



Forest Products Commission Annual Report 2018-2019



Statement of compliance



Hon. Dave Kelly MLA

Minister for Forestry

Statement of compliance

For year ended 30 June 2019

In accordance with section 63 of the *Financial Management Act 2006*, we hereby submit for your information and presentation to Parliament, the Annual Report of the Forest Products Commission for the reporting period ended 30 June 2019.

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

Mr Ross Holt

Chairman

11 September 2019

Mr Stuart West

General Manager

11 September 2019

ISSN 1838-5362 (print)

ISSN 1838-5370 (online)

ISBN 978-0-6485318-0-7 (print)

ISBN 978-0-6485318-1-4 (online)

September 2019

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Cover: Aboriginal planters were engaged to hand-seed sandalwood as part of our regeneration activities in the Rangelands.

Photo credit: Rachel Clarke.

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Who we are

Sustainable forest management provides healthy forests for future generations and the timber products we use every day.



Financial highlights

Our annual turnover was \$116 million. We operated at a profit, paid a dividend to the State Government and invested in plantation expansion, innovation, jobs and communities.

Our investment in community

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

\$117 million

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

\$10 million

invested in the expansion of the softwood estate

\$0.8 million

for sandalwood regeneration

\$0.7 million

for South West native forest regeneration

More than
\$70 million

in contracts awarded, including 17 sale and 95 service contracts

\$30 thousand

awarded to community groups through the FPC Community Support Program

\$86 thousand

awarded to community-focused organisations through the FPC Sponsorship Program

Chair's report



Forestry plays a vital role in contributing to the well-being of the Western Australian people and we remain committed to greater engagement with Aboriginal communities, addressing the forestry industry's challenges, and maintaining a safe, strong and vibrant industry.

The development of the Djarlma Plan aims to set the strategic direction for the future of the forestry industry by integrating traditional with scientific knowledge. This will allow the industry to meet contemporary market needs and maximise its social, economic and environmental contribution to the State. The Plan also recognises that improving how these benefits are communicated to the broader community will support investment in the forestry industry.

We continued to reinvest in native forest and sandalwood regeneration, plantation expansion and innovation, to ensure the resource harvested from our forests is sustainably sourced. Western Australia's forests are a renewable resource and sustainable management will ensure our forests are maintained to support future industry and community needs.

We expanded Western Australia's softwood estate with more than 1,600 hectares of additional land established, and 180 hectares expected to be established in winter 2019 through Forest Products Commission (FPC) Farm Forestry Assist grants awarded to landowners choosing to grow pine.

This is part of an ambitious softwood expansion strategy to grow the estate and provide enhanced resource certainty in the softwood sector.

The FPC has also committed to working with the Forest Industries Federation WA (FIFWA) to urgently improve the industry's safety performance.

I wish to thank Mr Geoffrey Totterdell, who left after nearly six years with the Commission, for his valuable contribution as Deputy Chair. I'd also like to thank my fellow commissioners for their support throughout the year.

I am proud of the continued dedication of FPC staff, particularly their commitment to safety, both in everyday work activities and in our broader role in the forestry industry.

Mr Ross Holt
Chair
11 September 2019

General Manager's report



An increased focus on engaging with stakeholders and sharing the benefits of forestry has supported the growth of the FPC as a dynamic business.

This year, the Western Australian Regional Forest Agreement (WA RFA) was extended for 20 years. The extension includes five-yearly reviews to provide ongoing confidence to the community through the monitoring of forest management practices. It will support stability for Western Australia's \$1.4 billion forest and forest products industry and the more than 6,000 people employed through forestry in Western Australia.

We launched our first Reflect Reconciliation Action Plan, confirming our commitment to reconciliation and furthering relationships with Aboriginal peoples. Four enthusiastic trainees were appointed under our Aboriginal traineeship program in both field and office-based roles across the business, with the aim of nurturing a new generation of Aboriginal foresters and forestry industry professionals.

Our Community Support Program was expanded this year to award 20 community groups with grants which will help them improve their local communities and ensure that all West Australians can experience the benefits of forestry and healthy forests.

We invested \$1.5 million in sandalwood and native forest regeneration, expanded our Operation Woylie sandalwood seeding program, and increased the area of regenerated karri forest. We continued our commitment to expanding Western Australia's softwood estate, with \$4.3 million invested in land acquisition for planting in 2019-2020, and we continue to work with industry to encourage broader investment in the plantation industry additional to FPC funds.

Fire mitigation continued to be a focus through strengthening existing fire mitigation techniques and the exploration of new strategies to better manage fire risk during our operations. Salvage operations were able to recover around 74,000 tonnes of fire-affected softwood for local industry. It is crucial that we continue to learn from fire events and look at ways to increase the security of this renewable resource.

I want to thank our dedicated staff, particularly those involved in fire-fighting and fire-salvage efforts this year. It is encouraging to see so many of our staff taking on new challenges and roles while embracing an increased focus on engagement.

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

Mr Stuart West
General Manager
11 September 2019



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.

All our operations are undertaken in accordance with the **Forest Management Plan 2014-2023** (FMP), which is prepared by the Conservation and Parks Commission (CPC) and the Department of Biodiversity, Conservation and Attractions (DBCA). This plan protects all old-growth forest and balances the complex values of our forests, including biodiversity and healthy ecosystems, soil and water resources, and social, cultural and economic benefits.

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

During 2018-2019, we reported to the Minister for Forestry, the Hon. Dave Kelly MLA.

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

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

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

We comply with all other relevant legislation.

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 from all FPC forests..

Our values

- Nurture our people and their safety
- Respect our environment, heritage and each other
- Deliver outstanding results and superior service

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

Our organisational structure

Minister for Forestry
Hon. Dave Kelly MLA

Commission Chair
Ross Holt

General Manager
Stuart West

Director Operations
Gavin Butcher

Director New Business and Innovation
John Tredinnick

Director Finance
Antonio De Nobrega

Director Business Services
Andrew Lyon

Commissioners



Back row (left to right): Louise Duxbury, Robert Pearce, Nick Bayes, Vanessa Elliott. Front row (left to right): Jacqueline Jarvis, Ross Holt, Amelia Yam. Not pictured: Geoffrey Totterdell.

MR ROSS HOLT B.Econs (Hons)
CHAIR
Appointed November 2015.

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

MS AMELIA YAM B.Com CA GAICD
DEPUTY CHAIR
Appointed November 2016.
Appointed Deputy Chair September 2018.

Amelia has more than 30 years' experience in finance and corporate services, having held senior leadership positions in electricity, health, insurance, education and professional services sectors. In addition, she has held non-executive director positions in the health and aged care sectors. She is currently consulting in transformation and business improvement and also provides CFO support and on-demand services.

MS VANESSA ELLIOTT
COMMISSIONER
Appointed November 2017.

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

MS JACQUELINE JARVIS
COMMISSIONER
Appointed November 2018.

Jacqueline had a 20-year career in the finance sector, prior to leading agribusiness workforce development projects with the CCI WA and the Grain Industry Association of WA. She was a Policy Advisor to the Minister for Agriculture and as CEO of the Rural, Regional, Remote Women's Network of WA. She is Manger of Agribusiness Development in the Department of Primary Industries and Regional Development. Her board experience includes serving as Chair of Regional Development Australia South West, and on the boards of the Australian Landcare Council, the WA Planning Commission (South West Committee), and the South West Development Commission. She and her husband operate a commercial vineyard and winery in Margaret River.

MR NICK BAYES
COMMISSIONER
Appointed November 2017.

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

DR LOUISE DUXBURY
COMMISSIONER
Appointed November 2017.

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

MR ROBERT PEARCE
COMMISSIONER
Appointed November 2012.

Robert 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
B.COM FCPA
DEPUTY CHAIR
November 2013 to July 2018.
Appointed Deputy Chair October 2017.

Geoffrey 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, Rottneest Island Authority for three years, and the Peel Development Commission, and as a member of the Regional Development Council for three years. Geoffrey was also Chair of the Community Reference Group for the replacement of the Mandurah Traffic Bridge.

Executive team



Back row (left to right): Andrew Lyon, Antonio De Nobrega. Front row (left to right): John Tredinnick, Stuart West, Gavin Butcher.

MR STUART WEST BSc For, Fellow
Governor's Leadership Foundation (2003),
Fellow Gottstein Trust (2001)
GENERAL MANAGER

Stuart has an extensive background in the Australian forestry industry spanning almost 30 years, holding executive responsibilities for the past 17 years. Stuart has detailed experience working in government-owned forestry businesses and with Australia's major 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
BSc For
DIRECTOR OPERATIONS

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

MR JOHN TREDINNICK
BSc For MSc
DIRECTOR NEW BUSINESS AND
INNOVATION

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

MR ANTONIO DE NOBREGA
Hon, BCompt; MBA (UK); CA (ANZ)
DIRECTOR FINANCE

With more than 30 years' working in Australia and internationally, predominantly in manufacturing in the not-for profit and auditing sectors, Tony brings extensive experience in corporate services, strategic planning, risk management, financial management, tax, and auditing to the Director Finance role. Prior to joining the FPC in 2018, Tony was Chief Financial Officer for various mints around the world and a financial consultant at Brightwater Care Group Inc.

MR ANDREW LYON
BSc Env Mgt; MBA
DIRECTOR BUSINESS SERVICES

Andrew joined the FPC in 2008 and has been the Director Business Services since November 2018. Andrew has enjoyed an international forestry career and was a Research Fellow at Edinburgh Napier University specialising in timber quality research. Andrew has extensive experience in the forest sector, incorporating strategic management, science and research management. He is passionate about sustainable forest management policy and is an adjunct lecturer in silviculture at Edith Cowan University.



Right: We invested \$1.5 million in sandalwood and native forest regeneration this year.



Our performance

Strategic goals guide each operation to help ensure we provide healthy forests, facilitate a vibrant forestry industry and effective delivery of business outcomes. Photo credit: Energy Images



Performance management framework

To help evaluate our contribution to the State, our *Statement of Corporate Intent 2018-19* (SCI) links the State Government goals to our strategic goals and the relevant key performance indicators.

State Government goals

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

- 2: Strong communities**
Safe communities and supported families

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

- 4: Sustainable finances**
Responsible financial management and better service delivery

Our strategic goals

- G1: Deliver healthy forests for future generations**

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

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

Key performance indicators

- Quantity of native forest hardwood log timber harvested compared to the FMP sustainable levels and targets
- Harvest of sandalwood does not exceed Order in Council
- Effectiveness of forest regeneration (karri, jarrah and sandalwood)
- The achievement of thinning schedules (karri, softwood plantations and sandalwood plantations)
- All aspects of road construction within guidelines
- All operations commence with required approvals
- Independent certification maintained

- Area of softwood plantation established against target
- Expansion of the plantation estate
- Increase in low-value resource delivered to and processed by local markets
- Planned firebreak activities achieved
- Timeliness of response to stakeholder concerns or complaints
- All high-value sawlog resource processed locally
- Timeliness of initial response to Ministerial requests and Parliamentary Questions

- Operating profit
- Costs per dollar of revenue generated
- Log delivery consistent with contractual obligations
- Green sandalwood roots as a percentage of green sandalwood harvested

SCI priority initiatives 2018-2019 scorecard

The SCI sets our priority initiatives for the financial year.

Goal	Initiative	Page
G1:	Certification for sandalwood	13
	Regenerate fire-damaged areas of karri and jarrah in collaboration with the Department of Biodiversity, Conservation and Attractions	14
	Promote pine plantations' potential to play a key role in the Recovery Plans for black cockatoos	15
	Ensure Department of Fire and Emergency Service's Bushfire Risk Management Process captures plantation assets	17
	Reduce the threat to FPC's pine plantations through an active program of fuel hazard reduction	18
	Deliver extension to Regional Forest Agreement with the Commonwealth Government	19
	Increase area of jarrah forest harvested for regeneration release	19
G2:	Determine viability of an Integrated Timber Processing Yard to deliver industry and community benefits to regional Western Australia, and commence implementation if feasible	23
	Develop and commence implementation of Wood Encouragement Policy	23
	Deliver on private sector investment in softwood plantation expansion	25
	Establish trials for pine cuttings program for rapid genetic deployment	25
	Develop farm forestry strategy	26
	Promote collaboration on marketing, research and local processing opportunities in the sandalwood plantation sector	27
	Promote multiple-use activities associated with FPC forest operations	31
G3:	Focus on staff professional development	34
	Focus on Aboriginal traineeship and employment opportunities	35
	New technologies support log value optimisation	37
	Remote sensing technology implemented to improve efficiency and accuracy of harvest planning	37
	Identify broader national and international industry on common research and innovation trends	37
	Develop whole-of-industry incident assessment and safety reporting	39



G1: Deliver healthy forests for future generations.

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

Sustainable forest management

Regeneration of native forests

Less than one per cent of Western Australia's total forest area is available for harvest each year. We regenerate the forest after every harvesting operation to ensure healthy forests are available for future generations to enjoy.

During winter 2018, 285 hectares of karri forest were successfully regenerated following harvest. This included all areas harvested and requiring regeneration, and karri regrowth forest burnt in the 2015 Northcliffe fires.

Post-harvest regeneration burning was undertaken on 2,105 hectares of harvested jarrah forest in 2018.

Sandalwood regeneration remained a focus this year. We continued to undertake sandalwood regeneration trials aimed at improving regeneration in northern rainfall zones.

An expansion to our Operation Woylie program, which uses a mechanical seeder to mimic the role of the native woylie, enabled more than 1,400 kilometres of rip-lines to be seeded in the Rangelands.

We continued to complement this with hand-seeding in areas less accessible to the mechanical seeder. Aboriginal planters engaged through the Goldfields Land and Sea Council hand-seeded 670 kilograms of sandalwood seed in the Rangelands.

Sandalwood seeds were also sown on unallocated Crown land for conservation purposes to maintain a healthy sandalwood population.



AFS CERTIFICATION FOR SANDALWOOD

The FPC is seeking additional certification for its sandalwood operations.

Currently our sandalwood operations are certified under the International standard ISO 14001:2015 (Environmental Management System), however the FPC is in the process of investigating further independent verification of legal sources through the Programme for the Endorsement of Forest Certification® (PEFC®) Chain of Custody of Forest Based Products (PEFC ST 2002:2013).

Left: We are seeking additional certification for our sandalwood operations. Photo credit: Rachel Clarke.

REGENERATE FIRE-DAMAGED AREAS OF KARRI AND JARRAH IN COLLABORATION WITH THE DEPARTMENT OF BIODIVERSITY, CONSERVATION AND ATTRACTIONS

We regenerate karri and jarrah regrowth in State forest destroyed by fire to ensure these areas are returned to healthy, productive forests.

We collaborated with DBCA to regenerate 160 hectares of fire-damaged karri forest in Northcliffe during winter 2018. We continued to salvage fire-damaged wood for use in renewable energy markets, which will allow us to regenerate a further 290 hectares of karri in 2019.

About 2,080 tonnes of jarrah bole log damaged in the 2015 Yarloop fire were salvaged in preparation for regeneration activities. Regeneration of this area will occur in winter 2020 to allow for more efficient site preparation operations.

Right: Our native forest regeneration activities are guided by natural processes.



Fauna monitoring in the karri forest

We continued to survey karri forest harvest coupes, for the presence of fauna and introduced feral animals, using cameras and indirect survey techniques.

This program identified 21 different fauna species across six proposed harvest coupes. The program demonstrated that threatened species were using regenerated karri forest within 10 years of harvesting.

Feral animals were identified in five of the six proposed harvest coupes, including the presence of red deer in one. This is the first time red deer have been recorded in FPC fauna survey work.

Baseline monitoring of an Eradicat trial in southern karri forests continued to record populations of feral cats and foxes. Baiting will occur following a larger Eradicat trial in jarrah forest so that learnings can be incorporated into the trial design where relevant.

Opposite page

Top right: Red deer were recorded for the first time in FPC fauna survey work.

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



PROMOTE PINE PLANTATIONS' POTENTIAL TO PLAY A KEY ROLE IN THE RECOVERY PLANS FOR BLACK COCKATOOS

We continued to work collaboratively with the Department of Water and Environmental Regulation (DWER) and DBCA to ensure that the post-pine management of the Gnangara, Pinjar and Yanchep plantations optimises groundwater recharge and food supply for the Carnaby's cockatoo.

A study commissioned in 2017-2018 to help determine viable food sources for the Carnaby's cockatoo was completed. Researchers from Murdoch University used GPS and satellite tracking to identify the flight movements of several Carnaby's cockatoos across the Perth and Peel regions.

Through the birds' flight patterns and daily distances covered, the research showed that vegetation patches and water sources need to be within certain distances from roost sites or from each other. The research will help identify suitable areas for rehabilitation and conservation within the Perth and Peel regions, particularly throughout the urban landscape.

Left: Research into the flight movements of Carnaby's cockatoos will help identify suitable areas for rehabilitation and conservation. Photo credit: Brad Barr.

Fire

Fire protection has continued to be a priority, with the expansion of our fleet of fire suppression vehicles and increased fire response training for staff.

The Balingup-Nannup wildfire in March 2019 highlighted the importance of continuing our focus on strengthening fire mitigation strategies.

New strategies, such as tactical deployment of suppression resources on days of elevated fire danger and adopting alternative plantation designs, are being explored. The FPC is committed to meaningful and constructive engagement with our stakeholders, and relevant stakeholders and neighbours will be consulted on any potential changes to plantation design.

We also purchased an additional heavy-duty, 3,400-litre fire truck to build internal capacity to contribute to our effective response to fires threatening FPC freehold estate and sharefarm plantations in the South West region, while also increasing our ability to assist with joint agency emergency response efforts where required.

A full-time Fire Protection Manager was appointed to assist with developing fire management policy and procedures, manage working arrangements with DBCA, and liaise with local government and the Department of Fire and Emergency Services (DFES) on fire management issues.

More than one quarter of our permanent and fixed term employees participated in joint agency emergency response arrangements. Our staff fulfil key operational and support roles in bushfire incident management structures and provide an important contribution to the protection of life and property.

Right: The purchase of an additional heavy-duty, 3,400-litre fire truck has increased our capacity to contribute to effective bushfire response in the South West.





ENSURE DEPARTMENT OF FIRE AND EMERGENCY SERVICE'S BUSHFIRE RISK MANAGEMENT PROCESS CAPTURES PLANTATION ASSETS

A dedicated Fire Protection Manager was appointed this year to ensure our plantation assets are included in bushfire risk management planning.

We continued discussions with bushfire mitigation officers from DFES and local governments across the South West, as more Bushfire Risk Mitigation Plans are developed to communicate the value of Western Australia's plantations and the importance of protecting them.

Far left: The Balingup-Nannup wildfire burnt through more than 1,700 hectares of pine plantation estate. Photo credit: DBCA

Left: Our Stakeholder Engagement Strategy guided our work with stakeholders following the Balingup-Nannup fire.

REDUCE THE THREAT TO FPC'S PINE PLANTATIONS THROUGH AN ACTIVE PROGRAM OF FUEL HAZARD REDUCTION

As part of measures to mitigate fire risk to our pine plantations, we worked with DBCA to complete approximately 6,000 hectares of fuel reduction burning in the South West during 2018-2019.

A new metric was developed to streamline the process of identifying the FPC's highest value plantations and report on the age of fuel in areas surrounding those plantations. The information from this report was used to direct DBCA's fuel reduction burning effort towards the protection of those plantations with the highest value. This metric has made a significant improvement in how we coordinate fuel reduction burns.

Right: The Balingup-Nannup wildfire in March 2019 highlighted the importance of continuing our focus on strengthening fire mitigation strategies.
Photo credit: Energy Images.



Forest Management Plan

The CPC released its mid-term performance review of their *Forest Management Plan 2014-2023* (FMP), which took into account submissions received during a six-week public comment period.

The FMP, prepared by the CPC, is Western Australia's key framework for managing South West forests on public land.

The mid-term performance review assessed the implementation of the FMP's management activities developed to achieve ecologically sustainable forest management outcomes for forests in the South West.

It found the vast majority of the FPC's performance targets were achieved or largely met.

The management activities undertaken by DBCA and the FPC were acknowledged for achieving this result despite challenging climatic and economic conditions over the first five years of this FMP.

The FPC will be working with DBCA to address the recommendations provided by the review.

The review can be downloaded from the [Conservation and Parks Commission website](#).

Right: Western Australia's State forests are sustainably managed under the *Forest Management Plan 2014-23*.



DELIVER EXTENSION TO REGIONAL FOREST AGREEMENT WITH THE COMMONWEALTH GOVERNMENT

This year, the Australian and Western Australian governments agreed to a 20-year rolling extension of the Regional Forest Agreement for the South West region of Western Australia (WA RFA).

The WA RFA provides for the sustainable management of the State's multi-use forests and plantations, and for a long-term sustainable native forestry industry.

It recognises that the State's forest management system and processes are based on the principles of ecologically sustainable forest management, and are sufficiently robust to ensure the environmental values of Western Australian forests are protected for future generations.

We worked closely with DBCA and the Australian Government's Department of Agriculture and Water Resources to develop a variation to the existing WA RFA, which addresses recommended improvements to communication and reporting, and ensures ongoing improvements to the forest management system.

Going forward, the FPC will assist with the required five-yearly progress reporting on the performance of the agreement, ensuring the WA RFA remains a strong and effective framework.

INCREASE AREA OF JARRAH FOREST HARVESTED FOR REGENERATION RELEASE

Every tree in a forest competes for sunlight, water and nutrients, and selective harvesting for regeneration release creates better conditions for jarrah seedlings to develop.

Increased demand for residue products this year enabled 190 hectares of jarrah forest to be treated for regeneration release without the need to apply non-commercial treatments post-harvest. This harvest provides for commercial removal of low-value products by removing more of the forest canopy and increasing access to sunlight, allowing the established jarrah lignotubers on the ground to grow.

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

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

Western Australia's forest products

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

SOFTWOOD

Products:

- sawn timber
- engineered timber
- particle board



- 4,807 hectares of softwood plantation harvested
- 74,418 hectares total estate

NATIVE HARDWOOD

Products:

- furniture and joinery timber
- structural
- flooring and decking
- cladding
- residue for silicon and energy
- pulp and paper



- 7,658 hectares harvested
- 853,970 hectares total accessible area

SANDALWOOD

Products:

- oil for perfume
- logs for carving and jewellery
- powder for incense



- 8,129 hectares harvested spread across
- 14,222,000 hectares of the lands available to harvest with the FPC's primary wild sandalwood supply area*

*A new standardised and repeatable method for calculating sandalwood harvest area has been developed to remove bias from this statistic. This method has presented a reduction in the expected area compared to previous years, however the new method for calculation will remain consistent in subsequent years.

Right: Wild Western Australian sandalwood is highly sought-after for use in cosmetic, pharmaceutical and therapeutic products.



Djarlma Plan

The strategic direction for the future of the Western Australian forestry industry has been set out in a plan released by the Minister for Forestry, the Hon. Dave Kelly MLA, in July 2019.

The *Djarlma Plan for the Western Australian Forestry Industry* was developed under the guidance of an independent panel, and with extensive industry and community consultation.

The Plan is a framework for action from 2019 to 2030 to achieve long-term regional economic security and employment, and to provide social and environmental benefits for Western Australia.

The name of the Plan was inspired by the Noongar concept of Djarlma that reflects the interconnected relationship of people, forests and woodlands.

It encourages collaboration between government and the private sector, and is supported by the first of a series of implementation plans.

The Djarlma Plan can be downloaded from the **Forest Products Commission** website.

Right: The forestry industry supports the employment of more than 6,000 people in Western Australia.
Photo credit: Brad Barr.





DETERMINE VIABILITY OF AN INTEGRATED TIMBER PROCESSING YARD TO DELIVER INDUSTRY AND COMMUNITY BENEFITS TO REGIONAL WESTERN AUSTRALIA, AND COMMENCE IMPLEMENTATION IF FEASIBLE

This year, we have continued working towards the transformation of the native forestry industry to a higher-value, sustainable sector by continuing feasibility studies into the establishment of an Integrated Timber Processing Yard (ITPY).

We have collaborated with industry to investigate suitable sites, infrastructure requirements, funding, and resource availability.

The purpose of the ITPY is to improve the utilisation of forest resources, and support the transformation of the native forestry industry, through the development of new primary processing industries and more efficient supply chains.

We have also focused on developing new secondary processing opportunities, such as engineered wood products, to support further value-adding. A Request for Proposals was aimed at attracting new processing industries for log billets produced from lower-grade logs. The Request identified strong interest in the production of veneers and the FPC is working closely with potential investors.

DEVELOP AND COMMENCE IMPLEMENTATION OF WOOD ENCOURAGEMENT POLICY

The Wood Encouragement Policy for Western Australia (WEP) was developed to increase the use of responsibly sourced wood in building and construction in Western Australia.

By encouraging the use of responsibly sourced wood in procurement, the policy aims to achieve multiple employment, community and climate change mitigation objectives.

The policy targets State Government procurement, particularly agencies undertaking construction or infrastructure projects such as office and public transport buildings, housing and schools, but is also available for local governments and private companies to adopt.

The policy was released by the Minister for Forestry, the Hon. Dave Kelly MLA, in July 2019 and can be downloaded from the **Forest Products Commission** website.

Left: Choosing wood supports the ongoing harvest and regeneration cycle, allowing for the continued removal of carbon from the atmosphere while providing environmentally-friendly products.

Softwood plantations

Expanding the softwood estate and salvaging fire-damaged resource to ensure supply for industry has remained a focus this year.

In 2018-2019, we achieved the acquisition of 520 hectares of plantable land for softwood plantation expansion. There were difficulties obtaining new land, with competing need for land from both the timber and agricultural industries. We also continued to work with industry to encourage broader investment in expanding the softwood estate.

Interest was strong in our Farm Forestry Assist grants program, which aims to encourage private investment in Western Australia's softwood estate. We negotiated agreements with five landowners, representing 180 hectares of new plantation in the South West, which we expect will be established in winter 2019.

The Balingup-Nannup wildfire burnt through 1,765 hectares of pine trees. Our harvesting operations recovered approximately 80,000 tonnes of fire-damaged wood for local industry prior to winter, with the aim to recover a total of 390,000 tonnes over the next few years.

We continued to engage with the softwood industry this year, contributing to a nationwide domestic market strategy for pine sawlog, and participating in a South West softwood industry hub to regularly review production output and customer requirements.

The softwood residue market was expanded through the establishment of a panel of buyers in the South West. This will increase the use of plantation resources, reduce site establishment costs for future harvest rotations, and allow us to undertake commercial thinning for plantation health.

Right: Planters use a tool known as a pottiputki to plant seedlings by hand.





DELIVER ON PRIVATE SECTOR INVESTMENT IN SOFTWOOD PLANTATION EXPANSION

We have worked collaboratively with industry to expand the softwood plantation estate.

Wespine Industries purchased two properties this year, with a total plantable area of approximately 830 hectares. The FPC will establish plantations on the properties under Timber Sharefarming Agreements in winter 2019.

The FPC Commissioners have formed a sub-committee to oversee the assessment of options for plantation expansion. This sub-committee has initiated a competitive process for the selection of a financial advisor that will identify options for long-term investment.

ESTABLISH TRIALS FOR PINE CUTTINGS PROGRAM FOR RAPID GENETIC DEPLOYMENT

This year, we began investigating a clonal system to enable rapid deployment of genetically superior softwood seedlings.

Data collected from the FPC and other *Pinus radiata* softwood growers across Australia, has been used by the Southern Tree Breeding Association (STBA) to generate breeding values for core traits of growth, stiffness, straightness and branch size.

We will continue to look at using these breeding values to determine and manipulate the relationship between core traits, to identify the best genetics for planting in different regions in Western Australia.

This will help us transition to a cuttings-based system, which will enable us to plant our best genetics faster compared to growing softwood from seed.

Top left: A clonal system could enable rapid deployment of superior softwood seedlings.

Bottom left: The FPC nursery employs rigorous controls at every step of the process to ensure reliable, superior quality seedlings.

DEVELOP FARM FORESTRY STRATEGY

We contributed to the development of the Djarlma Plan, guided by an independent reference panel, to set out the strategic direction for the future of the Western Australian forestry industry.

In developing the plan, the independent reference panel investigated the role of farm forestry in the broader timber industry and how private landholders could be encouraged to plant trees to diversify farm income streams, and contribute to the timber supply as well as the regional economy and local employment.

The Djarlma Plan reference panel collaborated with existing and potential farm forestry participants and the timber industry. This consultation supported our Farm Forestry Assist grants program, which makes pine seedlings available free of charge to eligible landowners.

These principles will be further developed in a Farm Forestry Strategy over the next six months.

Right: This year, we negotiated agreements with five landowners through our Farm Forestry Assist grants program. Photo credit: Energy Images.



Sandalwood plantations

We manage about 6,000 hectares of sandalwood plantation throughout the Wheatbelt and Mid West regions, which will complement the demand for wild Western Australian sandalwood in the future.

Sandalwood requires nutrients from a host plant to grow, but too many sandalwood plants can cause host plants to die.

More than 200 hectares of non-commercial thinning was completed in 2018-2019 as part of a four-year program to improve the ratio between host and sandalwood plants.

FPC sandalwood plantations from Oakajee to Brookton will continue to be thinned to reduce stress on the host plants and increase the plantations' chance of survival.

Wild Western Australian sandalwood

We committed to increasing our engagement with Aboriginal peoples through our first Reflect Reconciliation Action Plan, to create opportunities, investment and participation of Aboriginal peoples, particularly in our sandalwood operations.

We expanded our Sandalwood Dreaming strategy to bring new Aboriginal-owned businesses and traditional owners into our sustainable harvest and regeneration operations. The program is now in the process of engaging Aboriginal communities and businesses from Carnarvon to Norseman.

New sandalwood harvesting contracts were awarded this year to ensure we have a consistent production capacity to meet our contractual requirements.

To help spread the knowledge of sandalwood management across our business, staff traditionally undertaking forestry operations in the South West region have been working in Kalgoorlie on a rotating roster.

Opposite page

Left: Sandalwood Dreaming aims to continue the ancient Western Australian sandalwood story by providing economic opportunity today and regenerating the sandalwood resource for generations of traditional owners to come.

Photo credit: Rachel Clarke

PROMOTE COLLABORATION ON MARKETING, RESEARCH AND LOCAL PROCESSING OPPORTUNITIES IN THE SANDALWOOD PLANTATION SECTOR

A panel of Western Australian sandalwood buyers was established in 2017-2018. This has enabled the FPC to diversify the domestic market and investigate opportunities for the development of new markets for wild and plantation sandalwood.

We supported a local company to explore the development of markets for sandalwood seed oil, which can be used in cosmetic and pharmaceutical products. As part of this project, a mechanised harvesting system is being trialled to determine whether it is a more cost-effective methodology for the collection of seed from sandalwood plantations.

Right: Sandalwood nuts are not only used to regenerate sandalwood but oil from the seed can also be used in pharmaceutical products.
Photo credit: Rachel Clarke.



Native forest

We continued to focus on transforming the native forestry industry to encourage innovation, stimulate growth and meet challenges in supply stability.

We collaborated with industry to launch a marketing strategy to reposition jarrah as a high-quality, premium product. The New Jarrah branding will be promoted over the next two years, supported by a financial commitment from the FPC.

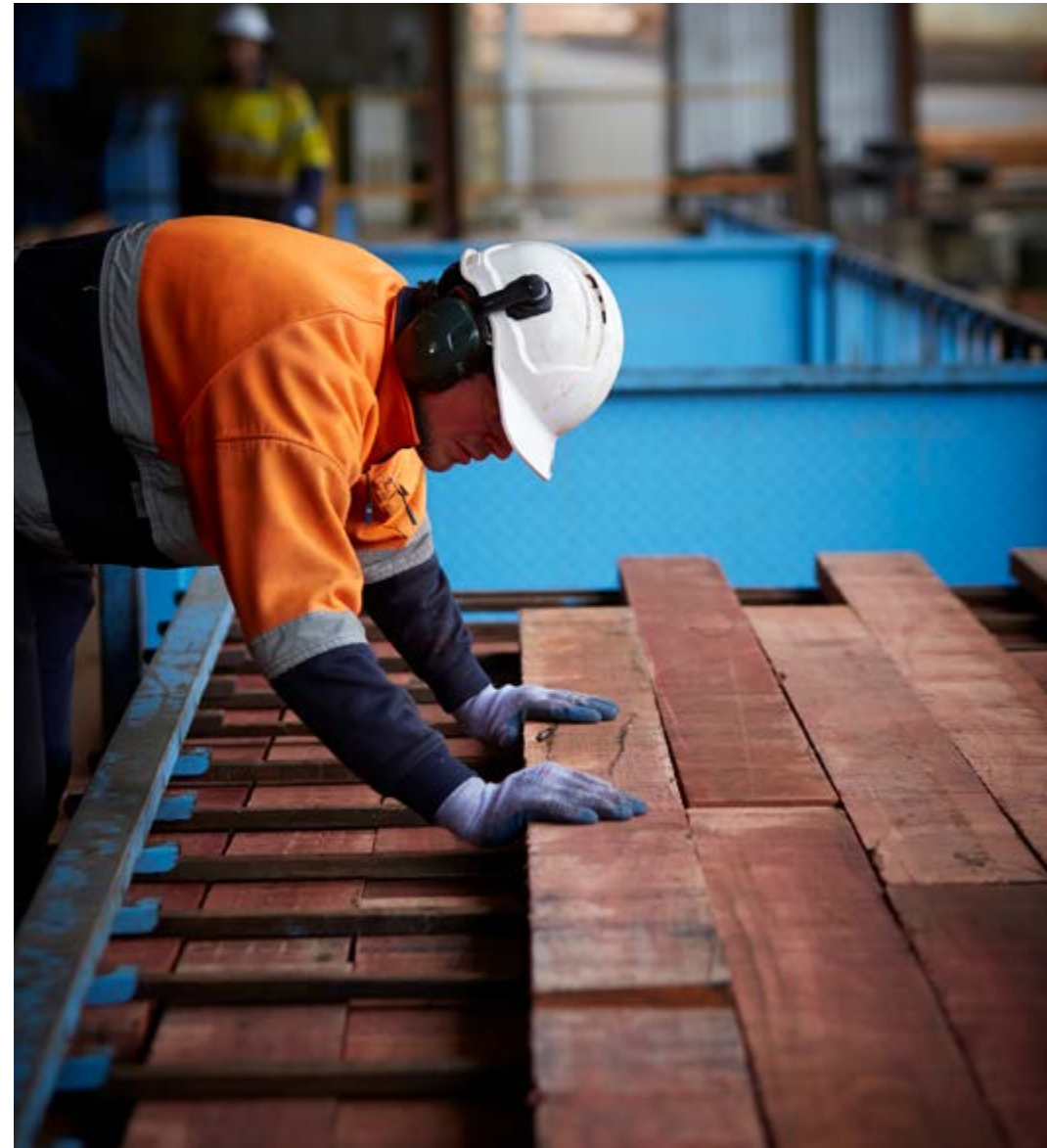
The use and value recovery of forest resources was increased by ensuring contractors have access to advanced harvesting machinery. This machinery uses the processing head of the harvester to optimise the products available in a log at the point of harvest.

We continued to develop new markets for residue products (other bole volume). This included the running of a competitive tender process for the purchase of residues from bauxite mine rehabilitation for use in the bioenergy market. We also ran a competitive tender process for the purchase of billets produced from jarrah, karri and marri other bole volume, for use in veneers and engineered wood products.

Harvest operations to remove karri damaged by the Northcliffe fire and jarrah damaged by the Yarloop fire continued, with a total of 43,000 tonnes salvaged for local industry across 300 hectares.

More than 1,200 tonnes of specialty timber, largely salvaged from road and mine site clearing, was made available to craftspeople and artisans through our Public Specialty Timber Auctions held in Harvey and Manjimup.

Right: The native forest industry contributes \$220 million to the West Australian economy, which includes the additional value generated by secondary processing which occurs in Western Australia.



Community and stakeholder engagement

Stakeholder relationships are a crucial part of the FPC's business and we are working hard to understand stakeholder views, needs and expectations to enable meaningful engagement into the future.

In recognition of the importance of our stakeholders, we developed a whole-of-agency Stakeholder Engagement Strategy and recruited a dedicated Community Engagement Leader to drive our capacity to engage stakeholders and deliver our strategic goals.

Our Stakeholder Engagement Strategy is guided by internationally recognised leaders in community and stakeholder engagement and public participation practice – the International Association for Public Participation (IAP2).

As part of the strategy, we established a Stakeholder Reference Group, which draws on staff across the agency to provide oversight and support the delivery of effective engagement.

To date, this has led to FPC staff receiving more than 900 hours of IAP2 engagement training, all FPC stakeholders have been mapped, and detailed engagement plans will continue to be developed as they are identified.

Our efforts engaging stakeholders after the Balingup-Nannup fire is testament to our commitment in this area.

Right: The FPC engages with recreational forest users through the FPC Community Support Program and FPC Sponsorship Strategy.
Photo credit: Daniela Tommasi



Supporting communities in forestry's footprint

Forestry has a proud history in regional Western Australia.

In appreciation of our industry and our place in the community, we deliver the FPC Community Support Program and the FPC Sponsorship Strategy.

Our Community Support Program offers local organisations the opportunity to apply for a \$2,000 grant to improve their ability to provide for their communities.

This year, we shared \$30,000 amongst 20 community groups, schools and organisations, including two groups focused on improving accessibility to our forests to people with disabilities.

One grant recipient, Break the Boundary, will use the grant to create a storage facility for adaptive off-road cycles and wheelchairs. People with mobility limitations will be able to use adaptive off-road cycles, off-road wheelchairs and mobility aids to access public trails.

As part of the FPC Sponsorship Program, we shared \$86,000 among 19 groups largely located in regional Western Australia.

Our focus this year, has been helping regional communities deliver and create events and opportunities to diversify regional economies.

Right: Boyanup Primary School's tree-planting and sustainability day was funded by an FPC community grant.
Far right: The FPC community grant awarded to Break the Boundary will help improve forest accessibility for people with disabilities. Photo credit: Kerry Halford.



Engagement with Aboriginal groups

Our first Reflect Reconciliation Action Plan confirms our commitment to reconciliation and furthering relationships with Aboriginal peoples.

Our Sandalwood Dreaming strategy was expanded to include new Aboriginal-owned businesses and traditional owners. We are now engaging Aboriginal communities and businesses from Carnarvon to Norseman to be involved in sustainable harvest and regeneration activities.

We are working with the Southern Aboriginal Corporation to manage a pine plantation established on a Wandering Aboriginal Lands Trust property for the use and benefit of Aboriginal people. This project will provide a share of crop revenue to the Corporation as well as employment and training opportunities to Aboriginal persons in plantation establishment, maintenance, and the harvesting of timber products.

We awarded 2.6 per cent of our contracts to registered Aboriginal businesses in 2018-2019, exceeding the State government target of one per cent.

The FPC continued to be a member of the Noongar Native Title Settlement working group, which assists government agencies and the South West Land and Sea Council to support the realisation of settlement.

Right: Western Australia's sandalwood industry is 175 years old. Photo credit: Rachel Clarke.



PROMOTE MULTIPLE-USE ACTIVITIES ASSOCIATED WITH FPC FOREST OPERATIONS

The FPC is committed to supporting the co-existence of forestry and tourism.

We have been working with local governments and regional event organisers to actively promote multiple-use activities in State forests and pine plantations connected to forestry. This year, we provided the Nannup Shire Council with \$15,000 to develop the Nannup Cycling Masterplan, and we are also proud establishment sponsors of two new events in the South West.

This investment recognises that cycle tourism is emerging as a key economic and social driver in regional communities, as its popularity continues to grow in active forestry areas.

The Nannup Cycling Master Plan will provide the shire with a strategic framework to help develop existing trails and create new trails, and route and event development.

Our relationship with RideWA has grown from supporting exciting mountain bike events, such as SEVEN: Australia's Premier Gravel Event, to partnering with them to create new events.

DIRT is currently being planned and it will provide mountain bike riders with the ultimate off-tarmac adventure and give them another reason to visit the South West.

We have teamed up with Perth Trail Series to create Tree to Tree, a mountain bike adventure in Pemberton, and this follows recent work to support the creation of a three-day trail running event in the same community.

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

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

Our State Government partners

Department of Biodiversity, Conservation and Attractions

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

Conservation and Parks Commission

We worked closely with DBCA and the CPC to prepare the mid-term performance review of the FMP, which was released in February 2019. The performance review assessed the implementation of the FMP's management activities developed to achieve ecologically sustainable forest management outcomes for forests in the South West.

Department of Fire and Emergency Services

We actively contributed staff to the management structure for large-scale fire emergencies, and we are a member of the All Hazards information group, which supports the sharing of information and resources during emergencies. We actively engage with DFES' Office of Bushfire Risk Management in assessing landscape fire risk and developing appropriate response and protection strategies. We are collaborating with DFES on proposals to reduce fuel loads and bushfire risk to communities in peri-urban areas.

Department of Water and Environmental Regulation

We continued our membership with the Myalup Wellington technical advisory group and the Myalup Primary Industries Reserve Senior Officers Group, where we partner on activities in the Wellington catchment. We are working with DWER to replace non-commercial plantings established in the catchment with *Pinus radiata* plantation, which will maintain the water objectives and provide a financial return.

Department of Primary Industries and Regional Development

We continued our membership with the Biosecurity Senior Officers Group and maintained a close relationship with the Western Australian Biosecurity Council. Through this group, we look to jointly help protect Western Australia's unique flora and fauna from invasive species.

Right: More than one quarter of FPC staff participated in joint agency emergency response. Photo credit: DBCA.



Human resources

FOCUS ON STAFF PROFESSIONAL DEVELOPMENT

There is an ongoing focus on the professional development of our employees and their training needs are discussed twice a year through the Individual Performance Development (IDP) process.

A new IDP format was developed this year, making the process easier to follow and more effective for employees and managers to discuss training needs and requirements.

IDP discussions will continue to be held twice per year to ensure staff have the opportunity for continued development.

Staff snapshot

We employ 220 people across our work sites, with 72 per cent of our staff located in regional towns. This includes permanent full time and permanent part time employees, fixed term contract and casual employees and trainees.

Type of staff	FTE	Headcount
Permanent full time employees*	137	137
Permanent part time employees	13.5	20
Fixed Term full time employees	16	16
Fixed Term part time employees	2.8	4
Seconded in FPC	2	2
Attached officer seconded out from FPC	0	0
Attached officers	0	0
Casuals	-	41
Total	171.3	220

* Excludes attached officers

Staff working inside metro area	-	61
Staff working outside metro area	-	159
Total	-	220

In line with State Government requirements, the FPC had zero leave outside of guidelines in 2018-2019.

Our workforce plan (equal opportunities)

Our Equal Opportunity Management Plan has been integrated into our workforce plan. We are committed to:

- ensuring the culture of the FPC results in employees who are treated in a fair and equitable manner in all decisions and processes that affect them;
- fostering a workplace that is free from all forms of discrimination, harassment and victimisation; and
- building a workplace environment that considers our employee's family structures, age, culture and social backgrounds, and endeavours to provide a range of flexible working arrangements to accommodate these factors.

FOCUS ON ABORIGINAL TRAINEESHIP AND EMPLOYMENT OPPORTUNITIES

We are committed to increasing employment opportunities for Aboriginal peoples in forestry.

We are investing in a new generation of Aboriginal foresters and forest industry professionals to create opportunities for Aboriginal peoples, and we welcomed four trainees to the FPC this year. This program is a key action of our first Reflect Reconciliation Action Plan and aims to provide opportunities for Aboriginal people with an interest in forestry or land management to learn the skills required for employment within government and the forestry industry.

Right: Four enthusiastic trainees were appointed under our Aboriginal traineeship program this year.



Business improvements

Adopting new technology and collaboration with industry is creating efficiencies across our business.

We continued improving our information systems, with the implementation of a new Contract Management System and the replacement of the Deliveries and Billing system. The systems are integrated with the financial management system and will increase the efficiency and reliability of our customer invoicing and contractor payments.

During the year, we initiated a tender process that aims to replace the current paper-based delivery notes with an electronic delivery note system. This will enable a step change in the management of logistics through the availability of real-time information on deliveries.

Working with industry through the South West hub steering committee, we examined ways to reduce the cost and risk associated with log haulage, and create efficiencies across the industry. This was undertaken through a value stream mapping process that identified significant opportunities to improve the coordination of truck movements.

We have begun a process for divesting uneconomical plantations that will allow us to focus financial and management resources on increasing the softwood estate in line with the ***Softwood Industry Strategy for Western Australia.***

Research

Research

All forest sectors where the FPC operates are being transformed through participation in research projects and changes in technology.

We contributed data to a three-year research project by the Forest and Wood Products Association which aims to improve how fertiliser is used in plantations. The data will support the development of a model to predict the correct amount and type of fertiliser to use during plantation establishment and post-thinning depending on a range of factors such as soil type, location, rainfall zone and climatic condition.

Joint breeding trials with STBA continued to identify new *Pinus radiata* families that are suitable for growing in Western Australia. Ongoing glasshouse screening trials were also used to determine the resistance of selections to *Phytophthora cinnamomi* (dieback). Data collected from these trials will be made available to other STBA softwood growers across Australia and will be used to select dieback-resistant families to plant in our breeding orchards.

We continued to investigate the effects of natural hormones in stimulating sandalwood oil production in young sandalwood trees through a joint study with Edith Cowan University. No significant gains in oil yields were detected.

Research into sandalwood regeneration has continued, with ongoing trials to improve the germination rate of seeds. The seeds were treated with a natural growth hormone and planted at the trial site, however due to low rainfall, results have not yet been determined.

Right: Advances in technology are facilitating our participation in research projects and driving transformations across our business. Photo credit: Energy Images.



NEW TECHNOLOGIES SUPPORT LOG VALUE OPTIMISATION

This year, we continued to develop new technologies and methodologies that maximise the value recovery of forest resources through changes to the planning, harvesting and processing phases of operations.

We have invested in collaborative projects that trial the use of point cloud data and the use of virtual reality software to plan the harvesting of forest coupes.

We have been building on our harvest head optimisation and value recovery project to increase the level of real-time decision-making in harvesting operations.

The use of Computed Tomography Log scanners is being investigated as part of the ITPY project. This technology may enable the assessment of internal defects within a log and ensure that products sold to customers are fit-for-purpose.

We will begin delivering some of these new initiatives in 2019-2020 as part of the continuous improvement in value recovery.



REMOTE SENSING TECHNOLOGY IMPLEMENTED TO IMPROVE EFFICIENCY AND ACCURACY OF HARVEST PLANNING

We continued to explore opportunities to advance forestry by using technology.

This year, we began a trial to integrate remote sensing techniques in jarrah forest harvest planning as part of a broader Australia-wide program by the National Institute of Forest Products Innovation. The trial will produce three-dimensional models of jarrah forests from laser scanning and photography. The data from this project will provide information on species, tree metrics and forest structure.

We continued to work with DBCA on a photogrammetry trial to estimate standing volumes by taking three-dimensional aerial imagery at plantation trial sites.

In collaboration with the University of Tasmania, in a Forest and Wood Products Association project, the potential for foresters to capture tree measurements using virtual reality technology was investigated. This initial trial on virtual reality was completed in June and the results will guide any further research opportunities in the use of virtual reality.

Adopting remote sensing technologies like these will lead to more detailed, timely knowledge of the forest, and enable better decision-making in planning and implementing harvesting operations across our business. This would lead to improved ecological and silvicultural outcomes and operational efficiencies.

IDENTIFY BROADER NATIONAL AND INTERNATIONAL INDUSTRY ON COMMON RESEARCH AND INNOVATION TRENDS

Collaborating with industry in research projects has enabled us to be part of national and international trends in forestry innovation.

In addition to our membership with Forest and Wood Products Australia, we have invested in collaborative research projects through the National Institute of Forest Products Innovation and the Southern Tree Breeding Association.

These projects are ongoing and explore the potential for adopting improved technologies and systems such as remote sensing to identify tree metrics and better modelling for selecting superior breeding material.

Left: High-resolution imagery captured by drones could help foresters assess jarrah forests more efficiently and improve our harvest planning process.

Sustainable forest management performance

Sustainable forest management performance

Sustainable forest management strikes a balance between nurturing healthy forests for the future and enjoying the benefits of forests, like using forest products, today.

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

The three tiers include:

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

FPC's Integrated Forest Management System

The FPC continually improves its Integrated Forest Management System. During 2018-2019, we were externally audited against the International Standard ISO 14001: 2015 (for an Environmental Management System) and the Australian Forestry Standard (AFS) AS 4708: 2013. As part of this process, we transitioned from ISO 14001:2004 to ISO 14001:2015 standard. Our primary forest certification, AFS, is internationally recognised by the Program for the Endorsement of Forest Certification (PEFC). Our AFS certification excludes our sandalwood business and some other operations, but we are currently in the process of investigating independent verification of legal sources through the Programme for the Endorsement of Forest Certification® (PEFC®) Chain of Custody of Forest Based Products (PEFC ST 2002:2013).

Karri forest management

Our 2018 **Karri forest management plan** and **Karri forest HCV assessment** were reviewed to meet the requirements of the Forest Stewardship Council® (FSC®) Controlled Wood Standard (FSC-STD-30-010; FSC-C120630) and the associated FSC Australia's High Conservation Values (HCVs) evaluation framework. We undertook stakeholder consultation on the identification of HCVs within the defined forest management unit and the precautionary measures in place to protect them.

Occupational safety and health

We made a significant improvement to safety reporting this year through engaging with our staff and contractors and streamlining the reporting process.

The FPC's *Strategic Safety Management Plan 2019 – 2024* has been endorsed. This plan is due for release in the second half of 2019 and includes improving our engagement with staff, contractors and industry, and upgrading safety systems and technology.

We engaged a road safety specialist to complete a review of our road construction and maintenance processes, procedures and safety standards. The review provided a number of recommendations identifying areas where there are opportunities for improvement.

We continued to engage effectively with FIFWA, the Australian Forest Products Association (AFPA) and the Community and Public Sector Union (CPSU)/Civil Service Association (CSA) on occupational health and safety (OHS) matters. The FPC meets with FIFWA bi-monthly at an Industry OHS and Training Committee meeting and is working collaboratively with FIFWA to drive improvements in safety at an industry level. The primary focus of this committee to date has been identifying the high-hazard activities and working towards the development of training and audit programmes related to these activities. The FPC also meets with AFPA on a quarterly basis. In 2019, the FPC worked with CPSU/CSA representatives

to implement a systematic process to manage personal protective clothing and equipment. This process will ensure the provision of the appropriate equipment to undertake role-based tasks and to ensure that the equipment provided is fit for purpose.

Our OHS committee was restructured to ensure safety management is discussed at all levels with employee involvement. This is a three-tier structure - Strategic, Operational and local office OHS committees.

We continued to focus on driver safety, with an investigation into ways of monitoring kilometres driven and the development of a strategy to reduce driving. We also introduced a requirement for all staff to complete a defensive driving course, which will be rolled out over the next year.

Log truck safety

Log truck safety remained a priority for the FPC, with our Chain of Responsibility Steering Committee guiding the implementation of more stringent requirements for log truck contractors to ensure compliance with road transport safety requirements.

This year, we partnered with FIFWA to introduce a specialised skills verification system. This will allow the FPC and our contractors to more closely manage and assess staff and employee competency and training for their individual roles.

We are continuing to develop processes to identify road hazards and alert contractors of any potential risks to their environment.

Occupational safety and health

Safety incidents

Indicator*	2017-2018	2018-2019	Target
Number of fatalities**	0	0	0
Lost time injury / disease incident rate	0.56	2.16	0 or 10% improvement on the previous three years
Lost time injury severity rate***	100%	0	0 or 10% improvement on the previous three years
Percentage of injured workers returned to work within (i) 13 weeks and (ii) 26 weeks***	i) 0% ii) 100%	i) 100% ii) 100%	Greater than or equal to 80% return to work within 26 weeks
Percentage of managers trained in OSH and injury management	>80%	>80%	Greater than or equal to 80%

* The statistics are reported in accordance with the Public Sector Commission's Circular 2018-03 Code of Practice OSH in the Western Australian Public Sector

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

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

DEVELOP WHOLE OF INDUSTRY INCIDENT ASSESSMENT AND SAFETY REPORTING

The FPC is committed to improving the safety performance of the forestry industry.

We have taken a leadership role in this space, working with FIFWA, who will be appointing a project officer to drive the development of safety processes for industry.

As part of this, we collaborated with industry to identify opportunities for improving safety monitoring and reporting, and increasing training across all sectors of the Western Australian forestry industry.

We set key performance indicators for our contractors to continually increase the amount of near-miss reporting to assist with identifying trends and the issues requiring attention.

Working to improve the training and safety performance of the industry, we participated in a forest industry safety and training committee which reviewed and discussed incidents and investigated the development of training courses tailored specifically for forestry.

Right: We have committed to working with FIFWA to improve the industry's safety performance.



Looking forward

The demand for wood products continues to increase as a result of both population growth and the use of wood products in new applications. Innovations in technology and processes are paving the way for new industries based on forest resources.

We are committed to transforming the native forestry industry into a higher-value, sustainable sector. The potential establishment of a veneer processing industry is aimed at supporting this transformation through improving the utilisation of forest resources and the development of new primary processing industries and more sufficient supply chains.

Resource security is critical to facilitating new investments. Ongoing private sector investment is necessary to expand the State's softwood estate, and we will continue to encourage investment from landowners through initiatives like our Farm Forestry Assist grants program.

We will be expanding our processes in the sandalwood sector through the implementation of a quality assurance program and a chain of custody system, to assure customers their sandalwood is from a legal and sustainable source.

We will continue to improve our business with the implementation of an electronic delivery note system and an investment in new Geographic Information Systems (GIS) technologies, which will enable smooth transfer of data to-and-from the field.

We are committed to working with other government departments and Aboriginal peoples to increase opportunities for Aboriginal economic development through forest management operations and the development of new regional industries.

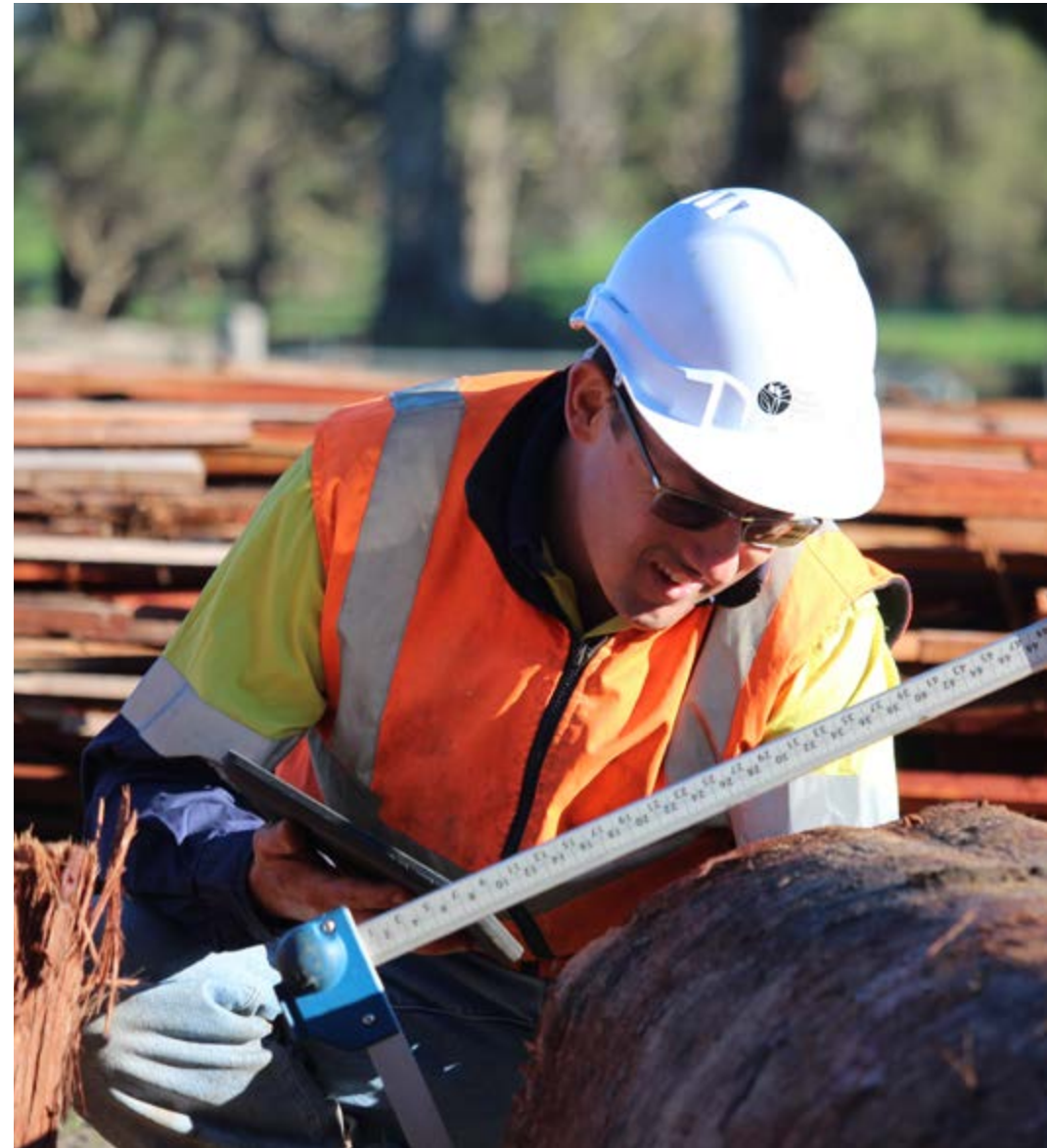
Right: Increasing the utilisation of wood products and developing alternative markets for low-value products helps to improve the ecological health of the forest.

Opposite page

Left: Regional communities benefit from a strong forestry industry which supports recreation.

Photo Credit: Daniela Tommasi

Right: Regeneration will continue to be a focus for the FPC.







Performance summary

The FPC nursery has the capacity to deliver millions of seedlings each year.



Financial performance

The FPC continues to 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 \$0.03 million has been achieved after taking into account an additional amortisation expense of \$2.2 million.

This result is contributed to by all forest business segments returning a profit before amortisation of licences and right of use assets.

The profit earned by the FPC has enabled the investment of \$11.6 million in building the State's softwood estate, native forest and sandalwood resource regeneration programs.

During 2018–2019, a dividend of \$1.04 million was paid to the State Government for the 2017–2018 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.



Performance summary
Financial performance

	Target 2018–19 (\$ millions)	Actual 2018–19 (\$ millions)	Variance (\$ millions)
Financial targets			
Total expenses (sourced from Statement of Comprehensive Income)	130.7	126.3	4.4
Total income (sourced from Statement of Comprehensive Income)	135.9	126.3	(9.6)
Total equity (sourced from Statement of Financial Position)	365.2	264.6	(100.6)
Net increase / (decrease) in cash held (sourced from Statement of Cash Flows)	(7.1)	0.9	8.0
Financial outcomes			
Timber revenues	134.3	115.9	(18.4)
Operating profit	5.2	0.0*	(5.2)
Net profit / (loss) after tax	(9.4)	1.4	10.8
Closing cash balance	23.5	31.4	7.9
Dividends paid	-	1.0	1.0
Performance measures			
Return on assets	1.4%	0.0%	-1.4%
Return on equity	1.4%	0.0%	-1.4%
Operating profit to timber revenues	3.9%	0.0%	-3.9%

*Due to a change in Accounting Policy, the FPC achieved an operating profit result of \$0.03 million after taking into account an additional amortisation expense of \$2.2 million as per note 5.2.1.

Opposite page

Left: Post-harvest regeneration burns stimulate jarrah sapling growth and contribute to bushfire management.

Summary of audited key performance indicators

The 2018-2019 financial year is the second year reporting against the FPC's 18 Key Performance Indicators (KPIs), as ten of the KPIs were newly implemented for the 2017-2018 financial year. The KPIs have a strong focus on sustainability.

The KPIs are designed to measure the FPC's performance against our responsibilities. This includes a contribution to the achievement of State Government goals, adhering to the requirements of the FMP, and ensuring we meet compliance requirements. The FPC is focused on ensuring sustainable forest management to deliver social and economic benefits to Western Australian communities.

An overview of the 2018-2019 KPI results are provided below. Note that some KPIs are reported for the previous calendar year rather than financial year. These are indicated.

Key effectiveness indicators

		Target	Actual
1	Quantity of native forest hardwood log timber harvested compared to FMP sustainable levels and targets*		
	First and second-grade jarrah and karri sawlogs*		
	Jarrah	≤132,000 m ³ annual average over 10 years	78,000 (to nearest 1000 m ³) for 2018
	Karri	≤59,000 m ³ annual average over 10 years	55,000 (to nearest 1000 m ³) for 2018
	Other bole volume for jarrah, karri and marri*		
	Jarrah	≤292,000 m ³ annual average over 10 years	189,000 (to nearest 1000 m ³) for 2018
	Karri	≤164,000 m ³ annual average over 10 years	126,000 (to nearest 1000 m ³) for 2018
	Marri	≤140,000 m ³ annual average over 10 years	11,000 (to nearest 1000 m ³) for 2018
2	Harvest of sandalwood does not exceed Order in Council		
	Combined green and dead sandalwood harvest	≤2,250 tonnes annually	1,902 tonnes
3	Effectiveness of forest regeneration		
	Karri*	95% of regeneration requiring no remedial action	100% of regeneration required no remedial action
	Jarrah*	90% of areas cutover for regeneration completed in 30 months	60% of areas cutover for regeneration completed in 30 months

		Target	Actual
	Sandalwood	Annual cumulative average of 50,000 seedlings established	Average over the last 8 years is 46,967 seedlings established
4	The achievement of thinning schedules		
	Karri*	1,230 hectares per annum for first thinning	641 hectares of first thinning completed for 2018
	Softwood plantations	95% compliant with thinning schedules	85% compliant with thinning schedules
	Sandalwood plantations	200 hectares	212 hectares
5	All aspects of road construction within guidelines		
		90% of roads assessed are compliant	91% of roads assessed were compliant
6	All operations commence with required approvals		
		100% of operations commence with pre-operation planning approval	100% of operations commenced with pre-operation planning approval
7	Independent certification maintained		
		Certification maintained	Certification maintained
8	Planned firebreak activities achieved		
		90% of firebreaks adequate and trafficable	90% of firebreaks adequate and trafficable
9	Area of softwood plantation established against target*		
	First and second rotation	100% of 2,308 hectares	107% (2,460 hectares)
10	Expansion of the plantation estate*		
	First rotation	95% of 1,600 hectares	102% (1,637 hectares)
11	Increase in low-value resource delivered to and processed by local markets		
		Increase from the previous year	Increase from the previous year
12	Operating profit		
		\$5,247,000	\$31,000

Summary of audited key performance indicators

Key efficiency indicators

	Target	Actual
1 Timeliness of initial response to Ministerial requests and Parliamentary Questions	90% of responses provided on time	100% of responses provided on time
2 Timeliness of response to stakeholder concerns or complaints	90% of responses provided on time	96% of responses provided on time
3 All high-value sawlog resource processed locally	100% of high-value sawlog resource processed locally	100% of high-value sawlog resource processed locally
4 Green sandalwood roots as a percentage of green sandalwood harvested	Green volume includes a minimum of 25% roots	Green volume included 24% roots
5 Log delivery consistent with contractual obligations		
Native forest	Achieve 98% of budgeted sales volume	Sales were 73% of budgeted sales volume
Plantations	98% of budgeted sales volume	Sales were 88% of budgeted sales volume
Sandalwood	98% of budgeted sales volume	Sales were 86% of budgeted sales volume
6 Cost per dollar of revenue generated		
Native forest	Decrease over time	Increase from the previous year
Plantations	Decrease over time	Increase from the previous year
Sandalwood	Decrease over time	Increase from the previous year

* Reported for previous calendar year

Right: Our stall at the Balingup Small Farm Field Day was one of the ways we engaged with stakeholders following the Balingup-Nannup wildfire.





Financial statements

Our Community Support Program and FPC Sponsorship Strategy help support events for recreational forest users across the South West. Photo credit: Daniela Tommasi



Auditor General's report

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

FOREST PRODUCTS COMMISSION

Report on the Financial Statements

Opinion

I have audited the financial statements of the Forest Products Commission, which comprise the Statement of Financial Position as at 30 June 2019 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 2019 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for Opinion

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

Responsibility of the Commission for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

Report on Controls

Opinion

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

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

In my opinion, in all material respects, the controls exercised by the Forest Products Commission are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2019.

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 non-compliance 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 2019. 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 2019.

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.

Financial statements
Auditor General's report

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 2019 included on the Commission's website. The Commission's management is responsible for the integrity of the Commission's website. This audit does not provide assurance on the integrity of the Commission's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA

Perth, Western Australia
13 September 2019

Certification of financial statements

Certification of the financial statements

For the year ended 30 June 2019

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 2019 and the financial position as at 30 June 2019.

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
Chair
11 September 2019



Ms Amelia Yam
Deputy Chair and Chair
of Audit and Risk Committee
11 September 2019



Mr Antonio De Nobrega
Director Finance
11 September 2019

Statement of Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 \$000	Restated 2018 \$000
Continuing operations			
Income from transactions			
Sales of forest products	3.2	115,937	111,590
Interest income	3.4	636	677
Other income	3.5	9,741	26,751
Gains from foreign exchange	3.6	22	370
Total income from transactions		126,336	139,388
Expenses from transactions			
Production expenses	4.2	69,199	64,933
Employee benefits expense	4.3.1	20,282	20,029
Supplies and services	4.5.1.(a)	21,174	18,673
Depreciation and amortisation expense	5.1.1; 5.2.1	12,314	14,589
Finance costs	7.1	1,070	692
Accommodation expenses	4.5.1.(b)	533	435
Grants and subsidies	4.4	53	20
Other expenses	4.5.1.(c)	1,679	1,519
Total expenses from transactions		126,304	120,890
Net results from transactions before income tax		32	18,498
Income tax expense on net result from transactions	4.6.1	(1,629)	(5,486)
Net results from transactions after income tax		(1,597)	13,012
Other economic flows included in net result			
Gain upon revaluation of biological assets	5.3.1	2,990	7,710
Onerous contracts	4.5.2	(425)	1,173
Grants and subsidies from State Government	3.3	1,667	5,603
Other economic flows included in net result before income tax		4,232	14,486

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes

	Notes	2019 \$000	Restated 2018 \$000
Income tax expense related to other economic flows	4.6.1	(1,270)	(4,346)
Total other economic flows included in net result after income tax		2,962	10,140
Net result from continuing operations after income tax		1,365	23,152
Other economic flows - other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit liability	4.3.2.(c)	(10)	4
Changes in asset revaluation surplus	9.6.1	(456)	(92)
Deferred tax on items of other comprehensive income	9.6.1	137	28
Items that may be reclassified subsequently to profit or loss			
Changes in cashflow hedge reserve	9.6.2	101	(156)
Income tax on items of other comprehensive income	9.6.2	(30)	47
Total economic flows - other comprehensive income net of income tax		(258)	(169)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,107	22,983

Statement of Financial Position

as at 30 June 2019

	Notes	2019 \$000	Restated 2018 \$000	Restated 2017* \$000
ASSETS				
Current assets				
Cash and cash equivalents	7.2.1	31,404	29,306	31,219
Restricted cash and cash equivalents	7.2.1	-	1,245	127
Inventories	6.1	6,883	6,752	5,489
Receivables	6.2	18,644	17,667	19,803
Income tax receivable		215	-	561
Biological assets	5.3	18,199	18,610	8,669
Other current assets	6.3	1,580	600	1,008
Total current assets		76,925	74,180	66,876
Non-current assets				
Infrastructure, property, plant and equipment	5.1	31,978	29,023	26,842
Deferred tax assets	4.6.3	12,393	16,252	24,165
Biological assets	5.3	189,609	176,343	173,695
Intangible assets	5.2	10,251	12,381	328
Total non-current assets		244,231	233,999	225,030
Total assets		321,156	308,179	291,906
LIABILITIES				
Current liabilities				
Payables	6.4.(a)	23,257	14,215	14,625
Employee related provisions	4.3.2.(a)	3,188	3,184	-
Other provisions	6.5.(a)	7,940	5,166	8,827
Deferred revenue	6.6.(a)	1,873	1,789	1,678
Tax payable	4.6.2	-	6	-

The Statement of Financial Position should be read in conjunction with the accompanying notes.

* This column is the start of the earliest comparative period to which the entity applies the change in accounting policy as per paragraph 10(f) of AASB 101 *Presentation of Financial Statements*. (Refer to note 9.11)

	Notes	2019 \$000	Restated 2018 \$000	Restated 2017* \$000
Total current liabilities				
36,258				
Non-current liabilities				
Payables	6.4.(b)	3,734	3,460	4,698
Employee related provisions	4.3.2.(b)	1,163	1,228	-
Other provisions	6.5.(b)	3,178	1,189	3,536
Deferred revenue	6.6.(b)	12,180	13,362	14,628
Total non-current liabilities		20,255	19,239	22,862
Total liabilities		56,513	43,599	47,992
Net assets				
264,643				
Equity				
Contributed equity	9.6	276,245	276,245	274,945
Reserves	9.6.1; 9.6.2	10,327	10,575	10,748
Accumulated deficit	9.6.3	(21,929)	(22,240)	(41,779)
Total equity		264,643	264,580	243,914

Statement of Changes in Equity

For the year ended 30 June 2019

	Notes	Contributed equity \$000	Reserves \$000	Accumulated surplus/(deficit) \$000	Total equity \$000
CONTRIBUTED EQUITY					
Balance at 1 July 2017		342,241	10,748	11,789	364,778
Effect of change in accounting policy		(67,296)	-	(53,568)	(120,864)
Balance at 1 July 2017 (restated)	9.11	274,945	10,748	(41,779)	243,914
Net result after income tax for the year		-	-	23,152	23,152
Other comprehensive income for the year, net of income tax		-	(173)	4	(169)
Total comprehensive income for the year		-	(173)	23,156	22,983
Transactions with owners in their capacity as owners:					
Dividends paid		-	-	(3,617)	(3,617)
State contribution (repayment)		1,300	-	-	1,300
Balance at 30 June 2018 (restated)	9.6	276,245	10,575	(22,240)	264,580
Balance at 1 July 2018 (restated)		276,245	10,575	(22,240)	264,580
Net result after income tax for the year		-	-	1,365	1,365
Other comprehensive income for the year, net of income tax		-	(248)	(10)	(258)
Total comprehensive income for the year		-	(248)	1,355	1,107
Transactions with owners in their capacity as owners:					
Dividends paid		-	-	(1,044)	(1,044)
Balance at 30 June 2019	9.6	276,245	10,327	(21,929)	264,643

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 2019

	Notes	2019 \$000	2018 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from external customers		124,738	122,187
Interest received		636	677
Other receipts		1,561	1,190
Total receipts		126,935	124,054
Payments			
Payments for employee benefits		(20,469)	(19,782)
Payments to suppliers		(27,055)	(24,579)
Forest management expenditure		(69,610)	(72,783)
Total payments		(117,134)	(117,144)
Net cash inflow from operating activities	7.2.2	9,801	6,910
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current physical assets		(4,449)	(3,340)
Purchase of intangible assets		(169)	(305)
Purchase of investments			
Investment in new plantations		(5,798)	(6,068)
Net cash used in investing activities		(10,416)	(9,713)
CASH FLOWS FROM / (TO) STATE GOVERNMENT			
Royalties for Regions Fund	3.3	-	250
State Contribution (equity injection)		-	1,300
Other grants and subsidies	3.3	1,667	5,353
Dividends paid		(1,044)	(3,617)
Taxation equivalents		845	(1,278)
Net cash provided from State Government		1,468	2,008
Net increase/(decrease) in cash and cash equivalents		853	(795)
Cash and cash equivalents at the beginning of the period		30,551	31,346
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7.2.1	31,404	30,551

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

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Notes to the financial statements

For the year ended 30 June 2019

1.0 CORPORATE INFORMATION AND BASIS FOR PREPARATION

Details of reporting entity

The Forest Products Commission (FPC) is a WA Government entity and is controlled by the State of Western Australia, which is the ultimate parent.

The FPC's principal purpose is to manage and control the harvesting of timber on Crown land in Western Australia, including native forest, plantation and sandalwood resources.

These annual financial statements were authorised for issue by the Board of Commissioners of the FPC on 11 September 2019.

Statement of compliance

These general purpose financial statements are prepared in accordance with:

- 1) The *Financial Management Act 2006* (FMA)
- 2) The Treasurer's Instructions (the Instructions or TIs)
- 3) Australian Accounting Standards (AAS) including applicable interpretations
- 4) Where appropriate, those AAS paragraphs applicable for not-for-profit entities have been applied.

The *Financial Management Act 2006* and the Treasurer's Instructions (the Instructions) take precedence over AAS. Several AAS are modified by the Instructions to vary application, disclosure format and wording. 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.

Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case the different measurement basis is disclosed in the associated note. All values are rounded to the nearest thousand dollars (\$000).

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

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.

Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

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.

2.0 FOREST PRODUCTS COMMISSION OUTPUTS**How the FPC operates**

This section includes information regarding the nature of income that the FPC receives and how that income is utilised to achieve the FPC's objectives.

	Note
FPC objectives	2.1
Schedule of income and expenses by service	2.2

2.1 FPC objectives**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.

Segments

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.

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

Native forest – Responsible for harvesting and regeneration activities associated with native forestry in Western Australia.

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

Plantations – Responsible for all harvesting, replanting and maintenance of the FPC's plantation estate as well as the maintenance of core sharefarm plantations. The objective of the core sharefarms is to maintain plantations 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 and include sharefarms that are not required for long-term timber production.

2.2 SCHEDULE OF INCOME AND EXPENSES BY SERVICE

2019	Native forest \$000	Plantations \$000	Sandalwood \$000	Policy and industry development \$000	Non-commercial \$000	Eliminations \$000	Total \$000
Revenue							
Sales of forest products	35,432	60,094	20,411	-	-	-	115,937
Interest	-	-	636	-	-	-	636
Other income	263	326	130	67	-	-	786
Gains from foreign exchange	-	-	22	-	-	-	22
Internal segment revenue	-	2,183	-	27	-	(2,210)	-
Total revenue	35,695	62,603	21,199	94	-	(2,210)	117,381
Expenses							
Production expenses	(23,070)	(36,419)	(9,710)	-	-	-	(69,199)
Employee expenses	(5,788)	(9,255)	(2,549)	(2,289)	(401)	-	(20,282)
Supplies and services	(6,257)	(13,509)	(1,982)	(1,249)	(387)	2,210	(21,174)
Depreciation and amortisation expense ¹	(104)	(1,014)	(34)	(20)	(26)	-	(1,198)
Finance costs	-	(648)	(422)	-	-	-	(1,070)
Accommodation expenses	(113)	(294)	(45)	(45)	(36)	-	(533)
Grants and subsidies	-	(53)	-	-	-	-	(53)
Other expenses	39	(210)	(478)	(1,004)	(26)	-	(1,679)
Total expenses	(35,293)	(61,402)	(15,220)	(4,607)	(876)	2,210	(115,188)
Operating profit before contribution income and amortisation of licences and forestry right-of-use assets²	402	1,201	5,979	(4,513)	(876)	-	2,193
Contribution income	-	-	8,955	-	-	-	8,955
Amortisation expense	(2,161)	-	(8,955)	-	-	-	(11,116)
Operating profit³	(1,759)	1,201	5,979	(4,513)	(876)	-	32
Biological asset valuation increase	-	2,990	-	-	-	-	2,990
Grants and subsidies from State Government	100	1,567	-	-	-	-	1,667
Onerous contracts	-	-	-	-	(425)	-	(425)
Profit / (loss) before tax	(1,659)	5,758	5,979	(4,513)	(1,301)	-	4,264
Allocation of income tax equivalent	498	(1,728)	(1,793)	124	-	-	(2,899)
Profit / (loss) for the year	(1,161)	4,030	4,186	(4,389)	(1,301)	-	1,365
Total segment assets	12,993	230,222	55	-	77,886	-	321,156
Total segment liabilities	4,693	5,496	342	-	45,982	-	56,513

¹ Excludes amortisation on sandalwood licences and native forest right-of-use assets.

² Includes change in accounting policy from biological asset to intangible asset (refer note 9.11) These figures include amortisation which was not included under the previous accounting treatment.

³ Profit before change in biological assets valuation, onerous contracts and grants/subsidies from State Government.

The Schedule of income and expenditure by service should be read in conjunction with the accompanying notes.

Notes to the financial statements

2018	Native forest \$000	Plantations \$000	Sandalwood \$000	Policy and industry development \$000	Non-commercial \$000	Eliminations \$000	Total \$000
Revenue							
Sales of forest products	33,620	59,068	18,836	-	66	-	111,590
Interest	-	-	677	-	-	-	677
Other income	354	794	134	1943	-	-	1,475
Gains from foreign exchange	-	-	370	-	-	-	370
Internal segment revenue	-	2,968	-	(197)	-	(2,771)	-
Total revenue	33,974	62,830	20,017	(4)	66	(2,771)	114,112
Expenses							
Production expenses	(22,717)	(34,044)	(8,156)	-	(16)	-	(64,933)
Employee expenses	(5,602)	(9,177)	(2,610)	(2,055)	(585)	-	(20,029)
Supplies and services	(4,919)	(10,463)	(1,422)	(1,728)	(141)	-	(18,673)
Depreciation and amortisation expense ¹	(104)	(1,018)	(34)	(19)	(24)	-	(1,199)
Finance costs	-	(400)	(76)	-	(216)	-	(692)
Accommodation expenses	(96)	(228)	(54)	(53)	(4)	-	(435)
Grants and subsidies	(5)	(6)	(6)	(3)	-	-	(20)
Other expenses	(181)	(2,333)	(626)	(1,057)	(93)	2,771	(1,519)
Total expenses	(33,624)	(57,669)	(12,984)	(4,915)	(1,079)	2,771	(107,500)
Operating profit before contribution income and amortisation of licences and forestry right-of-use assets²	350	5,161	7,033	(4,919)	(1,013)	-	6,612
Contribution income	-	-	13,390	-	-	-	13,390
Reversal of impairment loss	11,886	-	-	-	-	-	11,886
Amortisation expense	-	-	(13,390)	-	-	-	(13,390)
Operating profit³	12,236	5,161	7,033	(4,919)	(1,013)	-	18,498
Biological asset valuation increase	-	7,710	-	-	-	-	7,710
Grants and subsidies from State Government	-	5,353	-	250	-	-	5,603
Onerous contracts	-	-	-	-	1,173	-	1,173
Profit / (loss) before tax	12,236	18,224	7,033	(4,669)	160	-	32,984
Allocation of income tax equivalent	(3,671)	(5,467)	(2,110)	1,401	15	-	(9,832)
Profit / (loss) for the year	8,565	12,757	4,923	(3,268)	175	-	23,152
Total segment assets	14,644	215,108	49	-	78,378	-	308,179
Total segment liabilities	4,940	5,501	359	-	32,799	-	43,599

¹ Excludes amortisation on sandalwood licences.

² Includes change in accounting policy from biological asset to intangible asset (refer note 9.11) These figures include amortisation which was not included under the previous accounting treatment.

³ Profit before change in biological assets valuation, onerous contracts and grants/subsidies from State Government.

The Schedule of income and expenditure by service should be read in conjunction with the accompanying notes.

3.0 FUNDING DELIVERY OF OUR SERVICES

Introduction

This section provides an account of the income that funds the delivery of the FPC's services. Income is received from a variety of sources, including the receipt of special purpose grants to support the delivery of Western Australian Government policy objectives.

Structure

This section includes:

- Note 3.1 Summary of income that funds the delivery of our services
- Note 3.2 Sales of forest products
- Note 3.3 Other income from Western Australian Government entities
- Note 3.4 Interest income
- Note 3.5 Other income
- Note 3.6 Gains from foreign exchange

3.1 SUMMARY OF INCOME THAT FUNDS THE DELIVERY OF OUR SERVICES

	Notes	2019 \$000	2018 \$000
Sale of forest products	3.2	115,937	111,590
Other income from WA Government entities	3.3	1,667	5,603
Interest income	3.4	636	677
Other income	3.5	9,741	26,751
Total income from transactions		127,981	144,621

3.2 SALES OF FOREST PRODUCTS

	2019 \$000	2018 \$000
Harvesting operations	69,176	65,884
Recovery of harvesting costs	46,744	45,675
Plant propagation centre revenue	17	31
Total sales of forest products	115,937	111,590

Revenue from the sale of timber products is recognised and measured at the fair value of consideration received or receivable. Revenue is recognised by reference to the stage of completion of the transaction.

Income from forest products is generated from the sale of graded and ungraded sawlogs, residual logs and other products including sandalwood, firewood, poles, piles and posts, seed and seedlings.

The sale of forest product income is inclusive of harvest and haulage costs recoverable where applicable and is recognised when the significant risks and rewards of ownership have passed to the buyer, and the costs incurred or to be incurred in respect of the transaction, can be reliably measured. Amounts disclosed are net of returns and taxes paid.

3.3 OTHER INCOME FROM WESTERN AUSTRALIAN GOVERNMENT ENTITIES

	2019 \$000	2018 \$000
Special purpose grants:		
Government operating subsidy ¹	1,667	833
Royalties for Regions Fund – A Vision for the Forest Industry in Western Australia ²	-	250
Myalup Primary Industries Reserve Project ³	-	4,520
Total other income from Western Australian Government entities	1,667	5,603

¹ Subsidy for additional harvesting costs to be incurred as a result of rescheduling harvesting at Gnangara and the South West.

² This was a sub-fund within the over-arching 'Royalties for Regions Fund'. The recurrent funds are committed to projects and programs in WA regional areas.

³ This was provided via DPIRD under the allocation of a 'Royalties for Regions Fund'. The recurrent funds are committed to the purchase of land.

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

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.

3.4 INTEREST INCOME

	2019 \$000	2018 \$000
Interest on overdue trade receivables	38	62
Interest on cash at bank	598	615
Total interest income	636	677

Interest income is recognised as the interest accrues.

3.5 OTHER INCOME

	Notes	2019 \$000	Restated 2018 \$000
Contracts and other revenue		58	149
Revenue from cost recovery operations ¹		668	1,143
Resources received free of charge		60	183
Reversal of impairment loss	9.11	-	11,886
Contributory licence income ²	9.11	8,955	13,390
Total other income		9,741	26,751

¹ Revenue from cost recovery operations is due mainly to services and staff provided 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.

² Revenue from contributory licence income is recognised in accordance with AASB 1004 *Contributions* which requires that income is recognised for contributions received or receivable at fair value, in accordance with AASB 13 *Fair Value Measurement*.

As the FPC does not provide any cash or service in exchange for harvesting rights to sandalwood, the amount of the contribution is equal to the fair value of the right to harvest sandalwood for the 12 month period of each licence period.

3.6 GAINS FROM FOREIGN EXCHANGE

	2019 \$000	2018 \$000
Other gains		
Gain on foreign currencies	22	370
Total gains	22	370

Realised and unrealised gains are usually recognised on a net basis. Gains and losses on the disposal of non-current assets are presented by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses. Gains and losses are recognised in profit or loss in the statement of comprehensive income (from the proceeds of sale).

Notes to the financial statements

4.0 THE COST OF DELIVERING SERVICES

Introduction

This section provides an account of the operating expenses incurred by the FPC in delivering services and outputs and certain assets and liabilities associated with those expenses. In section 3, the funds that enable the delivery of our services were disclosed and in this note the operating costs associated with the delivery of those services are provided.

Structure

This section includes:

- Note 4.1 Summary of expenses incurred in the delivery of services
- Note 4.2 Production expenses
- Note 4.3 Employee benefits expense
- Note 4.3.1 Employee benefits expense in the Statement of Comprehensive Income
- Note 4.3.2 Employee benefit provisions in the Statement of Financial Position
- Note 4.4 Grants and subsidies
- Note 4.5 Other expenditure
- Note 4.5.1 Other operating expenditure
- Note 4.5.2 Onerous contracts
- Note 4.6 Taxation

4.1 SUMMARY OF EXPENSES INCURRED IN THE DELIVERY OF SERVICES

	Notes	2019 \$000	2018 \$000
Production expenses	4.2	69,199	64,933
Employee benefits expense	4.3	20,282	20,029
Grants and subsidies	4.4	53	20
Other expenditure	4.5	23,386	20,627
Total expenses incurred in the delivery of services		112,920	105,609

4.2 PRODUCTION EXPENSES

	2019 \$000	2018 \$000
Harvesting	34,647	32,161
Haulage	27,431	25,097
Timber processing	3,777	3,940
Roading maintenance and construction	2,363	2,939
Increase / (decrease) of inventory to net realisable value	794	(368)
Other	187	1,164
Total production expenses	69,199	64,933

Production expenses comprise costs primarily incurred with external contractors, contracted to harvest standing timber and haul the resultant timber products to the point-of-sale, normally the buyer's facility.

Costs associated with the maintenance and construction of roads necessary to logging operations, for which the FPC engages external contractors, are expensed as incurred.

4.3 EMPLOYEE BENEFITS EXPENSE

4.3.1 EMPLOYEE BENEFITS EXPENSE IN THE STATEMENT OF COMPREHENSIVE INCOME

	2019 \$000	2018 \$000
Salary and wages	15,492	15,161
Leave entitlements	1,958	2,122
Employment related taxes and levies	1,094	1,055
Superannuation - defined contribution plans ¹	1,734	1,688
Superannuation - defined benefit plans ²	4	3
Total employee benefits expenses	20,282	20,029

¹ Defined contribution plans include West State Superannuation Scheme (WSS), Gold State Superannuation Scheme (GSS), Government Employees Superannuation Board Schemes (GESBs) and other eligible funds.

² Defined benefit plans may include Gold State Superannuation Scheme (GSS) members transferred from the former pension Scheme.

Employee benefits expense comprises all direct costs related to employment including salaries, wages, leave entitlements, superannuation expenses, termination benefits and employment related taxes.

In respect of superannuation, the amount recognised in the Statement of Comprehensive Income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBs or other superannuation funds. The employer contribution paid to the Government Employees Superannuation Board (GESB) in respect of the GSS is paid back into the Consolidated Account by the GESB.

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.

GSS (concurrent contributions) is a defined benefit scheme for the purposes of employees and whole-of-government reporting. It is, however, a defined contribution plan for FPC purposes because the concurrent contributions (defined contributions) made by the FPC to GESB extinguishes the FPC's obligations to the related superannuation liability.

The GSEB 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.

The FPC holds no defined benefit 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 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.

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.

4.3.2 EMPLOYEE BENEFIT PROVISIONS IN THE STATEMENT OF FINANCIAL POSITION

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

4.3.2.(a) Current

	2019 \$000	2018 \$000
Employee benefits provision		
Annual leave (a)	1,309	1,418
Long service leave (b)	1,879	1,766
	3,188	3,184

4.3.2.(b) Non-current

	2019 \$000	2018 \$000
Employee benefits provision		
Long service leave (b)	989	1,067
Superannuation (c)	174	161
	1,163	1,228
Total employee benefit provisions	4,351	4,412

(a) Annual leave liabilities: 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:

	2019 \$000	2018 \$000
Within 12 months of the end of the reporting period	1,023	1,091
More than 12 months after the end of the reporting period	286	327
	1,309	1,418

The annual leave liability is calculated at the present value of amounts expected to be paid in relation to services provided by employees up to the reporting date.

(b) Long service leave liabilities: 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 long service leave provisions are classified as non-current liabilities as the FPC has a right to defer settlement of the liability until the employee has completed the requisite years of service.

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

	2019 \$000	2018 \$000
Within 12 months of the end of the reporting period	517	506
More than 12 months after the end of the reporting period	2,351	2,327
	2,868	2,833

The provision for long service leave liability is calculated at the present value as the FPC does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and 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. For the year ended 30 June 2019 an actuarial assessment was provided by PricewaterhouseCoopers Securities Ltd (PwC).

Key sources of estimation uncertainty – long service leave

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 assets and liabilities within the next financial year.

Several estimates and assumptions are used in calculating the Agency's long service leave provision. These include:

- Expected future salary rates
- Discount rates
- Employee retention rates
- Expected future payments

Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

Any gain or loss following revaluation of the present value of long service leave liabilities is recognised as employee benefits expense.

4.3.2.(c) Superannuation liabilities

Some former Pension Scheme members have transferred to Gold State Super. In respect of their transferred benefit the members receive a lump sum benefit at retirement, death or invalidity which is related to their salary during their employment and indexed during any deferral period after leaving public sector employment.

The Scheme operates under the *State Superannuation Act 2000 (Western Australia)* and the *State Superannuation Regulations 2001 (Western Australia)*.

	2019 \$000	2018 \$000
Movements in the present value of the defined benefit obligation in the reporting period were as follows:		
Liability at start of year	161	161
Included in profit or loss:		
Interest cost	4	4
	4	4
Included in other comprehensive income:		
Remeasurements loss (gain) recognised:		
financial assumptions	9	-
experience adjustments	1	(4)
	10	(4)
Contributions:		
Benefits paid	-	-
	-	-
Liability at end of year	175	161

Employer contributions of \$22,000 (2018: \$17,000) are expected to be paid to the Gold State Superannuation Scheme in the subsequent annual reporting period.

4.4 GRANTS AND SUBSIDIES

	2019 \$000	2018 \$000
Total grants and subsidies provided¹	53	20

¹ Grants provided to various community groups under a community grants program.

Transactions in which the FPC provides goods, services, assets (or extinguishes a liability) or labour to another party without receiving approximately equal value in return are categorised as 'Grant expenses'. Grants can either be operating or capital in nature.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies, personal benefit payments made in cash to individuals, other transfer payments made to public sector agencies, local government, non-government schools, and community groups.

4.5 OTHER EXPENDITURE**4.5.1 OTHER OPERATING EXPENDITURE**

	2019	2018
	\$000	\$000
4.5.1(a) Supplies and services		
Travel	274	324
Insurance ¹	521	1,400
Operating lease	1,325	1,319
Legal fees and consultants	535	685
DBCA service level agreements	8,002	7,511
Materials	607	578
Forest management expenses	2,743	3,854
Fire salvage and remedial works	3,940	1,667
Repairs and maintenance	507	357
Vehicle expenses	81	90
Other supplies and services ²	2,639	888
Total supplies and services	21,174	18,673
4.5.1(b) Accommodation expenses		
Lease rentals and accommodation	360	302
Other property	173	133
Total accommodation expenses	533	435
4.5.1(c) Other		
Audit fees - Auditor General	162	162
Audit fees - Other ³	262	83
Increase/(decrease) in allowance for doubtful debts	-	(24)
Expected credit losses expense	(34)	-
Telephone, postage, communications	735	757
Employment on-costs	233	197
Plantation maintenance provision movement	(18)	(82)
Other administration costs	279	244
Resources received free of charge	60	183
Total other expenses	1,679	1,519
	23,386	20,627

¹Insurance includes payments to RiskCover.²Other supplies and services includes professional IT and other temporary staff costs.³Other audit fees include internal audit costs as well as environmental, certification, accreditation and grant audits.**Supplies and services**

Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any materials held for distribution are expensed when the materials are distributed.

Repairs and maintenance costs are recognised as expenses as incurred, except where they relate to the replacement of a significant component of an asset. In that case, the costs are capitalised and depreciated.

Accommodation expenses

Operating lease payments are recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

Other

Other operating expenditure generally represent the day-to-day running costs incurred in normal operations.

Doubtful debts expense was recognised as the movement in the allowance for doubtful debts. From 2018-19, expected credit losses expense is recognised as the movement in the allowance for expected credit losses. The allowance for expected credit losses of trade receivables is measured at the lifetime expected credit losses at each reporting date. The FPC has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Please refer to note 6.2.1 Reconciliation of change in the allowance for impairment of receivables.

4.5.2 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.

	2019	2018
	\$000	\$000
Annuity obligations associated with non-core share farms considered onerous	(425)	1,173
	(425)	1,173

4.6 TAXATION

The FPC is subject to the National Tax Equivalent Regime (NTER), which is administered by the Australian Tax Office (ATO). In accordance with this legislation the FPC is required to pay to the Western Australian Treasury amounts determined to be equivalent to the amounts that would be payable by the FPC to the ATO if it was subject to the *Income Tax Assessment Act 1936* (Cth) and *Income Tax Assessment Act 1997* (Cth).

The income tax expense or benefit for the period is the tax payable or receivable on the current period's taxable income, based on the applicable Australian tax rate of 30% (30 June 2018: 30%), 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 any unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered, or liabilities are settled, based on those tax rates which are enacted or substantially 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 (30 June 2019: 30%, 30 June 2018: 30%).

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that is not a business combination and 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 tax is recognised in the Statement of Comprehensive Income.

4.6.1 INCOME TAX EXPENSE IN THE STATEMENT OF COMPREHENSIVE INCOME

		2019 \$000	Restated 2018 \$000
Income tax expense	Notes		
Current tax		-	1,909
Current tax adjustments recognised for prior years		(1,066)	(64)
Deferred tax origination and reversal of temporary differences		1,170	1,493
Deferred tax origination and reversal of temporary differences via equity		108	-
Deferred tax origination and reversal of temporary differences recognised for prior years		2,687	6,494
Income tax expense/(benefit)		2,899	9,832
Deferred income tax expense included in income tax expense comprises:			
(Increase)/decrease in deferred tax asset	4.6.3	(2,165)	(646)
Increase/(decrease) in deferred tax liability	4.6.3	(1,694)	(7,341)
Income tax benefit/(expense)		(3,859)	(7,987)
Reconciliation of prima facie tax payable to income tax expense			
Profit from ordinary activities before income tax		4,254	32,988
Tax at the applicable Australian tax rate of 30% (2018: 30%)		1,276	9,896
Tax effect of amounts which are non-deductible for income tax purposes		2	(64)
Prior year adjustments		1,621	-
Total income tax (benefit)/expense		2,899	9,832

4.6.2 TAX ASSETS AND LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION

	2019 \$000	2018 \$000
Current tax asset/(liability)		
Balance at beginning of year	(6)	561
Payments/(refunds) made	(845)	1,278
Prior year adjustments	1,066	-
Current tax	-	(1,845)
Net movement	221	(567)
Balance at end of year	215	(6)

4.6.3 DEFERRED TAX ASSET/(LIABILITY)

Comprises temporary differences attributable to:

	2019	2018
	\$000	\$000
Deferred tax asset		
Receivables	275	289
Property, infrastructure, plant and equipment	102	1,673
Biological assets	655	1,234
Intangibles	2,041	2,041
Tax losses	636	-
Employee benefits	1,305	1,323
Sharefarm annuities and incentives	13,716	14,216
Deferred income	2,416	3,788
Restoration provisions	3,039	1,895
Auditing fees provision	157	48
Unrecognised net deferred asset	(2,041)	(2,041)
Total deferred tax assets	22,301	24,466
Deferred tax liability		
Property, infrastructure, plant and equipment	(3,016)	(4,560)
Biological assets	(3,974)	(116)
Intangibles	(2,918)	(3,566)
Hedge contracts	-	28
Total deferred tax liabilities	(9,908)	(8,214)
Net tax assets/(liabilities)	12,393	16,252
Movements:		
Opening balance	16,252	24,165
Credited to profit or loss	(1,066)	(1,493)
Credited to equity	(106)	74
Prior year adjustments	(2,687)	(6,494)
Closing balance	12,393	16,252

5.0 KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Assets the FPC utilises for economic benefit or service potential

Introduction

The FPC utilises its assets in order to fulfill its objectives and conduct its activities. They represent the key resources that have been entrusted to the FPC to be utilised for delivery of those outputs.

Structure		2019	2018
This section includes:		\$000	\$000
- Note 5.1	Infrastructure, property, plant and equipment	31,978	29,023
- Note 5.2	Intangible assets	10,251	12,381
- Note 5.3	Biological assets	207,808	194,953
		250,037	236,357

5.1 INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Nursery infrastructure	Plant equipment and vehicles	Office equipment	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Year ended 30 June 2019						
1 July 2018						
Gross carrying amount	20,468	5,589	13,172	3,554	632	43,415
Accumulated depreciation	-	(5)	(10,543)	(3,304)	(540)	(14,392)
Carrying amount at start of period	20,468	5,584	2,629	250	92	29,023
Additions	4,304	-	-	134	46	4,484
Revaluation increments/(decrements) recognised in other comprehensive income	(519)	63	-	-	-	(456)
Disposals	-	-	-	(11)	(67)	(78)
Accumulated depreciation written back	-	-	-	11	67	78
Depreciation expense	-	(280)	(659)	(103)	(31)	(1,073)
Carrying amount at 30 June 2019	24,253	5,367	1,970	281	107	31,978
Year ended 30 June 2018						
1 July 2017						
Gross carrying amount	17,396	5,760	13,172	3,536	580	40,444
Accumulated depreciation	-	-	(9,884)	(3,193)	(525)	(13,601)
Carrying amount at start of period	17,396	5,760	3,288	343	55	26,842
Additions	3,275	-	-	89	59	3,423
Revaluation increments/(decrements) recognised in other comprehensive income	(203)	112	-	-	-	(91)
Reclassifications	-	-	-	(71)	(7)	(78)
Depreciation expense	-	(288)	(659)	(111)	(15)	(1,073)
Carrying amount at 30 June 2018	20,468	5,584	2,629	251	92	29,023

Initial recognition

Items of infrastructure, property, plant and equipment costing \$5,000 or more are measured initially at cost. Where an asset is acquired for no or nominal cost, the cost is valued at its fair value at the date of acquisition. Items of infrastructure, property, plant and equipment 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).

Assets transferred as part of a machinery of government change are transferred at their fair value.

The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the leasehold improvement.

The initial cost for a non-financial physical asset under a finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Subsequent measurement

Subsequent to initial recognition of an asset, the revaluation model is used for the measurement of:

- land;
- buildings; and
- infrastructure.

Land is carried at fair value.

Buildings and infrastructure are carried at fair value less accumulated depreciation and accumulated impairment losses.

All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Land and buildings are independently valued annually by the Western Australian Land Information Authority (Valuations and Property Analytics) 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.

Land and buildings were revalued as at 1 July 2018 by the Western Australian Land Information Authority (Valuations and Property Analytics). The valuations were performed during the year ended 30 June 2019 and recognised at 30 June 2019. In undertaking the valuation, fair value was determined by reference to market values for land: \$15,661,300 (2018: \$10,174,300) and buildings: \$3,970,000 (2018: \$4,107,000). For the remaining balance, fair value of buildings was determined on the basis of current 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).

Infrastructure is independently valued every three to five years by an independent property valuer. Infrastructure assets were independently revalued by McGarry Associates Pty Ltd as at 30 June 2016. The valuations were recognised at 1 July 2017.

Fair value for infrastructure assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e.: the current replacement cost. 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, adjusted for obsolescence. Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence.

Revaluation model:**(a) Fair Value where market-based evidence is available:**

The fair value of land and buildings is determined on the basis of current market 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.

(b) Fair Value in the absence of market-based evidence:

Buildings and infrastructure are specialised or where land is restricted: Fair value of land, buildings and infrastructure is determined on the basis of existing use.

Existing use buildings and infrastructure: Fair value is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the current replacement cost. Where the fair value of buildings and infrastructure is determined on the current replacement cost basis, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset.

Restricted use land: Fair value 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).

Significant assumptions and judgements: The most significant assumptions and judgements 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.

5.1.1 DEPRECIATION AND IMPAIRMENT

Charge for the period

Depreciation	2019	2018
	\$000	\$000
Buildings	280	288
Infrastructure	659	659
Plant Equipment and vehicles	103	111
Office equipment	31	15
Total depreciation for the period	1,073	1,073

As at 30 June 2019 there were no indications of impairment to property, plant and equipment or infrastructure.

All surplus assets at 30 June 2019 have either been classified as assets held for sale or have been written-off.

Finite useful lives

All infrastructure, property, plant and equipment 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. The exceptions to this rule include assets held for sale, land and investment properties.

Depreciation is generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

Asset	Useful life
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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments should be made where appropriate.

Land is not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

Impairment

Non-financial assets, including items of property, plant and equipment and intangibles, are tested for impairment whenever there is an indication that the asset may be impaired. 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 through profit and loss.

Where a previously revalued asset is written down to its recoverable amount, the loss is recognised as a revaluation decrement through other comprehensive income.

As the FPC is a not-for-profit entity, the recoverable amount of regularly revalued specialised assets is anticipated to be materially the same as fair value.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

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 a 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 declining replacement costs.

5.2 INTANGIBLE ASSETS

	2019	2018
	\$000	\$000
Software		
Opening gross carrying amount	1,155	994
Opening accumulated amortisation	(660)	(666)
Carrying amount at start of period	495	328
Additions	156	293
Disposals	(13)	(132)
Amortisation on disposals written back	13	132
Amortisation expense	(125)	(126)
Carrying amount at end of period	526	495
Right of use assets		
Sandalwood		
Additions	8,955	13,390
Amortisation expense	(8,955)	(13,390)
Carrying amount at end of period	-	-
Native forest		
Opening gross carrying amount	11,886	11,886
Opening accumulated amortisation	-	-
Accumulated impairment	-	-
Carrying amount at start of period	11,886	11,886
Amortisation expense	(2,161)	-
Carrying amount at end of period	9,725	11,886
Total intangibles carrying amount at end of period	10,251	12,381

Initial recognition

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more that comply with the recognition criteria as per AASB 138.57 (as noted below), are capitalised.

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.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) an intention to complete the intangible asset, and use or sell it;
- (c) the ability to use or sell the intangible asset;
- (d) the intangible asset will generate probable future economic benefit;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and;
- (f) the ability to measure reliably the expenditure attributable to the intangible asset during its development;

Costs incurred in the research phase of a project are immediately expensed.

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.

Subsequent measurement

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

Right of use assets**Native forest**

The FPC is authorised to harvest native forest by the Department of Biodiversity, Conservation and Attractions (DBCA) and there are no conditions to be fulfilled in order for control of the licence to pass to the FPC.

The FPC does not provide any cash or services in exchange for the harvesting rights therefore the amount of the contribution is equal to the fair value of the right to harvest for the ten year term of the *Forest Management Plan for 2014 - 2023*.

Amortisation for the intangible asset over the useful life is calculated for the period of the expected benefit (expected useful life which is ten years in accordance with the terms of the licence) on a straight line basis.

Sandalwood

The FPC has received the right to harvest sandalwood in Western Australia for one year in exchange for no cash or services when licence(s) are issued by DBCA and there are no conditions to be fulfilled.

Amortisation for the intangible asset with a useful life of one year being the expected benefit period.

5.2.1 AMORTISATION AND IMPAIRMENT

	2019	2018
	\$000	\$000
Software		
Opening accumulated amortisation	(660)	(666)
Disposals	13	332
Amortisation expense for the year	(125)	(126)
Closing accumulated amortisation	(772)	(660)
Right of use assets		
Sandalwood		
Opening accumulated amortisation	-	-
Amortisation expense for the year	(8,955)	(13,390)
Closing accumulated amortisation	(8,955)	(13,390)
Native forest		
Opening accumulated amortisation	-	-
Amortisation expense for the year	(2,161)	-
Closing accumulated amortisation	(2,161)	-
Total amortisation expense for the year	(11,241)	(13,516)
Closing accumulated amortisation	(11,888)	(14,050)

As at 30 June 2019 there were no indications of impairment to intangible assets.

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.

Amortisation of finite life intangible assets is calculated on a straight line basis at rates that allocate the asset's value over its estimated useful life. All intangible assets controlled by the FPC have a finite useful life and zero residual value. Estimated useful lives are reviewed annually.

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

Software ^(a)	2.5 years
Right of use – native forest ^(b)	4.5 years (remaining)

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

^(b) Right of use for native forest reduces each year in line with the FMP.

Impairment

The policy in connection with testing for impairment is outlined in note 5.1.1.

5.3 BIOLOGICAL ASSETS

	2019 \$000	2018 \$000
Current		
Biological assets at valuation		
Plantations		
Plantations biological assets at valuation	18,199	18,610
Total biological assets at valuation current	18,199	18,610
Non-Current		
Biological assets at valuation		
Plantations		
Mature standing timbers	185,687	171,336
Plantation sandalwood	3,922	3,805
Esperance pine	-	1,202
Plantations biological assets at valuation	189,609	176,343
Total biological assets at valuation non-current	189,609	176,343
Total biological assets at valuation	207,808	194,953
The plantations estate is represented by:		
Pine plantations standing timber	203,886	191,147
Plantation sandalwood	3,922	3,805
Total plantations biological assets at valuation	207,808	194,952

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

	Notes	2019 \$000	2018 \$000
Carrying amount at start of period		194,952	182,364
Gain from changes in fair value	5.3.1	2,990	7,710
Add Harvey Coast/Lewana provision (movement)		4,068	(1,190)
Add expenditure for new plantations		5,798	6,068
Carrying amount at end of period		207,808	194,952

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).

Initial recognition

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.

AASB 141 defines a group of biological assets as an aggregation of similar living animals or plants. Therefore, the FPC determines that it only 'holds' one type of biological assets: plantation timber.

Subsequent measurement

Under AASB 141 *Agriculture*, the FPC is required to value its biological assets annually.

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 76,986 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 5,753 hectares. The value of the sandalwood plantation is based on revenues and costs associated with the forest estate.

5.3.1 BIOLOGICAL ASSET INCREASE/(DECREASE)

The 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.

The valuation as at 30 June 2019 and movements since 30 June 2018 are summarised as follows:

	2019 \$000	Restated 2018 \$000	Movement \$000
Plantations (core)	203,886	189,945	13,941
Sandalwood (non-core plantations)	3,922	3,805	117
Esperance pine	-	1,202	(1,202)
TOTAL	207,808	194,952	12,856
Expenditure for new plantations			(5,798)
Provision for replanting Lewana/ Harvey Coast			(4,068)
Statement of Comprehensive Income			2,990

The valuation as at 30 June 2018 and movements since 30 June 2017 are summarised as follows:

	2018 \$000	2017 \$000	Movement \$000
Plantations (core)	189,945	177,987	11,958
Sandalwood (non-core plantations)	3,805	4,377	(572)
Esperance pine	1,202	-	1,202
TOTAL	194,952	182,364	12,588
Expenditure for new plantations			(6,068)
Provision for replanting Harvey Coast			1,190
Statement of Comprehensive Income			7,710

6.0 OTHER ASSETS AND LIABILITIES

Introduction

This section details other assets and liabilities that arose from the FPC's operations.

Structure	Notes	2019 \$000	2018 \$000
This section includes:			
Inventories	6.1	6,883	6,752
Receivables	6.2	18,644	17,667
Other current assets	6.3	1,580	600
Payables	6.4	26,991	17,675
Other provisions	6.5	11,118	6,355
Other liabilities	6.6	14,053	15,151

6.1 INVENTORIES

	\$000	\$000
Inventories held for resale at cost:		
– Plant propagation centre	2,252	1,753
– Sandalwood	3,833	3,738
– Timber on forest landings	798	1,261
	6,883	6,752

Cost is the net market value of 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.

Notes to the financial statements

6.2 RECEIVABLES

	2019	2018
Current	\$000	\$000
Trade and other receivables	19,560	18,631
Provision for expected credit loss	(916)	(964)
	18,644	17,667

Receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

Interest charges may apply to payments that exceed the due date, calculated by reference to the prevailing commercial business overdraft reference rate plus a 2 per cent premium to cover the FPC's increased cost of debt management.

The FPC holds security in the form of either cash or bank guarantees as collateral for some trade receivables.

6.2.1 RECONCILIATION OF CHANGE IN THE ALLOWANCE FOR IMPAIRMENT OF RECEIVABLES

Balance at start of period	(964)	(988)
Amounts written off during the period	14	-
Doubtful debts expense recognised in the Statement of Comprehensive Income	34	24
Balance at end of period	(916)	(964)

The maximum exposure to credit risk at the end of the reporting period for trade receivables is the carrying amount of the asset inclusive of any provision for expected credit losses as shown in the table at note 8.1 'Financial risk management objectives'.

6.3 OTHER CURRENT ASSETS

	2019	2018
Current	\$000	\$000
Prepayments	1,287	114
Derivative asset	7	-
Accrued revenue	286	486
	1,580	600

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

6.4 PAYABLES

	2019	2018
6.4.(a) Current	\$000	\$000
Trade payables	3,654	3,822
GST payable	54	158
Payroll tax accrual	84	81
Accrued logging costs	3,127	3,607
Other accrued expenses	15,648	5,810
Accrued salaries and wages	303	296
Land annuity obligations	387	347
Hedge contract	-	94
Total current	23,257	14,215
6.4.(b) Non-current		
Land annuity obligations	3,734	3,460
Total non-current	3,734	3,460
Balance at end of period	26,991	17,675

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.

Accrued salaries and wages represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries and wages are settled within a fortnight after the reporting period. The FPC considers the carrying amount of accrued salaries and wages to be equivalent to its fair value.

Other accrued expenses include amounts due to contractors for which goods or services have been received as at reporting date, but not yet billed.

6.5 OTHER PROVISIONS

	Notes	2019 \$000	2018 \$000
6.5.(a) Current			
Provision for regeneration of native forest	6.5.1	4,114	4,039
Provision for replant (Harvey Coast/Lewana)	6.5.2	2,756	1,016
Unearned revenue	6.5.3	1,000	41
Provision for sandalwood plantation maintenance	6.5.4	70	70
Total current		7,940	5,166
6.5.(b) Non-current			
Provision for regeneration of native forest	6.5.1	579	900
Provision for replant (Harvey Coast/Lewana)	6.5.2	2,328	-
Provision for sandalwood plantation maintenance	6.5.4	271	289
Total non-current		3,178	1,189
Balance at end of period		11,118	6,355

Provisions represent the present value of the FPC's best estimate of the future outflow of economic benefits that will be required under the FPC's obligations of forests under the *Forest Products Act 2000*. The estimate has been made on the basis of historical trends and may vary as a result of events.

6.5.1 PROVISION FOR REGENERATION OF NATIVE FOREST

The FMP obligates the FPC to ensure that re-growth native forest harvested are restored.

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.

6.5.2 PROVISION FOR REPLANT (HARVEY COAST/LEWANA)

The FPC has previously provided for the replanting of an area of the Harvey Coast that was destroyed by fires during the 2015/16 year.

The FPC has also provided for the replanting of an area of the Lewana plantation that was destroyed by fires during the 2018/19 year.

6.5.3 UNEARNED REVENUE

Unearned revenue received is recognised by the FPC for the delivery of forestry services to be delivered in the future.

6.5.4 PROVISION FOR SANDALWOOD PLANTATION MAINTENANCE

The FPC has an obligation under contract to maintain a sandalwood plantation in Kununurra. The associated expense is disclosed in Note 4.5.1 'Other operating expenditure'.

6.5.5 MOVEMENT IN PROVISIONS

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

	2019 \$000	2018 \$000
Provision for regeneration of native forest		
Carrying amount at start of period	4,940	5,531
Additional provisions recognised	417	10
Payments/other sacrifices of economic benefits	(664)	(602)
Carrying amount at end of period	4,693	4,939
Provision for replant (Harvey Coast/Lewana)		
Carrying amount at start of period	1,016	2,206
Additional provisions recognised/(reversed)	4,337	-
Payments/other sacrifices of economic benefits	(269)	(1,190)
Carrying amount at end of period	5,084	1,016
Unearned revenue		
Carrying amount at start of period	41	56
Additional/(reversals of) provisions recognised	959	(15)
Carrying amount at end of period	1,000	41
Provision for sandalwood plantation maintenance		
Carrying amount at start of period	359	440
Payments/other sacrifices of economic benefits	(18)	(81)
Carrying amount at end of period	341	359

6.6 OTHER LIABILITIES**Deferred revenue**

	2019	2018
	\$000	\$000
6.6.(a) Current		
Contractual obligations	136	136
Forward sold log supply	1,737	1,653
	1,873	1,789
6.6.(b) Non-current		
Contractual obligations	5,496	5,501
Forward sold log supply	6,684	7,861
	12,180	13,362
Balance at end of period	14,053	15,151

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

Forward sold log supply represents the value of timber to be supplied under a commercial contract with a specific customer.

7.0 FINANCING OUR OPERATIONS**Introduction**

This section provides information on the sources of finance utilised by the FPC for its operations, along with interest expenses and other information related to financing the activities of the FPC.

Structure

This section includes:

- Note 7.1 Finance costs
- Note 7.2 Cash and cash equivalents
- Note 7.2.1 Reconciliation of cash
- Note 7.2.2 Reconciliation of profit from ordinary activities
- Note 7.3 Operating leases
- Note 7.3.1 Operating lease commitments
- Note 7.3.2 Other expenditure commitments

7.1 FINANCE COSTS

	2019	2018
	\$000	\$000
Finance costs		
Interest on contract obligations	649	616
Foreign exchange (gain)/loss	421	76
Finance costs expensed	1,070	692

Finance cost includes costs incurred in relation to interest costs attributable to forward sold log supply (See note 6.6 'Other liabilities') and gains and losses associated with foreign currency transactions.

7.2 CASH AND CASH EQUIVALENTS**7.2.1 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:

	2019	2018
	\$000	\$000
Petty cash	2	2
Cash and cash equivalents	31,402	29,304
- Myalup Primary Industries Reserve Project ^(a)	-	1,245
Balance at end of period	31,404	30,551

^(a) Royalties for Regions funding that remained unspent at period end.

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.

7.2.2 RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EQUIVALENT TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:

Notes	2019 \$000	2018 \$000
Profit from ordinary activities after income tax equivalent	1,365	23,152
Taxable items presented in Other Comprehensive Income		
Remeasurements of defined benefit liability	(10)	4
Non-cash items:		
Depreciation and amortisation expense	5.1.1; 5.2.1 12,314	14,589
Movement in provision for doubtful debts	6.2.1 (48)	(24)
Change in fair value of biological assets	5.3.1 (2,990)	(7,710)
Decrease/(increase) in assets:		
Current inventories	(131)	(1,263)
Current receivables	(929)	2,161
Other current assets	(785)	(9,197)
Other assets	(9,141)	(6,119)
Increase/(decrease) in liabilities:		
Payables	9,042	(410)
Unearned revenue and deferred income	140	1,169
Other liabilities	974	(9,442)
Net cash provided by operating activities	9,801	6,910

7.3 OPERATING LEASES

7.3.1 OPERATING LEASE COMMITMENTS

	2019 \$000	2018 \$000
Commitments for minimum lease payments are payable as follows:		
Within 1 year	512	271
Later than 1 year and not later than 5 years	1,911	1,196
Later than 5 years	1,296	1,453
	3,719	2,920
Non-cancellable operating leases	3,719	2,920

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.

The FPC holds operating leases for head office and a number of branch office buildings under varying terms and conditions.

7.3.2 OTHER EXPENDITURE COMMITMENTS

	2019 \$000	2018 \$000
Expenditure commitments, being contracted expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	1,620	1,819
Later than 1 year and not later than 5 years	4,162	5,595
	5,782	7,414

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

Judgements made by management in applying accounting policies – operating lease commitments

The FPC has entered into a number of leases for buildings for branch accommodation. Some of these relate to buildings of a temporary nature and it has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, these leases have been classified as operating leases.

8.0 RISK, CONTINGENCIES AND VALUATION JUDGEMENTS

Introduction

The FPC is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, including exposures to financial risk, as well as those items which are contingent in nature or require a higher level of judgement to be applied, which for the FPC relate mainly to fair value determination.

Structure

This section includes:

- Note 8.1 Financial risk management objectives
- Note 8.2 Market risk
 - Note 8.2.1 Currency risk
 - Note 8.2.2 Price risk
- Note 8.3 Credit risk
- Note 8.4 Liquidity risk
 - Note 8.5.1 Contingent assets
 - Note 8.5.2 Contingent liabilities
- Note 8.6.1 Fair value measurements - land, buildings and infrastructure
- Note 8.6.2 Fair value measurements - biological assets
- Note 8.6.3 Discount rates

8.1 FINANCIAL RISK MANAGEMENT OBJECTIVES

The FPC has exposure to the following risks:

- Market risk
- Credit risk
- Liquidity risk

This note presents information about the FPC's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout the financial report.

The FPC Commissioners have overall responsibility for the establishment and oversight of the risk management framework. The FPC has established the Audit and Risk Committee, which is responsible for reviewing and monitoring risk management policies and making recommendations to the Commissioners in relation to changes that may be considered necessary from time to time. The Audit and Risk Committee reports regularly to the Commissioners on its activities.

Risk management policies are established to identify and analyse the risks faced by the FPC, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions.

The FPC, through its training and risk management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The primary risk management document is the Risk Management Policy which describes the risks the FPC is exposed to. The FPC's overall risk management program focuses on managing the risks identified below.

The FPC's Audit and Risk Committee oversees how management monitors compliance with the FPC's risk management policies and procedures, and reviews the adequacy and effectiveness of the risk management framework in relation to the risks faced by the FPC. The FPC's Audit and Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the FPC Audit and Risk Committee.

8.2 MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates and commodity prices, will affect the FPC's income or the value of its holdings of financial instruments. 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 around currency risk. All such transactions are carried out within the guidelines set by the FPC's Foreign Exchange Hedging Policy. Generally the FPC seeks to apply hedge accounting in order to manage volatility in profit or loss.

8.2.1 CURRENCY RISK

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

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

Australian dollars	Average exchange rates		Reporting date exchange rates	
	2019	2018	2019	2018
USD	0.7156	0.7753	0.7013	0.7391

The carrying amount of the FPC's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	2019 \$000	2018 \$000
USD bank account	674	521

Sensitivity analysis - currency

The following table represents a summary of the currency 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 exchange rates.

2019	Carrying amount (\$000's)	-10% change		+10% change	
		Profit (\$000's)	Equity (\$000's)	Profit (\$000's)	Equity (\$000's)
Financial Assets					
USD Bank Account	962	75	75	(61)	(61)

USD rate used in this analysis was the spot rate as at 30 June 2019: 1 AUD = 0.716

2018	Carrying amount (\$000's)	-1% change		+1% change	
		Profit (\$000's)	Equity (\$000's)	Profit (\$000's)	Equity (\$000's)
Financial Assets					
USD Bank Account	705	55	55	(45)	(45)

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

8.2.2 PRICE RISK

The FPC is exposed to fluctuations in tender prices which may become a significant price risk. The risk of exposure to wood prices is discussed below.

Timber price risk

The FPC enters into contracts for the supply of timber products through either a competitive tender process or private treaty arrangements. Timber prices are established under the FPC's Forest Products Pricing Policy and in compliance with the *Forest Products Act 2000*.

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 (force majeure) 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.

Indexation and price reviews are critical for managing the long-term risk to the FPC from its pricing of forest products. The FPC indexes contracts in accordance with a range of methodologies, including:

- Consumer Price Index (CPI);
- Market value of end products; and
- Combination of market value, CPI and individual costs (e.g. fuel)

Sensitivity analysis – price	Range (weighted ave)	2019 \$000	2018 \$000
Discount rate (real, pre-tax):	+300 bpts	(60,822)	(56,748)
	-300 bpts	150,091	137,356
Expected future sales values	+3%	21,309	20,146
	-3%	(21,309)	(20,133)
Expected future costs	+3%	(15,082)	(14,157)
	-3%	15,078	14,153

8.3 CREDIT RISK

Credit risk is the risk of financial loss to the FPC if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the FPC's receivables from customers. The FPC's exposure to credit risk can occur through the provision of trade credit (both within Australia and Internationally). The FPC Customer Credit Policy determines the levels of credit exposure the FPC can take to various categories of customers.

The FPC's exposure to credit risk is influenced mainly by the individual financial characteristics of each customer. The demographics of the FPC's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. No significant percentage of the FPC's trade receivables are attributable to a single customer. Key geographical exposures to trade and other receivables are discussed further in this note.

The Board of Commissioners has approved a credit policy under which each new customer is analysed individually for creditworthiness before the FPC's standard payment and delivery terms and conditions are offered. The review includes external ratings, when available, and financial analysis. Credit and settlement limits are established for each customer, which represents the maximum open amount without requiring approval from the Board of Commissioners. These limits are reviewed when any variations occur. Customers that fail to meet the FPC's benchmark creditworthiness may transact with the FPC only on a prepayment basis or against the provision of acceptable security such as letters of credit, bank guarantees and other payment guarantees.

Receivables and advances to customers at fair value contains amounts owing from customers who have been delivered and have accepted timber products on deferred settlement terms, in accordance with the FPC's Customer Credit Policies, all of whom have settlement durations of one year or less from origination.

The FPC has established a provision for expected credit losses that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for the FPC of similar assets in respect of losses that have been incurred but not yet identified.

There was no material adjustment required following remeasurement under AASB 9 for restatement of expected credit losses, resulting in no change from the previously reported impairment balance.

Timber products are sold subject to a Statutory Lien held by the FPC, so that in the event of non-payment the FPC may have a secured claim and assume control of the goods. The FPC may require collateral in respect of trade and other receivables in the form of cash deposits or bank guarantees.

The following table details the credit risk exposure on the FPC's trade receivables using a provision matrix.

	Total \$000	Current \$000	Days past due			
			<30 days \$000	31-60 days \$000	61-90 days \$000	>90 days \$000
30 June 2019						
Expected credit loss rate		0.74%	9.80%	9.65%	28.54%	39.98%
Estimated total gross carrying amount at default	19,560	15,636	1,184	1,202	410	1,128
Expected credit losses	(916)	(116)	(116)	(116)	(117)	(451)
1 July 2018						
Expected credit loss rate		1.24%	35.97%	45.07%	88.46%	62.77%
Estimated total gross carrying amount at default	18,631	16,833	1,276	213	26	282
Expected credit losses	(964)	(209)	(459)	(96)	(23)	(177)

8.4 LIQUIDITY RISK

Liquidity risk management requires the FPC to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The FPC manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

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

Credit cards	750	750
Bank overdraft facility ¹	9,000	-
	9,750	750
Facilities in use as at reporting date:		
Credit cards	35	51
	35	51
Available facilities not in use as at reporting date:		
Credit cards	715	699
Bank overdraft facility	9,000	-
	9,715	699

¹ A bank overdraft facility for \$9m was re-established with the Western Australian Treasury Commission from 1 July 2018.

Notes to the financial statements

The following table details the FPC's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

	Notes	Effective interest rate%	Total	0 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
2019							
Financial assets							
Commonwealth Bank Cash Management Account	7.2.1	1.83%	30,440	30,440	-	-	-
Commonwealth Bank USD Account	7.2.1	0.00%	962	962	-	-	-
Trade receivables	6.2	n/a	19,560	19,560	-	-	-
Provision for expected credit losses	6.2.1	n/a	(916)	(916)	-	-	-
Collateral security held - cash	9.8	n/a	3,485	3,485	-	-	-
Collateral security held - non cash		n/a	7,102	7,102	-	-	-
Total credit exposure - trade receivables			29,231	29,231	-	-	-
Foreign exchange contracts		n/a	7	7	-	-	-
			60,640	60,640	-	-	-
Financial liabilities							
Trade payables	6.4	n/a	3,654	3,654	-	-	-
Foreign exchange contracts		n/a	-	-	-	-	-
Land annuities payable		n/a	5,323	395	395	1,184	3,349
			8,977	4,049	395	1,184	3,349
2018							
Financial assets							
Commonwealth Bank Cash Management Account	7.2.1	2.12%	29,844	29,844	-	-	-
Commonwealth Bank USD Account	7.2.1	0.00%	705	705	-	-	-
Trade receivables	6.2	n/a	18,631	18,631	-	-	-
Provision for expected credit losses	6.2.1	n/a	(964)	(964)	-	-	-
Collateral security held - cash	9.8	n/a	2,710	2,710	-	-	-
Collateral security held - non cash		n/a	7,782	7,782	-	-	-
Total credit exposure - trade receivables			28,159	28,159	-	-	-
Foreign exchange contracts		n/a					
			58,708	58,708	-	-	-
Financial liabilities							
Trade payables	6.4	n/a	3,822	3,822	-	-	-
Foreign exchange contracts		n/a	94	94	-	-	-
Land annuities payable		n/a	5,189	355	355	1,066	3,413
			9,105	4,271	355	1,066	3,413

Sensitivity analysis – Interest

The following table represents a summary of the interest rate 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's)	-1% change Profit (\$000's)	Equity (\$000's)	+1% change Profit (\$000's)	Equity (\$000's)
2019					
Financial assets					
Cash and cash equivalents	31,401	(220)	(220)	220	220
Financial liabilities					
Land annuities payable	4,121	(179)	(179)	163	163
2018					
Financial assets					
Cash and cash equivalents	30,549	(205)	(205)	205	205
Financial liabilities					
Land annuities payable	3,807	(175)	(175)	159	159

8.5 CONTINGENT ASSETS AND LIABILITIES

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and, if quantifiable, are measured at the best estimate.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

8.5.1 CONTINGENT ASSETS

There are no contingent assets as at reporting date.

8.5.2 CONTINGENT LIABILITIES

The following contingent liabilities are excluded from the liabilities included in the financial statements:

Resource shortfall

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 Water and Environment Regulation (DWER). In accordance with the Act DWER classifies these sites. DER classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as *contaminated – remediation required* or *possibly contaminated - investigation required*, the FPC may have a liability in respect of investigation or remediation expenses.

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 DWER as *'possibly contaminated - investigation required'*. The site is owned by the DBCA who have an asbestos management plan in place.

8.6 FAIR VALUE MEASUREMENTS**Valuation processes**

There were no changes in valuation techniques during the period, with the exception of the changes to accounting policy for the treatment of native forest and sandalwood assets. Native forests are valued on the rights to harvest over the life of the FMP while sandalwood is valued on the basis of a 12 month licence to harvest.

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.

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.

8.6.1 FAIR VALUE MEASUREMENTS – LAND, BUILDINGS AND INFRASTRUCTURE

Assets measured at fair value:	Level 1 \$000	Level 2 \$000	Level 3 \$000	Fair value at end of period \$000
2019				
Land	-	-	24,253	24,253
Buildings	-	-	5,367	5,367
Infrastructure	-	-	1,970	1,970
Total land, buildings and infrastructure	-	-	31,590	31,590
2018				
Land	-	-	20,468	20,468
Buildings	-	-	5,584	5,584
Infrastructure	-	-	2,629	2,629
Total land, buildings and infrastructure	-	-	28,681	28,681

There were no transfers between Levels 1, 2 or 3 during the current and previous periods.

Fair value measurements using significant unobservable inputs (Level 3)

	Land \$000	Buildings \$000	Infrastructure \$000
2019			
Fair value at start of period	20,468	5,584	2,629
Additions	4,304	-	-
Revaluation increments/(decrements) recognised in other comprehensive income	(519)	63	-
Depreciation expense	-	(280)	(659)
Fair value at end of period	24,253	5,367	1,970
Total gains or losses for the period included in profit or loss, under 'other gains'	-	-	-
2018			
Fair value at start of period	17,396	5,760	3,288
Additions	3,275	-	-
Revaluation increments/(decrements) recognised in other comprehensive income	(203)	112	-
Depreciation expense	-	(288)	(659)
Fair value at end of period	20,468	5,584	2,629
Total gains or losses for the period included in profit or loss, under 'Other Gains'	-	-	-

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

Description	Fair value 30/06/2019 \$000	Fair value 30/06/2018 \$000	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs to fair value
Land	24,253	20,468	Market approach	Selection of land with similar approximate utility	Higher value of similar land increases estimated fair value.
Buildings	5,367	5,584	Market approach	Consumed economic benefit/ obsolescence of asset	Greater consumption of economic benefit or increased obsolescence lowers fair value.
Infrastructure	1,970	2,629	Depreciated Replacement Cost	Consumed economic benefit/ obsolescence of asset	Greater consumption of economic benefit or increased obsolescence lowers fair value.

Land (Level 3 fair values)

Fair value for restricted use land is based on comparison with market evidence for land with low level utility (high restricted use land). The relevant comparators of land with low level utility is selected by the Western Australian Land Information Authority (Valuations and Property Analytics) and represents the application of a significant Level 3 input in this valuation methodology. The fair value measurement is sensitive to values of comparator land, with higher values of comparator land correlating with higher estimated fair values of land.

Buildings and Infrastructure (Level 3 fair values)

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 current replacement cost. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and gross project size specifications adjusted for obsolescence and economic (external) obsolescence.

Valuation using current replacement cost utilises the significant Level 3 input, consumed economic benefit/obsolescence of asset which is estimated by the Western Australian Land Information Authority (Valuations and Property Analytics). The fair value measurement is sensitive to the estimate of consumption/obsolescence, with higher values of the estimate correlating with lower estimated fair values of buildings and infrastructure.

8.6.2 FAIR VALUE MEASUREMENTS - BIOLOGICAL ASSETS

Assets measured at fair value:	Level 1 \$000	Level 2 \$000	Level 3 \$000	Fair value at end of period \$000
2019				
Plantations	-	-	207,808	207,808
Total biological assets	-	-	207,808	207,808
2018				
Plantations	-	-	194,952	194,952
Total biological assets	-	-	194,952	194,952

There were no transfers between Levels 1, 2 or 3 during the current and previous periods.

Fair value measurements using significant unobservable inputs (Level 3)

	2019 \$000	2018 \$000
Fair value at start of period	194,952	182,364
Additions	9,866	4,878
Revaluation increments/(decrements) recognised in profit or loss	2,990	7,710
Fair value at end of period	207,808	194,952

Valuation

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.

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).

Biological assets (Level 3 fair values)

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

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

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

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

	2019 \$000	2018 \$000
Opening balance 1 July	194,952	182,364
Volume	22,038	(6,116)
Revenue	43,529	25,961
Expense	(51,626)	(13,503)
Discount rate	-	5,616
Plantation sandalwood	117	(572)
Esperance pine	(1,202)	1,202
Closing balance 30 June	207,808	194,952

8.6.3 DISCOUNT RATES

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

	2019	2018
Plantation pine	8.80%	8.60%
Plantation sandalwood	10.30%	10.30%
Native forests	9.50%	9.50%

9.0 OTHER DISCLOSURES**Introduction**

This section includes additional material disclosures required by accounting standards or other pronouncements, for the understanding of this financial report.

Structure

This section includes:

- Note 9.1 Events occurring after the end of the reporting period
- Note 9.2 Key management personnel
- Note 9.3 Related party transactions
- Note 9.4 Related and affiliated bodies
- Note 9.5 Remuneration of auditor
- Note 9.6 Equity
- Note 9.7 Supplementary financial information
- Note 9.8 Funds held in trust
- Note 9.9 Future impact of Australian standards issued not yet effective
- Note 9.10 Explanatory statement
- Note 9.11 Change in accounting policy
- Note 9.12 Initial application of Australian Accounting Standards

9.1 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

The FPC has received advice subsequent to the end of the reporting period that two major native forest customers are reassessing the long term viability of their businesses. Should these businesses cease to operate and the contracted log volumes not be reassigned or on-sold this would have a material impact to the future value of the native forest asset. As at the date of the financial statements the FPC estimates the potential impact of this on the valuation of the native forest intangible asset to be a \$3.0 million reduction in value.

9.2 KEY MANAGEMENT PERSONNEL

The FPC has determined key management personnel to include cabinet ministers, members and senior officers of the FPC. The FPC does not incur expenditures to compensate Ministers and those disclosures may be found in the *Annual Report on State Finances*.

Total fees, salaries, superannuation, non-monetary benefits and other benefits for senior officers of the FPC for the reporting period are presented within the following bands:

Compensation of Members of the Accountable Authority

Compensation band (\$)	2019	2018
50,001 - 60,000	1	1
20,001 - 30,000	4	3
10,001 - 20,000	1	2
0 - 10,000	2	2
	2019	2018
	\$000	\$000
Total fees received by non-executive Commissioners	169	173

Notes to the financial statements

Compensation of Senior Officers

Compensation band (\$)	2019	2018
280,001 - 290,000	1	1
210,001 - 220,000	1	-
200,001 - 210,000	-	1
190,001 - 200,000	2	1
170,001 - 180,000	1	2
150,001 - 160,000	2	3
140,001 - 150,000	1	-
40,000 - 50,000	1	-
	2019	2018
	\$000	\$000
Short term employee benefits	1,453	1,506
Post employment benefits	9	(1)
Other long term benefits	-	1
Total compensation of Senior Officers	1,462	1,506

Total compensation includes the superannuation expense incurred by the FPC in respect of senior officers and members of the accountable authority.

9.3 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 FPC include:

- all cabinet 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 statutory authorities, including related bodies that are included in the whole of government consolidated financial statements;
- associates and joint ventures of a wholly owned public sector entity; and
- the Government Employees Superannuation Board (GESB).

Significant transactions with government related entities

In conducting its activities, the FPC is required to transact with the various State departments. These transactions are generally based on the standard terms and conditions that apply to all agencies. Such transactions, in excess of \$100,000, include:

	2019	2018
	\$000	\$000
- income from Royalties for Regions Fund (Note 3.3);	-	250
- income from Myalup Primary Industries Reserve Project (Note 3.3);	-	4,520
- State Government contributions (Note 9.6);	-	1,300
- State Government operating subsidy (Note 3.3);	1,667	833
- Recoup of costs from DBCA (Note 3.5);	195	278
- payments to DBCA (Note 4.5.1);	(3,966)	(2,764)
- payments to Treasury for works performed by DBCA (Note 4.5.1);	-	(7,076)
- payments to Treasury for dividends and tax (refer statement of cashflows);	(1,290)	(4,923)
- superannuation payments to GESB (Note 4.3.1);	(317)	(332)
- insurance payments to the Insurance Commission of WA (Riskcover) (Note 4.5.1);	(584)	(965)
- payment for services provided by the Auditor General (Note 9.5);	(162)	(162)
- payment to the State Solicitors Office;	(1,018)	(7)
- payment for services provided by Synergy (Note 4.5.1);	(139)	(119)
- payment for services provided by the Department of Finance (Note 4.5.1);	(235)	(135)
- payment for services provided by the Department of Water (Note 4.5.1);	(282)	(241)
- payment for services provided by the Department of Primary Industries and Regional Development (Note 4.5.1);	(194)	(232)
- commitments for future lease payments to the Department of Primary Industries and Regional Development (Note 7.3.1);	(1,842)	(1,910)

Material transactions with related parties

Outside of normal citizen type transactions with the FPC there were no other related party transactions that involved key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

Notes to the financial statements

9.4 RELATED AND AFFILIATED BODIES

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

9.5 REMUNERATION OF AUDITOR

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

	Notes	2019 \$000	2018 \$000
Auditing the accounts, financial statements, controls and key performance indicators	4.5.1.(c)	156	154

9.6 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.

	2019 \$000	2018 \$000
Contributed equity		
Balance at start of the year	276,245	274,945
Contributions by owners		
Equity injection	-	1,300
Balance at end of the year	276,245	276,245

9.6.1 RESERVES

	2019 \$000	2018 \$000
Asset revaluation surplus		
Balance at start of the year	10,641	10,705
Net asset revaluation increase	(456)	(92)
Deferred tax on items of other comprehensive income (Note 4.6.3)	137	28
	10,322	10,641

9.6.2 CASHFLOW HEDGE RESERVE

	2019 \$000	2018 \$000
Balance at start of the year	(66)	43
Net movement in reserve	101	(156)
Income tax on items of other comprehensive income	(30)	47
Balance at end of the year	5	(66)
Balance at end of the year	10,327	10,575

Forward exchange contracts are held to hedge against fluctuations in US dollars (Note 8.1).

9.6.3 RETAINED EARNINGS

	2019 \$000	2018 \$000
Balance at start of the year	(22,240)	(41,779)
Profit for the year	1,355	23,156
Dividend paid	(1,044)	(3,617)
Balance at end of the year	(21,929)	(22,240)

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 year-end date and therefore would not meet the recognition criteria of a present obligation of a liability.

9.7 SUPPLEMENTARY FINANCIAL INFORMATION

(a) Write-offs

During the year, the Board approved \$14,000 (2018: nil) of debtors to be written off.

	2019 \$000	2018 \$000
Debtors	14	-
Total	14	-

(b) Losses through theft, defaults and other causes

	2019 \$000	2018 \$000
Losses of public money and public and other property through theft or default	-	-
Amounts recovered	-	-
	-	-

9.8 FUNDS HELD IN TRUST

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

	2019 \$000	2018 \$000
Opening balance	2,710	2,470
Receipts	897	280
Payments	(122)	(40)
Closing balance	3,485	2,710

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.

9.9 FUTURE IMPACT OF AUSTRALIAN STANDARDS ISSUED NOT YET EFFECTIVE

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. Where applicable, the FPC plans to apply the following Australian Accounting Standards from their application date:

AASB 15	Revenue from contracts with customers	Operative for reporting periods beginning on/after 1 Jan 2019
	This Standard establishes the principles that the FPC shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The mandatory application date of this Standard is currently 1 January 2019 after being amended by AASB 2016-7.	
	The FPC has obtained advice from the SSO that there will be no legal impact, but is still assessing this new standard for any material financial impact on the reporting of revenue from contracts with customers.	
AASB 16	Leases	1 Jan 2019
	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 is in process of being quantified, the entity currently has commitments for \$2,920,000 worth of non-cancellable operating leases which will mostly be brought onto the statement of financial position. Interest and amortisation expense will increase and rental expense will decrease.	

		Operative for reporting periods beginning on/after 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 other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by FPC. The FPC anticipates that application will not materially impact grant revenues.	
AASB 2016-8	Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities	1 Jan 2019
	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.	
AASB 2018-4	Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors	1 Jan 2019
	This Standard amends AASB 15 to add requirements and authoritative implementation guidance for application by not-for-profit public sector licensors to transactions involving the issue of licences. There is no financial impact on FPC.	
AASB 2018-5	Amendments to Australian Accounting Standards – Deferral of AASB 1059	1 Jan 2019
	This Standard amends the mandatory effective date of AASB 1059 so that AASB 1059 is required to be applied for annual reporting periods beginning on or after 1 January 2020 instead of 1 January 2019. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact.	

9.10 EXPLANATORY STATEMENT

Significant variations between estimates and actual results for 2019 and between the actual results for 2019 and 2018 are shown below. Narratives are provided for significant variations, which are considered to be those greater than 5% and \$2.5 million for the Statement of comprehensive income and Statement of cashflow and greater than 5% and \$5.8 million for the Statement of financial position.

9.10.1 STATEMENT OF COMPREHENSIVE INCOME VARIANCES

	Variance note	Estimate 2019 \$000	Actual 2019 \$000	Restated Actual 2018 \$000	Variance Est to 2019 \$000	Variance 2019–2018 \$000
Continuing operations						
Income from transactions						
Sales of forest products	1	134,252	115,937	111,590	(18,315)	4,346
Interest income		622	636	677	14	(41)
Other income	2, A	1,065	9,741	26,751	8,676	(17,010)
Gains from foreign exchange		-	22	370	22	(348)
Total income from transactions		135,939	126,336	139,388	(9,603)	(13,052)
Expenses from transactions						
Production expenses	3, B	77,043	69,199	64,933	(7,844)	4,266
Employee benefits expense		22,054	20,282	20,029	(1,772)	253
Supplies and services	4, C	27,233	21,174	18,673	(6,059)	2,501
Depreciation and amortisation expense	5	1,451	12,314	14,589	10,863	(2,275)
Finance costs		607	1,070	692	463	378
Accommodation expenses		569	533	435	(36)	98
Grants and subsidies		20	53	20	33	32
Other expenses		1,713	1,679	1,519	(34)	160
Total expenses from transactions		130,690	126,304	120,890	(4,386)	5,414
Net results from transactions before income tax		5,249	32	18,498	(5,217)	(18,466)
Income tax expense on net result from transactions	6, D	(5,921)	(1,629)	(5,486)	4,292	3,857
Net results from transactions after income tax		(672)	(1,597)	13,012	(925)	(14,609)
Other economic flows included in net result						
Gain/(loss) upon revaluation of biological assets	7, E	(14,489)	2,990	7,710	17,479	(4,720)
Onerous contracts		332	(425)	1,173	(757)	(1,598)
Grants and subsidies from State Government	F	1,667	1,667	5,603	-	(3,936)
Other economic flows included in net result before income tax		(12,490)	4,232	14,486	16,722	(10,254)
Income tax benefit related to other economic flows	8, G	3,747	(1,270)	(4,346)	(5,017)	3,076
Total other economic flows included in net result after income tax		(8,743)	2,962	10,140	11,705	(7,178)
Net result from continuing operations after income tax		(9,415)	1,365	23,152	10,780	(21,787)

9.10.2 STATEMENT OF FINANCIAL POSITION VARIANCES

	Variance note	Estimate 2019 \$000	Actual 2019 \$000	Restated Actual 2018 \$000	Variance Est to 2019 \$000	Variance 2019–2018 \$000
ASSETS						
Current assets						
Cash and cash equivalents	1	23,451	31,404	29,306	7,953	2,098
Restricted cash and cash equivalents			-	1,245	-	(1,245)
Inventories		6,752	6,883	6,752	131	131
Receivables		17,667	18,644	17,667	977	977
Income tax receivable		-	215	-	215	215
Biological assets	2	33,706	18,199	18,610	(15,507)	(411)
Other current assets		600	1,580	600	980	980
Total current assets		82,176	76,925	74,180	-5,251	2,745
Non-current assets						
Infrastructure, property, plant and equipment		34,276	31,978	29,023	(2,298)	2,955
Deferred tax assets	3	2,174	12,393	16,252	10,219	(3,859)
Biological assets	4, A	287,683	189,609	176,343	(98,074)	13,266
Intangible assets	5	495	10,251	12,381	9,756	(2,130)
Total non-current assets		324,628	244,231	233,999	-80,397	10,232
Total assets		406,804	321,156	308,179	-85,648	12,977
LIABILITIES						
Current liabilities						
Payables	6, B	14,215	23,257	14,215	9,042	9,042
Employee related provisions		3,000	3,188	3,184	188	4
Other provisions		5,350	7,940	5,166	2,590	2,774
Deferred revenue		1,789	1,873	1,789	84	84
Tax payable		6	-	6	(6)	(6)
Total current liabilities		24,360	36,258	24,360	11,898	11,898
Non-current liabilities						
Payables		3,460	3,734	3,460	274	274
Employee related provisions		1,340	1,163	1,228	(177)	(65)
Other provisions		900	3,178	1,189	2,278	1,989
Deferred revenue		11,525	12,180	13,362	655	(1,182)
Total non-current liabilities		17,225	20,255	19,239	3,030	1,016
Total liabilities		41,585	56,513	43,599	14,928	12,914
Net assets		365,219	264,643	264,580	-100,576	63
Equity						
Contributed equity	7	343,541	276,245	276,245	(67,296)	-
Reserves		10,575	10,327	10,575	(248)	(248)
Accumulated surplus / (deficit)	8	11,103	(21,929)	(22,240)	(33,032)	311
Total equity		365,219	264,643	264,580	-100,576	63

9.10.3 STATEMENT OF CASH FLOW VARIANCES

	Variance note	Estimate 2019 \$000	Actual 2019 \$000	Actual 2018 \$000	Variance Est to 2019 \$000	Variance 2019–2018 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts						
Receipts from external customers	1	132,599	124,738	122,187	(7,861)	2,551
Interest received		622	636	677	14	(41)
Other receipts		1,049	1,561	1,190	512	371
Total receipts		134,270	126,935	124,054	(7,335)	2,881
Payments						
Payments for employee benefits		(22,054)	(20,469)	(19,782)	1,585	(688)
Payments to suppliers		(28,057)	(27,055)	(24,579)	1,002	(2,476)
Forest management expenditure	2	(79,356)	(69,610)	(72,783)	9,746	3,173
Total payments		(129,467)	(117,134)	(117,144)	12,333	10
Net cash inflow from operating activities		4,803	9,801	6,910	4,998	2,891
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of non-current physical assets		(6,704)	(4,449)	(3,340)	2,255	(1,109)
Purchase of intangible assets			(169)	(305)	(169)	135
Investment in new plantations		(6,865)	(5,798)	(6,068)	1,067	271
Net cash used in investing activities		(13,569)	(10,416)	(9,713)	3,153	(702)
CASH FLOWS FROM / (TO) STATE GOVERNMENT						
Royalties for Regions Fund			-	250	-	(250)
State contribution (equity injection)			-	1,300	-	(1,300)
Other grants and subsidies	A	1,667	1,667	5,353	-	(3,686)
Dividends paid			(1,044)	(3,617)	(1,044)	2,573
Taxation equivalents		-	845	(1,278)	845	2,123
Net cash provided from (to) State Government		1,667	1,468	2,008	(199)	(540)
Net increase/(decrease) in cash and cash equivalents		(7,099)	853	(795)	7,952	1,648
Cash and cash equivalents at the beginning of the period		30,550	30,551	31,346	1	(796)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		23,451	31,404	30,551	7,953	852

Significant variances between estimate and actual for 2019 and/or between actuals for 2019 and 2018:

Statement of Comprehensive Income

Variances between estimate and actual (\$000's)

1) Sales of forest products was less than estimates in the native forest segment due to the combination of two large sawmills temporarily suspending operations, delays with a major customer commissioning a new sawmill and sales targets not realised.

In the Sandalwood segment revenue was less than forecast due to import issues in the Chinese market and the cessation of deliveries to a major domestic customer following a Company trading halt.

The Plantations segment also realised lower than estimated sales volumes and revenue following a reduction in availability of resources from Gngangara.

2) Other income was greater than forecast due to the change in accounting treatment for the annual sandalwood contributonal income.

3) The production expenses for native forest, plantations & sandalwood (harvest, haul and roading cost) all reduced in proportion to a fall in activity level.

4) Decreased expenditure in forest management resulted from lower than forecast harvest activity, bolstered by administration and professional services programs being rescheduled to next financial year.

5) Higher amortisation expense resulted from the unbudgeted amortisation of the annual sandalwood and native forest licences during the year.

6) The tax expense on the net result from operations includes prior year tax adjustments for research and development and changes in accounting treatments.

7) The revaluation of biological assets varies due to changes in asset recognition for sandalwood, now recognised as an annual licence.

8) The reduced tax benefit on other economic flows resulted from a variance in biological asset movements.

Variances between 2019 and 2018 (\$000's)

A) Due to a change in accounting policy, a reversal of a previously impaired loss of \$11.9 million for the valuation of the native forest right of use asset was brought to account in 2018.

B) Increased production expenses for plantations & sandalwood (harvest, haul and roading costs) both increased in proportion to a higher activity level than 2018 as well as slightly higher costs following price index adjustments combined with increased haulage costs associated with longer cartage distances in lieu of harvesting at Gngangara.

C) Increased expenditure in forest management resulted from a large fire in the Lewana Plantation area.

D) The tax expense on the net result from operations includes prior year tax adjustments for research and development and changes in accounting treatments.

E) The revaluation of biological assets varies due to an increase in the provision for replanting fire affected areas in 2019.

F) Grants were received in 2018 for the purchase of replacement land and for an operating subsidy to offset additional costs associated with reduced harvesting in Gngangara. In 2019 only a subsidy for the Gngangara operations was received.

G) The reduced tax benefit on other economic flows largely resulted from the variance in biological asset movements.

Statement of Financial Position

Variances between estimate and actual (\$000's)

1) Budget estimates included higher expenditure on plantation land acquisition and planting resulting in a lower cash position.

2) The change in accounting treatment of native forest and sandalwood assets from biological assets to right of use intangible assets resulted in lower than budgeted balances under current assets.

3) Increased deferred tax assets result from tax effect accounting changes during the year.

4) The change in accounting treatment of native forest and sandalwood assets from biological assets to right of use assets resulted in lower than budgeted balances for the non current assets.

5) The change in accounting treatment of native forest and sandalwood assets from biological assets to right of use intangible assets resulted in higher than budgeted balances for intangible assets.

6) The timing of payments to Treasury for services provided by the Department of Biodiversity, Conservation and Attractions resulted in a higher than budgeted payables balance for 2019.

7) The retrospective adjustment of sandalwood, following a 2016 Sandalwood Order in Council, from a biological asset to an intangible asset resulted in a restatement of the value attributed to contributed equity.

8) The retrospective adjustment of native forests from the commencement of the current 2014 to 2023 Forest Management Plan from a biological asset to an intangible asset resulted in a restatement of the value attributed to accumulated surplus / (deficit).

Variances between 2019 and 2018 (\$000's)

A) The valuation of plantation assets increased during the year due to an increase in volume through the addition of Esperance pine plantations.

B) The timing of the payment to Treasury for services provided by the Department of Biodiversity, Conservation and Attractions resulted in a higher than budgeted payables balance for 2019.

Statement of Cash Flows

Variances between estimate and actual (\$000's)

1) Sales of forest products was less than estimates in the native forest segment due to the combination of two large sawmills temporarily suspending operations, delays with a major customer commissioning a new sawmill and sales targets not realised.

In the Sandalwood segment revenue was less than forecast due to import issues in the Chinese market and the cessation of deliveries to a major domestic customer following a Company trading halt. The Plantations segment also realised lower than estimated sales volumes and revenue following a reduction in availability of resources from Gnangara.

2) Decreased expenditure in forest management resulted from lower than forecast harvest activity, bolstered by administration and professional services programs being rescheduled to next financial year.

Variances between 2019 and 2018 (\$000's)

A) The FPC received funding in 2018 from the Myalup Primary Industries Reserve Project of \$4.5 million for the purchase of replacement land (refer to note 3.3).

9.11 CHANGE IN ACCOUNTING POLICY

During the current financial year the FPC has restated comparative biological asset values for sandalwood and native forests.

(a) Change of accounting policy

During the current financial year the Board has sought independent advice regarding the accounting policy historically applied to native forest and sandalwood assets. This follows a review of the published accounting treatment for similar assets applied across the different States and Territories in Australia. This review noted divergent practices in different public sector organisations based on similar fact patterns.

Based on the advice received, the Board has decided to adopt a new accounting policy for Native Forest and Sandalwood assets on the basis that it provides more relevant and reliable information. This is also the policy that is most commonly adopted across Australia and will assist in the comparability of financial information in this sector. Consequently, this is a voluntary change in accounting policy.

Under the previous accounting policy both the sandalwood and native forest assets were accounted for as Biological Assets and carried at a revalued amount under AASB 141 Agriculture. Under the new accounting policy the Native Forest assets are recognised as a Right of Use asset and the Sandalwood assets are recognised as a Licence intangible asset under per AASB 138 Intangible Assets.

Right of Use and Intangible assets are initially recorded at their fair value (determined under AASB 13 Fair Value Measurement) and subsequently amortised over their useful lives. Further details are set out in the accounting policy at note 5.2.

The change in accounting policy has been applied retrospectively and the amount of the adjustment relating to each of the prior periods presented is set out below.

(b) Re-statement of prior year balances

Statement of changes in equity - Extract	Contributed equity	Reserves	Accumulated surplus / deficit
Balance as at 1 July 2017	342,241	10,748	11,789
Effect of change in accounting policy	(67,296)		(53,568)
Balance as at 1 July 2017 - restated	274,945	10,748	(41,779)

Statement of Financial Position - Extract	2018		
	As previously reported \$000	Adjustments from change in accounting \$000	Restated balances \$000
Intangible assets	495	11,886	12,381
Biological assets (total)	329,012	(134,059)	194,953
Deferred tax asset/(liabilities)	(211)	16,463	16,252

	2017		
	As previously reported \$000	Adjustments from change in accounting \$000	Restated balances \$000
Biological assets (total)	326,185	(143,821)	182,364
Deferred tax asset/(liabilities)	1,208	22,957	24,165

Statement of Comprehensive Income - Extract	2018		
	As previously reported \$000	Adjustments from change in accounting \$000	Restated balances \$000
Other income	1,475	25,276	26,751
Depreciation and amortisation expense	(1,199)	(13,390)	(14,589)
Biological asset decrease	(2,052)	9,762	7,710
Income tax expense	(3,338)	(6,494)	(9,832)

9.12 INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS**AASB 9 Financial Instruments**

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual reporting periods beginning on or before 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification, measurement and hedge accounting.

The FPC applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies with no adjustments to amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the FPC has not restated the comparative information which continues to be reported under AASB 139.

(a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the FPC's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the FPC's business model was made as of the date of initial application, 1 July 2018.

The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances at the time of initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact on the FPC. The following are the changes in the classification of the FPC's financial assets:

- Trade receivables classified as receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.
- The FPC did not designate any financial assets as at fair value through P/L.

Upon the adoption of AASB 9, the FPC had no reclassifications as at 1 July 2018.

(b) Impairment

The adoption of AASB 9 has fundamentally altered the FPC's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the FPC to recognise an allowance for ECL's for all financial assets not held at fair value through P/L.

Upon adoption of AASB 9, the FPC recognised no additional impairment on the FPC's Trade receivables as at 1 July 2018.

(c) General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. retrospective assessment of hedge effectiveness is also no longer required.

In accordance with AASB 9's transition provisions for hedge accounting the FPC has applied the AASB 9 hedge accounting requirements prospectively from the date of initial application on 1 July 2018. The FPC's qualifying hedge relationships in place as at 1 July 2018 also qualify for hedge accounting in accordance with AASB 9 and were therefore regarded as continuing hedge relationships. No rebalancing of any of the hedging relationships was necessary on 1 July 2018. As the critical terms of the hedging instruments match those of those of their corresponding hedged items, all hedging relationships continue to be effective under AASB 9's effectiveness assessment requirements. The FPC has also not designated any hedging relationships under AASB 9 that would not have met the qualifying hedge accounting criteria under AASB 139.

AASB 9 requires hedging gains and losses to be recognised as an adjustment to the initial carrying amount of non-financial hedged items (basis adjustment). In addition, transfers from the hedging reserve to the initial carrying amount of the hedged item are not reclassification adjustments under AASB 101 Presentation of Financial Statements and hence they do not affect other comprehensive income. Hedging gains and losses subject to basis adjustments are categorised as amounts that will not be subsequently reclassified to profit or loss in other comprehensive income. This is consistent with the FPC's practice prior to the adoption of AASB 9.



Key performance indicators

We collaborate with industry in research projects to help improve our systems and ensure we can select superior softwood breeding material.



Certification of the key performance indicators

Certification of the key performance indicators

We hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Forest Products Commission's performance, and fairly represent the performance of the Forest Products Commission for the financial year ended 30 June 2019.



Mr Ross Holt
Chair
11 September 2019



Ms Amelia Yam
Deputy Chair and Chair of Audit and Risk Committee
11 September 2019

Forest Products Commission 2018 to 2019 financial year key performance indicators

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Introduction

The 2018-2019 financial year is the second year reporting against the FPC's 18 KPIs, as ten of the KPIs were newly implemented for the 2017-2018 financial year. Where available, data has been presented for the previous two years as a comparison.

The FPC's KPIs are aligned with State Government goals.

State Government goals

- 1: Better places**
A quality environment with liveable and affordable communities and vibrant regions
- 2: Strong communities**
Safe communities and supported families
- 3: Future jobs and skills**
Grow and diversify the economy, create jobs and support skills development
- 4: Sustainable finances**
Responsible financial management and better service delivery

Our strategic goals

- G1:** Deliver healthy forests for future generations
- G2:** Facilitate a vibrant forestry industry to deliver social and economic benefits, particularly in regional Western Australia
- G3:** Ensure efficient, effective and safe delivery of business outcomes

Key effectiveness indicators

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

The FMP is developed by the DBCA and sets the lower and upper limits for the average annual allowable cut for the South West's native forest over a 10-year period. This is to ensure the levels of harvest can be sustained over an extended period, whilst considering a range of factors such as changing climate conditions. The FMP allowable cut limits are reviewed by an independent expert panel, as part of the FMP's development.

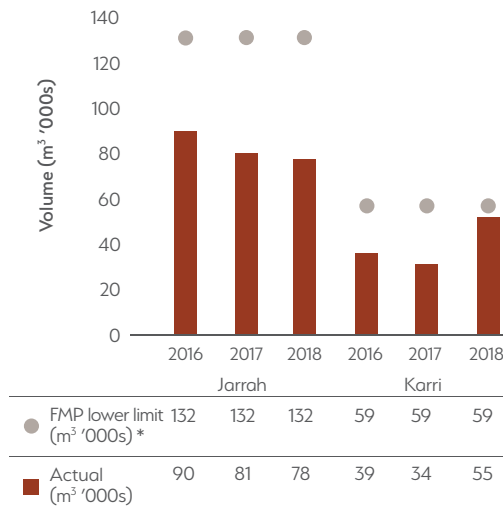
The harvested volume may vary between years depending on the customer demand for log products, and the volumes harvested in previous years. The FPC monitors harvest levels to ensure volumes removed stay within average annual sustainable limits over a 10-year period. The cumulative average annual allowable cut is monitored and total removal of timber is not to exceed the allowable cut over the 10-year life of the FMP.

In 2018 there was a reduced demand from two major jarrah customers. In 2018 the demand for karri Laminated Veneer Lumber (LVL) was higher resulting in increased utilisation of karri first and second grade sawlog.

This key effectiveness indicator is measured in calendar years rather than financial year to be consistent with the FMP. In addition, the FPC has reported on timber harvested for both first and second grade sawlogs, and other bole volume in cubic metres (rather than tonnes) to enable comparison with the FMP annual allowable cut.

First and second-grade jarrah and karri sawlogs

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



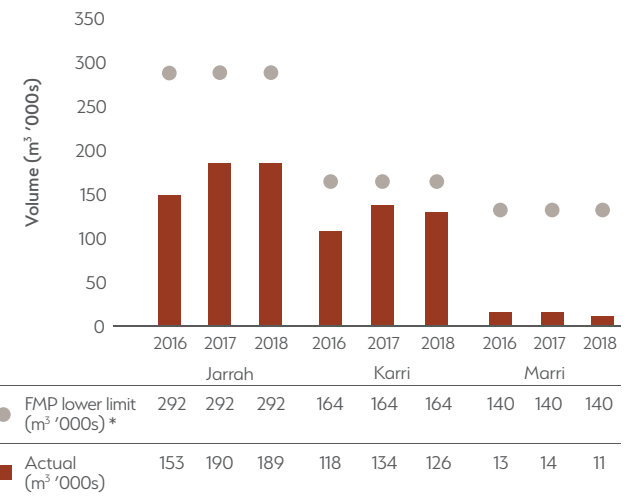
First and second-grade jarrah and karri sawlogs

* Refer to FMP Table 4, which specifies lower limits for average annual allowable cut of first and second grade jarrah and karri sawlogs.

Other bole volume for jarrah, karri and marri

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

Other bole volume is log product that does not meet first or second grade sawlog standards as recognised under the FMP.



Other bole volume for jarrah, karri and marri

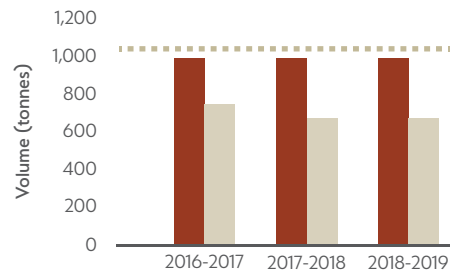
* Refer to FMP Table 5, which specifies lower limits for average annual allowable cut of other bole volume.

2. Harvest of sandalwood does not exceed Order in Council

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

An annual quota for the harvesting of wild sandalwood from Crown land is set by the *Sandalwood (Limitation of Removal of Sandalwood) Order 2015* (Order in Council). Under the Order in Council (OIC) an annual quota of 2,500 tonnes is available for harvest. The proportion of the total quantity of sandalwood that may be pulled or removed from Crown land and alienated land during 2018-2019 was allocated based on 90 per cent from Crown land and 10 percent from alienated land. As the FPC manages the harvesting of sandalwood on crown land, the FPC will ensure the annual amount of 2,250 tonnes (with a maximum of 1,125 tonnes of green wood) has not been exceeded. The quantity includes all parts of the tree except leaves, bark and small branches.

This key effectiveness indicator is reported by financial year. The graph below represents the quantities of green and dead wood harvested over the last three years, with levels not exceeding the quantities available to the FPC under the OIC.



	2016-2017	2017-2018	2018-2019
FPC green wood allocation under OIC (tonnes)	1,125	1,125	1,125
Actual green (tonnes)	1,008	1,023	1,007
Actual dead (tonnes)	743	690	895

Harvest of sandalwood does not exceed Order in Council

3. Effectiveness of forest regeneration

Regeneration of the forest is critical to sustainability. It is essential for maintaining productive capacity and maintenance of biological diversity.

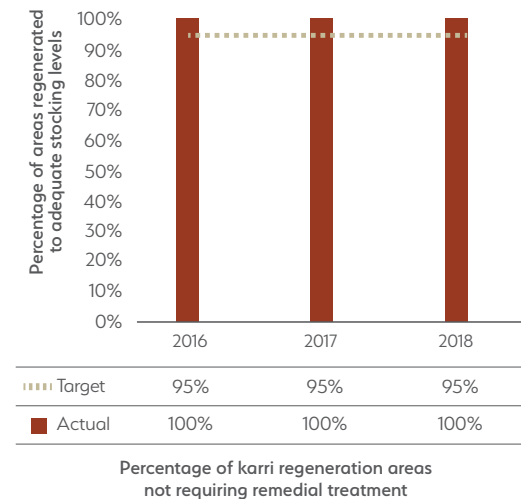
Regeneration is carried out in accordance with relevant guidelines. Regeneration success is monitored, and remedial action taken as necessary. Remedial action may include infill planting, re-seeding (sandalwood) and/or protection of regeneration from browsing animals (e.g. rabbits). Karri and jarrah regeneration is monitored as part of meeting FMP requirements. Sandalwood regeneration is carried out as part of the FPC's highly successful Operation Woylie seeding program, which has been designed to mimic the role of the native woylie in regeneration.

Karri

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

Regeneration is conducted to ensure species composition (biological diversity) and forest productivity is maintained. Karri dominant forest is re-established through the planting of nursery raised seedlings. Regeneration surveys are completed on every hectare of karri forest at around six months following planting. The FPC's target is that at least 95 per cent of areas regenerated require no remedial action. The level of stocking (stems per hectare) required is set out in the DBCA's *Silvicultural Guidelines for Karri 2014*.

Data for this key effectiveness indicator is reconciled on a calendar year basis. Note that financial year data for previous years is not available. The results presented in the 2017-2018 annual report were for the calendar year incorrectly labelled as financial year results. Over the last three calendar years, no karri planted areas have required remedial treatment.



Jarrah

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

Jarrah forest consists of a mosaic of different forest structures, as such the silvicultural objective for each area of forest varies depending on its structure and a range of other factors such as forest condition in the surrounding landscape. Regeneration most often requires follow up treatment post-harvest. For example, it may be necessary to remove competition from specific trees which are restricting light, nutrients and water to allow successful regeneration.

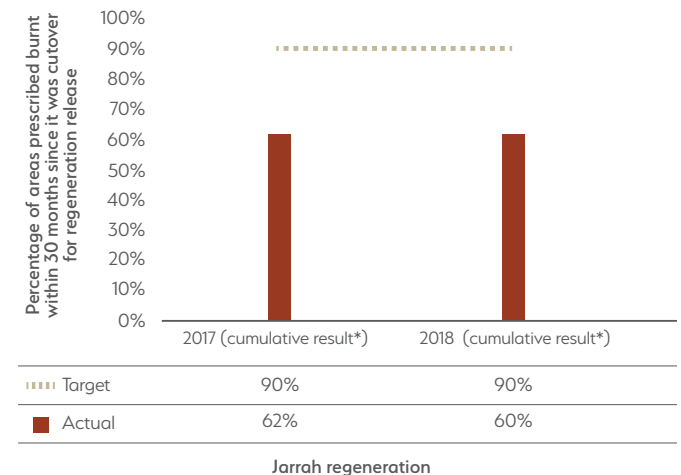
Following jarrah harvesting, prescribed burning is carried out by DBCA, which is essential for reducing fuel loads (from harvest residue) and releasing nutrients back into the soil. Natural regeneration is stimulated from the prescribed burn and associated nutrient release, which supports the growth of ground coppice and seedlings.

Areas cutover (harvested to regeneration release) also need to be prescribed burnt within 30 months to help ensure regeneration. Once an area is older than 30 months since it was cutover for regeneration release, it can be assessed to see if it was prescribed burnt within the time required to meet compliance. Table 1 shows the time period included and criteria used to assess compliance. The results below are presented for the previous calendar years as cumulative results using data from areas cutover since January 2014. As jarrah prescribed burning is still occurring late in the financial year, financial year results are not available. Note that previous results reported in the 2017-2018 annual report have been amended as areas that had been harvested recently and which had not reached 30 months since harvest were incorrectly included in the previous year's analysis.

Please note that the analysis is based on best available information. Harvest dates used for the analysis may vary from actual dates of harvest due to availability of electronic information. Future refinements to electronic data capture are likely to result in adjustments to previous results in future years.

Table 1. Time period and criteria used for assessing compliance for jarrah regeneration

Calendar year (January to December)	Areas cutover included in the analysis	Criteria used to assess compliance
2017	As at 31 December 2017 areas were ≥ 30 months since they were cutover for regeneration release with the earliest date of the area cutover being 1 January 2014	Compliant if area was prescribed burnt within 30 months of the area being cutover for regeneration release Not-compliant if the area was not prescribed burnt within 30 months of the area being cutover for regeneration release
2018	As at 31 December 2018 areas were ≥ 30 months since they were cutover for regeneration release with the earliest date of the area cutover being 1 January 2014	



* The cumulative result uses data from areas cutover for regeneration release from January 2014.

Sandalwood

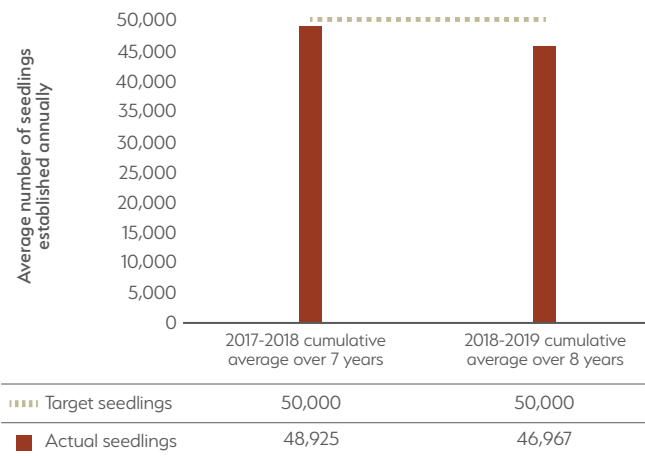
Target: Average 50,000 seedlings established annually

Areas targeted for Western Australian wild sandalwood harvest and regeneration are based on a number of criteria including fire risk, and grazing pressure. Rainfall amount and timing is also likely to be a key factor influencing regeneration success. Each year, following harvest, the FPC plants sandalwood seeds over seeding rip lines within the driplines of host plants. This commences around September and continues through to April. Regular inspections are conducted during regeneration operations to ensure adherence to the FPC's procedures. Seedling survival is monitored the first summer after seeding to calculate number of seedlings per kilometre successfully established.

Establishment success will vary from year to year due to rainfall and other factors. Therefore, this key effectiveness indicator is assessed over a cumulative average, with a target of 50,000 seedlings established annually. Seedling establishment survey results indicate that in 2017-2018 financial year the average seedling survival over the previous seven years was 48,925 seedlings per annum. In 2018-2019 financial year the average over the previous eight years was 46,976 seedlings per annum.

In 2018-2019, the FPC expanded its seeding program significantly and sowed 20.8 tonnes (note that 14.25 tonnes was sown in the previous year) of sandalwood seed. This regeneration work will help the FPC to increase its average seedling establishment result for future years.

Seedling establishment is currently below the target of 50,000 seedlings established annually. Both 2017 and 2018 winters received very low rainfall across seeding operation areas. However, additional seeds may germinate in subsequent years as seeds remain viable for several years in the soil.



Sandalwood seedling establishment

4. The achievement of thinning schedules

Thinning is important for forest health and productivity. By removing some of the standing trees, it reduces the competition for water, nutrients and light. It also helps protect catchments from a drying climate. As such, it is required under the FMP for forest health and ensuring future sustained yield. The FPC does not receive funding for non-commercial thinning and therefore karri forest and softwood plantation thinning is carried out when markets are available.

In 2018-2019 financial year the FPC commenced non-commercial thinning within sandalwood plantations, as the thinning program is necessary for the health and vitality of the hosts and sandalwood. Thinning is carried out to ensure an appropriate sandalwood stocking rate for the rainfall and/or to maintain an appropriate host-to-sandalwood ratio.

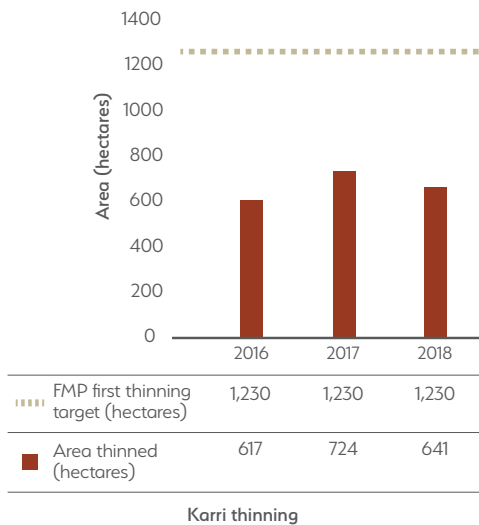
Key performance indicators
Key effectiveness indicators

Karri

Target: Meet Forest Management Plan thinning schedules

This key effectiveness indicator is based on the FMP thinning schedule for karri forest. The FMP prescribes the target for first thinning. As the FMP schedule is based on a calendar year, this key effectiveness indicator is reported on a calendar year basis. Achievement of thinning targets is limited by market demand.

Note that financial year data for previous years is not available. The results presented in the 2017-2018 annual report were results for the calendar year incorrectly labelled as financial year results.

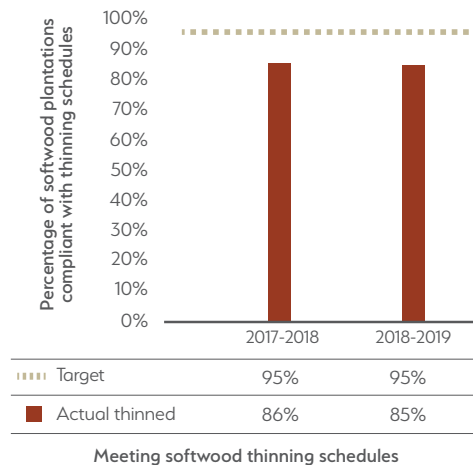


Softwood plantations

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

To promote optimal growth of softwood plantations, stands are typically thinned twice during the life of the FPC's softwood plantations. Through this key effectiveness indicator the FPC monitors if plantations are thinned within the two year age period when thinning is considered beneficial. A 95 per cent target allows for shortfalls due to market conditions not being favourable for commercial softwood thinning.

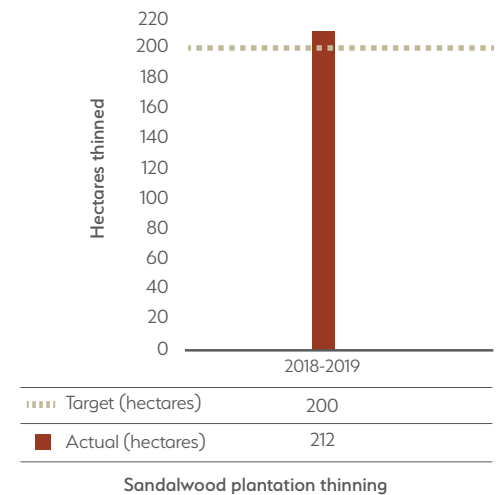
In 2018-2019 financial year 85 per cent (10% short of target) of softwood plantations were compliant with thinning schedules.



Sandalwood plantations

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

The 2018-2019 financial year is the first year that the FPC has commenced thinning of sandalwood plantations. A four year thinning program was set to commence from 2018-2019 financial year, with the first financial year target set at 200 hectares. The thinning program is based on a comprehensive assessment of the sandalwood plantation estate in 2015. In 2018-2019 the FPC completed its annual scheduled thinning program through a non-commercial thinning operation.



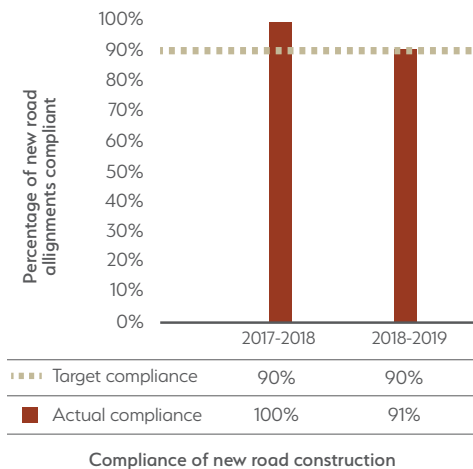
5. All aspects of road construction within guidelines

Target: 90 per cent of assessed roads compliant

As part of maintaining access to the forest for harvest operations, the FPC may be required to build new road alignments. Roads are constructed to meet legal and safety requirements in accordance with the FPC's procedures. The FPC assesses compliance by the FPC's roading contractors and in particular, new roads are checked to assess that:

1. The road has been cleared to the correct width.
2. The right alignment has been cleared.
3. Crowning elevation meets the correct specification.
4. Carriage width is at the correct specification.
5. Off-shoot drains are constructed and spaced to requirements.
6. Entry and exit points of pipes are clear.

Corrective action is taken if roads are found not to be compliant.



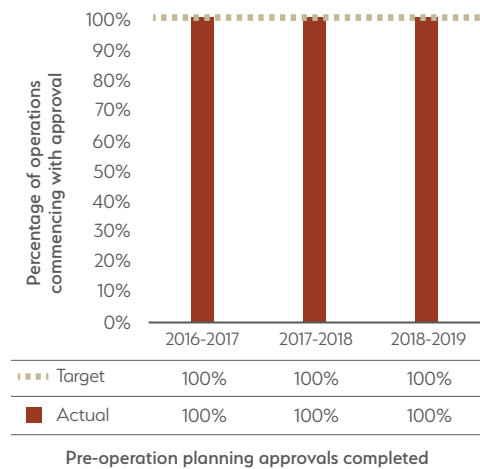
6. All operations commence with required approvals

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

Prior to undertaking disturbance operations, the FPC ensures that approval has been obtained. Approval is in the form of a signed and authorised planning document, which may also need to be renewed if an operation continues beyond the initial authorisation period. Approval to commence operations involves careful planning to ensure a range of forest values are protected and/or accommodated. Values include environmental, economic, social and heritage values. For areas regulated by the DBCA, the FPC must obtain approval from the Parks and Wildlife Service of the DBCA.

Meeting this key effectiveness indicator is important for ensuring ecologically sustainable management of the forest. One hundred per cent of pre-operations planning approvals have been obtained for the last three financial years.

Note that previous results now also reflect the percentage of plantation harvest operations where pre-approval was obtained, as this data was previously excluded from the key effectiveness indicator reporting.



7. Independent certification maintained

Target: The FPC maintains appropriate certification

The FPC maintains certification to internationally recognised management standards. This provides independent verification that the FPC is managing their operations in accordance with standard requirements.

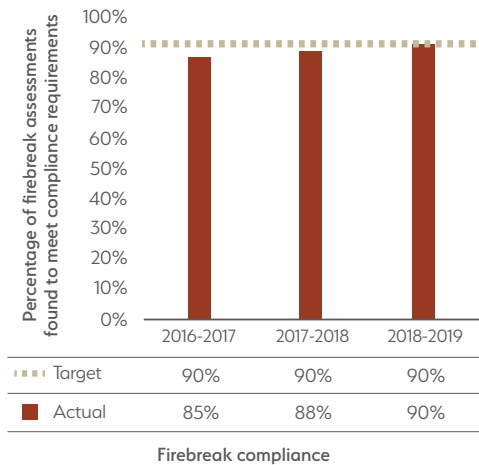
During 2018-2019 the FPC was externally audited against the International Standard ISO 14001:2015 (for an Environmental Management System) and the Australian Forestry Standard (AFS) AS 4708:2013. As part of this process, the FPC transitioned from ISO 14001:2004 to ISO 14001:2015. The FPC's primary forest certification, AFS, is internationally recognised by the PEFC. The AFS certification excludes the FPC's sandalwood business and some other operations, but the FPC are currently in the process of investigating independent verification of legal sources through the PEFC Chain of Custody for Forest Based Products (PEFC ST 2002:2013).

8. Planned firebreak activities achieved

Target: 90 per cent of firebreaks adequate and trafficable

The FPC is responsible for the management of over 570 individual plantations across the South West of Western Australia. Maintaining firebreaks in these plantations is important for managing the threat from fire. The FPC inspects firebreaks as part of routine plantation inspections prior to and during the fire season. Firebreaks are assessed to ensure they are trafficable, and the relevant fuel free clearances are maintained. If a firebreak is found to not meet requirements, the FPC takes appropriate action to ensure this is rectified.

In 2018-2019, the FPC continued to invest in firebreak maintenance. In 2018-2019, 90% of firebreaks inspected were assessed as being compliant which is in line with the FPC's target. This result is an improvement compared to the previous two financial years.



9. Area of softwood plantation established against target

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

The replanting and establishment of harvested pine plantations (as a second rotation – 2R), and the establishment of new plantations (first rotation – 1R) are critical to the achievement of the *Softwood Industry Strategy for Western Australia*. This will ensure a viable and sustainable softwood industry by providing a softwood resource into the future.

The FPC softwood planting season occurs in winter. As the winter planting season crosses over into two financial years, this key effectiveness indicator is measured on a calendar year basis.

Note that the previous actual result for second rotation establishment presented in the 2017-2018 annual report was based on data for the 2017 calendar year, but the combined target provided for 1R and 2R was a 2017-2018 financial year target. For consistency, this year a calendar year target has been presented with the corresponding calendar year actual result. Further, the previous result reported for second rotation establishment has been amended to reflect a re-classification of area based on the definition of first rotation.

In 2017, 2R establishment was lower than the target set resulting in a one per cent shortfall in meeting the combined 1R and 2R target. In 2018 calendar year the FPC exceeded target.

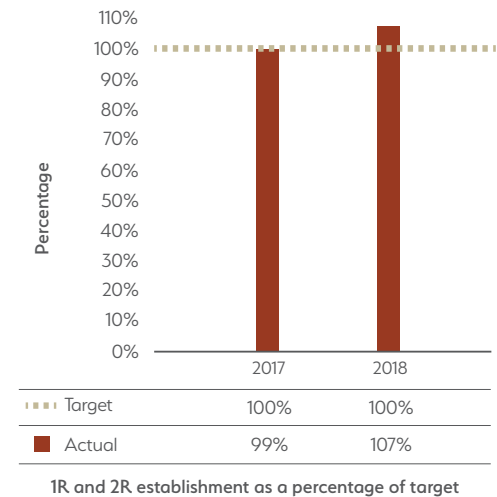


Table 2. Targets and actual figures for plantation establishment

	Total target (1R and 2R)	Total actual (1R and 2R)	1R target	1R actual	2R target	2R actual
2017 (hectares)	3,437	3,418	1,650	1,660	1,787	1,758
2018 (hectares)	2,308	2,460	1,600	1,637	708	823

10. Expansion of the plantation estate

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

The FPC sets a budget target for first rotation (1R) planting for the purpose of expanding the softwood plantation estate. Plantation expansion is part of the strategy set out in the *Softwood Industry Strategy for Western Australia*. To maintain a sustainable softwood industry, the FPC must expand its resource to provide for future demand.

Planting occurs in the winter, and crosses into two financial years. Therefore, the FPC reports hectares established against target for each calendar year.

Note that results reported in the 2017-2018 annual report were based on calendar year data and not financial year results. Therefore, the results are presented for calendar years this year. Further, the previous results have been amended to reflect a re-classified definition of first rotation.

For the last two calendar years the FPC has exceeded its 1R establishment target.

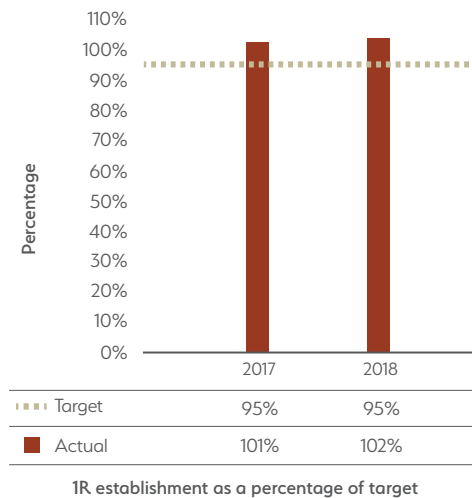


Table 3. Targets and actual results for plantation expansion

	1R target	1R actual
2017 (hectares)	1,650	1,660
2018 (hectares)	1,600	1,637

11. Increase in low-value resource delivered to and processed by local markets

Target: Increase in low-value resource delivered to and processed by local markets

The intention of this key effectiveness indicator is to ensure the FPC maximises the utilisation of forest products and to ensure these products are processed locally where possible. For the purpose of reporting on this KPI, 'low-value resource' is regarded as non-sawlog, residue products.

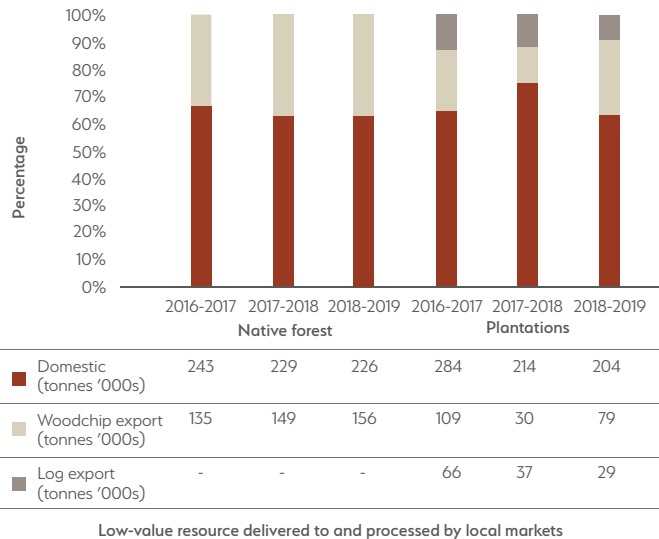
The FPC seeks to maximise utilisation of forest products, support domestic industry and maximise value from each forest product. This in turn provides social and economic benefit to regional Western Australia. In addition, increased utilisation of non-sawlog forest products helps provide ecological and silvicultural benefits. For example, it helps the FPC to achieve commercial thinning targets, and reduces fire hazards and regeneration costs.

Low-value forest products for the purpose of this KPI include biomass, firewood, chiplogs, residue logs and mulch. No Sandalwood products are included in this KPI, as all sandalwood is considered high-value.

Key performance indicators
Key effectiveness indicators

While domestic sawmilling has been unfavourably affected by a national decline in the building sector during 2018-2019 (primary reason why there has been a reduction in the percentage of domestic sales), strong demand for low-value forest products across both softwood and native forests has supported improved utilisation, market diversification and achievement of silvicultural objectives.

As woodchip is processed domestically, there has been a moderate increase in the volume of low-value resource processed by local markets since 2017-2018 financial year.

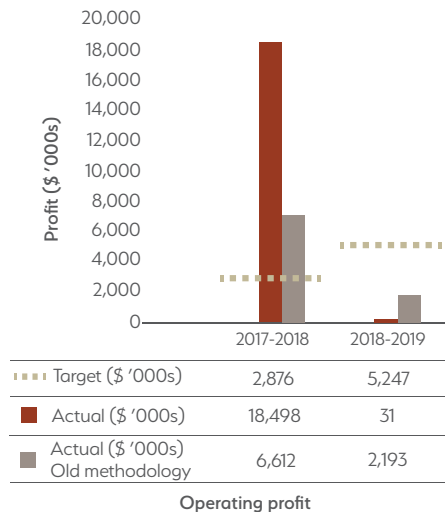


12. Operating profit

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

The FPC has achieved a \$0.03 million profit result for the 2018-2019 year, following lower than budgeted sales in all production areas and a change in accounting policy. The result included an amortisation expense for native forest of \$2.2 million and additional fire suppression costs of \$2.6 million for the Lewana plantation that was unbudgeted.

Following the change in the classification of biological assets to intangible assets, per note 9.11 of the financial statements, the change in accounting resulted in the native forest segment achieving an additional \$11.9 million for the 2017-2018 year. The revised higher result for 2017-2018 of \$18.5 million (previously reported as \$6.6 million) included additional income of \$11.9 million following the reversal of impairment of the native forest right of use asset (refer to note 2.2 of the financial statements).



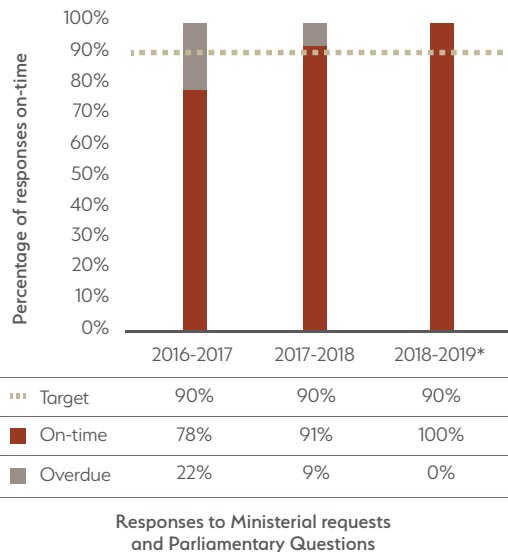
Key efficiency indicators

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

Target: 90 per cent of responses provided on time

It is essential that the FPC remains committed to providing accurate and timely information to our Minister and Parliament to enable informed decisions to be made, and the effective functioning of our Government. It is also important that the FPC operates with accountability and transparency as appropriate.

Each Ministerial request and Parliamentary Question has a deadline placed on it, which is agreed with the Minister's Office. The FPC will meet the key efficiency indicator target if at least 90 per cent of Ministerial requests and Parliamentary Questions are responded to within the agreed timeframes. During 2018-2019 the FPC achieved a 100 per cent on-time result.



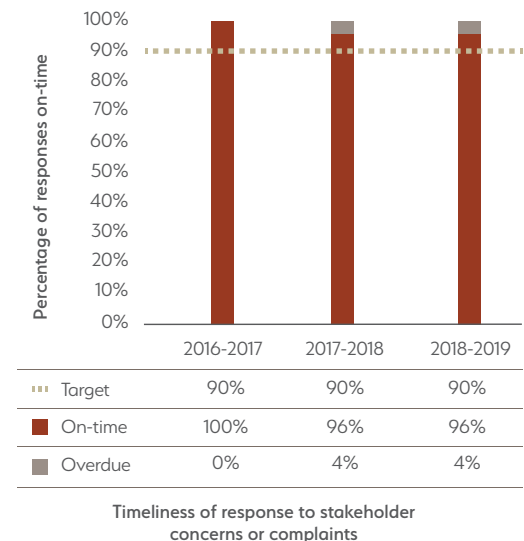
*Results have been rounded to the nearest one per cent. During 2018-2019 one Ministerial was overdue by one day.

2. Timeliness of response to stakeholder concerns or complaints

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

As part of the FPC's commitment to stakeholder engagement, it is important that the FPC is responsive to stakeholder concerns or complaints. Providing a timely response is an important part of effective complaints handling. As such the FPC has set a target that 90% of responses will be within 28 days of the initial receipt of the complaint. That means that within 28 days, an outcome would be reached, or the FPC has made substantial progress towards an outcome and provided a response. It is only counted as meeting the target deadline if a response (usually in writing) has been given prior to 28 days from the initial receipt of the complaint or concern.

It is important to note that some complaints or concerns may take longer than 28 days to reach a final outcome, and not all complaints or concerns will necessarily be resolvable. However, the FPC will maintain communication with the complainant or stakeholder raising a concern until such time as an outcome is reached. The FPC aspires to work constructively and proactively with all stakeholders and to address any concerns or complaints raised within a reasonable timeframe. This in turn will assist with helping to promote public trust in the FPC's complaint handling process.

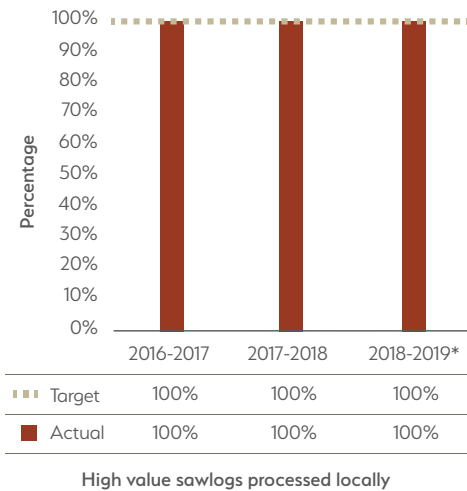


Key efficiency indicators

3. All high-value sawlog resource processed locally

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

In order to support Western Australia’s forest industry, the FPC seeks to ensure all sawlog is processed within Western Australia. As such, all native forest contracts of sale include clauses requiring domestic processing. The FPC may allow timber to be processed outside of Western Australia if there is a perceived benefit to the Western Australian industry. For example, the FPC may allow trial timber processing elsewhere with the view to enhancing Western Australia’s timber processing capacity.



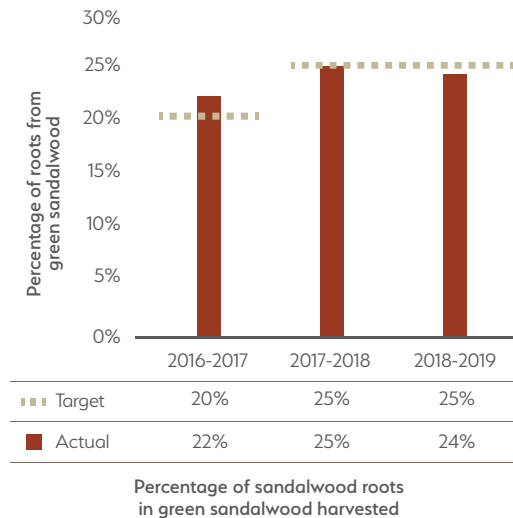
* Note that in early July 2019, the FPC was informed of an alleged export of sawlogs in breach of a customer’s contract. At the time of reporting on this key effectiveness indicator, this allegation was being investigated.

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

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

Recovery of sandalwood root material, which contains a high oil content increases the value of the overall product and reduces the number of trees harvested. Therefore, it is important for the sustainability of the industry to maximise root recovery. Improvements in harvesting have enabled better root recovery in recent times. The target of 20 percent in 2016-2017 was raised to 25 percent for 2017-2018 and 2018-2019 financial years to capture improvement aspirations.

Note that the previous green root percentage reported in 2017-2018 annual report for the 2017-2018 financial year has been amended from 34% to 25%, as it was incorrectly reported in the 2017-2018 annual report.



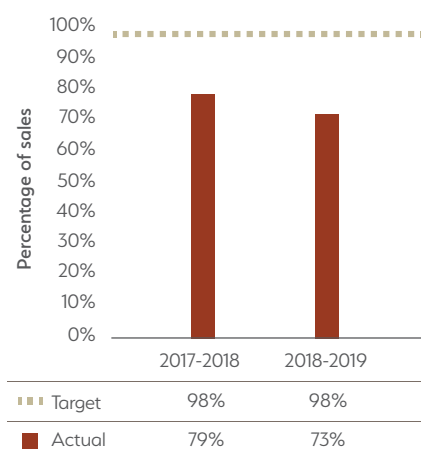
5. Log delivery consistent with contractual obligations

Target: 98 per cent of log deliveries satisfy contractual obligations

Native Forest and plantation

For the purpose of this key efficiency indicator, the FPC is reporting against actual volumes sold versus budgeted sales volume as a means of demonstrating that log deliveries are satisfying contractual obligations. The FPC’s target for log deliveries is to deliver and therefore sell at least 98 per cent of the total budgeted sales volume.

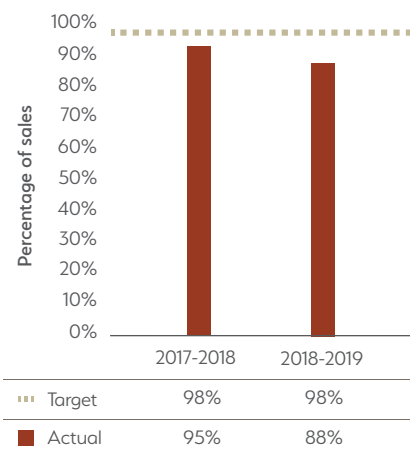
The FPC’s sales targets are calculated based on a number of factors including amount of resource available under the FMP, and market conditions. Sales targets are reflected in volumes allocated under the FPC’s sales contracts, and these contracts necessarily include provisions allowing for adjustments due to year on year factors effecting demand. Contractual obligations are met by enabling operations to be tailored to meet market requirements. Following the setting of targets, customers have flexibility to order a minimum of 80 per cent of their contracted volumes. Where customers have exceeded acceptable levels of debt, the FPC ceases deliveries. Note the target is not adjusted to account for the minimum customer order requirements or suspensions in delivery both of which have impacted the results.



Volume of native forest sales as a percentage of budget sales target

Table 4. Total native forest product sold versus budgeted sales volume

	2017-2018	2018-2019
Target (tonnes '000s)	721	765
Actual (tonnes '000s)	572	561



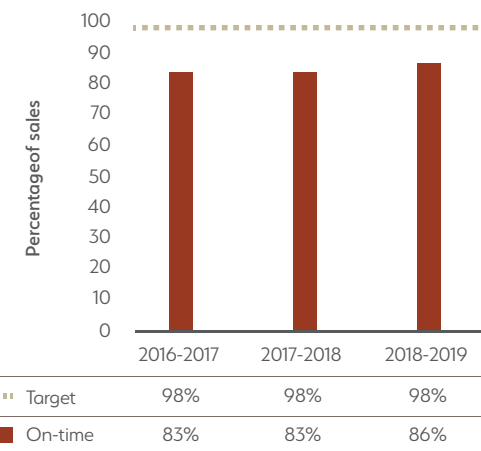
Volume of plantation sales as a percentage of budget sales target

Table 5. Total plantation product sold versus budgeted sales volume

	2017-2018	2018-2019
Target (tonnes '000s)	949	1,027
Actual (tonnes '000s)	897	899

Sandalwood

A small quantity of sandalwood resource is committed under a domestic sales contract. However, for the purpose of this key efficiency indicator and for consistency with native forest and plantation sectors, the FPC is measuring performance against meeting sales targets. Sales targets are set based on a number of factors including resource available and market environment across the domestic and export sectors. The below graph shows the volume of sandalwood product sold as a percentage of the budget sales target.



Volume of sandalwood sales as a percentage of budget sales target

Table 6. Total sandalwood product sold versus budgeted sales volume

	2016-2017	2017-2018	2018-2019
Target (tonnes)	2,100	2,100	2,181
Actual (tonnes)	1,745	1,742	1,878

Key efficiency indicators

6. Cost per dollar of revenue generated

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

Due to a change in classification of biological assets to an intangible right of use asset, per note 9.11 of the financial statements, the 2017-2018 results for native forest and sandalwood have been retrospectively amended following the change in accounting policy.

Native Forest

The unit cost per dollar generated in 2018-2019 increased due to the effect of a change to the accounting treatment of the native forest as a depreciating right of use asset which resulted in additional amortisation expense of \$2.2 million. This had a non-cash impact on the overall cost per dollar revenue generated of an additional six cents per dollar of revenue in 2018-2019. If no accounting change had occurred the cost per dollar would have remained at \$0.99 per dollar for native forest.

Previously the cost per dollar result reported for 2017-2018 was \$0.99. This has been updated to \$0.73 per dollar (a decrease of 26 cents), following the change in accounting policy for native forest, to include the reversal of impairment on the native forest right of use asset (\$11.9 million).

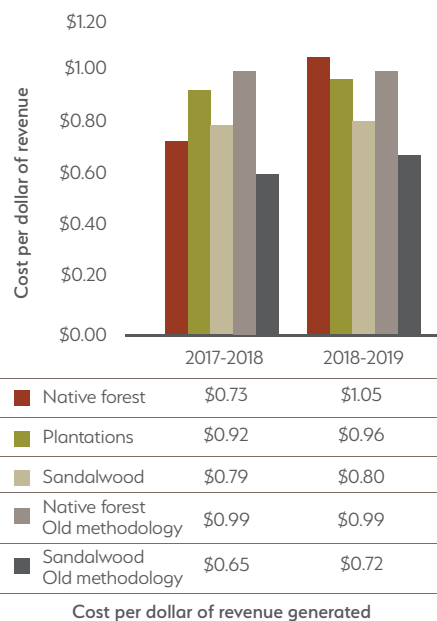
Plantation

The unit cost per dollar generated in 2018-2019 increased by four cents, despite higher sales, as a result of a product mix that includes a greater quantity of lower margin products and the additional costs associated with a fire in the Lewana plantation (\$2.6 million).

Sandalwood

Using the previous methodology costs per dollar have increased from \$0.65 in 2017-2018 to \$0.72 for 2018-2019 due to an increase in production costs. The reported unit cost per dollar generated in 2018-2019 was \$0.80 under the revised accounting policy, the difference from \$0.72 being due to the change in accounting treatment.

The sandalwood cost per dollar revenue generated for 2017-2018 was previously reported as \$0.65 in the FPC's 2017-2018 annual report. Following the change in accounting policy (see note 9.11) the result has retrospectively been adjusted to \$0.79 due to the inclusion of additional contributory licence revenue (\$13.4 million) offset by an equivalent additional amortisation expense (\$13.4 million).





Disclosures

We complement our Operation Woylie sandalwood regeneration program with hand-seeding in areas less accessible to the mechanical seeder. Photo credit: Rachel Clarke



Disclosures and legal compliance

Administered legislation

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

Ministerial directives

No Ministerial directives under the Act were received during the 2018-2019 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 Chair and Deputy Chair from the Commissioners. Commissioners may hold office for up to three years and are eligible to be reappointed. Profiles for the Commissioners can be found on page 6.

Committees

Audit and Risk

The Audit and Risk Committee is responsible for making recommendations to the Commission on the adequacy of internal and external audit arrangements, financial statements, financial administration policies, internal control systems, business policies and practices, compliance with laws, monitoring business risk and reporting procedures. Members of the committee included Mr Geoffrey Totterdell (Chair – 1 July to 31 July 2018), Ms Amelia Yam (Chair from 1 August 2018), Mr Bob Pearce, Mr Nick Bayes (1 July 2018 to 31 January 2019), Dr Louise Duxbury (from 1 February 2019) and Co-opted Commissioner Ms Catherine Broadbent (from 1 February 2019).

People and Safety

The People and Safety Committee was formed in December 2017 to have oversight of the FPC's corporate culture, people and leadership, and the health, well-being and safety of FPC staff and contractors. Mr Ross Holt (Chair), Mr Robert Pearce (from 1 July 2018 to 1 February 2019), Ms Vanessa Elliott, Mr Nick Bayes (from 1 February 2019) and Ms Jacqueline Jarvis (from 1 February 2019) are members of the Committee.

Plantation Investment

The Plantation Investment Committee was formed in March 2019 to have oversight of the Softwood Strategy, with an emphasis on the estate expansion requirements to ensure industry sustainability. Mr Ross Holt (Chair), Ms Amelia Yam, Ms Jacqueline Jarvis and Mr Bob Pearce are members of the Committee.

Right: The adoption of safer pruning equipment is reducing the potential for injuries at the FPC nursery.



Commission meetings and remuneration

The role and functions of the Commission are set out in the Act and the Commission is subject to the provisions within the *Statutory Corporations (Liability of Directors) Act 1996*. The Commission is responsible for the performance of the FPC's statutory functions and determines its strategic direction.

The Commission formally met seven times throughout the year. Individual members of the Commission provided their expertise on a number of important strategic issues relating to the forestry industry, safety, strategic risk management, financial and fire management. The Commissioners visited a variety of forestry field operations and met with key industry stakeholders.

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

			Commission		Audit and Risk Committee		People and Safety Committee		Plantation Investment Committee	
Number of meetings held			7		5		4		3	
Name	Period of membership	Gross annual remuneration	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Mr Ross Holt (Chair)	1 July 2018 – 30 June 2019	\$50,000	7	7	-	-	4	4	3	3
Mr Geoffrey Totterdell (Deputy Chair – 1 October 2017 to 31 July 2018)	1 July 2018 – 31 July 2018	\$2,405	0	1	-	-	-	-	-	-
Mr Robert Pearce	1 July 2018 – 30 June 2019	\$20,850	7	7	5	5	2	2	3	3
Ms Amelia Yam (Deputy Chair - 17 September 2018 to 30 June 2019)	1 July 2018 – 30 June 2019	\$20,850	7	7	5	5	-	-	3	3
Ms Vanessa Elliott	1 July 2018 – 30 June 2019	\$4,811	7	7	-	-	4	4	-	-
Mr Nick Bayes	1 July 2018 – 30 June 2019	\$20,850	5	7	3	3	2	2	-	-
Dr Louise Duxbury	1 July 2018 – 30 June 2019	\$20,850	7	7	1	2	-	-	-	-
Ms Jacqueline Jarvis	16 November 2018 – 30 June 2019	\$12,830	4	4	-	-	2	2	3	3
Ms Catherine Broadbent (Co-opted Commissioner)	1 February 2019 – 30 June 2019	\$3,028	-	-	2	2	-	-	-	-

Other legal requirements

Freedom of Information

The *Freedom of Information Act 1992* (FOI Act) enables the public to apply for access to documents held by the FPC. Guidance on how to apply, and obtain, requested documents is set out in the **FPC's Information Statement**, which is available to the public on the FPC website.

The Information Statement is prepared in accordance with the requirements of the FOI Act and provides guidance in obtaining access to documents held by the FPC.

The FPC received four FOI applications during the 2018-2019 financial year.

Internal control

The FPC, through the Audit and Risk Committee oversees the corporate governance responsibilities of the financial reporting process, internal control system, risk management, audit process, and compliance monitoring with applicable laws and regulations.

Compliance with public sector standards and ethical codes

We comply with the Public Sector Code of Ethics, through our own Code of Conduct. Our employees are required to complete the Public Sector Commission's Accountable and Ethical Decision Making (AEDM) refresher training every two years. AEDM training for all employees, Executive and Commissioners was completed in 2018. The FPC's IDP process is conducted twice per year and requires employees to reaffirm they have read and understood the information provided in the Code of Conduct.

Public Interest Disclosure

In accordance with the *Public Interest Disclosure Act 2003*, a public interest disclosure (PID) is made when a person discloses to a proper authority, such as a PID officer, information that tends to show past, present or proposed future improper conduct by a public body in the exercise of public functions. Public Interest Disclosure Officers for the FPC have been appointed. Internal procedures relating to our obligations under the Act have been implemented. During the year, no public interest disclosures were received by the FPC.

Information management State Records Act 2000

The FPC is committed to implementing record keeping best practices and in meeting compliance requirements. In compliance with Section 19 of the *State Records Act 2000*, the FPC has an approved Recordkeeping Plan and has made a commitment to submit an amended Plan to the State Records Commission by 30 June 2020.

The following information is provided in accordance with the *State Records Act 2000* Section 61 and the State Records Commission Standard 2, Principle 6.

Efficiency and Effectiveness of the FPC's Information Management Systems and Practices

Ongoing monitoring, reviewing and evaluation ensures the efficiency and effectiveness of the FPC's information management systems and practices.

The Recordkeeping Plan will be reviewed in 2020 which will confirm the direction of our recordkeeping in future years. The Electronic Document and Records Management System (EDRMS) will be evaluated at the same time to ensure it continues to meet the Commissions business requirements.

Record keeping is regularly incorporated in our information management, environmental management system and independent forest certification external audits to ensure compliance with the relevant Standards. The audit requirements have been either met or highlighted areas for improvement.

A positive for the FPC has been the upgrading of its EDRMS to incorporate and enhance stakeholder management. This will ensure there is a process and strategy in place for effectively engaging our stakeholders. With the implementation of the workflow module in the EDRMS this will assist in ensuring stakeholders are responded to in an appropriate timeframe.

Training and induction program

The FPC assessed its previous online training package and has designed an in-house online induction and training package, for new and current staff. The training will provide an effective way of ensuring staff have an awareness of their roles and responsibilities in compliance with the Recordkeeping Plan.

Additionally, all new staff participate in record keeping training within two weeks of commencing with the FPC. The training incorporates:

- use of the EDRMS; and
- completion of the online induction and training package.

Record keeping policies, procedures and EDRMS user guides are available to everyone through the FPC's intranet. Work Instructions have also been produced as videos. Provision of additional record keeping advice and training are also available.

Disability access and inclusion plan

Our Disability Access and Inclusion Plan (DAIP) ensures that people with disability, their families and carers can access our services and facilities, providing them with the same opportunities, rights and responsibilities enjoyed by all. The DAIP is available on the FPC website with a review of the Plan to be undertaken.

Disclosures

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 2018-2019 was \$18,062 (including GST).

EXPENDITURE TYPE	DESCRIPTION	AMOUNT	TOTAL
Advertising agencies		\$0	\$0
Market research agencies		\$0	\$0
Polling organisations		\$0	\$0
Direct mail organisations		\$0	\$0
Media advertising organisations			
Adcorp	Recruitment	\$334	\$334
	Forest operations notices	\$3,679	\$3,679
Initiative	Recruitment	\$5,159	\$5,159
	Forest operations notices	\$8,890	\$8,890
Total		\$18,062	\$18,062

Right: Newspaper notices are one way we inform local stakeholders of upcoming forest operations.



Government policy requirements

Workforce profile

Our workforce demographics demonstrate the work achieved in the area of Equal Opportunity Employment.

DIVERSITY GROUP	REPRESENTATION WITHIN THE FPC*	REPRESENTATION WITHIN THE WA PUBLIC SECTOR*
Women in Management Tier 2 and 3 combined	40.9%	47.7%
Indigenous Australians	2.1%	2.7%
People from culturally diverse backgrounds	16.2%	13.2%
People with a disability	2.2%	1.6%
Youth (aged 24 and under)	8.8%	4.0%
Mature (aged 45 and over)	56.3%	52.6%

*The Public Sector Quarterly Entity profile (QEP) for June 2019 was not available at the time this report was produced. Data from September 2018 QEP report was used for this report.

**This data includes fixed term and casual employees.

Right and opposite page: The diversity of our workforce increased in 2018-2019, with more women in Management Tier 2 and 3, Indigenous Australians, people from culturally diverse backgrounds and youth represented within the FPC.





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, six employees inadvertently utilised the corporate credit card for personal expenses. These matters were not referred for disciplinary action as the Director Finance 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	\$567
Personal use expenditure settled by the due date (within 5 working days)	\$567
Personal use expenditure settled after the period (after 5 working days)	-
Personal use expenditure outstanding at balance date	-

A photograph of a dense forest of tall, green pine trees. The trees are the central focus, filling most of the frame. In the foreground, there is a dirt road or path that curves slightly to the right. The ground is a mix of brown soil and some sparse, dry grass. The lighting is bright, suggesting a sunny day, with some shadows cast by the trees.

Statistics

The FPC is committed to supporting tourism opportunities in regional areas connected to Western Australia's vibrant forestry industry to support jobs and regional economies.



Statistics

Trends in the area of native forest harvested (hectares)

Year	Jarrah forest	Mixed jarrah/karri forest	Jarrah/wandoo forest	Karri forest	
				Clearfelled or partially cut	Thinned
1976-77	32,320	-	1,170	2,610	-
1977-78	26,020	-	740	4,450	-
1978-79	25,540	-	530	2,710	-
1979-80	25,150	-	860	2,110	60
1980-81	22,930	-	1,440	2,080	180
1981-82	24,680	-	610	2,180	320
1982-83	23,740	-	330	990	190
1983-84	21,540	-	580	1,490	260
1984-85	20,010	-	1,440	2,360	500
1985-86	22,640	-	650	1,590	340
1986	19,340	-	1,150	1,090	490
1987	17,180	-	1,380	1,310	700
1988	23,400	-	490	1,180	840
1989	15,130	-	200	1,510	910
1990	12,960	-	100	1,560	340
1991	10,910	-	-	1,920	230
1992	13,990	-	30	1,540	310
1993	14,250	-	40	1,630	80
1994	14,050	-	50	1,440	-
1995	17,830	-	30	2,410	-
1996	22,320	-	50	1,300	60
1997	18,240	-	60	1,870	60

Year	Jarrah forest	Mixed jarrah/karri forest	Jarrah/wandoo forest	Karri forest	
				Clearfelled or partially cut	Thinned
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	-	-	1,380	120
2002	12,870 ¹	-	30	700	350
2003	8,520 ¹	-	-	720	485
2004	8,860 ¹	-	-	330	920
2005	6,220 ¹	-	30	460	1,070
2006	8,425 ¹	33	380	363	1,127
2007	7,189 ¹	16	59	547	999
2008	6,583 ¹	36	0	347	661
2009	8,993 ¹	94	0	650	921
2010	4,522 ¹	33	0	371	1,212
2011	6,149 ¹	7	35	465	853
2012	6,762 ¹	28	0	344	650
2013	5,883 ¹	2	0	292	554
2014	5,070 ¹	4	0	290	480
2015	5,462 ¹	29	0	210	657
2016	6,668 ¹	37	0	438	667
2017	4,958 ¹	16	0	301	866
2018	4,677 ¹	0	0	354	846

¹ Figures do not include areas cleared for mining or utilities.

Area of coniferous (pine) plantations as at 31 December 2018 (hectares) ²

Year	Pinus radiata				Other pine				Fee for Service Agreements		Grand total
	1st rotation		Subsequent rotations		1st rotation		Subsequent rotations		1st rotation		
	State	Sharefarms	State	Sharefarms	State	Sharefarms	State	Sharefarms	Pinus radiata	Other pine	
Pre1970	101	-	23	-	1,224	-	19	-	-	-	1,367
1970	25	-	-	-	34	-	19	-	-	-	78
1971	68	-	-	-	3	-	-	-	-	-	71
1972	28	-	-	-	2	-	-	-	-	-	30
1973	37	-	18	-	116	-	3	-	-	-	174
1974	220	-	-	-	3	-	-	-	-	-	224
1975	38	-	-	-	708	-	-	-	-	-	746
1976	33	-	2	-	198	-	-	-	-	-	232
1977	3	-	6	-	159	-	-	-	-	-	168
1978	25	-	-	-	125	-	-	-	-	-	150
1979	43	-	2	-	-	-	-	-	-	-	45
1980	2	-	-	-	587	-	-	-	-	-	590
1981	226	-	-	-	440	-	-	-	-	-	665
1982	424	-	-	-	431	-	4	-	-	-	860
1983	475	-	-	-	481	-	86	-	-	-	1,042
1984	1,316	-	3	-	478	-	9	-	-	-	1,806
1985	1,150	1	1	-	413	-	2	-	-	-	1,567
1986	843	37	-	-	286	-	-	-	-	-	1,166
1987	290	579	62	-	18	-	0	-	-	-	949
1988	403	504	88	-	-	-	-	-	-	-	995
1989	537	214	345	23	21	-	22	-	-	-	1,161
1990	231	510	233	-	-	-	16	-	-	-	990
1991	58	901	454	31	-	-	21	-	-	-	1,465
1992	9	1,576	472	-	-	-	32	-	-	-	2,088
1993	8	602	1,014	-	133	5	127	-	-	-	1,889

Year	Pinus radiata				Other pine				Fee for Service Agreements		Grand total
	1st rotation		Subsequent rotations		1st rotation		Subsequent rotations		1st rotation		
	State	Sharefarms	State	Sharefarms	State	Sharefarms	State	Sharefarms	Pinus radiata	Other pine	
1994	144	406	422	-	17	-	114	-	-	-	1,103
1995	56	95	857	-	7	265	75	-	-	-	1,356
1996	35	9	1,028	-	108	394	13	-	-	-	1,587
1997	64	1	902	6	-	1,158	-	-	-	-	2,130
1998	14	75	24	-	-	1,457	4	-	-	277	1,851
1999	15	132	719	-	-	1,865	191	39	14	445	3,419
2000	-	198	866	-	27	3,648	4	-	5	288	5,036
2001	-	1	789	-	-	2,716	2	-	1	321	3,830
2002	43	69	480	-	3	601	-	-	-	211	1,405
2003	-	200	851	-	0	831	61	-	-	304	2,247
2004	105	-	1,018	-	437	510	118	-	-	131	2,320
2005	23	35	1,180	-	120	404	83	-	-	239	2,084
2006	9	52	1,447	-	49	1,413	1	-	-	97	3,067
2007	52	-	1,385	-	-	2,359	49	-	-	242	4,088
2008	2	538	1,338	9	0	1,219	-	-	-	14	3,120
2009	2	34	1,710	9	-	400	-	-	-	-	2,155
2010	-	-	411	66	-	5	3	-	-	-	485
2011	-	-	1,833	-	-	5	-	-	-	-	1,838
2012	-	-	1,690	-	-	-	-	-	-	-	1,690
2013	10	20	1,599	67	-	-	60	-	-	-	1,756
2014	232	-	1,161	36	28	-	674	-	-	-	2,132
2015	119	17	1,190	382	37	-	657	-	-	-	2,401
2016	56	419	1,808	57	-	-	37	-	-	-	2,377
2017	1,429	123	1,237	65	-	-	563	-	-	-	3,418
2018	1,325	329	783	-	-	-	50	14	-	-	2,500
Grand Total	10,329	7,675	29,447	751	6,694	19,257	3,118	52	20	2,569	79,912

Area of broadleaved (*eucalypt/corymbia*) plantations as at 31 December 2018 (hectares)²

	Eucalyptus globulus		Other eucalypts		Grand Total
	State	Sharefarms	State	Sharefarms	
Pre1988	6	-	6,325	2	6,334
1988	-	-	5	-	5
1989	-	-	5	-	5
1990	20	-	24	-	43
1991	0	-	36	-	36
1992	11	-	-	-	11
1993	-	-	-	-	0
1994	7	-	-	-	7
1995	3	-	1	-	4
1996	-	4	-	1	5
1997	2	-	1	15	18
1998	11	-	2	8	20
1999	-	1	9	1	11
2000	-	1	13	1	16
2001	-	1	-	27	28
2002	-	23	20	220	263
2003	-	13	28	234	274
2004	0	17	138	423	578
2005	1	-	36	164	200
2006	-	-	6	568	575
2007	5	-	19	1,005	1,029
2008	2	7	0	601	610
2009	3	10	4	6,317	6,335
2010	1	-	0	76	76
2011	-	-	-	22	22
2012	-	-	-	98	98
2013	-	-	-	11	11
2014	-	-	-	1	1
2015	-	-	-	-	0
2016	-	-	-	-	0
2017	-	-	-	-	0
2018	-	-	-	-	0
Grand Total	72	77	6,672	9,794	16,615

Area of sandalwood (*spicatum/album*) plantations as at 31 December 2018 (hectares)²

Year	State	Sharefarms	Fee for Service Agreements	Grand total
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	173.1	-	212.0
2006	24.1	488.7	1.0	513.8
2007	46.7	1,507.2	-	1,553.9
2008	5.2	2,481.6	-	2,486.8
2009	52.5	638.2	-	690.7
2011	2.1	-	-	2.1
2012	-	-	10.8	10.8
2013	4.4	0.7	-	5.1
2014	-	-	1.8	1.8
2015	-	-	-	0.0
2016	-	-	-	0.0
2017	-	-	-	0.0
2018	-	-	-	0.0
Grand Total	213.4	5,632.0	54.7	5,900.0

² Due to a management category review "Commission Owned" and "Commission Managed" headings are no longer relevant. Both "State" and "Sharefarms" are considered "Commission Owned". "State" refers to all State land including State Forest, Crown Reserve, Crown Lease, Public Roads, Other Public Lands, Water OR Freehold (where a government body is the proprietor) AND there is no Profit à Prende (PaP). "Sharefarms" refers to all plantation areas with a PaP or sublease (or is PaP pending) OR is Government body owned Freehold WITH a PaP. "Fee for Service Agreements" include plantations that FPC has been contracted to perform a service on behalf of another organisation but has no ownership or harvest rights to the resource.

Log production from Crown land and private property in 2018–2019

Product type	Crown land		Private property		Total	
	m ³	tonnes	m ³	tonnes	m ³	tonnes
Sawlog timber						
Native forest sawlogs						
Jarrah ³	73,721	95,838	-	-	73,721	95,838
Karri ³	52,915	65,615	-	-	52,915	65,615
Marri	1,054	1,307	-	-	1,054	1,307
Blackbutt	192	239	-	-	192	239
Wandoo	116	145	-	-	116	145
Sheoak	749	749	-	-	749	749
Other	-	-	-	-	-	-
Total native forest sawlogs	128,747	163,893	-	-	128,747	163,893
Plantation hardwood sawlogs						
Yellow stringybark	-	0	-	-	-	-
Brown Mallet	-	-	-	-	-	-
Sub-total plantation hardwood sawlogs	-	0	-	-	-	-
Plantation softwood sawlogs and veneer logs						
Pinaster	108,944	2383	-	-	108,944	2383
Radiata	412,998	262	-	-	412,998	262
Sub-total plantation softwood sawlogs and veneer logs	524,588	2645	-	-	524,588	2645
Total sawlogs	524,588	166,538	-	-	524,588	166,538

Includes logs from Crown land sold under Minor Production contracts.

³ Includes LVL logs (assumes 50% of total LVL production was produced from First Thinning Operations and classified as KOBV)

⁴ Includes poles, bridge timbers, burls, chopping logs, mining timber, craftwood, pegging logs and fencing material.

⁵ Includes woodchips

Log production from Crown land and private property in 2018–2019 (continued)

Product type	Crown land		Private property		Total	
	m ³	tonnes	m ³	tonnes	m ³	tonnes
Other log material						
Native forests						
Chiplogs	130,070	156,084	-	-	130,070	156,084
Firewood/charcoal logs	77,620	77,620	-	-	77,620	77,620
Sandalwood	1,901	1,901	-	-	1,901	1,901
Other ⁴	93,188	115,554	-	-	93,188	115,554
Sub-total native forest other	185,779	351,159	-	-	185,779	351,159
Plantation hardwood						
Chiplogs ⁵	-	-	-	4,222	-	-
Firewood/charcoal logs	-	-	-	-	-	-
Other ⁴	-	0	-	-	-	-
Sub-total plantation hardwood other	-	0	-	-	-	-
Plantation softwood other						
Industrial wood	20,453	279,010	-	-	20,453	279,010
Woodchips	-	10,071	-	-	-	10,071
Other	12,395	-	-	-	12,395	-
Pine rounds	9,573	-	-	-	9,573	-
Sub-total plantation softwood other	42,421	289,081	-	-	42,421	289,081
Total other material	42,421	640,240	-	-	42,421	640,240
Total log timber	567,009	806,778	-	4,222	567,009	806,778

Includes logs from Crown land sold under Minor Production contracts.

³ Includes LVL logs

⁴ Includes poles, bridge timbers, burls, chopping logs, mining timber, craftwood, pegging logs and fencing material.

⁵ Includes woodchips

Native forest sawlog production in 2018–2019 ⁶

Species	Jarrah	Karri	Marri	Total
Tonnes				
High-grade feature	393	0	10	403
General purpose log	21,860	0	-	21,860
Bole sawlog	49,710	0	-	49,710
Veneer log	0	30,356	-	30,356
Whole bole log	1,330	0	-	1,330
1st grade sawlog	-	35,628	1,040	36,668
2nd grade sawlog	-	2,529	-	2,529
Total	73,293	68,513	1,050	142,856

Native forest other bole volume ⁶

Species	Jarrah	Karri	Marri	Total
Tonnes				
Burl	32	-	-	32
Low-grade feature	552	-	-	552
Dry charcoal	26,264	-	-	26,264
Residue bole	4,945	-	-	4,945
Debarked bole residue	26,841	-	-	26,841
Residue peeler	0	-	-	0
Timber product residue	55,093	-	-	55,093
Craftwood	-	-	-	-
Other bole volume on bole sawlog	4,971	-	-	4,971
Fuelwood	-	-	-	-
Chip log	-	125,874	-	125,874
3rd grade sawlog	-	2,463	-	2,463
Other bole volume attached on LVL logs	-	17,000	-	17,000
Sawlog	-	-	-	-
Total	118,698	145,337	-	264,035

Sandalwood production by the FPC from Crown land

Product type	2018–19 tonnes
Green butts, branches and logs ⁷	750
Roots green	243
Green twigs ⁸	83
Dead	887
Total	1,963

⁶ The Native forest sawlog production in 2018-2019 and Native forest other bole volume statistics tables have been updated from previous years to reflect the way the volume of product is recorded at sale.

⁷ previously defined as Green 1st and 2nd grade

⁸ previously defined as Green 3rd grade

Glossary

Term	Definition
Bole log	Trunk or main stem of tree
Carbon sequestration	The removal and storage of carbon dioxide from the atmosphere into reservoirs, including forests and wood products
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
Crown	A tree's canopy or foliage
Falling or felling	Cutting down trees
First Rotation (1R)	A new species plantation from the previous rotation or where no plantation existed on the site before
Hardwood	Tree species with hard or dense wood, or the timber from it
Harvesting	Felling of trees as part of a silvicultural operation
Laminated Veneer Lumber (LVL)	A high-strength engineered wood product used primarily for structural applications
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 of the same species 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	The theory and practice of managing the establishment, composition, health, quality and growth of forests and woodlands to achieve specified management objectives
Softwood	Tree species with soft wood, 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
Sustainable yield	Sustainable yield of a forest is the maximum level of commercial harvest that can be maintained under a given management regime
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
Veneer logs	High quality logs that can be sliced or peeled to produce veneer

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