Buildings $000	Nursery infrastructure $000	Plant equipment and vehicles $000	Office equipment $000	Total $000
Depreciation and impairment losses	**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
	Reclassifications				-	-	
	Balance at 30 June 2016	**-**	**(2)**	**(9,225)**	**(3,288)**	**(895)**	**(13,410)**
	Balance at 1 July 2016	-	(2)	(9,225)	(3,288)	(895)	(13,410)
	Depreciation	-	(301)	(659)	(150)	(51)	(1,161)
	Derecognition	-	-	-	-	(27)	(27)
	Disposal	-	5	-	238	185	428
	Accumulated depreciation written back	-	298	-	-	-	298
	Reclassifications				8	262	270
	Balance at 30 June 2017	**-**	**-**	**(9,884)**	**(3,193)**	**(525)**	**(13,602)**
Carrying amounts	At 1 July 2014	11,491	4,760	3,377	575	131	20,334
	At 30 June 2015	11,101	5,957	3,947	499	69	21,573
	At 1 July 2015	11,101	5,957	3,947	499	69	21,573
	At 30 June 2016	17,396	5,760	3,288	343	55	26,842

26.4 Fair value measurements

Assets measured at fair value:	Level 1 $000	Level 2 $000	Level 3 $000	Fair Value At end of year $000
2017				
Land (Note 26.1)	-	-	17,396	17,396
Buildings (Note 26.1)	-	-	5,760	5,760
Infrastructure (Note 26.2)	-	-	3,288	3,288
	-	**-**	**26,444**	**26,444**

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

Assets measured at fair value:	Level 1 $000	Level 2 $000	Level 3 $000	Fair Value At end of year $000
2016				
Land (Note 26.1)	-	-	11,101	11,101
Buildings (Note 26.1)	-	-	5,957	5,957
Infrastructure (Note 26.2)	-	-	3,947	3,947
	-	**-**	**21,005**	**21,005**

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

	Land $000	Buildings $000	Infrastructure $000
2016			
Fair Value at start of period	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 period	**11,101**	**5,957**	**3,947**

Valuation processes

There were no changes in valuation techniques during the year.

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

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

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

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

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

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

Description	Fair Value 30/06/2017 $000	Fair Value 30/06/2016 $000	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs to fair value
Land	17,396	11,101	Market approach	Selection of land with similar approximate utility	Higher value of similar land increases estimated fair value.
Buildings	5,760	5,957	Market approach	Consumed economic benefit/ obsolescence of asset	Greater consumption of economic benefit or increased obsolescence lowers fair value.
Infrastructure	3,288	3,947	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 25.3.

Basis of Valuation

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

		2017 $000	2016 $000
27.0	**Intangible assets**		
27.1	**Software**		
	Software - cost	994	722
	Software - accumulated amortisation	(666)	(502)
	Total Intangible assets	**328**	**220**

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 2015	**672**
Additions from external sources	79
Derecognition	(29)
Balance at 30 June 2016	**722**
Balance at 1 July 2016	722
Additions from external sources	240
Reclassifications	270
Disposals	(238)
Balance at 30 June 2017	**994**
Amortisation and impairment losses	
Balance at 1 July 2015	**(432)**
Amortisation of software costs	(99)
Derecognition	29
Balance at 30 June 2016	**(502)**
Balance at 1 July 2016	(502)
Amortisation of software costs	(132)
Reclassifications	(270)
Disposals	238
Balance at 30 June 2017	**(666)**
Carrying Amounts	
At 1 July 2015	240
At 30June 2016	220
At 1 July 2016	220
At 30 June 2017	**328**

28.0 Biological assets

	2017 $000	2016 $000
Current (Biological assets at valuation)		
Native Forest		
Native forest standing timber	5,937	5,751
Sandalwood standing timber	8,934	7,208
Native forest biological assets at valuation	**14,871**	**12,959**
Plantations		
Plantations biological assets at valuation	8,669	7,622
Total biological assets at valuation current	**23,540**	**20,581**
Non-Current (Biological assets at valuation)		
Native Forest		
Native forest standing timber	72,534	72,864
Sandalwood standing timber	56,416	64,100
Native forest biological assets at valuation	**128,950**	**136,964**
Plantations		
Mature standing timbers	169,318	169,708
Plantation sandalwood	4,377	3,009
Plantations biological assets at valuation	**173,695**	**172,717**
Total biological assets at valuation non-current	**302,645**	**309,681**
Total biological assets at valuation	**326,185**	**330,262**
The Plantations estate is represented by:		
Pine plantations standing timber	177,987	177,330
Plantation sandalwood	4,377	3,009
Total Plantations biological assets at valuation	182,364	180,339

	2017 $000	2016 $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	330,262	313,862
Gain / (Loss) from changes in fair value	(6,663)	5,005
Add Harvey Coast provision	(1,962)	5,470
Add plantation establishment capitalisation	4,548	5,924
Carrying amount at end of year	**326,185**	**330,262**

28.1 Fair Value measurement

Fair value hierarchy

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

Level 3 fair values

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

	Note	Native Forest $000	Sandalwood $000	Plantations $000
Opening Balance 1 July 2015		84,483	60,182	169,197
Additions		-	-	5,924
Revaluation increments/ (decrements) recognised in profit or loss		(5,868)	11,126	5,217
Closing Balance 30 June 2016		**78,615**	**71,308**	**180,339**
Balance at 1 July 2016		78,615	71,308	180,339
Additions		-	-	4,548
Revaluation (decrements)/ increments recognised in profit or loss		(144)	(5,958)	(2,523)
Closing Balance 30 June 2017		**78,471**	**65,350**	**182,364**
Opening Balance 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
Plantation sandalwood	5	-	-	3,009
Closing Balance 30 June 2016		**78,615**	**71,308**	**180,339**
Balance at 1 July 2016		**78,615**	**71,308**	**180,339**
Volume	1	12,612	(12,257)	18,912
Revenue	2	11,852	(9,910)	(11,775)
Expense	3	(24,608)	16,209	(6,480)
Discount rate	4	-	-	-
Plantation sandalwood	5	-	-	1,368
Closing Balance 30 June 2017		**78,471**	**65,350**	**182,364**

Notes

Native Forests

1. **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.

   2017: The updating of the valuation from 2016 to 2017 includes an increase in the projected volume for harvest based on market demand projections, primarily in low grade resource. The impact of the revised woodflow is a $12.612 million increase in value.

2. **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.

   2017: The movement in unit prices between 2016 and 2017 has resulted in a net present value increase of $11.852 million. The contributing factors to the increase are a combination of volume increase coupled with an average price per unit increase.

3. **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.

   2017: The movement in unit costs between 2016 and 2017 has resulted in a net present value decrease of $24.608 million. The driver of the increase is a combination of increased volume, an increase in cost projected for forest management, administration and inforest, partly offset by a reduction in forecast roading costs.

4. **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%).

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

Sandalwood

1. **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.

   2017: The updating of the valuation from 2016 to 2017 occurs following a transition period to new contractual arrangements for the processing, marketing and sale of wild sandalwood. The volume available is specified by the Sandalwood (Limitation of Removal of Sandalwood) Order 2015 (OIC) for the period ended 31 December 2026. In 2024 a review of the OIC will specify volume available for harvest post 2026.The limiting of the volumes to 31 December 2016 has been incorporated into the valuation. The impact of this is a net present value decrease of $12.257 million.

2. **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.

   2017: The movement of unit prices between 2016 and 2017 has resulted in a net present value decrease of $9.910 million. The primary contributing factor being the domestic market price risk adjustment.

3. **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.

   2017: The movement in unit costs between 2016 and 2017 has resulted in a net present value increase of $16.209 million. The primary contributing factor being the revision of the estimate for harvesting costs.

4. **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%).

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

Plantations

1. **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 $9.452 million reduction in value.

   2017: The updating of the valuation from 2016 to 2017 includes a review of the available volume for harvest, which has resulted in an increase in the level of the projected wood flows. This is the result of a combination of factors including: revision of the stocked forest area as a consequence of harvesting and replanting; updating of yield estimates for areas where new inventory has been completed, and development of a revised harvesting strategy and projected woodflow. The impact of the revised woodflow is a $18.912 million increase in value.

2. **2016:** The movement of forecast unit prices between 2015 and 2016 has resulted in a net present value decrease of $3.040 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.

   2017: The movement of forecast unit prices between 2016 and 2017 has resulted in a net present value decrease of $11.775 million over the period the current crop is forecast to be harvested. The primary contributing factor to the decrease is the reduction in log price for Wespine.

3. **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.

   2017: The movement of forecast expenses between 2016 and 2017 has resulted in a net present value decrease of $6.480 million over the period the current crop is forecast to be harvested. The primary drivers of the decrease are higher transport and overhead costs, and higher stumpage share payments.

4. **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%).

   2017: The discount rate for 2017 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 2017 is 9.0% (2016 9.0%).

5. **2016:** This represents the recognition of the sandalwood plantation forest estate as an asset which was previously valued at zero. The discount rate for 2016 is 9.5%

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

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

Standing timber - Native forest

Description and Fair Value as at 30 June 2017			Significant unobservable inputs			
30 June 17 $000	30 June 16 $000	Valuation technique(s)	Unobservable Inputs	2017	2016	Relationship of unobservable inputs to fair value measurement
78,471	78,615	Discounted cash flows: the valuation model considers the present value of the net cash flows to be generated from the forest. The cash flow projections include specific estimates for the *Forest Management Plan* (FMP) period plus a perpetual terminal value for the sustainable volumes post FMP. The expected net cash flows are discounted using a risk adjusted discounted rate.	Estimated future timber market prices (gross profit) per cubic metre:	$4.88 to $73.21 weighted average $29.10	$4.88 to $73.96, weighted average $32.50	The estimated fair value would increase (decrease) if: • the estimated timber gross profit price per cubic metre were higher (lower); • the estimated volume was higher (lower); • the estimated management cost per cubic metre were lower (higher); or • the risk-adjusted discount rate were lower (higher).
			Estimated average volume per annum	686,000 cubic metres	548,000 cubic metres	
			Estimated management costs per cubic metre to sell the volume	$19.05	$20.03	

Standing timber - Sandalwood

Description and Fair Value as at 30 June 2017			Significant unobservable inputs			
30 June 17 $000	30 June 16 $000	Valuation technique(s)	Unobservable Inputs	2017	2016	Relationship of unobservable inputs to fair value measurement
65,350	71,308	Discounted cash flows: the valuation model considers the present value of the net cash flows to be generated from the forest. The cash flows projections include specific estimates for the Order in Council (OIC) period.	Estimated future timber market prices based on AUD/USD dollar forward exchange rates provided by Western Australian Treasury Corporation.	The exchange rate decreases over the period from $0.77 in 2018 to $0.72 in 2027.	The exchange rate decreases over the period from $0.74 in 2017 to $0.53 in 2066.	The estimated fair value would increase (decrease) if: • the estimated timber gross profit price per cubic metre were higher (lower); • the estimated volume was higher (lower); • the estimated cost to harvest, produce and sell per tonne were lower (higher); or • the risk-adjusted discount rate were lower (higher).• the estimated AUD/USD dollar forward exchange rates were lower (higher);
			The weighted average price for products	Domestic market A$17,493 per tonne; Export market USD $12,693 per tonne.	Domestic market A$21,538 per tonne; Export market USD $11,072 per tonne.	
			Estimated average volume per annum	1125 tonnes per annum.	to FY26 is 975 tonnes, then 500 tonnes to FY43, and thereafter 300 tonnes.	
			Estimated cost per tonne to harvest, produce and sell the volume over the forecast horizon	$7,842	$10,214	

Standing timber - Plantations

Description and Fair Value as at 30 June 2017			Significant unobservable inputs			
30 June 17 $000	30 June 16 $000	Valuation technique(s)	Unobservable Inputs	2017	2016	Relationship of unobservable inputs to fair value measurement
177,987	177,330	Discounted cash flows: the valuation model considers the present value of the net cash flows to be generated from the forest. The cash flows projections include specific estimates for 38 years (the period over which the current crop is forecast to be harvested). The expected net cash flows are discounted using a risk adjusted discount rate. As far as practical asset risks specific to the asset have been incorporated into the cashflow.	The area stocked	The area stocked as at 31 March 2017 is 70,271 hectares. Beyond the current date, it is not possible to declare the forest area with certainty. Indufor has developed the cashflow model on a March year basis but reduced the first period cashflow by approximately 24.9% to allow for the cashflow that occurs between 1 April 2017 and 30 June 2017.	The 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.	The estimated fair value would increase (decrease) if: • Yields from plantations were higher (lower) than predicted. • the estimated timber gross profit price per cubic metre were higher (lower); • the estimated management cost per cubic metre were lower (higher); • the risk-adjusted discount rate were lower (higher).
			Estimated future timber market prices per cubic metre:	Estimated future delivered market log prices range from $26.13 per cubic metre (M3) to $94.87/M3. Such prices are based on past and current evidence and reflect differences paid for the range of grades sold. The future level is a matter for informed conjecture. While contractual price adjustment mechanisms provide some certainty around future prices such things as the potential for mills to close and variation in export prices will influence future price levels.	Estimated future delivered market log prices range from $33.05 per cubic metre (M3) to $91.58/M3. Such prices are based on past and current evidence and reflect differences paid for the range of grades sold. The future level is a matter for informed conjecture. While contractual price adjustment mechanisms provide some certainty around future prices such things as the potential for mills to close and variation in export prices will influence future price levels.	
			Future wood flow projections	Future woodflow projections are based on a combination of the forest area, assumed yields from those plantations and a plausible harvest strategy. The estimation of all such inputs involves forward-looking processes for which the results are not assured.	Future woodflow projections are based on a combination of the forest area, assumed yields from those plantations and a plausible harvest strategy. The estimation of all such inputs involves forward-looking processes for which the results are not assured.	

Sandalwood Plantations

<table>
<tr><th colspan="2">Description and Fair Value as at 30 June 2017</th><th rowspan="2">Valuation technique(s)</th><th colspan="3">Significant unobservable inputs</th><th rowspan="2">Relationship of unobservable inputs to fair value measurement</th></tr>
<tr><th>30 June 17
$000</th><th>30 June 16
$000</th><th>Unobservable Inputs</th><th>2017</th><th>2016</th></tr>
<tr><td rowspan="4">4,377</td><td rowspan="4">3,009</td><td rowspan="4">Discounted cash flows: the valuation model considers the present value of the net cash flows to be generated from the forest. The cash flows projections include specific estimates for 19 years. The expected net cash flows are discounted using a risk adjusted discounted rate.</td><td>Estimated future timber market prices based on AUD/USD dollar forward exchange rates to 2037 provided by Western Australian Treasury Corporation.</td><td>The exchange rate decreases over the period from $0.77 in 2018 to $0.66 in 2037.</td><td>The exchange rate decreases over the period from $0.74 in 2017 to $0.65 in 2037.</td><td rowspan="4">The estimated fair value would increase (decrease) if:
• the estimated timber gross profit price per cubic metre were higher (lower);
• the estimated volume was higher (lower);
• the estimated cost to harvest, produce and sell per tonne were lower (higher); or
• the risk-adjusted discount rate were lower (higher).
• the estimated AUD/USD dollar forward exchange rates were lower (higher);</td></tr>
<tr><td>The weighted average price for products</td><td>Export market USD $3,080 per tonne.</td><td>Export market USD $3,500 per tonne.</td></tr>
<tr><td>Estimated average volume per annum</td><td>Future woodflow projections are based on a combination of the forest area and assumed yields from those plantations.</td><td>Future woodflow projections are based on a combination of the forest area and assumed yields from those plantations.</td></tr>
<tr><td>Estimated cost per tonne to harvest, produce and sell the volume over the forecast horizon</td><td>$1,967</td><td>$2,307</td></tr>
</table>

29.0 Biological assets risk analysis

29.1 Risk management strategies related to agricultural products

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

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

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

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

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

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

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

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

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

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

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

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

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

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

29.2 Discount rates

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

	2017 %	2016 %
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.

29.3 Sensitivity analysis

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

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

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

		2017 $000 Increase/ (decrease)	2016 $000 Increase/ (decrease)
Discount rate:			
+300 bpts	Total biological assets at valuation	(63,660)	(71,024)
- 300 bpts	Total biological assets at valuation	102,524	115,256
Future prices:			
+ 3%	Total biological assets at valuation	28,812	28,436
- 3%	Total biological assets at valuation	(28,813)	(28,436)
Future costs:			
+ 3%	Total biological assets at valuation	(14,709)	(14,727)
- 3%	Total biological assets at valuation	14,705	14,727

29.4 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 29.2.

29.5 Insurance

The FPC has insured its Plantation biological asset to 4 January 2018.

30.0 Impairment of Assets

There were no indications of impairment to property, plant and equipment, infrastructure or intangible assets at 30 June 2017 (2016 Nil).

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

All surplus assets at 30 June 2017 have either been classified as assets held for sale or written-off.

31.0 Payables

	2017 $000	2016 $000
Current		
Trade payables	7,620	3,109
GST payable	108	168
Payroll tax accrual	125	108
Accrued logging costs	267	2,866
Other accruals	5,800	8,214
Accrued salaries and wages	277	230
Land annuity obligations	428	443
	14,625	**15,138**
Non-Current		
Land annuity obligations	4,698	5,075
	4,698	**5,075**

32.0 Provisions

	2017 $000	2016 $000
Current		
Employee benefits provision		
Annual leave (a)	1,157	1,198
Long service leave (b)	1,744	2,778
Deferred salary scheme (c)	-	118
	2,901	4,094
Other provisions		
Provision for regeneration of Native Forest (e)	3,594	3,988
Provision for replant (Harvey Coast) (f)	2,206	3,547
Unearned revenue (g)	56	27
Provision for sandalwood plantation maintenance (h)	70	70
	5,926	**7,632**
Total current	**8,827**	**11,726**
Non-current		
Employee benefits provision		
Long service leave (b)	1,067	948
Superannuation (d)	161	161
	1,228	**1,109**
Other provisions		
Provision for regeneration of Native Forest (e)	1,938	2,813
Provision for replant (Harvey Coast) (f)	-	1,923
Provision for sandalwood plantation maintenance (h)	370	409
	2,308	**5,145**
Total non-current	**3,536**	**6,254**

	2017 $000	2016 $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:

	2017 $000	2016 $000
Within 12 months of the end of the reporting period	554	595
More than 12 months after the end of the reporting period	603	603
	1,157	**1,198**

(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 2017. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2017 $000	2016 $000
Within 12 months of the end of the reporting period	579	1,211
More than 12 months after the end of the reporting period	2,232	2,515
	2,811	**3,726**

(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:

	2017 $000	2016 $000
Within 12 months of the end of the reporting period	-	118
	-	**118**

(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:

	2017 $000	2016 $000
Liability at start of year	161	194
Included in profit or loss:		
Current service cost	-	-
Past service cost	-	-
Interest cost	3	5
	3	**5**
Included in other comprehensive income:		
Remeasurements loss (gain) recognised:		
demographic assumptions	-	(2)
financial assumptions	(9)	(13)
experience adjustments	6	4
	(3)	**(11)**
Contributions:		
Benefits paid	-	(27)
	-	(27)
Liability at end of year	**161**	**161**

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

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

	2017	2016
Discount rate	2.26%	2.26%
Future salary increases	3.70%	3.50%

At 30 June 2017, the weighted-average duration of the defined benefit obligation was 5.2 years (2016: 5.8 years).

	2017 $000	2016 $000

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

	Defined Benefit Obligation	
	Increase $000	Decrease $000
Discount rate (0.5% movement)	(4)	5
Future salary growth (0.5% movement)	(3)	4

Employer funding arrangements for the defined benefit plans

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

Employer contributions of $17,000 (2016: $22,000) are expected to be paid to the Gold State Superannuation Scheme in the subsequent annual reporting period.

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

(f) The FPC 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 FPC for the delivery of forestry services to be delivered in the future.

(h) The FPC has an obligation under contract to maintain a sandalwood plantation in Kununurra. The associated expense is disclosed in Note 16 'Other expenses'.

	2017 $000	2016 $000
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 year	6,801	6,775
(Reversals of) / additional provisions recognised	(604)	739
Payments/other sacrifices of economic benefits	(666)	(713)
Carrying amount at the end of year	**5,531**	**6,801**
Provision for replantation of Harvey Coast		
Carrying amount at start of year	5,470	-
(Reversals of) / additional provisions recognised	(1,963)	5,470
Payments/other sacrifices of economic benefits	(1,301)	-
Carrying amount at the end of year	**2,206**	**5,470**
Unearned revenue		
Carrying amount at start of year	19	28
Additional/(reversals of) provisions recognised	30	(9)
Carrying amount at the end of year	**49**	**19**
Provision for sandalwood plantation maintenance		
Carrying amount at start of year	479	502
Payments/other sacrifices of economic benefits	(39)	(23)
Carrying amount at the end of year	**440**	**479**

	2017 $000	2016 $000
33.0 Deferred revenue		
Current		
National Action Plan for Salinity and Water Quality revenues	-	666
Contractual obligations	133	130
Forward sold log supply	1,545	1,531
	1,678	**2,327**
Non-Current		
Contractual Obligations	5,599	5,954
Forward sold log supply	9,029	9,734
	14,628	**15,688**

34.0 Equity

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

	2017 $000	2016 $000
34.1 Contributed equity		
Balance at the start of the year	340,141	340,141
Equity injection	2,100	-
Balance at the end of year	**342,241**	**340,141**

	2017 $000	2016 $000
34.2 Reserves		
Asset Revaluation Surplus		
Balance at start of year	10,378	8,764
Net asset revaluation increase	467	2,305
Deferred tax on items of other comprehensive income (Note 41 Taxation equivalent)	(140)	(691)
Balance at end of year	**10,705**	**10,378**

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

	2017 $000	2016 $000
Cashflow Hedge Reserve		
Balance at start of year	107	-
Net movement in reserve	(91)	153
Income tax on items of other comprehensive income	27	(46)
	43	**107**

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

	2017 $000	2016 $000
Reserves total	**10,748**	**10,485**

	2017 $000	2016 $000
34.3 Retained earnings		
Balance at the start of year	10,352	(9,876)
Profit for the year [1]	3,967	20,790
Dividend paid	(2,530)	(562)
Balance at end of year	**11,789**	**10,352**

[1] Includes remeasurement of defined benefit liability

35.0 Notes to the Statement of Cash Flows

35.1 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:

	2017 $000	2016 $000
Petty Cash	3	3
Commonwealth Bank - Cash Management Account	30,642	38,633
Commonwealth Bank - USD Bank Account	574	915
Restricted cash and cash equivalents (Note 21 'Restricted cash and cash equivalents')	127	-
	31,346	**39,551**

	2017 $000	2016 $000
35.2 Reconciliation of profit from ordinary activities after income tax equivalent to net cash flows generated by operating activities:		
Profit from ordinary activities after income tax equivalent	3,964	20,779
Taxable items presented in Other Comprehensive Income		
Remeasurements of defined benefit liability	3	11
Non-cash items:		
Depreciation and amortisation expense	1,292	1,208
Movement in provision for doubtful debts	243	(17)
Change in fair value of biological assets	6,663	(5,005)
Decrease / (increase) in assets:		
Current inventories	(785)	3,443
Current receivables	(2,684)	1,445
Other current assets	(3,426)	(561)
Other assets	7,604	(2,606)
Increase/(decrease) in liabilities:		
Payables	(513)	(1,014)
Unearned revenue and deferred income	1,680	2,588
Other liabilities	(10,820)	(537)
Net cash generated by operating activities	**3,222**	**19,734**

	2017 $000	2016 $000
35.3 Borrowing facilities		
The FPC had access to the following lines of credit as at reporting date:		
Credit cards	750	750
Bank overdraft facility	9,000	9,000
	9,750	**9,750**
Facilities in use as at reporting date:		
Credit cards	35	47
	35	**47**
Available facilities not in use as at reporting date:		
Credit cards	715	703
Bank overdraft facility	9,000	9,000
	9,715	**9,703**

36.0 Commitments

36.1 Expenditure commitments

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

	2017 $000	2016 $000
Within 1 year	1,740	1,896
Later than 1 year and not later than 5 years	5,636	6,181
	7,376	**8,077**

	2017 $000	2016 $000

These commitments include future expenditures for core estate share farm agreements, and are inclusive of GST.

36.2 Lease commitments

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

	2017 $000	2016 $000
Within 1 year	226	229
Later than 1 year and not later than 5 years	1,060	1,085
Later than 5 years	1,134	1,110
	2,420	**2,424**
Non-cancellable operating leases	**2,420**	**2,424**

These commitments are inclusive of GST.

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

36.3 Guarantees and undertakings

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

37.0 Contingent liabilities and contingent assets

Contingent liabilities

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

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

Contaminated sites

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

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

38.0 Events occurring after the end of the reporting period

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

39.0 Explanatory statement

Significant variations between estimates and actual results for 2017 and between the actual results for 2017 and 2016 are shown below. Significant variations are considered to be those greater than 10 per cent or $5 million.

		2017 Actual $000	2017 Estimate[1] $000	Variance from Estimate $000	Explanation:
39.1	**Significant variances between estimate and actual for 2017**				
	Income				
	Revenue from the sale of goods and services	113,400	127,274	(13,874)	a
	Commonwealth grants and contributions	666	559	107	b
	Interest revenue	916	515	401	c
	Other revenue	1,320	1,186	134	d
	Other gains	317	-	317	e
	Grants and subsidies from State Government	1,701	1,451	250	f
	Expenses				
	Cost of sales	63,749	75,312	(11,563)	g
	Supplies and services	19,546	22,728	(3,182)	h
	Finance costs	753	602	151	i
	Accommodation expenses	439	487	(48)	j
	Other expenses	1,501	1,717	(216)	k
	Biological asset increase/(decrease)	(6,663)	(13,987)	7,324	l

[1]Estimates are sourced from the 2016-17 Statement of Corporate Intent

Explanation:

a Revenue was less than forecast in the Native Forest segment due to a reduction in deliveries to a major customer as a result of them relocating their sawmill and an unscheduled sawmill closure for a month, Sandalwood segment due to reduction in international sales and delay in finalising a domestic sales contract, partly offset by a better performance from Plantations segment primarily as a result of stronger than expected demand for export logs and woodchips.

b The recognition of revenue received for the National Action Plan for Salinity and Water Quality was slightly higher than budget.

c Interest revenue is higher due to higher closing cash balance than budget.

d Other revenue is higher primarily due to Synergy carbon adjustment and recognition of prepaid revenue.

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

f Unbudgeted Royalties for Regions funding.

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

h The decrease is primarily due to savings in payments to DBCA and forest management expenses.

i Finance costs was more than forecast due to increase in interest rate applied for Laminex interest expense, costs associated with sharefarm annuity payments and unbudgeted foreign exchange loss .

j The decrease is primarily due to expenditure for office accomodation being less than forecast.

k Increase in provision of doubtful debts

l The decrement in the biological asset valuation movement on estimate is due to a combination of the value for wild sandalwood decreasing (Refer note 28.1); partly offset by an increase in the value of plantations sandalwood and a reduction in the provision required to replant the Harvey Coast plantation area the January 2016 Waroona fire. (Refer note 32).

		2017 $000	2016 $000	Variance $000	Explanation:
39.2	**Significant variances between actual results for 2017 and 2016.**				
	Income				
	Revenue from the sale of goods and services	113,400	121,854	(8,454)	a
	Commonwealth grants and contributions	666	816	(150)	b
	Interest revenue	916	805	111	c
	Other gains	317	1,042	(725)	d
	Grants and subsidies from State Government	1,701	-	1,701	e
	Expenses				
	Finance costs	753	1,246	(493)	f
	Accommodation expenses	439	347	92	g
	Biological asset increase/(decrease)	(6,663)	5,005	(11,668)	h

Explanation:

a Revenue was less than last year in the Native Forest segment due to a reduction in deliveries to a major customer as a result of them relocating their sawmill and an unscheduled sawmill closure for a month, Sandalwood segment due to reduced sales in export markets, partly offset by a better performance from Plantations segment.

b The recognition of revenue received for the National Action Plan for Salinity and Water Quality.

c Higher cash holdings in 2016/17 has resulted in higher earnings from interest.

d Lower USD cash holdings in 2017 resulted in lower gains from foreign exchange rate fluctuations.

e Royalties for Regions funding and subsidy for Green Growth Plan.

f Finance costs were lower due to reduced costs associated with sharefarm annuity payments.

g 2016/17 includes new lease for Kalgoorlie office.

h Each financial year amount represents the biological asset valuation movement from the previous years valuation. (Refer note 28.1).

40.0 Financial instruments

(a) Financial risk management objectives and policies

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

Credit Risk

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

The maximum exposure to credit risk at the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at note 40.1 Financial instrument disclosures and note 23.0 Receivables.

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

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

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

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

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

Liquidity risk

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

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

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

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the FPC's income or the value of its holdings of financial instruments. The FPC's policy in regard to managing foreign exchange risks through the use of financial exchange contracts is dealt with in Note 40.2.

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

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

Currency risk

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

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

The FPC also holds a USD commercial bank account which exposes the FPC to foreign currency risk. The balance of this account at 30 June 2017 is USD 0.441 million (2016: USD 0.679 million).

Interest rate risk

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

Categories of Financial Instruments

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

	2017 $000	2016 $000
Financial Assets		
Cash and cash equivalents	31,219	39,551
Restricted cash	127	-
Loans and receivables:		
Trade receivables	19,803	17,362
Forward exchange contracts	62	153
	51,211	**57,066**
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade and other payables	14,197	14,695
Land annuity obligations	5,126	5,518
	19,323	**20,213**

40.1 Financial instrument disclosures

The following table details the exposure to liquidity risk and interest rate risk as at the reporting date. The FPC's maximum exposure to credit risk at the reporting date is the contractual cash flows in the following table. Except for Land Annuities Payable and deferred rental, the contractual cash flows is the carrying amount as at reporting date. The carrying amount of land annuity payments is $7.284 million (2016 : $7.991 million).

2017	Note	Effective interest rate %	Total $000	0 – 12 months $000	1 – 2 years $000	2 – 5 years $000	More than 5 years $000
Financial assets							
Commonwealth Bank Cash Management Account	35.1	1.98%	30,770	30,770	-	-	-
Commonwealth Bank USD Account	35.1	0.00%	574	574	-	-	-
Trade receivables	23.0	n/a	20,790	20,790	-	-	-
Provision for doubtful debts	23.0	n/a	(987)	(987)	-	-	-
Collateral security held - cash	40.5	n/a	2,470	2,470	-	-	-
Collateral security held - non cash		n/a	8,023	8,023	-	-	-
Total credit exposure - trade receivables			**30,296**	**30,296**	-	-	-
Foreign exchange contracts	25.0	n/a	62	62			
			61,702	**61,702**	-	-	-
Financial liabilities							
Trade payables	31.0	n/a	7,620	7,620			
Land annuities payable		n/a	7,284	438	438	1,313	5,095
			14,904	**8,058**	**438**	**1,313**	**5,095**

2016	Note	Effective interest rate %	Total $000	0 – 12 months $000	1 – 2 years $000	2 – 5 years $000	More than 5 years $000
Financial assets							
Commonwealth Bank Cash Management Account	35.1	2.39%	38,633	38,633	-	-	-
Commonwealth Bank USD Account	35.1	0.00%	915	915	-	-	-
Trade receivables	23.0	n/a	18,106	18,106	-	-	-
Provision for doubtful debts	23.0	n/a	(744)	(744)	-	-	-
Collateral security held - cash	40.5	n/a	2,830	2,830	-	-	-
Collateral security held - non cash		n/a	7,075	7,075	-	-	-
Total credit exposure - trade receivables			**27,267**	**27,267**	-	-	-
Foreign exchange contracts	25.0	n/a	153	153	-	-	-
			66,968	**66,968**	**-**	**-**	**-**
Financial liabilities					-	-	-
Trade payables	31.0	n/a	3,109	3,109	-	-	-
Foreign exchange contracts		n/a	-	-	-	-	-
Land annuities payable		n/a	7,991	453	453	1,360	5,725
			11,100	**3,562**	**453**	**1,360**	**5,725**

40.2 Forward foreign exchange contracts

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

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 2017	Revalued buy amount 30 June 2017 $000	Variance currency	Variance amount $000
USD	29-Dec-17	1,898	0.748774	AUD	2,535	0.018715	0.767489	AUD	2,473	AUD	62
		1,898			**2,535**				**2,473**		**62**

40.3 Sensitivity analysis

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

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

	Carrying amount $000	-1% change Profit $000	-1% change Equity $000	+1% change Profit $000	+1% change 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 Profit $000	-10% change Equity $000	+10% change Profit $000	+10% change Equity $000
Currency sensitivity analysis					
Financial Assets					
USD Bank Account	574	45	45	(37)	(37)

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

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

40.4 Credit risk concentrations

Accounts receivable consists largely of timber debtors, for which deposits and securities equivalent to an average of six weeks' deliveries are required to be lodged in favour of the FPC under timber contracts of sale. These deposits and securities are held in trust until the expiry or default of contracts. As at 30 June 2017, the value of deposits and securities was greater than overdue accounts by $8.808 million (deposits and securities was greater than overdue accounts by $5.404 million at 30 June 2016).

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

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

		Number of customers	Value overdue[1] $000	Impairment $000
2017	1 to 30	11	910	603
	31 to 60	3	128	64
	Greater than 60	13	571	320
	All overdue accounts	**27**	**1,609**	**987**
2016	1 to 30	32	2,805	423
	31 to 60	14	388	100
	Greater than 60	12	638	221
	All overdue accounts	**58**	**3,831**	**744**

The likelihood of recovery as at 30 June 2017 was estimated and factored into the amounts provided for impairment of receivables (refer note 23). Where applicable, interest is charged under the terms of the customer's supply contract.

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

	2017 $000	2016 $000
Maximum exposure to credit risk for trade receivables by type of customer		
State Government	-	-
Forest Product Manufacture/Supply	19,803	17,362
	19,803	**17,362**

40.5 Funds held in trust

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

	2017 $000	2016 $000
Opening balance	2,830	3,091
Receipts	136	210
Payments	(496)	(471)
Closing balance	**2,470**	**2,830**

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

40.6 Fair values

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

41.0 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:

	2017 $000	2016 $000
Profit from ordinary activities before Income tax [1]	5,616	24,841
Income tax equivalent calculated at 30% of operating profit	1,685	7,452
Reversal of net deferred asset	-	(3,427)
Underprovided in prior years	(36)	26
	1,649	**4,051**
Current income tax payable		
Current year	-	-
	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	1,649	4,051
Total income tax expense in the Statement of Comprehensive Income	**1,649**	**4,051**

[1] Includes remeasurements of defined benefit liability

Recognised deferred tax assets and liabilities	Assets 2017 $000	Assets 2016 $000	Liabilities 2017 $000	Liabilities 2016 $000	Net 2017 $000	Net 2016 $000
Receivables	(297)	(224)	-	-	(297)	(224)
Inventories	-	-	-	-	-	-
Land	(87)	(87)	1,548	1,461	1,460	1,374
Buildings	(342)	(319)	2,264	2,210	1,922	1,891
Nursery infrastructure	(1,019)	(964)	777	777	(243)	(187)
Plant, equipment, infrastructure and vehicles	(170)	(161)	-	-	(170)	(161)
Natural resource assets	(1,709)	(2,184)	19,297	20,520	17,589	18,336
Intangible asset	(2,041)	(2,041)	-	-	(2,041)	(2,041)
Employee provisions	(1,239)	(1,561)	-	-	(1,239)	(1,561)
Share farm annuities	(12,380)	(11,693)	-	-	(12,380)	(11,693)
Auditing fees provision	(48)	(61)	-	-	(48)	(61)
Restoration provision	(2,454)	(3,826)	-	-	(2,454)	(3,826)
Deferred income	(3,834)	(4,470)	-	-	(3,834)	(4,470)
Incentive payments provision	(1,514)	(1,631)	-	-	(1,514)	(1,631)
Research & development offset	(20)	(803)	-	-	(20)	(803)
Hedge Contract	-	-	18	46	18	46
Unrecognised net deferred asset	2,041	2,041	-	-	2,041	2,041
Net tax (assets) / liabilities	**(25,112)**	**(27,984)**	**23,904**	**25,014**	**(1,208)**	**(2,970)**

Movement in temporary differences during the year	Balance 1 July 2015 $000	Recognised in income $000	Recognised in equity $000	Balance 30 June 2016 $000	Balance 1 July 2016 $000	Recognised in income $000	Recognised in equity $000	Balance 30 June 2017 $000
Receivables	(229)	5	-	(224)	(224)	(73)	-	(297)
Inventories	-	-	-	-	-	-	-	-
Land	1,491	(117)	-	1,374	1,374	86	-	1,460
Buildings	1,448	443	-	1,891	1,891	31	-	1,922
Nursery infrastructure	(443)	256	-	(187)	(187)	(56)	-	(243)
Plant, equipment, infrastructure and vehicles	(207)	46	-	(161)	(161)	(9)	-	(170)
Natural resource assets	12,942	5,394	-	18,336	18,336	(747)	-	17,589
Intangible asset	(2,041)	-	-	(2,041)	(2,041)	(0)	-	(2,041)
Employee provisions	(1,485)	(76)	-	(1,561)	(1,561)	322	-	(1,239)
Share farm annuities	(11,009)	(684)	-	(11,693)	(11,693)	(687)	-	(12,380)
Auditing fees provision	(72)	11	-	(61)	(61)	13	-	(48)
Restoration provision	(2,184)	(1,642)	-	(3,826)	(3,826)	1,372	-	(2,454)
Deferred income	(4,651)	181	-	(4,470)	(4,470)	636	-	(3,834)
Incentive payments provision	(2,546)	915	-	(1,631)	(1,631)	117	-	(1,514)
Research & development offset	(1,480)	677	-	(803)	(803)	(783)	-	(20)
Reserves	1	(692)	737	46	46	(140)	113	18
Tax value of loss carry-forwards recognised	(2,761)	2,761	-	-	-	-	-	-
Unrecognised tax losses	5,468	(3,427)	-	2,041	2,041	-	-	2,041
	(7,758)	**4,051**	**737**	**(2,970)**	**(2,970)**	**1,649**	**113**	**(1,208)**

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	
	2017 $000	2016 $000	2017 $000	2016 $000
Intangible asset	(2,041)	(2,041)	-	-
Net tax (assets)	**(2,041)**	**(2,041)**	**-**	**-**

Provision for taxation		
Opening	-	-
Tax Paid	561	-
Closing	**561**	**-**

42.0 Compensation of Key Management Personnel

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

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

	2017 $000	2016 $000
Compensation of Members of the Accountable Authority		
Compensation Band ($)		
50,001 - 60,000	1	-
30,001 - 40,000	-	2
20,001 - 30,000	5	6
10,001 - 20,000	1	-
0 - 10,000	-	1
Compensation of Senior Officers		
Compensation Band ($)	2017	2016
290,001 - 300,000	1	-
220,001 - 230,000	-	1
210,001 - 220,000	1	-
200,001 - 210,000	-	1
190,001 - 200,000	1	-
180,001 - 190,000	-	1
170,001 - 180,000	2	-
160,001 - 170,000	1	-
150,001 - 160,000	2	2
140,001 - 150,000	1	-

Short term employee benefits	1,838	1,147
Post employment benefits	1	1
Other long term benefits	(73)	22
Termination benefits	-	-
Total compensation of key management personnel	**1,766**	**1,170**

43.0 Related and affiliated bodies

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

44.0 Remuneration of auditor

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

	2017 $000	2016 $000
Auditing the accounts, financial statements, controls and key performance indicators	150	146

45.0 Supplementary financial information

45.1 Write-offs

Debtors	1	101
Assets	-	53
Total	1	154

45.2 Losses through theft, defaults and other causes

Losses through theft, defaults and other causes	39	-
Amounts recovered	(39)	-

45.3 Gifts of public property

Gifts of public property	-	-

46.0 Schedule of income and expenses by service

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

Main operating segments:

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

	Native Forest $000	Plantations $000	Sandalwood $000	Policy and Industry Development $000	Non Commercial $000	Eliminations $000	Total $000
2017							
Revenue							
External segment revenues	36,539	55,045	22,727	-	-	-	114,311
Internal segment revenues	70	1,550	484	39	165	-	2,308
Inter-segment sales	-	1,752	-	-	-	(1,752)	-
Total revenue	**36,609**	**58,347**	**23,211**	**39**	**165**	**(1,752)**	**116,619**
Expenses							
Employee expenses	(4,148)	(6,845)	(943)	-	-	-	(11,936)
External segment expenses	(27,828)	(44,435)	(9,971)	(700)	-	1,752	(81,182)
Internal segment expenses	(2,554)	(1,535)	(1,756)	(3,613)	(3,154)	-	(12,612)
Finance charges	-	(448)	(62)	-	-	-	(510)
Total expenses	**(34,530)**	**(53,263)**	**(12,732)**	**(4,313)**	**(3,154)**	**1,752**	**(106,240)**
Operating profit[1]	**2,079**	**5,084**	**10,479**	**(4,274)**	**(2,989)**	**-**	**10,379**
Biological asset valuation (Decrease) / Increase	**(144)**	**231**	**(5,958)**	**-**	**(792)**	**-**	**(6,663)**
Grants and subsidies from State Government	-	-	-	250	1,451	-	1,701
Onerous contracts	-	-	-	-	196	-	196
Profit / (loss) before tax	**1,935**	**5,315**	**4,521**	**(4,024)**	**(2,134)**	**-**	**5,613**
Allocation of income tax	(581)	(1,595)	(1,356)	1,207	676	-	(1,649)
Profit / (loss) for the year	**1,354**	**3,720**	**3,165**	**(2,817)**	**(2,909)**	**-**	**3,964**
Total segment assets	**81,305**	**202,752**	**65,401**	**-**	**63,312**	**-**	**412,770**
Total segment liabilities	**5,531**	**5,599**	**440**	**-**	**36,422**	**-**	**47,992**

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

	Native Forest $000	Plantations $000	Sandalwood $000	Policy and Industry Development $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 profit[1]	**(920)**	**7,330**	**17,106**	**(4,231)**	**(2,331)**	**-**	**16,954**
Biological asset valuation (Decrease) / Increase	(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

47.0 Additional information

Domicile and legal form:

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

Principal office:

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

Operations and principal activities:

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

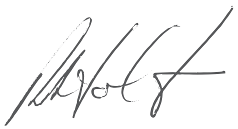
Parent entity:

Government of Western Australia.

KEY PERFORMANCE INDICATORS

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 2017.



Mr Ross Holt | Chairman
8 September 2017

Mr Geoffrey Totterdell | Commissioner
and Chairman of Audit and Risk Committee
8 September 2017

Key performance indicators

The 2016–2017 financial year is the fifth reporting period where key performance indicators (KPIs) have focused on sustainability and forest regeneration.

This ensures we report on our contribution to the State Government goals, our responsibility in relation to the *Forest Management Plan 2014–2023* and our financial and economic responsibilities.

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

The table below highlights the alignment between State Government goals and the FPC's services.

Government	Forest Products Commission
Goal	**Service**
Social and environmental responsibility	Provide healthy forests for future generations
Regional focus	Facilitate a vibrant forestry industry to deliver social and economic benefits, particularly in regional Western Australia
Financial and economic responsibility	Ensure efficient, effective and safe delivery of business outcomes

Index of indicators

Key effectiveness indicators

Service: Provide healthy forests for future generations

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

Native forest harvesting levels are based on the average annual allowable cut which is indicated in the FMP, which accounts for all resource as either sawlog or other bole volume.

First and second grade jarrah and karri sawlogs

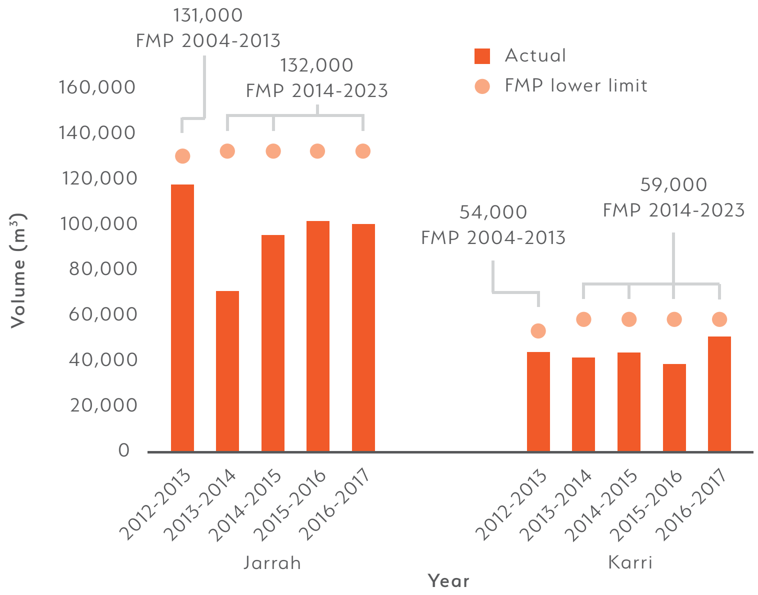
The quantities of sawlog harvested must be consistent with the annual allowable cut in the FMP.

The annual 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 2016–2017, production of jarrah sawlogs (99,541 m^3) was similar to the previous year. Karri sawlog production (50,395 m^3) was an increase on the previous year, reflecting a build up in log yard stocks at the end of the financial year, coupled with stronger demand for karri in the production of engineered wood products.

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



Other bole volume for jarrah, karri and marri

For the previous FMP 2004 -2013, the annual allowable cut of other bole volume (excluding first and second grade sawlogs) for jarrah and karri was 534,000 m^3 and 160,000 m^3 respectively. For all marri logs, the total sustained yield was 196,000 m^3. The previous FMP only had a single limit for these products.

The current FMP now has upper and lower limits for the harvest of other bole volume logs which are detailed in the below table.

Data presented in the graph covers a period which overlaps two FMPs.

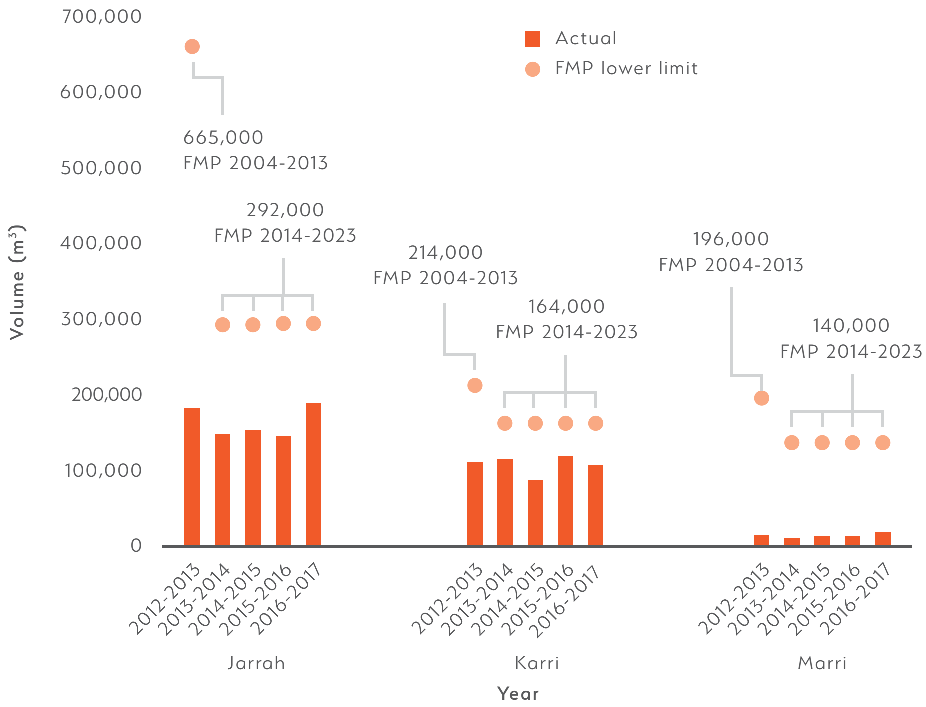
	Jarrah	Karri	Marri
Annual upper limit*	521,000 m^3	164,000 m^3	254,000 m^3
Annual lower limit*	292,000 m^3	164,000 m^3	140,000 m^3

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

KPIs for other bole volume for 2013-2014 onwards, report actual harvest against the current FMP lower limit. The annual upper limit is only accessible following the development of new markets for lower grade wood products. Reports from previous years continue to record the annual harvest against the single FMP upper limit.

For 2016–2017:

- The production of karri other bole of 108,771 m^3 is approximately 12,000 m^3 lower compared with the previous year. This is primarily due to a lower volume of fire salvaged timber.
- The quantity of jarrah (199,768 m^3) and marri (17,402 m^3) other bole volume harvested is a substantial increase on previous years reflecting increased utilisation of residue from sawlog operations. This is an encouraging trend that indicates improved performance against silvicultural guidelines, facilitated by changes in production techniques and the expansion of native forest markets.



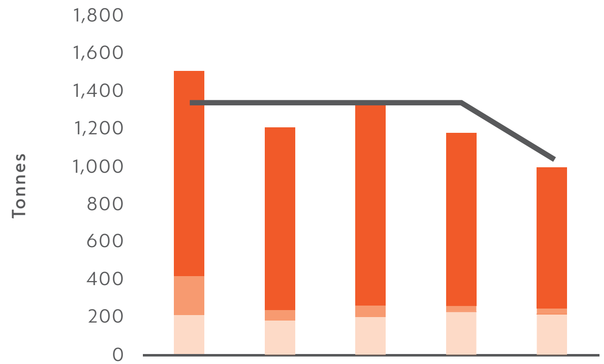
2 Harvest of green sandalwood maintained at allowable cut

The annual allowable harvest for green sandalwood is determined by the Sandalwood (Limitation on Removal of Sandalwood) Order (No.2) 2015 and is 1,250 tonnes per annum, of which 1,125 tonnes is licensed to the FPC. In previous years, the total quantity of green sandalwood available for harvest was 1,500 tonnes per annum, of which 1,250 tonnes per annum was licensed to the FPC. The graph to the right shows the actual quantity of green sandalwood harvested in the last five years.

Since 2006, improved harvesting techniques have resulted in greater utilisation of sandalwood 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 FPC unintentionally exceeding its allowable cut in 2012-2013. It has now been rectified.

The demand for third grade sandalwood has been negatively impacted by an increase in the availability of other low-grade products competing in the same market.

During 2016–2017, the FPC harvested 89 per cent of its licence under the Order in Council, however while demand remained strong, the FPC's production capacity was restricted by weather conditions and the transition to new contracts.



	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Green butts, branches & logs	1,086	968	1,067	923	788
Green twigs	208	56	61	36	39
Roots green	211	182	201	225	220
Commission's allowable limit	1,350	1,350	1,350	1,350	1125

Year

3 Extent of karri forest regenerated relative to area harvested

Karri regeneration

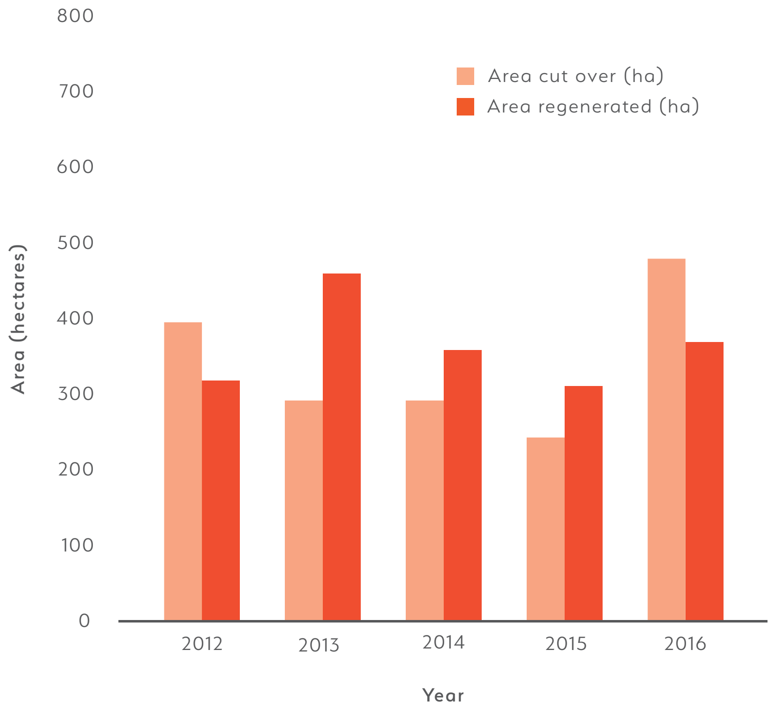
This indicator is expressed as the area of karri forest regenerated relative to total karri forest harvested (excluding roads, mine sites and areas of harvested forest not requiring treatment). Regeneration is accounted for in calendar years, consistent with the FMP.

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

The additional area cut over versus area regenerated in 2016 reflects an increase in demand for karri sawlog during the second half of 2016.

	2015 (hectares)	2016 (hectares)
Area of karri forest clear-felled or partially harvested	229	475
Area of regeneration completed	316	370

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.

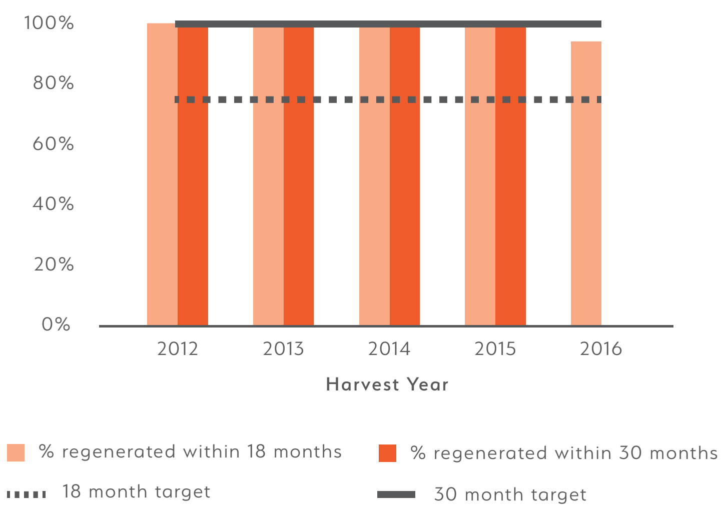


4 Timeliness of karri forest regeneration

The FMP requires replanting of karri forest immediately following harvest. This ensures a level of habitat restoration and recovery and also ensures the sustainability of the industry in the long-term.

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 regenerated is based on a sample of coupes.

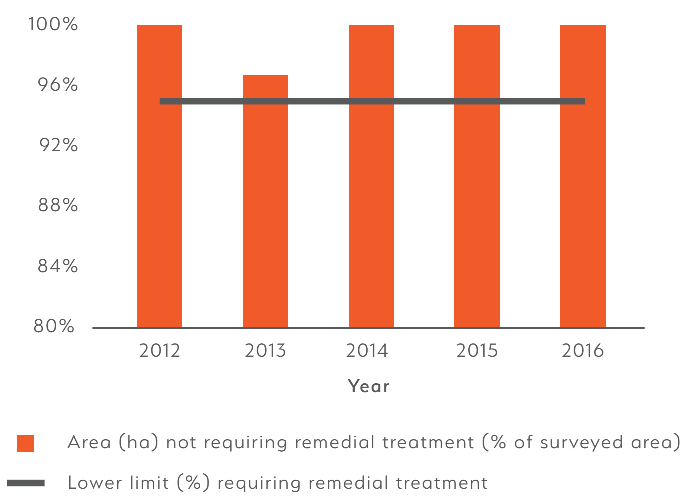
The area not completed from the 2016 harvest year was due to the need to complete silviculture treatments in adjacent jarrah forests.



5 Effectiveness of regeneration of karri forest

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

The target is that no more than 95 per cent of the area regenerated requires no remedial action. This target has been met each year in the last five years.

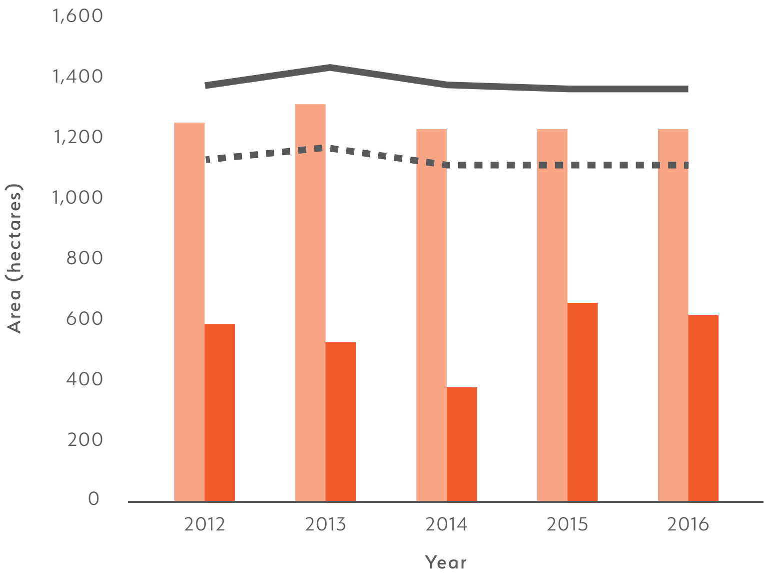


6 The achievement of thinning schedules in karri forest

Thinning promotes forest health and productivity by removing some of the standing trees to reduce competition for water, nutrients and light.

The graph 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.

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



Area (ha) provisionally prescribed for first thinnings

Area (ha) thinned

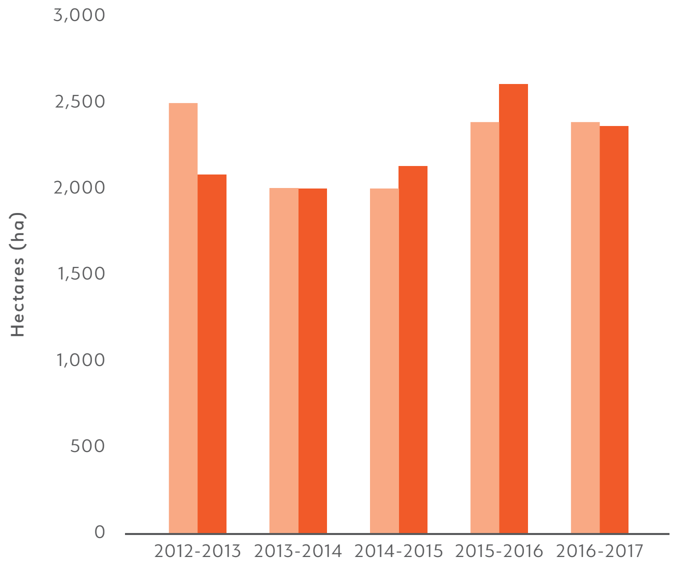
Upper thinning threshold (ha) (-10%)

Lower thinning threshold (ha) (+10%)

7 Area of plantation established against target

The planting of second and third rotation pine plantations is critical to ensure the supply of softwood to the timber industry.

Plantation establishment operations are carried out during winter and therefore spans financial years. 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.



	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Target (ha)	2,500	2,000	2,000	2,400	2,400
Area established (ha)	2,083	2,002	2,133	2,605	2,378

2nd and 3rd rotation pine

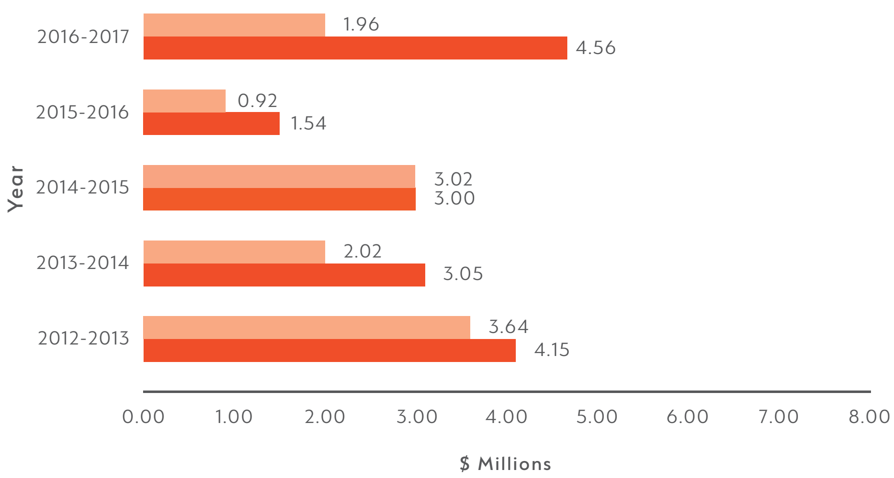
Year

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

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

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

For 2016–2017, the FPC paid dividend and taxes of $4.6 million. This includes stamp duty of $0.4 million on a land purchase.

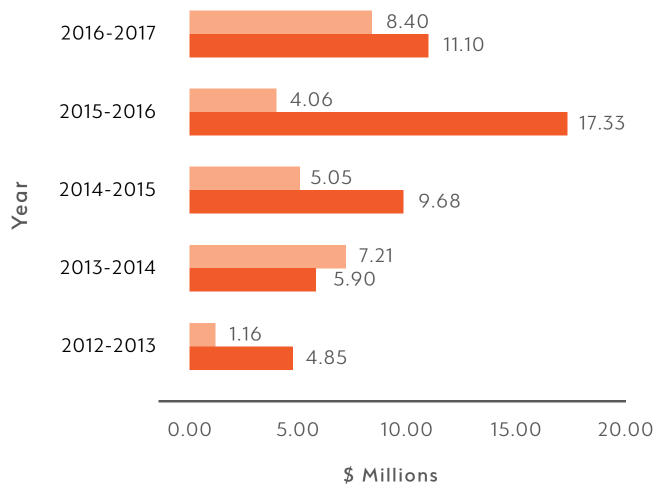


	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Target	3.64	2.02	3.02	0.92	1.96
Actual	4.15	3.05	3.00	1.54	4.56

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 2016–2017 was $11.1 million. This result exceeded budget by $2.7 million primarily due to a better than expected result in native forest and plantations.



	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Target	1.16	7.21	5.05	4.06	8.40
Actual	4.85	5.90	9.68	17.33	11.10

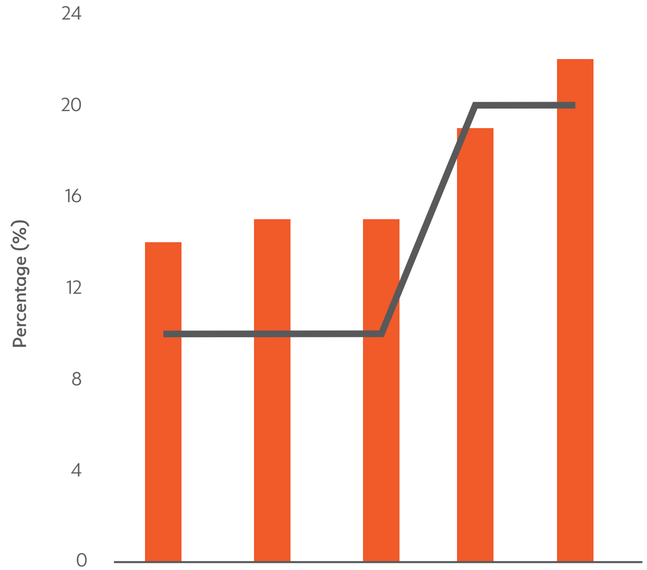
Key efficiency Indicators

Service: Environmentally sustainable forest products industry

1 Green sandalwood roots as a percentage of green sandalwood harvested

The FPC targets a minimum percentage of total sandalwood harvest from the roots of the trees. The proportion of roots has continued to increase with a proportion of 22 per cent achieved as a result of further improvements in harvesting techniques. In response to these improvements, the FPC has lifted its target from 10 per cent to 20 per cent.

Given that there is a limit to the quantity of sandalwood that can be harvested each year, and root material contains high oil content, extracting a greater percentage of roots from the ground increases the value of the overall product and reduces the number of trees harvested.



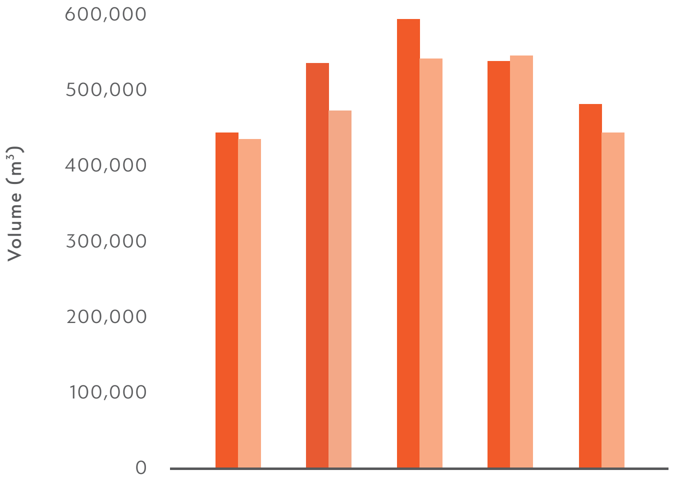
	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Actual	14	15	15	19	22
Minimum target	10	10	10	20	20

Year

2 Plantation log production consistent with budgeted demand from industry

Actual sawlog production and delivery in 2016–2017 was above budgeted demand. While the demand for structural timber products remained subdued, there was a small increase in the expected demand for pine sawlogs and a short-term opportunity to increase the supply of power poles.

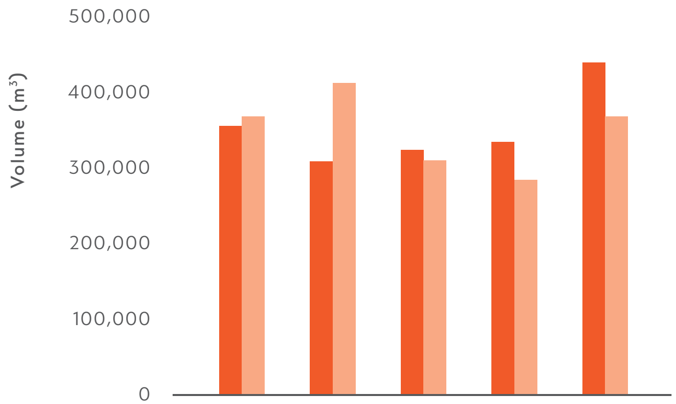
The actual supply of plantation industrial wood production was 21 per cent higher than budgeted demand, from an increase in the demand for particleboard production and export woodchips.



	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Actual supply	444,392	536,123	594,106	538,253	488,360
Budgeted demand	435,500	473,500	542,200	546,900	441,00

Year

Sawlog production



	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Actual supply	355,963	309,201	324,248	333,387	445,016
Budgeted demand	368,500	413,000	309,500	286,500	367,000

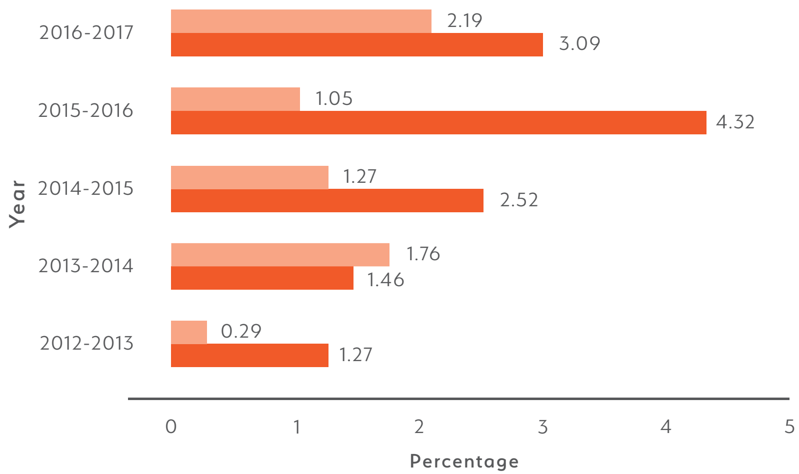
Year

Industrial wood production

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

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

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

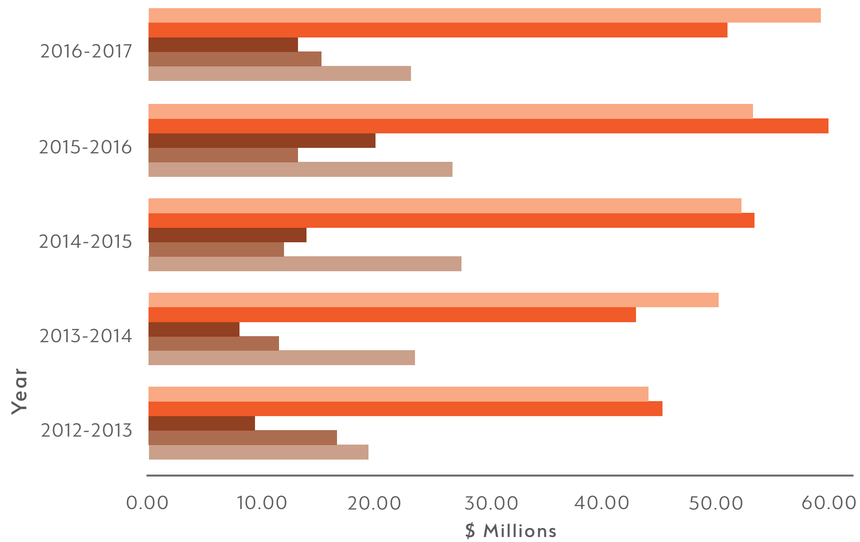


	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Target	0.29	1.76	1.27	1.05	2.19
Actual	1.27	1.46	2.52	4.32	3.09

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 2016–2017 ($51.98 million) was 9.3 per cent lower than the target ($57.30 million) and also lower than the actual from the previous year ($59.96 million).

For the year there was a 30.9 per cent decrease in sandalwood sales, a 13.6 per cent decrease in plantation sales and an increase of 14.0 per cent in South West native forest sales.



	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Target total	$44.10	$50.30	$52.30	$53.30	$57.30
Actual total	$45.34	$43.00	$53.45	$59.96	$51.98
Sandalwood	$9.37	$8.01	$13.94	$20.00	$13.83
SW native forest	$16.60	$11.50	$11.91	$13.17	$15.01
Plantations	$19.37	$23.48	$27.60	$26.78	$23.15

DISCLOSURES

Administered legislation

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

Ministerial directives

No Ministerial directives were received during the 2016-2017 reporting period.

Governance disclosures

Contracts with senior officers

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

Commissioners

The FPC governing body is a Commission of seven commissioners appointed by the Governor, on the Minister for Forestry's recommendation. The Governor appoints a Chairman and Deputy Chairman from the Commissioners. Commissioners may hold office for up to three years and are eligible to be reappointed. Individuals are nominated for a position on the Commission based on expertise and business acumen relevant to the core functions of the FPC. Profiles for the Commissioners can be found within the Annual Report's Corporate snapshot section.

Committees

Two committees of the Commission operated during the year.

The Audit and Risk Committee's role is to make recommendations to the Commission on the adequacy of internal and external audit arrangements, financial statements, financial administration policies, internal control systems, business policies and practices, compliance with laws, monitoring business risk and reporting procedures. Mr Geoffrey Totterdell chaired the Committee which includes Commissioners Mr Ewald Valom and Ms Amelia Yam.

The Sandalwood Committee was formed in 2016 to review and monitor the arrangements related to the 2016 sandalwood sales and marketing tender process and subsequent issues arising. Mr Ross Holt and Mr Grant Woodhams are members of the Committee.

Commission meetings and remuneration

The Commission formally met eight times throughout the year. Individual members of the Commission 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, Commissioners visited a variety of forestry field operations and met with key industry stakeholders.

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

			Commission		Audit & Risk Committee		Sandalwood Committee	
		Number of meetings held	8		4		2	
Name	Period of membership	Gross annual remuneration	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Mr Ross Holt (Chairman)	1/07/16 – 30/06/17	$50,000	8	8	1		2	2
Mr Ewald Valom	1/07/16 – 30/06/17	$20,850	7	8	3	4		
Mr Robert Pearce	1/07/16 – 30/06/17	$20,850	8	8	1			
Mr Geoff Totterdell	1/07/16 – 30/06/17	$20,850	7	8	4	4		
Ms Jacqueline Jarvis	1/07/16 – 30/06/17	$9,703	6	8				
Mr Grant Woodhams	1/07/16 – 30/06/17	$20,850	8	8			2	2
Ms Amelia Yam	1/07/16 – 30/06/17	$20,850	6	8	4	4		

Other legal requirements

Reportable expenditure

In accordance with section 175ZE of the *Electoral Act 1907*, the FPC incurred the following expenditure in advertising, market research, polling, direct mail and media advertising. Total expenditure for 2016–2017 was $31,545.70 (excluding GST).

Expenditure type	Description	Amount	Total
Advertising agencies		$0	$0
Market research agencies		$24,600	$24,600
Polling organisations		$0	$0
Direct mail organisations		$0	$0
Media advertising organisations			
Adcorp	Recruitment	$3,088.53	$18,034.57
	Forest operations notices	$14,946.04	
Total			**$42,634.57**

Disability Access and Inclusion Plan

Our Disability Access and Inclusion Plan (DAP) sets out a number of initiatives scheduled to be implemented over a period of time through to 2019. The Plan is reviewed annually and outcomes are monitored to ensure the initiatives are still relevant and the level of accessibility continues to be suitable.

Freedom of information

The FPC did not receive any new freedom of information request during 2016-2017

Internal control

Through the Audit and Risk Committee, the FPC oversees the financial reporting process, internal control systems, risk management, the audit process, and compliance monitoring with applicable laws and regulations.

Management has responsibility for establishing and maintaining the system of internal control supporting the achievement of our business objectives.

Compliance with public sector standards and ethical codes

The FPC complies with the Public Sector Code of Ethics through its own Code of Conduct which was reviewed in July 2016.

More than 75 per cent of staff completed the Accountable and Ethical Decision Making (AEDM) refresher training. Ninety-six per cent of staff completed their performance management review.

Our Code of Conduct draws on Public Sector Commission (PSC) guidelines and identifies the minimum standards of conduct required by all Directors of the FPC. A Corporate Governance Charter sets out the roles and responsibilities of the Commission and management 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 FPC have been appointed. Internal procedures relating to our obligations under the Act have been implemented.

There were no public interest disclosures for 2016-2017.

State Records Act 2000

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

The RKP describes how records are created, maintained, managed and disposed of in accordance with regulatory and best practice requirements, ensuring proper and adequate records are maintained.

The FPC has an online induction process for new staff and regular awareness training for existing staff. This has proved to be an effective way of ensuring staff awareness of their roles and responsibilities and their compliance with the RKP.

Government policy requirements

Workforce profile

Our workforce demographics demonstrate the work achieved within the area of equal opportunity employment.

Diversity Group	*Representation within FPC June 2017 (%)	* Public Sector Average as at March 2017 (%)
Women in Management Tier 2	20	39.4
Women in Management Tier 3	37.5	42.5
Women in Management Tier 2 & 3 combined	33.3	44.5
Aboriginal	0.6	2.7
People from culturally diverse backgrounds	10.3	12.7
People with a disability	3.8	2.0
Youth	4.1	4.4
Mature (aged 45 and over)	60.9	52.6

*The Public Sector Quarterly Entity profile for June 2017 was not available at the time this report was produced
**This data includes temporary and casual employees

Unauthorised use of credit cards

Officers of the FPC hold corporate credit cards where their functions warrant usage of this facility. Despite each cardholder being reminded of their obligations under the FPC's credit card procedure, four employees inadvertently utilised the corporate credit card for personal expenses.

These matters were not referred for disciplinary action as the Chief Finance Officer noted prompt settlement of the personal use amounts, and, that the nature of the expenditure was immaterial and characteristic of honest mistakes.

Aggregate amount	$
Personal use expenditure for the reporting period	170
Personal use expenditure settled by the due date (within 5 working days)	127
Personal use expenditure settled after the period (after 5 working days)	43
Personal use expenditure outstanding at balance date	-

STATISTICS

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 cut	Thinned
1976-77	32,320	-	1,170	2,610	-
1977–78	26,020	-	740	4,450	-
1978–79	25,540	-	530	2,710	-
1979–80	25,150	-	860	2,110	60
1980–81	22,930	-	1,440	2,080	180
1981–82	24,680	-	610	2,180	320
1982–83	23,740	-	330	990	190
1983–84	21,540	-	580	1,490	260
1984–85	20,010	-	1,440	2,360	500
1985–86	22,640	-	650	1,590	340
1986	19,340	-	1,150	1,090	490
1987	17,180	-	1,380	1,310	700
1988	23,400	-	490	1,180	840
1989	15,130	-	200	1,510	910
1990	12,960	-	100	1,560	340
1991	10,910	-	-	1,920	230
1992	13,990	-	30	1,540	310
1993	14,250	-	40	1,630	80
1994	14,050	-	50	1,440	-
1995	17,830	-	30	2,410	-

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

Year	Jarrah forest	Mixed jarrah/karri forest	Jarrah/wandoo forest	Karri forest	
				Clearfelled or partially cut	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
2016	6668*	37	0	438	667

Area of coniferous (pine) plantations as at 31 December 2016 (hectares)

Year established	Commission owned								Commission managed sharefarms		Total
	Pinus radiata				Other pine						
	1st rotation		Subsequent rotations		1st rotation		Subsequent rotations		1st rotation		
	State	Sharefarm	State	Sharefarm	State	Sharefarm	State	Sharefarm	Pinus radiata	Other pine	
Pre 1970	146	1	26	-	1,440	-	43	-	-	-	1,656
1970	25	-	-	-	41	-	19	-	-	-	85
1971	83	-	-	-	3	-	-	-	-	-	86
1972	41	-	-	-	2	-	-	-	-	-	43
1973	42	-	18	-	275	-	3	-	-	-	338
1974	220	-	-	-	3	-	0	-	-	-	224
1975	84	-	-	-	1,003	-	-	-	-	-	1,087
1976	88	-	4	-	517	-	1	-	-	-	609
1977	3	-	30	-	633	-	-	-	-	-	666
1978	25	-	-	-	125	-	-	-	-	-	150
1979	43	-	2	-	-	-	-	-	-	-	45
1980	2	-	-	-	613	-	-	-	-	-	615
1981	368	-	41	-	490	-	-	-	-	-	898
1982	660	-	7	-	431	-	4	-	-	-	1,102
1983	726	-	198	-	481	-	86	-	-	-	1,491
1984	1,474	-	3	-	478	-	9	-	-	-	1,963
1985	1,345	14	1	-	413	-	2	-	-	-	1,775
1986	868	102	-	-	286	-	-	-	-	-	1,257
1987	478	579	123	-	18	-	0	-	-	-	1,197
1988	408	1,046	88	-	-	-	-	-	-	-	1,542
1989	538	350	345	23	21	-	22	-	-	-	1,298
1990	231	593	233	-	-	-	16	-	-	-	1,072
1991	58	901	462	31	-	-	21	-	-	-	1,473
1992	9	1,576	477	-	-	-	32	-	-	-	2,093

Area of coniferous (pine) plantations as at 31 December 2016 (hectares)

Year established	Commission owned								Commission managed sharefarms		Total
	Pinus radiata				Other pine						
	1st rotation		Subsequent rotations		1st rotation		Subsequent rotations		1st rotation		
	State	Sharefarm	State	Sharefarm	State	Sharefarm	State	Sharefarm	Pinus radiata	Other pine	
1993	8	602	1,013	-	133	5	127	-	-	-	1,889
1994	144	406	425	-	17	-	114	-	-	-	1,106
1995	56	95	895	-	7	265	78	-	-	-	1,397
1996	35	9	1,028	-	108	410	13	-	-	-	1,603
1997	64	1	902	6	-	1,162	-	-	-	-	2,134
1998	14	82	24	-	-	1,450	4	-	-	288	1,861
1999	15	211	722	-	-	1,796	191	39	14	445	3,433
2000	-	191	874	-	27	3,688	4	-	5	277	5,065
2001	-	1	793	-	-	2,710	-	-	1	327	3,832
2002	43	69	487	-	3	600	-	-	-	211	1,412
2003	-	200	851	-	0	831	61	-	-	304	2,247
2004	106	-	1,018	-	437	519	118	-	-	131	2,328
2005	12	35	1,185	-	120	404	83	-	-	239	2,077
2006	8	55	1,471	-	49	1,410	-	-	-	97	3,090
2007	52	-	1,395	-	-	2,491	49	-	-	242	4,230
2008	2	538	1,339	9	0	1,224	-	-	-	14	3,126
2009	2	34	1,710	9	-	459	-	-	-	-	2,215
2010	-	-	411	66	-	5	3	-	-	-	485
2011	-	-	1,833	-	-	5	-	-	-	-	1,838
2012	-	-	1,690	-	-	-	-	-	-	-	1,690
2013	10	20	1,666	-	-	-	60	-	-	-	1,756
2014	232	-	1,197	-	28	-	674	-	-	-	2,132
2015	119	17	1,279	293	37	-	657	-	-	-	2,401
2016	56	419	1,808	57	-	-	37	-	-	-	2,377
Grand Total	**8,944**	**8,145**	**28,071**	**494**	**8,240**	**19,436**	**2,530**	**39**	**20**	**2,575**	**78,493**

Area of broadleaved (Eucalypt / Corymbia) plantations as at 31 December 2016 (hectares)

Year established	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	12		1	**18**
1993		15	6		**21**
1994			2		**2**
1995	3		1		**4**
1996		4	6	3	**13**
1997	110	26	1	15	**152**
1998	410	0	2	8	**419**
1999		1	9	1	**11**
2000		1	13	2	**16**
2001		1		32	**32**
2002		27	21	216	**264**
2003		26	26	241	**294**
2004		17	138	423	**578**
2005	1		36	190	**226**
2006			6	622	**628**
2007	3		18	1,025	**1,046**
2008	1	7	0	624	**633**
2009		10	4	6,353	**6,367**
2010	1		0	76	**76**
2011				22	**22**
2012				98	**98**
2013				11	**11**
2014				1	**1**
Grand total	**561**	**148**	**6,782**	**9,963**	**17,454**

Area of sandalwood (Spicatum / Album) plantations as at 31 December 2016 (hectares)

Year established	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		59.9	20.9	80.8
2004	39.2	115.3	1.5	156.0
2005	38.9	173.3		212.2
2006	21.4	496.4	1.0	518.8
2007	46.7	1,507.2		1,553.9
2008	0.6	2,513.5		2,514.1
2009	0.7	638.2		638.9
2011	2.1			2.1
2012			10.8	10.8
2013	4.4	0.7		5.1
2014			1.8	1.8
Grand total	**154.2**	**5,671.7**	**54.7**	**5,880.6**

Log production from Crown land and private property in 2016–17

Product type	Crown land		Private property		Total	
	m^3	tonnes	m^3	tonnes	m^3	tonnes
Sawlog timber						
Native forest sawlogs						
Jarrah *	126,562	164,530	-	-	126,562	164,530
Karri *	61,000	75,640	-	-	61,000	75,640
Marri	2,363	2,930	-	-	2,363	2,930
Blackbutt	1,396	1,732	-	-	1,396	1,732
Wandoo	34	42	-	-	34	42
Sheoak	125	125	-	-	125	125
Other	1	2	-	-	1	2
Total native forest sawlogs	191,481	245,001	-	-	191,481	245,001
Plantation hardwood sawlogs						
Yellow stringybark	1,062	1,317	-	-	1,062	1,317
Brown Mallet	-	-	-	-	-	-
Sub-total plantation hardwood sawlogs	1,062	1,317	-	-	1,062	1,317
Plantation softwood sawlogs and veneer logs						
Pinaster	133,427	133,427	-	-	133,427	133,427
Radiata	333,761	333,761	1,593	1,593	335,354	335,354
Sub-total plantation softwood sawlogs and veneer logs	467,188	467,188	1,593	1,593	468,781	468,781
Total sawlogs	659,731	713,506	1,593	1,593	661,324	715,099

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

Product type	Crown land		Private property		Total	
	m^3	tonnes	m^3	tonnes	m^3	tonnes
Other log material						
Native forests						
Chiplogs	112,889	136,089	-	-	112,889	136,089
Firewood/charcoal logs	164,291	194,314	-	-	164,291	194,314
Sandalwood	1,790	1,790	-	-	1,790	1,790
Other **	5,200	6,744	-	-	5,200	6,744
Sub-total native forest other	284,170	338,937	-	-	284,170	338,937
Plantation hardwood						
Chiplogs***	2,862	3,348	-	-	2,862	3,348
Firewood/charcoal logs	390	390	-	-	390	390
Other **	-	-	-	-	-	-
Sub-total plantation hardwood other	3,252	3,738	0	0	3,252	3,738
Plantation softwood other						
Industrial wood	354,644	357,630	1,946	1,946	356,590	359,576
Woodchips	71,761	71,761	-	-	71,761	71,761
Other	6,088	6,088	-	-	6,088	6,088
Pine rounds	13,783	13,783	-	-	13,783	13,783
Sub-total plantation softwood other	446,276	449,262	1,946	1,946	448,222	451,208
Total other material	733,698	791,937	1,946	1,946	735,644	793,883
Total log timber	1,393,429	1,505,443	3,539	3,539	1,396,968	1,508,982

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 2016–17

Species	Jarrah	Karri	Marri	Total
Cubic metres (m^3)				
High grade feature	310	-	-	310
General purpose log	9,309	-	-	9,309
Bole sawlog	86,392	-	-	86,392
Veneer log	23	5,046	-	5,069
Whole bole log	3,508	-	-	3,508
1st grade sawlog	-	40,604	-	40,604
2nd grade sawlog	-	4,744	-	4,744
Total	**99,542**	**50,542**	**-**	**149,936**

Native forest other bole volume

Species	Jarrah	Karri	Marri	Total
Cubic metres (m^3)				
Burl	34	-	-	34
Low grade feature	443	-	40	483
Dry charcoal	31,885	-	-	31,885
Residue bole	4,200	-	15,040	19,240
Debarked bole residue	21,550	-	-	21,550
Residue peeler	919	-	-	919
Timber product residue	49,765	-	-	49,765
Craftwood	11	-	-	11
Other bole volume on bole sawlog	13,705	-	-	13,705
Fuelwood	77,258	-	-	77,258
Chip log	-	98,085	-	98,085
3rd grade sawlog	-	3,117	-	3,117
Other bole volume attached on LVL logs	-	7,570	-	7,570
Sawlog	-	-	2,323	2,323
Total	**199,770**	**108,772**	**17,403**	**325,945**

Sandalwood production by the Commission from Crown land

Product type	2014–15	2015–16	2016–17
	tonnes	tonnes	tonnes
Green butts, branches and logs [1]	1,067	923	788
Roots green	201	225	220
Green twigs [2]	61	36	39
Dead	625	707	743
Total	**1,954**	**1,891**	**1,790**

1 previously defined as Green 1st and 2nd grade

2 previously defined as Green 3rd grade

Glossary

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

Other key legislation

In the performance of our functions we comply with the following written laws:

- *Aboriginal Heritage Act 1972*
- *Aerial Spraying Control Act 1966*
- *Agriculture and Related Resources Protection Act 1976*
- *Agriculture and Related Resources Protection (European House Borer) Regulations 2006*
- *Auditor General Act 2006*
- *Biodiversity Conservation Act 2016*
- *Biosecurity and Agriculture Management Act 2007*
- *Bunbury Treefarm Project Agreement Act 1995*
- *Bush Fires Act 1954*
- *Collie Hardwood Plantation Agreement Act 1995*
- *Conservation and Land Management Act 1984*
- *Contaminated Sites Act 2003*
- *Control of Vehicles (Off-Road Areas) Act 1978*
- *Corruption and Crime Commission Act 2003*
- *Disability Services Act 1993*
- *Dangerous Goods Safety Act 2004*
- *Dardanup Pine Log Sawmill Act 1992*
- *Environment Protection and Biodiversity Conservation Act 1999**
- *Environmental Protection Act 1986*
- *Equal Opportunity Act 1984*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *Industrial Relations Act 1979*
- *Illegal Logging Prohibition Act 2012 **
- *Land Administration Act 1997*
- *Minimum Conditions of Employment Act 1993*
- *Occupational Safety and Health Act 1984*
- *Public Interest Disclosure 2003*
- *Public Sector Management Act 1994*
- *Road Traffic (Vehicles) Act 2012*
- *Sandalwood Act 1929*
- *Silicon (Kemerton) Agreement Act 1987*
- *State Records Act 2000*
- *State Superannuation Act 2000*
- *State Supply Commission Act 1991*
- *Statutory Corporations (Liability of Directors) Act 1996*
- *Tree Plantation Agreements Act 2003*
- *Wildlife Conservation Act 1950*
- *Wood Processing (Wesbeam) Agreement Act 2002*
- *Wood Processing (WESFI) Agreement Act 2000*
- *Workers' Compensation and Injury Management Act 1981*

* Commonwealth legislation

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