Forest Products Commission
Annual Report 2019-2020

Forest Products Commission

Statement of compliance

Hon. Dave Kelly MLA
Minister for Forestry

Statement of compliance

For year ended 30 June 2020

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 2020.

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
Chair
15 September 2020

Mr Stuart West
General Manager
15 September 2020

The FPC acknowledges the Aboriginal peoples of Western Australia as the traditional custodians of this land and we pay our respects to their Elders, past and present.

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September 2020

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This document is available in alternative formats upon request.

/fpcwa

Cover: Last financial year we acquired 950 hectares of suitable land for softwood plantation expansion.

Contents

Who we are

Our Aboriginal Traineeship Program introduced during our Reflect RAP aims to encourage and develop the next generation of Aboriginal foresters.


fpc Forest Products Commission

Financial highlights

Our annual turnover was $122 million. We operated at a profit and invested in plantation expansion, innovation, jobs and communities.

Our investment in community

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

$111 million
spent in regional WA supporting employment and services, and providing forest products to industry

$10 million
invested in the expansion of the softwood estate

$5 million
spent on regional forest contractors involved throughout the whole native forest lifecycle

$1 million
for sandalwood regeneration

$0.5 million
for South West native forest regeneration

$36.6 million
in contracts awarded, including 39 sale and 82 service contracts

$40 thousand
awarded to community groups through the FPC Community Support Program

$90 thousand
awarded to community focused organisations through the FPC Sponsorship Program

Chair's report

Despite feeling the impacts of COVID-19, Western Australia's forest industry has weathered the economic downturn well with many green shoots emerging.

The continued weakness in the housing market has affected confidence within the sector, but we are seeing signs of an increase in demand following the release of the Federal and State Government's home building grants.

The impact of COVID-19 will be an ongoing challenge beyond the pandemic, but the forest industry is a key regional employer and will play a crucial role in Western Australia's economic recovery.

There are also many reasons for optimism in the industry. Before the pandemic, the strength of the Western Australian forest industry was highlighted with the entry of Parkside Timber.
Their purchase of native timber mills in Nannup and Manjimup will help to drive regional employment and economic diversity post COVID-19.
Other processors are investing in new equipment providing for the opportunity to increase local processing, value creation and employment.

An important pillar for the future of our industry is the management of our native forests for a drying climate. The Forest Products Commission's (FPC) implementation of increased thinning programs helps reduce competition within the forest for water, nutrients and light, helping make our forests more resilient and prepare them for the climate of the future.

Our softwood expansion program successfully acquired 950 hectares of plantable land over the last financial year and FPC Farm Forestry Assist grants awarded to landowners choosing to grow pine are expected to contribute another 52 hectares to the softwood estate.

We continued to increase Aboriginal involvement in the forest industry, providing opportunities for Traditional Owners in all aspects of the sandalwood and softwood supply chain. I would like to thank my fellow commissioners and the Minister for Forestry, the Hon. Dave Kelly MLA, for their support during the last year.

Mr Ross Holt
Chair
15 September 2020

General Manager's report

COVID-19 created a unique set of challenges for our business, contractors and customers.

Fortunately, the forest industry was able to continue working through the pandemic, but the economic impact sent shockwaves throughout the industry and our communities.

To manage this, we worked with our customers to navigate the decline in demand and the hardships faced as a result of changed economic conditions.

I would like to commend our staff for their response to the pandemic.

Despite changed working arrangements and unprecedented economic pressures, staff have adapted and found new and innovative ways to help the industry move forward. Our resilience has been a great strength of the FPC.

To ensure the availability of our forest resources into the future, we invested $1.5 million in native forest and sandalwood regeneration and $10 million in expanding the softwood estate.

We renewed our focus on fire suppression by increasing the amount of staff involved in fire activity and awarding five of our 22 community grants to Volunteer Fire Brigades in regional communities through our Community Support Program to increase their fire suppression capacity.

The safety of our staff and the broader forest industry has remained a key focus. We hosted the Forest Industry Safety and Training Committee (FISTCo) 'Fatigue' Talking Safety forum, and we continue to work collaboratively with the industry to drive improvements in safety.

I wish to thank our Minister and our Commissioners for their continued support and guidance over the last year and look forward to continuing to work closely with them next year.

Mr Stuart West
General Manager
15 September 2020

We manage 78,000 hectares of softwood plantations across the State for economic, environmental and social benefits.

Our agency

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

Our softwood plantations are the main source of pine resource in Western Australia and we continue to encourage broader investment to meet the demands of future growth by expanding the softwood estate.

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 forest industry 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 2019-2020, 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 the forest industry.

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 forest 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

Board 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

Director People and Culture
Suzanne McCavanagh

Commissioners

Back row (left to right): Louise Duxbury, Robert Pearce, Nick Bayes, Vanessa Elliott, Cathy Broadbent. Front row (left to right): Jacqueline Jarvis, Ross Holt, Amelia Yam.

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

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

MS AMELIA YAM B.Com CA GAICD
DEPUTY CHAIR
Appointed November 2016.
Appointed Deputy Chair September 2018.
Resigned December 2019.

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.

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 forest industry, sitting on a range of committees and boards.

MS VANESSA ELLIOTT
COMMISSIONER
Appointed November 2017.

Vanessa is an Independent consultant, 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 Indigenous Business Australia as well as an advisory board member of the Centre for Social Responsibility and Mining within the Sustainable Minerals Institute.

MR NICK BAYES
COMMISSIONER
Appointed November 2017.

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

DR LOUISE DUXBURY
COMMISSIONER
Appointed November 2017.

Louise 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.

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 Manager 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.

MS CATHERINE (CATHY) BROADBENT
CO-OPTED COMMISSIONER
Appointed February 2019.

Cathy joined the FPC Audit and Risk Committee in February 2019 as a Co-opted Commissioner. Cathy is a CPA and Registered Tax Agent and has worked for a large Chartered Accounting firm, in Perth, where she was the Director of Expatriate Taxation Services. She now operates her own Taxation and Accounting practice. Cathy was a Member of the Salaries and Allowances Tribunal for Western Australia for 9 years and has been a Council member at Perth College where she was Chair of the Remuneration Committee and a member of the Risk Management Committee. Cathy has also been a Board Member of Diabetes WA and Diabetes Research Centre WA. Before moving to Perth for University, Cathy lived in Manjimup and has experienced many facets of the timber industry.

Executive team

Left to right: Antonio De Nobrega, Gavin Butcher, John Tredinnick, Suzanne McCavanagh, Stuart West, Andrew Lyon.

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 forest 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 Forestry
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 forest industry, and internationally. His experience includes forest management, timber processing and timber trading.

MR ANTONIO DE NOBREGA

Hon, BCompt; MBA (UK); CA (ANZ); GAICD

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.

MS SUZANNE MCCAVANAGH

BA Industrial Relations. GradDip Public Sector Management

DIRECTOR PEOPLE AND CULTURE

Suzanne joined the FPC in February 2020 as Director People and Culture. She has extensive expertise across HR strategy, workforce planning, organisational development and cultural change. Suzanne has broad executive experience where she has been on the executive bodies of six public sector organisations. This experience has spanned a number of industry sectors including WA Health; Transport and Infrastructure; and the TAFE sector. Her previous role was as Director People and Culture for the Tasmanian Health Service where she led a workforce and cultural change program for four hospitals in that state.

Our performance

This year we continued to promote multiple use forests and regional tourism through establishing and continuing to support several recreational events across the South West.

Performance management framework

To help evaluate our contribution to the State, we've linked 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 forest industry to deliver social and economic benefits to Western Australian communities, particularly in regional Western Australia

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

Key performance indicators

G1:

- Quantity of native forest hardwood log timber harvested compared to the FMP sustainable levels and targets
- Harvest of sandalwood does not exceed licence limits
- Effectiveness of forest regeneration
- The achievement of thinning schedules
- All operations commence with required approvals
- Independent certification maintained
- Management of native forest fuel loads adjacent to priority pine plantations

G2:

- Softwood plantations planted in the previous winter meet minimum stocking levels
- First and second rotation softwood planting targets are achieved
- Timeliness of response to stakeholder concerns or complaints
- Native forest resource processed locally (excluding any trials or research undertaken)
- Log deliveries meet customer orders
- Sandalwood sales orders

G3:

- Timeliness of initial response to Ministerial requests and Parliamentary Questions
- Operating profit
- Costs per dollar of revenue generated
- Green sandalwood roots as a percentage of green sandalwood harvested

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

Ensuring wild West Australian sandalwood is available for generations to come continues to be a key focus of our native forest regeneration program.

This year Operation Woylie was again expanded, with 1,460 kilometres of rip-lines seeded across the Rangelands. This was complemented by another 50 kilograms of sandalwood seed that was hand seeded in less accessible areas by Aboriginal planters, engaged through the Goldfields Land and Sea Council.

We established sandalwood regeneration trials aimed at improving regeneration in northern rainfall zones.

We successfully regenerated approximately 423 hectares of karri forest. Fire in jarrah forest helps to remove competition for jarrah seedlings and results in more successful seedling establishment. Approximately 4,410 hectares of jarrah forest was burned in 2019 as part of our post-harvest regeneration program.

All of our operations are undertaken in accordance with the *Forest Management Plan 2014–2023* (FMP). This plan makes less than one per cent of Western Australia's total forest area available for harvest each year and ensures that all old-growth forests are protected.

Right: If a jarrah seedling is damaged it can quickly reshoot from the lignotuber, woody swellings at the base of the seedlings that act as a store of nutrients and dormant buds.

Fauna monitoring in the karri forest

Our fauna monitoring in karri forest harvest coupes continued to provide valuable information on the use of the areas before and after harvest.

The program identified 31 different fauna species across the six coupes monitored. This was a slight increase from previous years and highlighted the return of native fauna species, like quendas and possums, to coupes following harvesting, regeneration and reestablishment of forest cover.

This highlighted the importance of connectivity corridors of undisturbed vegetation and stream systems that we leave for fauna to use as cover and movement corridors.

Pest animals, mainly foxes and cats, were identified in all monitored coupes. Feral pigs were also identified in several locations. This shows the importance and need for control programs for these species and we will be continuing current control programs in the karri forest.

We continued implementation of a trial of the use of baits (Eradicat®) for the control of cats in the karri forest.

This trial has demonstrated the difficulty of cat control through the use of a baiting program where an alternative food source is present. We will be seeking to draw on the research findings from other similar cat control trials to assess alternative methods for effective cat control.

Fire

The FPC makes a significant contribution to fire management in Western Australia, assisting with fire suppression and fuel reduction activities to protect forest assets and property.

More than 25 percent of our staff engaged in fire management this year including participation in joint agency emergency response rosters. These staff assisted with fire suppression at more than 35 fires for the season including significant incidents at Yanchep, Stirling Range and Norseman.

The FPC continues to work with the Department of Biodiversity, Conservation and Attractions (DBCA) to plan, prioritise and implement fuel reduction burning programs designed to provide protection for our plantation estate.

We work with DBCA each year to plan and implement a program of prescribed burns to reduce fuels in native vegetation adjacent to nominated priority plantations. Strategically located fuel reduction burning is the most efficient means of managing the threat to plantation assets from wildfire.

Volunteer Fire Brigades (VFB) were supported through our Community Support program, with five VFB's receiving grants for a range of projects to help enhance their firefighting capabilities, including for improved pumping equipment, safety equipment and expanded facilities.

Right: Over one quarter of our staff participate in joint agency emergency response arrangements.
Middle right: Uncontrolled wildfire is one of the biggest threats to WA's forests and plantations.
Far right: We work closely with other Government agencies and local government to plan and deliver fire mitigation measures to help protect life, property and our resources.

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

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

Western Australia's forest products

Softwood plantations

Maintaining supply to our key softwood customers was an important focus during the financial year, particularly during 2020 and COVID-19.

In 2019-2020, we purchased 950 hectares of suitable land for softwood plantation expansion. We also continued to work with industry to encourage broader investment in expanding the softwood estate.

The FPC met supply targets for our State Agreement partners.

Our Farm Forestry Assist program supported private investment in the softwood estate by identifying three properties with approximately 52 hectares of land to receive assistance to establish commercial plantations through the program. These plantations are expected to be established in 2020.

Salvage and reestablishment of our pine plantations following the Balingup-Nannup wildfire continued. In 2019 an area of 146 hectares was re-established to contribute to the State's future softwood resource.

We continued to increase the growth performance of plantations through our genetic tree improvement program. To increase the proportion of genetically improved seedlings available for plantation establishment a program of cuttings has been initiated.

More than 258,000 seedlings were grown from cuttings and planted in winter 2019. A further 989,000 cuttings were grown and planted this winter.

We have actively reduced the backlog of overdue thinning in order to promote growth on existing plantations.

Right: The softwood estate produces a range of products used by the building and construction sector.

Sandalwood plantations

We manage approximately 6,000 hectares of these plantations across the Wheatbelt and Mid West.

Plantation sandalwood is harvested around 30 years of age.

Due to delays in establishing a commercial contract, over the last financial year no sandalwood plantations received a non-commercial thinning treatment to improve host health.

We agreed to sponsor a workshop to be held by the Australian Sandalwood Network in the next financial year for new and prospective sandalwood growers. The workshop will include experts talks, demonstrations and networking opportunities for new and potential growers, and will aim to grow the industry.

Wild Western Australian sandalwood

In the last year, we expanded our Sandalwood Dreaming program and awarded six sandalwood harvesting contracts to Aboriginal owned businesses.

We are committed to working with local Aboriginal people on country. Sandalwood Dreaming provides opportunities for local Aboriginal people to become involved in the sandalwood industry in the Rangelands and can generate up to $1.3 million of payments to small regionally based businesses.

We continued to support regionally based contractors through restorative works in the Rangelands. These contractors are undertaking critical works in restoring sandalwood ecology, including fencing to protect from overgrazing, feral animal control, and re-seeding sandalwood nuts to ensure the sandalwood industry is maintained into the future.

Top right: We work with Aboriginal businesses to engage them across the sandalwood supply chain, continuing the Western Australian sandalwood story.
Bottom right: Our contractors harvest the entire sandalwood tree, including the roots.

Native forest

The strength of Western Australia's native forest industry was highlighted this financial year by Parkside Timber's decision to enter the market.

Parkside Timber, a Queensland based timber producer, expanded into Western Australia with the acquisition of native forest sawmills in Greenbushes and Nannup. These mills now directly employ over 100 people in these small communities, supporting these regional economies.

The demand for high-grade native timbers has progressively improved during the year despite the significant impact of COVID-19 across many industries.

Thinning on Alcoa mine sites to advance the rehabilitation of jarrah forest began on an operational scale in 2020.

We spent more than $5 million over the last year on a range of forest contractors that are involved throughout the whole lifecycle of our native forests. Our contractors are dispersed in regional communities throughout the South West.

Due to COVID-19 our Public Specialty Timber Auctions were transitioned to an online only format. This gave more people the opportunity to bid on the timber, and resulted in a particularly successful auction, selling 699 tonnes of specialty wood to artisans, wood workers and the general public.

Right: Parkside Timber's decision to enter the WA market highlighted the strength of our native forest sector and resource.

Community and stakeholder engagement

Stakeholder engagement continues to be a crucial part of our business. Listening to our stakeholders and seeking opportunities to work together is a vital element of our operations.

This year we've developed several key stakeholder engagement plans which focus on building relationships through gaining a better understanding of stakeholder needs. For example, as a part of our Local Government Engagement Plan, we invited local governments to tell us how they would like to be engaged. The feedback we received will inform future engagement activities and ensure we are reaching and benefiting the communities in which we operate.

We continued to promote multiple use forests and regional tourism through establishing and continuing to support several events across the South West, including SEVEN, Pemby Trail Fest and Pemby G83, through our Sponsorship Program.

Opportunities to engage with stakeholders in a face to face setting were limited in the previous year, including planned educational forest tours for interested stakeholders and schools. Going forward, we will continue to pursue opportunities for staff to engage with stakeholders including forest tours and at events such as small farm field days and regional shows.

Our Community Support Program has continued to deliver for community groups across the South West, with $40,000 worth of grants being awarded in the last year. Since the program's inception we have now awarded grants to 56 community groups for a total of $90,000.

We address common questions and concerns of neighbours through a range of targeted leaflets that are distributed prior to operations.

Top left: We strive to build meaningful relationships with our stakeholders.
Top right: We are committed to meaningful engagement with stakeholders to ensure we understand their views, needs and expectations.
Bottom: Our stakeholders encompass 13 groups, including neighbours, contractors and active forest users.

Engagement with Aboriginal groups

The FPC's *2019 Respect Reconciliation Action Plan* (RAP) laid the foundation for us to build relationships, respect and opportunities with Aboriginal people. We implemented an Aboriginal Engagement Policy and established a Reconciliation Working Group with Aboriginal representation from FPC staff and the wider community.

A key value of the RAP is for the FPC, as the WA Government's lead forestry agency, to create meaningful economic opportunities for Aboriginal people in the forest industry. In 2019-2020, we increased our Aboriginal employment and continued the Aboriginal trainee program.

To engage industry, we implemented practices to support and encourage established and aspiring Aboriginal businesses in all procurement and sale processes.

In 2019-2020, 12.8 per cent of our contracts were awarded to Aboriginal businesses, exceeding the WA State Government target of two per cent.

We increased staff awareness of reconciliation, native title and heritage. We acknowledged traditional owners by creating office welcome signage and participating in; and organising National Reconciliation and NAIDOC week events.

We are a signatory to the Noongar Standard Heritage Agreement and we seek to build relationships with traditional owners throughout the lands on which we operate. Protecting Aboriginal heritage and cultural sites is foremost in planning and completing FPC works.

The FPC's 2020 to 2022 Innovate RAP will further develop Aboriginal business engagement in recognition of the traditional ownership of the lands on which forestry is reliant.

Top right: The FPC is committed to continuing to support Aboriginal employment and engagement in the forest industry across Western Australia.
Bottom right: In the last year, 12.8 per cent of our contracts were awarded to Aboriginal businesses.

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."

Human resources

Staff snapshot

We employ 224 people across our work sites, with 71 per cent of our staff located in regional towns. This includes permanent full time and permanent part time employees, fixed term contact, casual employees and trainees (data is based on last pay period in 2019/20).

Type of staff	FTE	Headcount
Permanent full time employees*	139	139
Permanent part time employees	15.31	22
Fixed Term full time employees	17	17
Fixed Term part time employees	3.2	4
Seconded in FPC	2	2
Attached officer seconded out from FPC	0	0
Attached officers	0	0
Trainees	-	3
Casuals	-	37
Total	176.51	224

* Excludes attached officers

Staff working inside metro area	-	65
Staff working outside metro area	-	159
Total	-	224

In line with State Government requirements, the FPC had zero leave outside of guidelines in 2019-2020.

Right: We employ over 200 people in eight offices located between Carnarvon, Kalgoorlie, the South-west and Esperance.

Research

Research

We initiated a fertiliser response program with the Forest and Wood Products Association for pine plantations across the South West of WA. This project is using tree growth information from a wide range of fertiliser trials, which has been recorded from WA plantations over the past 30 years and should assist forest managers in predicting the most suitable fertiliser rates for a variety of plantations.

We continued long-term studies on natural sandalwood population age and size structure and the benefits of seed enrichment in the Goldfields and Mid-West.

We have also begun a new sandalwood seeding trial in the Mid-West to help determine methods to enhance moisture retention levels around the planted sandalwood and aid germination. In these semi-arid regions, low autumn and winter rainfall can often limit germination success.

Right: We continue to invest in long term research programs across all three sectors of our business.

Sustainable forest management performance

FPC's Integrated Forest Management System

We continue to improve our Integrated Forest Management System.

During the last financial year, we were externally audited against the International Standard ISO 14001: 2015 (for an Environmental Management System) and the Responsible Wood Sustainable Forest Management Standard (SFM) AS 4708: 2013. Our primary forest certification, SFM, is internationally recognised by the Program for the Endorsement of Forest Certification® (PEFC®).

A key change to our SFM certification has been the inclusion of non-active mining tenements to enable the recovery and utilisation of forest products that would otherwise be wasted as a result of mining activities.

Right: Our regularly held timber auctions give members of the public the opportunity to secure unique and rare pieces of timber.

Occupational safety and health

Occupational safety and health

We took major steps toward improving the safety of the forest industry this year, working with staff and industry to ensure everyone is engaged in the goal of working safely.

We continued to engage 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 is committed to working collaboratively with the forest industry to drive improvements in safety at an industry level. The FPC is a member of the Forest Industry Safety and Training Committee (FISTCo) which meets monthly and includes representatives across all sectors of the supply chain.

FISTCo successfully launched the Talking Safety Forum initiative designed to engage industry with the FPC hosting a Forum in November 2019. Industry recognised the need for a whole of industry safety action plan and the FIFWA Safety Health and Training Project Officer and FISTCo is currently working on the development of an industry led Safety Action Plan and standardisation of training requirements and incident reporting.

Our OHS committee is a three-tiered structure to ensure safety management is discussed at all levels with employee involvement – Strategic, Organisational and Local office OHS Committees. We recognise that safety is everyone's responsibility and have a range of strategies to optimise engagement with FPC staff, contractors and customers including via safety alerts, toolbox meetings, site visits, training and workshops.

We continued to focus on driver safety with a key focus on fatigue management. The FPC sponsored the FISTCo 'Fatigue' Talking Safety forums held in Manjimup and Albany and we continue to work with staff to reduce driving through a range of strategies, including using virtual meetings to minimise travel. COVID-19 has fast-tracked the uptake of virtual meeting technology across the agency and the FPC works with staff to make sure these gains are on-going.

Right: The softwood industry in Western Australia currently supports the employment of approximately 2,000 people.

Performance summary

Less than one per cent of Western Australia's forests are available for harvest 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 $0.89 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 $11.7 million in building the State's softwood estate, native forest and sandalwood resource regeneration programs.

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.

Financial performance

	Target 2019–20 ($ millions)	Actual 2019–20 ($ millions)	Variance ($ millions)
Financial targets			
Total expenses (sourced from Statement of Comprehensive Income)	138.2	127.7	10.5
Total income (sourced from Statement of Comprehensive Income)	138.2	128.6	(9.6)
Total equity (sourced from Statement of Financial Position)	365.4	263.3	(102.1)
Net increase / (decrease) in cash held (sourced from Statement of Cash Flows)	(7.9)	(19.9)	(12.0)
Financial outcomes			
Timber revenues	135.5	122.1	(13.4)
Operating profit	(0.1)	0.9	1.0
Net profit / (loss) after tax	(1.7)	(2.6)	(0.9)
Closing cash balance	21.5	11.5	(10.0)
Performance measures			
Return on assets	0.0%	0.3%	0.3%
Return on equity	0.0%	0.3%	0.3%
Operating profit to timber revenues	0.0%	0.7%	0.7%

Opposite page

Left: Our planting contractors provide important seasonal work in regional areas across the South West.

Summary of audited key performance indicators

For the 2019-2020 financial year the Forest Products Commission (FPC) made some changes to the Key Performance Indicators (KPIs). While there has been no material change to the FPC's goals, services and desired outcomes or their alignment with State Government goals, five KPIs have been changed to improve wording and relevance. Three KPIs offered limited value as a KPI and were removed. These were: 1) all aspects of road construction within guidelines; 2) planned firebreak activities achieved; and 3) increase in low-value resource delivered to and processed by local markets. Two new KPIs have been introduced including one related to fire protection. All 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 Forest Management Plan 2014-2023 (FMP), and ensuring we meet compliance requirements. The FPC is focused on forest management delivering social, environmental and economic benefits to Western Australian communities.

An overview of the 2019-2020 KPI results is provided below. New and adjusted KPIs adopted for 2019-2020 reporting are indicated. Note that some KPIs are reported for the previous calendar year rather than financial year.

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 – cumulative total from 2014 to 2019	792 (m^3 '000s)	469 (m^3 '000s)
		Karri – cumulative total from 2014 to 2019	354 (m^3 '000s)	284 (m^3 '000s)
	Other bole volume for jarrah, karri and marri*	Jarrah - cumulative total from 2014 to 2019	1,752 (m^3 '000s)	998 (m^3 '000s)
		Karri - cumulative total from 2014 to 2019	984 (m^3 '000s)	747 (m^3 '000s)
		Marri - cumulative total from 2014 to 2019	840 (m^3 '000s)	78 (m^3 '000s)
2	**Harvest of sandalwood does not exceed licence limits (adjusted)**			
		Green and dead wood sandalwood harvest	2,250 tonnes	2,066 tonnes

		Target	Actual
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	42% of areas cutover for regeneration completed in 30 months
	Sandalwood	Annual cumulative average of 50,000 seedlings established	Annual cumulative average over the last 9 years is approx. 42,000 seedlings established
4	**The achievement of thinning schedules**		
	Karri*	1,230 hectares per annum of first thinning	1,066 hectares of first thinning in 2019
	Softwood plantations	95% of softwood plantations are thinned within guidelines	74% of softwood plantations thinned within guidelines
	Sandalwood plantations	586 hectares thinned	0 hectares thinned
5	**All operations commence with required approvals**		
		100% of operations commence with pre-operation planning approval	100% of operations commenced with pre-operation planning approval
6	**Independent certification maintained**		
		Certification maintained	Certification maintained

		Target	Actual
7	**Management of native forest fuel loads adjacent to priority pine plantations (new)**		
		Annual increase in the percentage of native forest fuel loads (adjacent to FPC's priority pine plantations) under six years of age	There was an increase in the percentage of native forest fuel loads (adjacent to FPC's priority pine plantations) under six years of age
8	**Softwood plantations planted in the previous winter meet minimum stocking levels (adjusted)***		
		95% of the total softwood plantations planted in the previous winter are compliant with minimum stocking levels	87% of the total softwood plantations planted in the previous winter were compliant with minimum stocking levels
9	**First and second rotation softwood planting targets are achieved (adjusted)***		
		3,174 hectares (first and second rotation combined)	2,775 hectares (first and second rotation combined)
10	**Native forest resource processed locally (excluding any trials or research undertaken) (adjusted)**		
		100% of native resource processed locally	100% of native resource was processed locally
11	**Log deliveries meet customer orders (adjusted)**		
	Plantations	Variance of no greater than 10%	Variance was no greater than 10%
	Native Forest	Variance of no greater than 10%	Variance was no greater than 10%
12	**Sandalwood sales orders (new)**		
		100% of sandalwood sales orders are met	98% of sandalwood sales orders were met
13	**Green sandalwood roots as a percentage of green sandalwood harvested**		
		Total green volume includes a minimum of 25% roots	Total green volume included 21% roots

* Reported for the previous calendar year

Key efficiency indicators

		Target	Actual
1	**Timeliness of response to stakeholder concerns or complaints**		
		95% of responses provided on time	97% of responses provided on time
2	**Timeliness of initial response to Ministerial requests and Parliamentary Questions**		
		95% of responses provided on time	100% of responses provided on time
3	**Operating profit**		
		(56) ($'000s)	890 ($'000s)
4	**Cost per dollar of revenue generated**		
	Native forest	Decrease over time	Same as the previous year
	Plantations	Decrease over time	Decrease from the previous year
	Sandalwood	Decrease over time	Increase from the previous year

Financial statements

Western Australia's native forests are managed to meet a range of diverse needs and values.

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 2020, 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 2020 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 Responsibility for the Audit of the Financial Statements section of my report. I am independent of the Commission in accordance with the Auditor General Act 2006 and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 11 0 Code of Ethics for Professional Accountants (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibility of the Commission for the Financial Statements

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

In preparing the financial statements, the Commission is responsible for assessing the entity'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.

A further description of my responsibilities for the audit of the financial statements is located on the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of my auditor's report.

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 2020.

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 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 2020. The key performance indicators are the Under Treasurer-approved key effectiveness indicators and 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 2020.

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 entity's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

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

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

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

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

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

This auditor's report relates to the financial statements and key performance indicators of the Forest Products Commission for the year ended 30 June 2020 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 contact the entity to confirm the information contained in the website version of the financial statements and key performance indicators.

CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA

Perth, Western Australia
17 September 2020

Certification of financial statements

Certification of the financial statements

For the year ended 30 June 2020

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 2020 and the financial position as at 30 June 2020.

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	**Mr Robert Pearce**	**Mr Antonio De Nobrega**
Chair	Commissioner	Director Finance
15 September 2020	15 September 2020	15 September 2020

Statement of comprehensive income

For the year ended 30 June 2020

	Notes	2020 $000	2019 $000
Continuing operations			
Income from transactions			
Sales of forest products	3.2	122,128	115,937
Interest income	3.4	202	636
Other income	3.5	6,309	9,741
Gains from foreign exchange	3.6	-	22
Total income from transactions		**128,639**	**126,336**
Expenses from transactions			
Production expenses	4.2	74,415	69,199
Employee benefits expense	4.3.1	21,269	20,282
Supplies and services	4.6.1.(a)	19,721	21,174
Depreciation and amortisation expense	5.1.1; 5.2.1; 5.3.1	9,012	12,314
Finance costs	7.2	916	1,070
Accommodation expenses	4.6.1.(b)	854	533
Grants and subsidies	4.4	117	53
Loss on disposal of non-current assets	4.5	33	-
Other expenses	4.6.1.(c)	1,412	1,679
Total expenses from transactions		**127,749**	**126,304**
Net results from transactions before income tax		**890**	**32**
Income tax benefit/(expense) on net result from transactions	4.7.1	(242)	(1,629)
Net results from transactions after income tax		**648**	**(1,597)**
Other economic flows included in net result			
Gain/(loss) upon revaluation of biological assets	5.4.1	(4,431)	2,990
Onerous contracts	4.6.2	(381)	(425)
Grants and subsidies from State Government	3.3	200	1,667
Other economic flows included in net result before income tax		**(4,612)**	**4,232**

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

	Notes	2020 $000	2019 $000
Income tax benefit/(expense) related to other economic flows	4.7.1	1,384	(1,270)
Total other economic flows included in net result after income tax		**(3,228)**	**2,962**
Net result from continuing operations after income tax		**(2,580)**	**1,365**
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)	5	(10)
Changes in asset revaluation surplus	9.7.1	1,696	(456)
Deferred tax on items of other comprehensive income	9.7.1	(509)	137
Items that may be reclassified subsequently to profit or loss			
Changes in cashflow hedge reserve	9.7.2	(7)	101
Income tax on items of other comprehensive income	9.7.2	2	(30)
Total economic flows - other comprehensive income net of income tax		**1,187**	**(258)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(1,393)**	**1,107**

Statement of financial position

as at 30 June 2020

	Notes	2020 $000	2019 $000
ASSETS			
Current Assets			
Cash and cash equivalents	7.3.1	11,522	31,404
Inventories	6.1	9,669	6,883
Receivables	6.2	19,422	18,644
Income tax receivable	4.7.2	52	215
Biological assets	5.4	8,048	18,199
Other current assets	6.3	2,880	1,580
Total current assets		**51,593**	**76,925**
Non-current assets			
Infrastructure, property, plant and equipment	5.1	37,038	31,978
Deferred tax assets	4.7.3	13,029	12,393
Biological assets	5.4	200,481	189,609
Right of use assets	5.2	1,745	-
Intangible assets	5.3	7,833	10,251
Total non-current assets		**260,126**	**244,231**
Total assets		**311,719**	**321,156**
LIABILITIES			
Current Liabilities			
Payables	6.4.(a)	14,330	23,257
Lease liabilities	7.1	508	-
Employee related provisions	4.3.2.(a)	3,585	3,188
Other provisions	6.5.(a)	9,808	7,940
Deferred revenue	6.6.(a)	3,284	1,873
Total current liabilities		**31,515**	**36,258**

	Notes	2020 $000	2019 $000
Non-current liabilities			
Payables	6.4.(b)	3,894	3,734
Lease liabilities	7.1	1,252	-
Employee related provisions	4.3.2.(b)	966	1,163
Other provisions	6.5.(b)	941	3,178
Deferred revenue	6.6.(b)	9,901	12,180
Total non-current liabilities		**16,954**	**20,255**
Total liabilities		**48,469**	**56,513**
Net Assets		**263,250**	**264,643**
Equity			
Contributed Equity	9.7	276,245	276,245
Reserves	9.7.2	11,509	10,327
Accumulated surplus / (deficit)	9.7.3	(24,504)	(21,929)
Total Equity		**263,250**	**264,643**

The 'Statement of financial position' should be read in conjunction with the accompanying notes

Statement of changes in equity

For the year ended 30 June 2020

	Notes	Contributed equity $000	Reserves $000	Accumulated surplus/(deficit) $000	Total equity $000
CONTRIBUTED EQUITY					
Balance at 1 July 2018		**276,245**	**10,575**	**(22,240)**	**264,580**
Net result after income tax for the year	9.7.3	-	-	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)
State contribution (repayment)		-	-	-	-
Balance at 30 June 2019	9.7	**276,245**	**10,327**	**(21,929)**	**264,643**
Balance at 1 July 2019		**276,245**	**10,327**	**(21,929)**	**264,643**
Net result after income tax for the year	9.7.3	-	-	(2,580)	(2,580)
Other comprehensive income for the year, net of income tax		-	1,182	5	1,187
Total comprehensive income for the year		-	1,182	(2,575)	(1,393)
Transactions with owners in their capacity as owners:					
Dividends paid		-	-	-	-
Balance at 30 June 2020	9.7	**276,245**	**11,509**	**(24,504)**	**263,250**

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 2020

	Notes	2020 $000	2019 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from external customers		130,789	124,738
Interest received		202	636
Other receipts		1,093	1,561
Total receipts		**132,084**	**126,935**
Payments			
Payments for employee benefits		(20,793)	(20,469)
Payments to suppliers		(30,240)	(27,055)
Forest management expenditure		(90,055)	(69,610)
Total payments		**(141,088)**	**(117,134)**
Net cash inflow from operating activities	7.3.2	**(9,004)**	**9,801**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current physical assets		(4,547)	(4,449)
Purchase of intangible assets		-	(169)
Purchase of investments			
Investment in new plantations	5.4	(6,054)	(5,798)
Net cash used in investing activities		**(10,601)**	**(10,416)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments			
Lease payments		(641)	-
Net cash used in financing activities		**(641)**	**-**
CASH FLOWS FROM / (TO) STATE GOVERNMENT			
Other grants and subsidies	3.3	200	1,667
Dividends paid		-	(1,044)
Taxation equivalents		164	845
Net cash provided to State Government		**364**	**1,468**
Net increase/(decrease) in cash and cash equivalents		(19,882)	853
Cash and cash equivalents at the beginning of the period		31,404	30,551
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7.3.1	**11,522**	**31,404**

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

Index of notes to the financial statements

Notes to the financial statements

For the year ended 30 June 2020

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 4 September 2020.

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

2020	Native Forest $000	Plantations $000	Sandalwood $000	Policy and Industry Development $000	Non Commercial $000	Eliminations $000	Total $000
Revenue							
Sales of forest products	39,037	66,283	16,808	-	-	-	122,128
Interest	-	-	202	-	-	-	202
Other income	300	1,053	145	27	-	-	1,525
Gains from foreign exchange	-	-	-	-	-	-	-
Internal segment revenue	-	2,819	-	-	-	(2,819)	-
Total Revenue	**39,337**	**70,155**	**17,155**	**27**	**-**	**(2,819)**	**123,855**
Expenses							
Production expenses	(25,565)	(40,993)	(7,836)	(1)	(20)	-	(74,415)
Employee Expenses	(6,199)	(9,908)	(2,746)	(2,103)	(313)	-	(21,269)
Supplies and services	(6,697)	(11,093)	(2,230)	(1,295)	(1,225)	2,819	(19,721)
Depreciation and amortisation expense[1]	(388)	(1,418)	(153)	(53)	(55)	-	(2,067)
Finance costs	(5)	(546)	(364)	(1)	-	-	(916)
Accommodation expenses	(203)	(452)	(81)	(53)	(65)	-	(854)
Grants and subsidies	(11)	(84)	(13)	(9)	-	-	(117)
Loss on disposal of non-current assets	(7)	(10)	(4)	(7)	(5)	-	(33)
Other expenses	202	(285)	(413)	(905)	(11)	-	(1,412)
Total Expenses	**(38,873)**	**(64,789)**	**(13,840)**	**(4,427)**	**(1,694)**	**2,819**	**(120,804)**
Operating profit before contribution income & amortisation of licences and forestry right-of-use assets[2]	**464**	**5,366**	**3,315**	**(4,400)**	**(1,694)**	**-**	**3,051**
Contribution income	-	-	4,784	-	-	-	4,784
Amortisation of sandalwood licence and native forest right-of-use asset	(2,161)	-	(4,784)	-	-	-	(6,945)
Operating profit/(loss)[3]	**(1,697)**	**5,366**	**3,315**	**(4,400)**	**(1,694)**	**-**	**890**
Biological asset valuation increase	-	(4,431)	-	-	-	-	(17,893)
Grants and subsidies from State Government	-	200	-	-	-	-	200
Onerous Contracts	-	-	-	-	(381)	-	(381)
Profit / (Loss) before Tax	**(1,697)**	**1,135**	**3,315**	**(4,400)**	**(2,075)**	**-**	**(3,722)**
Allocation of Income Tax Equivalent	509	(341)	(995)	1,969	-	-	(1,142)
Profit / (Loss) for the year	**(1,188)**	**794**	**2,320**	**(2,431)**	**(2,075)**	**-**	**2,580**
Total Segment Assets	**11,177**	**232,911**	**64**	**-**	**67,567**	**-**	**311,719**
Total Segment Liabilities	**5,529**	**4,484**	**292**	**-**	**38,164**	**-**	**48,469**

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

[2] Excludes contribution income and amortisation of sandalwood licence and native forest right-of-use asset which are included below.

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

2019	Native Forest[2] $000	Plantations $000	Sandalwood[2] $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 & amortisation of licences and forestry right-of-use assets[2]	**402**	**1,201**	**5,979**	**(4,513)**	**(876)**	-	**2,193**
Contribution income	-	-	8,955	-	-	-	8,955
Amortisation of sandalwood licence and native forest right-of-use asset	(2,161)	-	(8,955)	-	-	-	(11,116)
Operating profit/(loss)[3]	**(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.
[2] Excludes contribution income and amortisation of sandalwood licence and native forest right-of-use asset which are included below.
[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	2020 $000	2019 $000
Sale of forest products	3.2	122,128	115,937
Other income from WA Government entities	3.3	200	1,667
Interest income	3.4	202	636
Other income	3.5	6,309	9,741
Gains from foreign exchange	3.6	-	22
Total income from transactions		**128,839**	**128,003**

3.2 SALES OF FOREST PRODUCTS

	2020 $000	2019 $000
Harvesting operations	96,643	69,176
Recovery of harvesting costs	25,222	46,744
Plant propagation centre revenue	263	17
Total sales of forest products	**122,128**	**115,937**

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

	2020 $000	2019 $000
Special purpose grants:		
Government operating subsidy[1]	200	1,667
Total other income from Western Australian Government entities	**200**	**1,667**

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

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

3.4 INTEREST INCOME

	2020 $000	2019 $000
Interest on overdue trade receivables	11	38
Interest on cash at bank	191	598
Total interest income	**202**	**636**

Interest income is recognised as the interest accrues.

3.5 OTHER INCOME

	2020 $000	2019 $000
Contracts and other revenue	55	58
Revenue from cost recovery operations[1]	1,445	668
Resources received free of charge	26	60
Contributional licence income	4,784	8,955
Total other income	**6,309**	**9,741**

[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.

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

	2020 $000	2019 $000
Gain on foreign currencies	-	22
Total gains	**-**	**22**

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).

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 Loss on disposal of non-current assets
- Note 4.6 Other expenditure
- Note 4.6.1 Other operating expenditure
- Note 4.6.2 Onerous contracts
- Note 4.7 Taxation

4.1 SUMMARY OF EXPENSES INCURRED IN THE DELIVERY OF SERVICES

	Notes	2020 $000	2019 $000
Production expenses	4.2	74,415	69,199
Employee benefits expense	4.3	21,269	20,282
Grants and subsidies	4.4	117	53
Loss on disposal of non-current assets	4.5	33	-
Other expenditure	4.6	21,987	23,386
Total expenses incurred in the delivery of services		**117,821**	**112,920**

4.2 PRODUCTION EXPENSES

	2020 $000	2019 $000
Harvesting	38,962	34,647
Haulage	31,143	27,431
Timber processing	3,769	3,777
Roading maintenance and construction	2,157	2,363
Increase / (decrease) of inventory to net realisable value	(359)	794
Other	(1,257)	187
Total production expenses	**74,415**	**69,199**

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

	2020 $000	2019 $000
Salary and wages	16,323	15,492
Leave entitlements	2,088	1,958
Employment related taxes and levies	1,101	1,094
Superannuation - defined contribution plans[1]	1,755	1,734
Superannuation - defined benefit plans[2]	2	4
Total employee benefits expenses	**21,269**	**20,282**
Add: AASB 16 Non-monetary benefits[3]	30	-
Less: Employee Contributions	(4)	-
Net Employee benefits	**21,295**	**20,282**

[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.

[3] **AASB 16 Non-monetary benefits**: Non-monetary employee benefits that are employee benefits expenses predominantly relate to the provision of vehicle and housing benefits are measured at the cost incurred by the FPC.

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

Employee benefits provision	2020 $000	2019 $000
Annual leave (a)	1,493	1,309
Long service leave (b)	2,092	1,879
	3,585	**3,188**

4.3.2.(b) Non-current

Employee benefits provision	2020 $000	2019 $000
Long service leave (b)	920	989
Superannuation (c)	46	174
	966	**1,163**
Total employee benefit provisions	**4,551**	**4,351**

(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:

	2020 $000	2019 $000
Within 12 months of the end of the reporting period	1,123	1,023
More than 12 months after the end of the reporting period	371	286
	1,494	**1,309**

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:

	2020 $000	2019 $000
Within 12 months of the end of the reporting period	619	517
More than 12 months after the end of the reporting period	2,392	2,351
	3,011	**2,868**

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 2020 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).

	2020 $000	2019 $000
Movements in the present value of the defined benefit obligation in the reporting period were as follows:		
Liability at start of year	174	161
Included in profit or loss:		
Interest cost	2	4
	2	**4**
Included in other comprehensive income:		
Remeasurements loss (gain) recognised:		
financial assumptions	(2)	9
experience adjustments	(3)	1
	(5)	**10**
Contributions:		
Benefits paid	(126)	-
	(126)	-
Liability at end of year	**45**	**175**

Employer contributions of $2,000 (2019: $22,000) are expected to be paid to the Gold State Superannuation Scheme in the subsequent annual reporting period.

4.4 GRANTS AND SUBSIDIES

	2020 $000	2019 $000
Total grants and subsidies provided[1]	117	53

[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 LOSS ON DISPOSAL OF NON-CURRENT ASSETS

Carrying amount of non-current assets disposed	2020 $000	2019 $000
Plant, equipment and vehicles	33	-
Loss on disposal of non-current assets	33	-
Net loss on disposal of non-current assets	**33**	**-**

4.6 OTHER EXPENDITURE

4.6.1 OTHER OPERATING EXPENDITURE

	2020 $000	2019 $000
4.6.1.(a) Supplies and services		
Travel	207	274
Insurance[1]	470	521
Operating lease	676	1,325
Legal fees and consultants	327	535
DBCA service level agreements	6,519	8,002
Materials	788	607
Forest management expenses	5,888	2,743
Fire salvage and remedial works	1,576	3,940
Repairs and maintenance	342	507
Vehicle expenses	89	81
Other supplies and services[2]	2,839	2,639
Total supplies and services	**19,721**	**21,174**
4.6.1.(b) Accommodation expenses		
Lease rentals and accommodation[3]	707	360
Other property	147	173
Total accommodation expenses	**854**	**533**
4.6.1.(c) Other		
Audit fees - Auditor General	170	162
Audit fees - Other[4]	96	262
Expected credit losses expense	(246)	(34)
Telephone, postage, communications	730	735
Employment on-costs	420	233
Plantation maintenance provision movement	(50)	(18)
Other administration costs	266	279
Resources received free of charge	26	60
Total other expenses	**1,412**	**1,679**
	21,987	**23,386**

[1] Insurance includes payments to RiskCover.

[2] Other supplies and services includes professional IT and other temporary staff costs.

[3] Included within rental costs are short-term and low-value leases of up to $5,000. This excludes leases with another wholly-owned public sector entity lessor agency. Refer to note 7.2 for aggregate short-term and low-value lease expenses.

[4] Other 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.

Expected credit losses is an allowance of trade receivables and is measured at the lifetime expected credit losses at each reporting date. 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.

4.6.2 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.

	2020 $000	2019 $000
Annuity obligations associated with non-core share farms considered onerous	(381)	(425)
	(381)	**(425)**

4.7 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 2019: 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 2020: 30%, 30 June 2019: 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..

4.7.1 INCOME TAX EXPENSE IN THE STATEMENT OF COMPREHENSIVE INCOME

Income tax expense	**Notes**	**2020 $000**	**2019 $000**
Current tax		-	-
Current tax adjustments recognised for prior years		-	(1,066)
Deferred tax origination and reversal of temporary differences		(586)	1,170
Deferred tax origination and reversal of temporary differences via equity		(527)	108
Deferred tax origination and reversal of temporary differences recognised for prior years		(29)	2,687
Income tax expense/(benefit)		**(1,142)**	**2,899**
Deferred income tax expense included in income tax expense comprises:			
(Increase)/decrease in deferred tax asset	4.7.3	1,158	(2,165)
Increase/(decrease) in deferred tax liability	4.7.3	(522)	(1,649)
Income tax benefit/(expense)		**636**	**(3,859)**
Reconciliation of prima facie tax payable to income tax expense			
Profit from ordinary activities before income tax		(3,717)	4,254
Tax at the applicable Australian tax rate of 30% (2019: 30%)		(1,115)	1,276
Tax effect of amounts which are non-deductible for income tax purposes		2	2
Prior year adjustments		(29)	1,621
Total income tax (benefit)/expense		**(1,142)**	**2,899**

4.7.2 TAX ASSETS AND LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION

Current tax asset/(liability)	**2020 $000**	**2019 $000**
Balance at beginning of year	**215**	**(6)**
Payments/(refunds) made	(163)	(845)
Prior year adjustments	-	1,066
Current tax	-	-
Net movement	**(163)**	**221**
Balance at end of year	**52**	**215**

4.7.3 DEFERRED TAX ASSET/(LIABILITY)

Comprises temporary differences attributable to:

Deferred tax asset	2020 $000	2019 $000
Receivables	216	275
Property, infrastructure, plant and equipment	103	102
Biological assets	181	655
Intangibles	2,041	2,041
Tax losses	1,368	636
Non-refundable tax offsets	215	-
Employee benefits	1,365	1,305
Sharefarm annuities and incentives	13,969	13,716
Deferred income	2,456	2,416
Restoration provisions	3,006	3,039
Auditing fees provision	517	157
Unrecognised net deferred asset	(2,041)	(2,041)
Total deferred tax assets	**23,459**	**22,301**
Deferred tax liability		
Property, infrastructure, plant and equipment	(3,448)	(3,016)
Biological assets	(4,189)	(3,974)
Intangibles	(2,793)	(2,918)
Hedge contracts	-	-
Total deferred tax liabilities	**(10,430)**	**(9,908)**
Net tax assets/(liabilities)	**13,029**	**12,393**
Movements:		
Opening balance	12,393	16,252
Credited to profit or loss	98	(1,066)
Credited to equity	509	(106)
Prior year adjustments	29	(2,687)
Closing balance	**13,029**	**12,393**

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 it's 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 This section includes:		2020 $000	2019 $000
– Note 5.1	Infrastructure, property, plant and equipment	37,038	31,978
– Note 5.2	Right-of-use assets	1,745	-
– Note 5.3	Intangible assets	7,833	10,251
– Note 5.4	Biological assets	208,529	207,808
		255,145	**250,037**

5.1 INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

Year ended 30 June 2020 1 July 2019	Freehold land $000	Buildings $000	Nursery infrastructure $000	Plant equipment and vehicles $000	Office equipment $000	Total $000
Gross carrying amount	24,253	5,367	13,172	3,677	611	47,080
Accumulated depreciation	-	-	(11,202)	(3,395)	(505)	(15,102)
Carrying amount at start of period	**24,253**	**5,367**	**1,970**	**282**	**106**	**31,978**
Additions	4,031	-	-	160	300	4,491
Revaluation increments/(decrements) recognised in other comprehensive income	(616)	169	2,145	-	-	1,698
Disposals	-	(30)	-	-	-	(30)
Accumulated depreciation written back	-	-	-	-	-	-
Depreciation expense	-	(269)	(659)	(84)	(87)	(1,099)
Carrying amount at 30 June 2020	**27,668**	**5,237**	**3,456**	**358**	**319**	**37,038**
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)
Reclassifications	-	-	-	11	67	78
Depreciation expense	-	(280)	(659)	(103)	(31)	(1,073)
Carrying amount at 30 June 2019	**24,253**	**5,367**	**1,970**	**282**	**106**	**31,978**

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 2019 by the Western Australian Land Information Authority (Valuations and Property Analytics). The valuations were performed during the year ended 30 June 2020 and recognised at 30 June 2020. In undertaking the valuation, fair value was determined by reference to market values for land: $22,614,000 (2019: $15,661,300) and buildings: $3,933,000 (2019: $3,970,000). 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 3 to 5 years by an independent property valuer. Infrastructure assets were independently revalued by McGarry Associates Pty Ltd as at 30 June 2020. The valuations were recognised at 30 June 2020.

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	2020 $000	2019 $000
Buildings	269	280
Infrastructure	659	659
Plant Equipment and vehicles	84	103
Office equipment	87	31
Total depreciation for the period	**1,099**	**1,073**

As at 30 June 2020 there were no indications of impairment to property, plant and equipment or infrastructure.

All surplus assets at 30 June 2020 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 it's 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 RIGHT-OF-USE ASSETS

Right-of-use assets	2020 $000	2019 $000
Buildings	4	-
Vehicles	1,253	-
Infrastructure	489	-
Net carrying amount at 30 June 2020	**1,745**	**-**

Additions to right-of-use assets during the 2020 financial year were $2,350,179.

Initial recognition

Right-of-use assets are measured at cost including the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs, including dismantling and removing the underlying asset.

This includes all leased assets other than investment property ROU assets, which are measured in accordance with AASB 140 'Investment Property'.

The FPC has elected not to recognise right-of-use assets and lease liabilities for short-term leases (with a lease term of 12 months or less) and low value leases (with an underlying value of $5,000 or less). Lease payments associated with these leases are expensed over a straight-line basis over the lease term.

Subsequent measurement

The cost model is applied for subsequent measurement of right-of-use assets, requiring the asset to be carried at cost less any accumulated depreciation and accumulated impairment losses and adjusted for any re-measurement of lease liability.

Depreciation and impairment of right-of-use assets

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

If ownership of the leased asset transfers to the FPC at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are tested for impairment when an indication of impairment is identified. The policy in connection with testing for impairment is outlined in note 5.1.1

The following amounts relating to leases have been recognised in the Statement of Comprehensive Income:

5.2.1 DEPRECIATION CHARGE OF RIGHT-OF-USE ASSETS

	2020 $000	2019 $000
Buildings	22	-
Vehicles	622	-
Infrastructure	52	-
Total right-of-use asset depreciation	**696**	**-**
Lease interest expense (included in finance costs)	**51**	**-**
Expenses relating to variable lease payments not included in lease liabilities (included in Other expenditure)	**670**	**-**
Short-term leases (included in Other expenditure)	**-**	**-**
Low-value leases (included in Other expenditure)	**6**	**-**

The total cash outflow for leases in 2020 was $640,874

The FPC's leasing activities and how these are accounted for:

The FPC has leases for vehicles, infrastructure and residential accommodations.

The FPC has also entered into a Memorandum of Understanding Agreements (MOU) with the Department of Finance for the leasing of office accommodation. These are not recognised under AASB 16 because of substitution rights held by the Department of Finance and are accounted for as an expense as incurred.

Up to 30 June 2019, the FPC classified leases as either finance leases or operating leases. From 1 July 2019, the FPC recognises leases as right-of-use assets and associated lease liabilities in the Statement of Financial Position.

The corresponding lease liabilities in relation to these right-of-use assets have been disclosed in note 7.1.

5.3 INTANGIBLE ASSETS

	2020 $000	2019 $000
Software		
Opening gross carrying amount	1,298	1,155
Opening accumulated amortisation	(772)	(660)
Carrying amount at start of period	**526**	**495**
Additions	15	156
Disposals	-	(13)
Amortisation on disposals written back	-	13
Amortisation expense	(272)	(125)
Carrying amount at end of period	**269**	**526**
Right of use assets		
Sandalwood		
Additions	4,784	8,955
Amortisation expense	(4,784)	(8,955)
Carrying amount at end of period	**-**	**-**
Native forest		
Opening gross carrying amount	11,886	11,886
Opening accumulated amortisation	(2,161)	-
Accumulated impairment	-	-
Carrying amount at start of period	**9,725**	**11,886**
Amortisation expense	(2,161)	(2,161)
Carrying amount at end of period	**7,564**	**9,725**
Total intangibles carrying amount at end of period	**7,833**	**10,251**

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 it's 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.

5.3.1 AMORTISATION AND IMPAIRMENT

Software	**2020 $000**	**2019 $000**
Opening accumulated amortisation	(772)	(660)
Disposals	-	13
Amortisation expense for the year	(272)	(125)
Closing accumulated amortisation	**(1,044)**	**(772)**
Right of use assets		
Sandalwood		
Amortisation expense for the year	(4,784)	(8,955)
Native forest		
Opening accumulated amortisation	(2,161)	-
Amortisation expense for the year	(2,161)	(2,161)
Closing accumulated amortisation	**(4,322)**	**(2,161)**
Total amortisation expense for the year	(7,217)	(11,241)
Closing accumulated amortisation	**(5,366)**	**(2,933)**

As at 30 June 2020 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]	3.5 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.

5.4 BIOLOGICAL ASSETS

Current	2020 $000	2019 $000
Biological assets at valuation		
Plantations		
Plantations biological assets at valuation	8,048	18,199
Total biological assets at valuation current	**8,048**	**18,199**
Non-Current		
Biological assets at valuation		
Plantations		
Mature standing timbers	194,225	185,687
Plantation sandalwood	6,256	3,922
Esperance pine	-	-
Plantations biological assets at valuation	**200,481**	**189,609**
Total biological assets at valuation non-current	**200,481**	**189,609**
Total biological assets at valuation	**208,529**	**207,808**
The plantations estate is represented by:		
Pine plantations standing timber	202,273	203,886
Plantation sandalwood	6,256	3,922
Total plantations biological assets at valuation	**208,529**	**207,808**

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

	Notes	2020 $000	2019 $000
Carrying amount at start of period		**207,808**	**194,952**
Gain/(loss) from changes in fair value	5.4.1	(4,431)	2,990
Add Harvey Coast/Lewana provision (movement)		(902)	4,068
Add expenditure for new plantations		6,054	5,798
Carrying amount at end of period		**208,529**	**207,808**

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 75,850 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 5,679 hectares. The value of the sandalwood plantation is based on revenues and costs associated with the forest estate.

5.4.1 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 2020 and movements since 30 June 2019 are summarised as follows:

	2020 $000	2019 $000	Movement $000
Plantations (core)	202,273	203,886	(1,613)
Sandalwood (non-core plantations)	6,256	3,922	2,334
TOTAL	**208,529**	**207,808**	**721**
Expenditure for new plantations			(6,054)
Provision for replanting Lewana/ Harvey Coast			902
Statement of Comprehensive Income			**(4,431)**

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

	2019 $000	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 Harvey Coast			(4,068)
Statement of Comprehensive Income			**2,990**

6.0 OTHER ASSETS AND LIABILITIES

Introduction

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

Structure This section includes:	Notes	2020 $000	2019 $000
Inventories	6.1	9,669	6,883
Receivables	6.2	19,422	18,644
Other current assets	6.3	2,880	1,580
Payables	6.4	18,224	26,991
Other provisions	6.5	10,749	11,118
Other liabilities	6.6	13,185	14,053

6.1 INVENTORIES

Current	2020 $000	2019 $000
Inventories held for resale at cost:		
– Plant propagation centre	1,724	2,252
– Sandalwood	6,293	3,833
– Timber on forest landings	1,652	798
	9,669	**6,883**

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.

6.2 RECEIVABLES

Current	2020 $000	2019 $000
Trade and other receivables	20,092	19,560
Provision for expected credit loss	(670)	(916)
	19,422	**18,644**

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

	2020 $000	2019 $000
Balance at start of period	(916)	(964)
Amounts written off during the period	-	14
Doubtful debts expense recognised in the Statement of Comprehensive Income	246	34
Balance at end of period	**(670)**	**(916)**

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'.

There was no material adjustment required for remeasurement under AASB 9 for restatement of expected credit losses.

6.3 OTHER CURRENT ASSETS

Current	2020 $000	2019 $000
Prepayments	1,567	1,287
Derivative asset	-	7
Accrued revenue	1,313	286
	2,880	**1,580**

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

6.4.(a) Current	2020 $000	2019 $000
Trade payables	8,390	3,654
GST payable	(265)	54
Payroll tax accrual	83	84
Accrued logging costs	330	3,127
Other accrued expenses	4,932	15,648
Accrued salaries and wages	444	303
Land annuity obligations	416	387
Hedge contract	-	-
Total current	**14,330**	**23,257**
6.4.(b) Non-current		
Land annuity obligations	3,894	3,734
Total non-current	**3,894**	**3,734**
Balance at end of period	**18,224**	**26,991**

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

6.5.(a) Current	Notes	2020 $000	2019 $000
Provision for regeneration of native forest	6.5.1	4,810	4,114
Provision for replant (Harvey Coast/Lewana)	6.5.2	4,182	2,756
Unearned revenue	6.5.3	746	1,000
Provision for sandalwood plantation maintenance	6.5.4	70	70
Total current		**9,808**	**7,940**
6.5.(b) Non-current			
Provision for regeneration of native forest	6.5.1	719	579
Provision for replant (Harvey Coast/Lewana)	6.5.2	-	2,328
Provision for sandalwood plantation maintenance	6.5.4	222	271
Total non-current		**941**	**3,178**
Balance at end of period		**10,749**	**11,118**

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:

	2020 $000	2019 $000
Provision for regeneration of native forest		
Carrying amount at start of period	4,693	4,940
Additional provisions recognised	1,467	417
Payments/other sacrifices of economic benefits	(631)	(664)
Carrying amount at end of period	**5,529**	**4,693**
Provision for replant (Harvey Coast/Lewana)		
Carrying amount at start of period	5,084	1,016
Additional provisions recognised/(reversed)	-	4,337
Payments/other sacrifices of economic benefits	(902)	(269)
Carrying amount at end of period	**4,182**	**5,084**
Unearned revenue		
Carrying amount at start of period	1,000	41
Additional/(reversals of) provisions recognised	(254)	959
Carrying amount at end of period	**746**	**1,000**
Provision for sandalwood plantation maintenance		
Carrying amount at start of period	341	359
Payments/other sacrifices of economic benefits	(49)	(18)
Carrying amount at end of period	**292**	**341**

6.6 OTHER LIABILITIES

Deferred revenue

	2020 $000	2019 $000
6.6.(a) Current		
Contractual obligations	1,140	136
Forward sold log supply	2,144	1,737
	3,284	**1,873**
6.6.(b) Non-current		
Contractual obligations	4,484	5,496
Forward sold log supply	5,417	6,684
	9,901	**12,180**
Balance at end of period	**13,185**	**14,053**

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 Lease liabilities
- Note 7.2 Finance costs
- Note 7.3 Cash and cash equivalents
- Note 7.3.1 Reconciliation of cash
- Note 7.3.2 Reconciliation of profit from ordinary activities
- Note 7.4 Operating leases
- Note 7.4.1 Operating lease commitments
- Note 7.4.2 Other expenditure commitments

7.1 LEASE LIABILITIES

Lease liabilities	2020 $000	2019 $000
Current	508	-
Non-current	1,252	-
	1,760	**-**

The FPC measures a lease liability, at the commencement date, at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the FPC uses the incremental borrowing rate provided by Western Australia Treasury Corporation.

Lease payments included by the FPC as part of the present value calculation of lease liability include:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options (where these are reasonably certain to be exercised);
- Payments for penalties for terminating a lease, where the lease term reflects the FPC exercising an option to terminate the lease.

The interest on the lease liability is recognised in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities do not include any future changes in variable lease payments (that depend on an index or rate) until they take effect, in which case the lease liability is reassessed and adjusted against the right-of-use asset.

Periods covered by extension or termination options are only included in the lease term by the FPC if the lease is reasonably certain to be extended (or not terminated).

Variable lease payments, not included in the measurement of lease liability, that are dependant on sales are recognised by the FPC in profit or loss in the period in which the condition that triggers those payments occurs.

This section should be read in conjunction with note 5.2.

Subsequent measurement

Lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount at amortised cost, subject to adjustments to reflect any reassessment or lease modifications.

7.2 FINANCE COSTS

Finance costs	2020 $000	2019 $000
Lease Interest	51	-
Interest on contract obligations	504	649
Foreign exchange (gain)/loss	361	421
Finance costs expensed	**916**	**1,070**

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.

7.3 CASH AND CASH EQUIVALENTS

7.3.1 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:

	2020 $000	2019 $000
Petty cash	2	2
Cash and cash equivalents	11,520	31,402
Balance at end of period	**11,522**	**31,404**

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.

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

	Notes	2020 $000	2019 $000
Profit from ordinary activities after income tax equivalent		(2,580)	1,365
Taxable items presented in Other Comprehensive Income			
Remeasurements of defined benefit liability		5	(10)
Non-cash items:			
Depreciation and amortisation expense	5.1.1; 5.2.1; 5.3.1	9,012	12,314
Movement in provision for doubtful debts	6.2.1	(246)	(48)
Change in fair value of biological assets	5.4.1	4,431	(2,990)
Decrease/(increase) in assets:			
Current inventories		(2,787)	(131)
Current receivables		(21)	(929)
Other current assets		9,0127	(785)
Other assets		(18,738)	(9,141)
Increase/(decrease) in liabilities:			
Payables		(8,927)	9,042
Unearned revenue and deferred income		1,121	140
Other liabilities		7154	974
Net cash provided by operating activities		**(9,004)**	**9,801**

7.4 OPERATING LEASES

7.4.1 OPERATING LEASE COMMITMENTS

	2020 $000	2019 $000
Commitments for minimum lease payments are payable as follows:		
Within 1 year	547	512
Later than 1 year and not later than 5 years	1,571	1,911
Later than 5 years	393	1,296
Non-cancellable operating leases	**2,511**	**3,719**

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.

7.4.2 OTHER EXPENDITURE COMMITMENTS

	2020 $000	2019 $000
Expenditure commitments, being contracted expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	1,415	1,620
Later than 1 year and not later than 5 years	3,749	4,162
	5,164	**5,782**

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 it's 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.

	Average exchange rates		Reporting date exchange rates	
Australian dollars	**2020**	**2019**	**2020**	**2019**
USD	0.6714	0.7156	0.6863	0.7013

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

	2020 $000	2019 $000
USD bank account	489	674

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.

	Carrying	-10% change		+10% change	
2020	**amount ($000's)**	**Profit ($000's)**	**Equity ($000's)**	**Profit ($000's)**	**Equity ($000's)**
Financial Assets					
USD Bank Account	713	55	55	(45)	(45)

USD rate used in this analysis was the spot rate as at 30 June 2020: 1 AUD = 0.6863

	Carrying	-1% change		+1% change	
2019	**amount ($000's)**	**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 = 0.7013

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 avge)	2020 $000	2019 $000
Discount rate (real, pre-tax):	+300 bpts	(62,656)	(60,822)
	- 300 bpts	145,735	150,091
Expected future sales values	+ 3%	29,036	21,309
	- 3%	(29,036)	(21,309)
Expected future costs	+ 3%	(17,038)	(15,082)
	- 3%	17,034	15,078

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.

			Days past due			
	Total $000	Current $000	<30 days $000	31-60 days $000	61-90 days $000	>90 days $000
30 June 2020						
Expected credit loss rate		0.66%	5.47%	12.79%	41.00%	54.98%
Estimated total gross carrying amount at default	20,092	16,601	2,010	860	10	611
Expected credit losses	(670)	(110)	(110)	(110)	(4)	(336)
1 July 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)

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:

	2020 $000	2019 $000
Credit cards	750	750
Bank overdraft facility[1]	9,000	9,000
	9,750	**9,750**
Facilities in use as at reporting date:		
Credit cards	17	35
	17	**35**
Available facilities not in use as at reporting date:		
Credit cards	733	715
Bank overdraft facility	9,000	9,000
	9,733	**9,715**

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

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
2020							
Financial assets							
Commonwealth Bank Cash Management Account	7.3.1	0.52%	10,807	10,807	-	-	-
Commonwealth Bank USD Account	7.3.1	0.00%	713	713	-	-	-
Trade receivables	6.2	n/a	20,092	20,092	-	-	-
Provision for expected credit losses	6.2.1	n/a	(670)	(670)	-	-	-
Collateral security held - cash	9.9	n/a	3,946	3,946	-	-	-
Collateral security held - non cash		n/a	9,034	9,034	-	-	-
Total credit exposure - trade receivables			32,402	32,402	-	-	-
Foreign exchange contracts		n/a	-	-			
			43,922	43,922	-	-	-
Financial liabilities							
Trade payables	6.4	n/a	8,390	8,390	-	-	-
Foreign exchange contracts		n/a	-	-	-	-	-
Land annuities payable		n/a	5,426	423	423	1,270	3,310
			13,816	8,813	423	1,270	3,310
2019							
Financial assets							
Commonwealth Bank Cash Management Account	7.3.1	1.83%	30,440	30,440	-	-	-
Commonwealth Bank USD Account	7.3.1	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	9.9	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

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)
2020					
Financial assets					
Cash and cash equivalents	11,520	(81)	(81)	81	81
Financial liabilities					
Land annuities payable	4,309	(181)	(181)	166	166
2019					
Financial assets					
Cash and cash equivalents	31,402	(220)	(220)	220	220
Financial liabilities					
Land annuities payable	4,121	(179)	(179)	163	163

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. DWER 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
2020				
Land	-	-	27,668	27,668
Buildings	-	-	5,237	5,237
Infrastructure	-	-	3,456	3,456
Total land, buildings and infrastructure	**-**	**-**	**36,361**	**36,361**
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**

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
2020	24,253	5,367	1,970
Fair value at start of period	4,031	-	-
Additions	(616)	169	2,145
Revaluation increments/(decrements) recognised in other comprehensive income	-	(30)	-
Depreciation expense	-	(269)	(659)
Fair value at end of period	**27,668**	**5,237**	**3,456**
Total gains or losses for the period included in profit or loss, under 'other gains'	-	-	-
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'	-	-	-

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

Description	Fair value 30/06/2020 $000	Fair value 30/06/2019 $000	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs to fair value
Land	27,668	24,253	Market approach	Selection of land with similar approximate utility	Higher value of similar land increases estimated fair value.
Buildings	5,237	5,367	Market approach	Consumed economic benefit/ obsolescence of asset	Greater consumption of economic benefit or increased obsolescence lowers fair value.
Infrastructure	3,456	1,970	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
2020				
Plantations	-	-	208,529	208,529
Total biological assets	**-**	**-**	**208,529**	**208,529**
2019				
Plantations	-	-	207,808	207,808
Total biological assets	**-**	**-**	**207,808**	**207,808**

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)

	2020 $000	2019 $000
Fair value at start of period	207,808	194,952
Additions	5,152	9,866
Revaluation increments/(decrements) recognised in profit or loss	(4,431)	2,990
Fair value at end of period	**208,529**	**207,808**

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; and
- changes in USD forward exchange rate.

	2020 $000	2019 $000
Opening balance 1 July	207,808	194,952
Volume	8,597	22,038
Revenue	817	43,529
Expense	(11,027)	(51,626)
Discount rate	-	-
Plantation sandalwood	2,334	117
Esperance pine	-	(1,202)
Closing balance 30 June	**208,529**	**207,808**

8.6.3 DISCOUNT RATES

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

	2020	2019
Plantation pine	8.30%	8.80%
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 Initial application of Australian Accounting Standards
- Note 9.3 Key management personnel
- Note 9.4 Related party transactions
- Note 9.5 Related and affiliated bodies
- Note 9.6 Remuneration of auditor
- Note 9.7 Equity
- Note 9.8 Supplementary financial information
- Note 9.9 Funds held in trust
- Note 9.10 Explanatory statement

9.1 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

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

9.2 INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

a) AASB 15 *Revenue from Contract with Customers and AASB 1058 Income of Not-for-Profit Entities*

AASB 15 Revenue from Contracts with Customers replaces AASB 118 Revenue and AASB 111 Construction Contracts for annual reporting periods on or after 1 January 2019. Under the new model, an entity shall recognise revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer and is based upon the transfer of control rather than transfer of risks and rewards.

AASB 15 focuses on providing sufficient information to the users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the contracts with customers. Revenue is recognised by applying the following five steps:

- Identifying contracts with customers;
- Identifying separate performance obligations;
- Determining the transaction price of the contract;
- Allocating the transaction price to each of the performance obligations; and
- Recognising revenue when or as each performance obligation is satisfied.

Revenue is recognised either over time or at a point in time. Any distinct goods or services are separately identified and any discounts or rebates in the contract price are allocated to the separate elements.

In addition, income other than from contracts with customers are subject to AASB 1058 Income of Not-for-Profit Entities. Income recognition under AASB 1058 depends on whether such a transaction gives rise to liabilities or a contribution by owners related to an asset (such as cash or another asset) recognised by the FPC.

The FPC adopts the modified retrospective approach on transition to AASB 15 and AASB 1058. No comparative information is restated under this approach, and the FPC recognises the cumulative effect of initially applying the Standards as an adjustment to the opening balance of accumulated surplus/(deficit) at the date of initial application (1 July 2019).

Under this transition method, the FPC elects to not to apply the standards retrospectively to non-completed contracts at the date of initial application.

(b) AASB 16 Leases

AASB 16 Leases supersedes AASB 117 Leases and related Interpretations. AASB 16 primarily affects lessee accounting and provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors.

The FPC applies AASB 16 Leases from 1 July 2019 using the modified retrospective approach. As permitted under the specific transition provisions, comparatives are not restated. The cumulative effect of initially applying this Standard is recognised as an adjustment to the opening balance of accumulated surplus/(deficit).

The main changes introduced by this Standard include identification of lease within a contract and a new lease accounting model for lessees that require lessees to recognise all leases (operating and finance leases) on the Statement of Financial Position as right-of-use assets and lease liabilities, except for short term leases (lease terms of 12 months or less at commencement date) and low-value assets (where the underlying asset is valued less than $5,000). The operating lease and finance lease distinction for lessees no longer exists.

Under AASB 16, the Agency takes into consideration all operating leases that were off balance sheet under AASB 117 and recognises:

a) right of use assets and lease liabilities in the Statement of Financial Position, initially measured at the present value of future lease payments, discounted using the incremental borrowing rate (2.5%) on 1 July 2019;

b) depreciation of right-of-use assets and interest on lease liabilities in the Statement of Comprehensive Income; and

c) the total amount of cash paid as principal amount, which is presented in the cash flows from financing activities, and interest paid, which is presented in the cash flows from operating activities, in the Statement of Cash Flows.

In relation to leased vehicles that were previously classified as finance leases, their carrying amount before transition is used as the carrying amount of the right-of-use assets and the lease liabilities as of 1 July 2019.

The FPC measures concessionary leases that are of low value terms and conditions at cost at inception. There is no financial impact as the FPC is not in possession of any concessionary leases at the date of transition.

The right-of-use assets are assessed for impairment at the date of transition and the FPC has not identified any impairments to its right-of-use assets.

On transition, the FPC has elected to apply the following practical expedients in the assessment of their leases that were previously classified as operating leases under AASB 117:

a) A single discount rate has been applied to a portfolio of leases with reasonably similar characteristics;

b) The FPC has relied on its assessment of whether existing leases were onerous in applying AASB 137 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review. The FPC has adjusted the ROU asset at 1 July 2019 by the amount of any provisions included for onerous leases recognised in the statement of financial position at 30 June 2019;

c) Where the lease term at initial application ended within 12 months, the FPC has accounted for these as short-term leases;

d) Initial direct costs have been excluded from the measurement of the right-of-use asset;

e) Hindsight has been used to determine if the contracts contained options to extend or terminate the lease.

The FPC has not reassessed whether existing contracts are, or contained a lease at 1 July 2019. The requirements of paragraphs 9-11 of AASB 16 are applied to contracts that came into existence post 1 July 2019.

a. Measurement of lease liabilities	
Operating lease commitments disclosed at 30 June 2019	120
Discounted using incremental borrowing rate at date of initial application[1]	117
Add:	
Finance lease liabilities recognised as at 30 June 2019	1,796
Less:	
Short-term leases not recognised as liability	(105)
Low value leases not recognised as liability	(12)
Lease liability recognised at 1 July 2019	**1,796**
Current lease liabilities	568
Non-current lease liabilities	1,228

[1] The WATC incremental borrowing rate was used for the purpose of calculating the lease transition opening balance.

9.3 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 ($)	2020	2019
50,001 - 60,000	1	1
20,001 - 30,000	4	4
10,001 - 20,000	2	1
0 - 10,000	1	2

	2020 $000	2019 $000
Total fees received by non-executive Commissioners	180	169

Compensation of Senior Officers

Compensation band ($)	2020	2019
280,001 - 290,000	1	1
210,001 - 220,000	-	1
200,001 - 210,000	1	-
190,001 - 200,000	1	2
170,001 - 180,000	2	1
160,001 - 170,000	1	-
150,001 - 160,000	1	2
140,001 - 150,000	-	1
130,001 - 140,000	1	-
100,001 - 110,000	1	-
50,001 - 80,000	2	-
30,001 - 50,000	1	1
0 - 30,000	1	-

	2020 $000	2019 $000
Short term employee benefits	1,783	1,453
Post employment benefits	126	9
Other long term benefits	-	-
Total compensation of Senior Officers	**1,909**	**1,462**

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

9.4 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:

	2020 $000	2019 $000
– State Government operating subsidy (Note 3.3);	200	1,667
– Recoup of costs from DBCA (Note 3.5);	638	195
– Recoup of costs from Synergy (Note 3.5);	295	-
– payments to DBCA (Note 4.6.1);	(6,583)	(3,966)
– payments to Treasury for works performed by DBCA (Note 4.6.1);	(12,872)	-
– payments to Treasury for dividends and tax (refer statement of cashflows);	(148)	(1,290)
– superannuation payments to GESB (Note 4.3.1);	(424)	(317)
– insurance payments to the Insurance Commission of WA (Riskcover) (Note 4.6.1);	(997)	(584)
– payment for services provided by the Auditor General (Note 9.6);	(170)	(162)
– payment to the State Solicitors Office (SSO);	(3,944)	(1,018)
– payment for services provided by Synergy (Note 4.6.1);	(106)	(139)
– payment for services provided by the Department of Finance (Note 4.6.1);	(818)	(235)
– payment for services provided by the Department of Water (Note 4.6.1);	(114)	(282)
– payment for services provided by the Department of Primary Industries and Regional Development (Note 4.6.1)	(252)	(194)
– commitments for future lease payments to the Department of Primary Industries and Regional Development (Note 7.4.1);	(857)	(1,842)

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.

9.5 RELATED AND AFFILIATED BODIES

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

9.6 REMUNERATION OF AUDITOR

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

	2020 $000	2019 $000
Auditing the accounts, financial statements, controls and key performance indicators	**170**	**156**

9.7 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.

Contributed equity	2020 $000	2019 $000
Balance at start of the year	276,245	276,245
Contributions by owners	-	-
Equity injection	-	-
Balance at end of the year	**276,245**	**276,245**

9.7.1 RESERVES

Asset revaluation surplus	2020 $000	2019 $000
Balance at start of the year	10,322	10,641
Net asset revaluation increase	1,696	(456)
Deferred tax on items of other comprehensive income (Note 4.7.3)	(509)	137
	11,509	**10,322**

9.7.2 CASHFLOW HEDGE RESERVE

	2020 $000	2019 $000
Balance at start of the year	5	(66)
Net movement in reserve	(7)	101
Income tax on items of other comprehensive income	2	(30)
Balance at end of the year	**-**	**5**
Balance at end of the year	**11,509**	**10,327**

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

9.7.3 RETAINED EARNINGS

	2020 $000	2019 $000
Balance at start of the year	(21,929)	(22,240)
Profit for the year	(2,575)	1,355
Dividend paid	-	(1,044)
Balance at end of the year	**(24,504)**	**(21,929)**

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.

9.8 SUPPLEMENTARY FINANCIAL INFORMATION

(a) Write-offs

During the previous year, the Board approved nil (2019: $14,000) of debtors to be written off.

	2020 $000	2019 $000
Debtors		14
Total	-	**14**

9.9 FUNDS HELD IN TRUST

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

	2020 $000	2019 $000
Opening balance	3,485	2,710
Receipts	585	897
Payments	(124)	(122)
Closing balance	**3,946**	**3,485**

[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.

9.10 EXPLANATORY STATEMENT

Significant variations between estimates and actual results for 2020 and between the actual results for 2020 and 2019 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 2020 $000	Actual 2020 $000	Actual 2019 $000	Variance Est to 2020 $000	Variance 2020–2019 $000
Continuing operations						
Income from transactions						
Sales of forest products	1, A	135,521	122,128	115,937	(13,393)	6,191
Interest income		447	202	636	(245)	(434)
Other income	2, B	2,196	6,309	9,741	4,113	(3,432)
Gains from foreign exchange		-	-	22	-	(22)
Total income from transactions		**138,164**	**128,639**	**126,336**	**(9,525)**	**2,303**
Expenses from transactions						
Production expenses	3, C	81,714	74,415	69,199	(7,299)	5,216
Employee benefits expense		21,441	21,269	20,282	(172)	987
Supplies and services	4	27,849	19,721	21,174	(8,128)	(1,453)
Depreciation and amortisation expense	5, D	3,741	9,012	12,314	5,271	(3,302)
Finance costs		543	916	1,070	373	(154)
Accommodation expenses		1,189	854	533	(335)	321
Grants and subsidies		132	117	53	(15)	64
Loss on disposal of non-current assets		-	33	-	33	33
Other expenses		1,611	1,412	1,679	(199)	(267)
Total expenses from transactions		**138,220**	**127,749**	**126,304**	**(10,471)**	**1,445**
Net results from transactions before income tax		**(56)**	**890**	**32**	**946**	**858**
Income tax expense on net result from transactions		17	(242)	(1,629)	(259)	1,387
Net results from transactions after income tax		**(39)**	**648**	**(1,597)**	**687**	**2,246**
Other economic flows included in net result						
Gain/(loss) upon revaluation of biological assets	E	(2,667)	(4,431)	2,990	(1,764)	(7,421)
Onerous contracts		332	(381)	(425)	(713)	44
Grants and subsidies from State Government		-	200	1,667	200	(1,467)
Other economic flows included in net result before income tax		**(2,335)**	**(4,612)**	**4,232**	**(2,257)**	**(8,844)**
Income tax benefit related to other economic flows		702	1,384	(1,270)	682	2,654
Total other economic flows included in net result after income tax		**(1,634)**	**3,228**	**2,962**	**(1,595)**	**(6,190)**
Net result from continuing operations after income tax		**(1,673)**	**(2,580)**	**1,365**	**(908)**	**(3,945)**

9.10.2 STATEMENT OF FINANCIAL POSITION VARIANCES

	Variance note	Estimate 2020 $000	Actual 2020 $000	Actual 2019 $000	Variance Est to 2020 $000	Variance 2020–2019 $000
ASSETS						
Current assets						
Cash and cash equivalents	1, A	21,522	11,522	31,404	(10,000)	(19,882)
Restricted cash and cash equivalents			-	-	-	-
Inventories		6,642	9,669	6,883	3,027	2,786
Receivables		18,511	19,422	18,644	911	778
Income tax receivable		-	52	215	52	(163)
Biological assets	2, B	33,706	8,048	18,199	(25,658)	(10,151)
Other current assets		608	2,880	1,580	2,272	1,300
Total current assets		**80,989**	**51,593**	**76,925**	**(29,396)**	**(25,332)**
Non-current assets						
Infrastructure, property, plant and equipment		33,959	37,038	31,978	3,079	5,060
Deferred tax assets	3	1,442	13,029	12,393	11,587	636
Biological assets	4, C	287,871	200,481	189,609	(87,390)	10,872
Right of use assets		-	1,745	-	1,745	1,745
Intangible assets	5	495	7,833	10,251	7,338	(2,418)
Total non-current assets		**323,767**	**260,126**	**244,231**	**63,641**	**15,895**
Total assets		**404,756**	**311,719**	**321,156**	**(93,037)**	**(9,437)**
LIABILITIES						
Current liabilities						
Payables	D	14,790	14,330	23,257	(460)	(8,927)
Lease liabilities		-	508	-	508	508
Employee related provisions		3,000	3,585	3,188	585	397
Other provisions		5,350	9,808	7,940	4,458	1,868
Deferred revenue		1,789	3,284	1,873	1,495	1,411
Tax payable		7	-	-	(7)	-
Total current liabilities		**24,936**	**31,515**	**36,258**	**6,579**	**(4,743)**

9.10.2 STATEMENT OF FINANCIAL POSITION VARIANCES (CONTINUED)

	Variance note	Estimate 2020 $000	Actual 2020 $000	Actual 2019 $000	Variance Est to 2020 $000	Variance 2020–2019 $000
Non-current liabilities						
Payables		3,410	3,894	3,734	484	160
Lease liabilities		-	1,252	-	1,252	1,252
Employee related provisions		882	966	1,163	84	(197)
Other provisions		900	941	3,178	41	(2,237)
Deferred revenue		9,186	9,901	12,180	715	(2,279)
Total non-current liabilities		**14,378**	**16,954**	**20,255**	**2,576**	**(3,301)**
Total liabilities		**39,314**	**48,469**	**56,513**	**9,155**	**(8,044)**
Net assets		**365,442**	**263,250**	**264,643**	**(102,192)**	**(1,393)**
Equity						
Contributed equity	6	343,541	276,245	276,245	(67,296)	-
Reserves		10,575	11,509	10,327	934	1,182
Accumulated surplus / (deficit)	7	11,326	(24,504)	(21,929)	(35,830)	(2,575)
Total equity		**365,442**	**263,250**	**264,643**	**(102,192)**	**(1,393)**

9.10.3 STATEMENT OF CASH FLOW VARIANCES

	Variance note	Estimate 2020 $000	Actual 2020 $000	Actual 2019 $000	Variance Est to 2020 $000	Variance 2020–2019 $000
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts						
Receipts from external customers	A	133,856	130,789	124,738	(3,067)	6,051
Interest received		557	202	636	(355)	(434)
Other receipts		2,798	1,093	1,561	(1,705)	(468)
Total receipts		**137,211**	**132,084**	**126,935**	**(5,127)**	**5,149**
Payments						
Payments for employee benefits		(22,725)	(20,793)	(20,469)	1,932	(324)
Payments to suppliers	B	(28,076)	(30,240)	(27,055)	(2,164)	(3,185)
Forest management expenditure	1, C	(85,079)	(90,055)	(69,610)	(4,976)	(20,446)
Total payments		**(135,880)**	**(141,088)**	**(117,134)**	**(5,208)**	**(23,954)**
Net cash inflow from operating activities		**1,331**	**(9,004)**	**9,801**	**(10,335)**	**(18,805)**
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of non-current physical assets		2,460	-	-	(2,460)	-
Purchase of non-current physical assets		(3,723)	(4,547)	(4,449)	(824)	(98)
Purchase of intangible assets			-	(169)	-	169
Investment in new plantations		(7,434)	(6,054)	(5,798)	1,380	(256)
Net cash used in investing activities		**(8,697)**	**(10,601)**	**(10,416)**	**(1,904)**	**(185)**
CASHFLOWS FROM FINANCING ACTIVITIES						
Payments						
Lease payments		(572)	(641)	-	(69)	(641)
Net cash used in financing activities		**(572)**	**(641)**	**-**	**(69)**	**(641)**
CASH FLOWS FROM / (TO) STATE GOVERNMENT						
Other grants and subsidies		-	200	1,667	200	(1,467)
Dividends paid			-	(1,044)	-	1,044
Taxation equivalents		-	164	845	164	(681)
Net cash provided from (to) State Government		**-**	**364**	**1,468**	**364**	**(1,104)**
Net increase/(decrease) in cash and cash equivalents		(7,938)	(19,882)	853	(11,944)	(20,735)
Cash and cash equivalents at the beginning of the period		29,460	31,404	30,551	1,944	853
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**21,522**	**11,522**	**31,404**	**(10,000)**	**(19,882)**

Significant variances between estimate and actual for 2020 and/or between actuals for 2020 and 2019:

Statement of Comprehensive Income
Variances between estimate and actual ($000's)

1) Native forest segment was less than the estimate due to combination of delays and a major customer refitting a sawmill and sales target for new business not realised.
Plantation segment was less than the estimate due to unrealised sales targets for woodchips product to new markets.
Sandalwood segment was less than the estimate due to a combination of the weakening of domestic markets and delays in establishing a new international market.
2) Other income was greater than forecast due to the change in accounting treatment for the annual sandalwood contributional income.
3) The production expenses for native forest, plantations and 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.
5) Higher amortisation expense resulted from the unbudgeted amortisation of the annual sandalwood and native forest licences during the year.

Variances between 2020 and 2019 ($000's)

A) Sales of forest products in native forest was higher than the previous year due to a major customer taking over two large sawmills that had stopped ordering logs the previous year.
Plantations segment performed better than the previous year due to an unexpected improvement in market demand in structural wood products in 2020.
A better performance in native forest and plantations has been partly offset by a downturn in domestic and international markets in the Sandalwood segment.
B) A reduction in the valuation of the sandalwood licence resulted in reduced contributional income recognition.
C) The production expenses for native forest, plantations and sandalwood (harvest, haul and roading cost) all increased in proportion to the higher activity level.
D) A reduction in the valuation of the sandalwood licence resulted in a reduced amortisation expense for the sandalwood licence.
E) The movement of forecast expenses between 2019 and 2020 has resulted in a net present value decrease of $17.9 million over the period the tree crop is forecast to be harvested. The primary drivers of the decrease are reduced production in the short term combined with higher roading and fire management costs.

Statement of Financial Position
Variances between estimate and actual ($000's)

1) Lower performance in sales of forest products and higher expenditure on plantation land acquisition 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 prior year 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 prior year 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 retrospective adjustment of sandalwood, following the 2016 Sandalwood Order in Council, from a biological asset to an intangible asset resulted in a restatement of the value attributed to contributed equity.
7) The retrospective adjustment of native forests from the commencement of the current Forest Management Plan 2014 to 2023 from a biological asset to an intangible asset resulted in a restatement of the value attributed to accumulated surplus / (deficit).

Variances between 2020 and 2019 ($000's)

A) Expenditure on plantation land acquisition and planting and the timing of the payment to Treasury for services provided by the Department of Biodiversity, Conservation and Attractions resulting in a reduced cash position.
B) Reflects expectations of reduced plantation operations in the near term.
C) Includes revaluation increase in sandalwood plantations and re-scheduling plantation operations from current to non-current.
D) Payment to Treasury of amounts previously accrued for services provided by the Department of Biodiversity, Conservation and Attractions resulted in a reduction in payables.

Statement of Cash Flows
Variances between estimate and actual ($000's)

1) Increased expenditure in forest management resulted from higher than forecast forest operation activity, bolstered by administration and professional services programs being rescheduled from the previous financial year.

Variances between 2020 and 2019 ($000's)

A) Increased sales volumes resulted in higher revenue receipts in 2020.
B) Increased payments to suppliers resulted from higher administration and professional services programs being rescheduled from the previous financial year.
C) Increased expenditure in forest management resulted from higher harvest activity, bolstered by administration and professional services programs being rescheduled from the previous financial year.

Key performance indicators

Sandalwood is one of the oldest export industries in Western Australia, with the first exports of the wood recorded in 1844.

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 2020.

Mr Ross Holt	**Mr Robert Pearce**
Chair	Commissioner
15 September 2020	15 September 2020

Forest Products Commission 2019 to 2020 financial year key performance indicators

Contents

Introduction

Some changes were made to KPIs for 2019-2020 financial year reporting to improve relevance and wording. Where available, data has been presented for the previous three years as a comparison.

The FPC's key performance indicators (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 Forest Management Plan (FMP) is developed by the Conservation and Parks Commission and sets the 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.

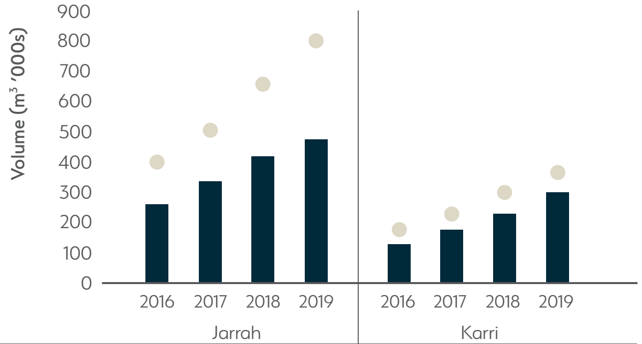
The harvested volume may vary between years depending on the customer demand for log products, and the volumes harvested in previous years. The FPC monitors harvest levels to ensure volumes removed stay within cumulative allowable limits over the 10-year period of the FMP from 2014 to 2023.

For the purpose of reporting, the target for this KPI is calculated based on ten per cent of the cumulative ten year total allowable cut being available in year one and thereafter a ten per cent increase per year to 100 per cent in the last year of the FMP.

This KPI is measured in calendar years rather than financial year to be consistent with the FMP and timber harvested is reported 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 (2014-2023).



	Jarrah 2016	Jarrah 2017	Jarrah 2018	Jarrah 2019	Karri 2016	Karri 2017	Karri 2018	Karri 2019
Cumulative FMP lower limit (m^3 '000s) *	396	528	660	792	177	236	295	354
Cumulative actual (m^3 '000s)	260	341	419	469	129	175	230	284

Cumulative first and second grade jarrah and karri sawlog removals since 2014 compared with FMP cumulative limits

* Refer to FMP (2014-2023) Table 4, which specifies lower limits for average annual allowable cut of first and second grade jarrah and karri sawlogs. These have been used as the basis for cumulative limits.

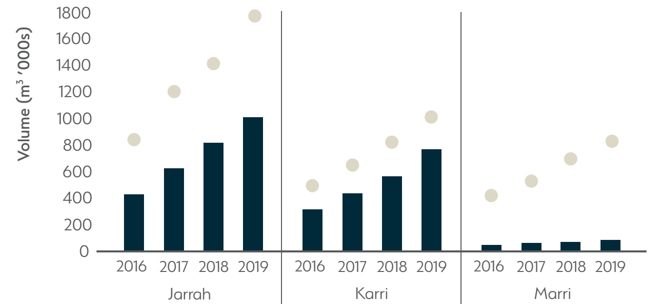
Please note that information reported here will differ from the cumulative totals published in the mid-term and end-of-term FMP performance reports. This is due to adjustments to reflect log products accepted by customers and off-cuts retained in the forest. The figures are also rounded to nearest 1,000m^3.

Note that the 2016 and 2017 calendar year figure for karri sawlog has been retrospectively adjusted since 2018-2019 reporting to reconcile the karri LVL considered first and second grade sawlog.

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.



	Jarrah 2016	Jarrah 2017	Jarrah 2018	Jarrah 2019	Karri 2016	Karri 2017	Karri 2018	Karri 2019	Marri 2016	Marri 2017	Marri 2018	Marri 2019
Cumulative FMP lower limit (m^3 '000s) *	876	1,168	1,460	1,752	492	656	820	984	420	560	700	840
Cumulative actual (m^3 '000s)	441	631	820	998	326	448	574	747	41	56	67	78

Cumulative other bole volume for jarrah, karri and marri since 2014 compared with FMP cumulative limits

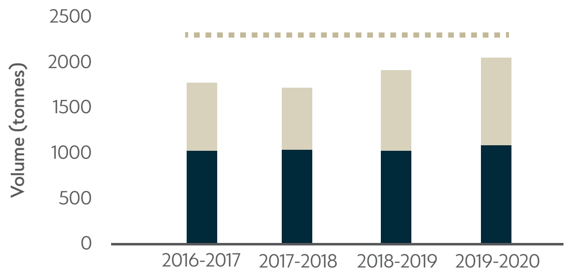
* Refer to FMP (2014-2023) Table 5, which specifies lower limits for average annual allowable cut of other bole volume for jarrah, karri and marri. This has been used as the basis for cumulative limits.

2. Harvest of sandalwood does not exceed licence limits

Target: Sandalwood harvest does not exceed licence limits

During 2019-2020 the FPC was granted a one-year licence for the supply of 2,250 tonnes of WA wild sandalwood (***Santalum spicatum***). For 2019-2020 the FPC's harvesting was less than the licenced amount. The quantity includes all parts of the tree except leaves, bark and small branches.

This KPI is reported by financial year. The graph below represents the quantities of green and dead wood harvested over the last four years, with levels not exceeding the quantities available to FPC.



	2016-2017	2017-2018	2018-2019	2019-2020
Green and dead wood limit	2,250	2,250	2,250	2,250
Actual dead (tonnes)	743	690	895	987
Actual green (tonnes)	1,008	1,023	1,007	1,079

Harvest of sandalwood does not exceed licence limits

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.

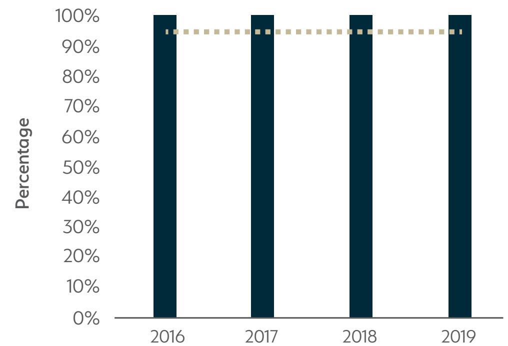
Regeneration is carried out in accordance with relevant guidelines. Regeneration success is monitored, and remedial action taken as necessary. Remedial action may include infill planting, re-seeding (sandalwood) and/or protection of regeneration from browsing animals (e.g. rabbits). Karri and jarrah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

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 KPI is reconciled on a calendar year basis. Over the last four calendar years, no karri planted areas have required remedial treatment.



	2016	2017	2018	2019
Target	95%	95%	95%	95%
Actual	100%	100%	100%	100%

Percentage of karri regeneration areas not requiring remedial treatment

Jarrah

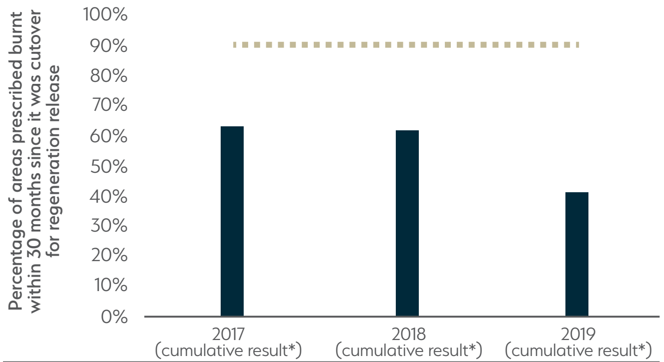
Target: 90 per cent of the areas cutover for regeneration are completed within 30 months

Jarrah forest consists of a mosaic of different forest structures. 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 may require follow up treatment post-harvest where the harvesting operation has not achieved the desired silvicultural outcome. For example, it may be necessary to remove competition by 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 (for regeneration release) need to be prescribed burnt within 30 months.

The 2019 cumulative result reflects the limited opportunities available during 2019 (weather related) to undertake prescribed burning to achieve the desired result. Weather conditions must be safe and conducive to the prescribed burning outcomes desired.



	2017	2018	2019
Target	90%	90%	90%
Actual	62%	60%	42%

Jarrah regeneration

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

Sandalwood

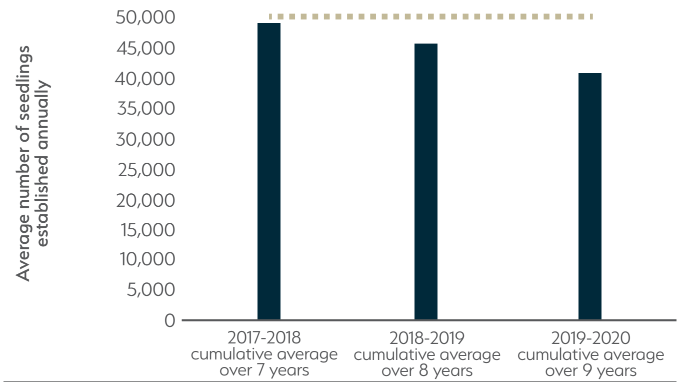
Target: Average 50,000 seedlings established annually

Areas targeted for Western Australian wild sandalwood regeneration are based on a number of criteria including fire risk, and grazing pressure. Each year, following harvest, the FPC plants sandalwood seeds. This commences around September and continues through to April. 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 KPI is assessed over a cumulative average, with a target of 50,000 seedlings established annually.

In 2018-2019 and 2019-20, the FPC expanded its seeding program significantly and sowed over 20 tonnes of sandalwood seed in each year.

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. Further, the Spring of 2019 received no rainfall in any of the establishment areas surveyed. However, additional seeds may germinate in subsequent years as seeds remain viable for several years in the soil.



	2017-2018	2018-2019	2019-2020
Target seedlings	50,000	50,000	50,000
Actual seedlings (nearest 1000)	49,000	47,000	42,000

Sandalwood seedling establishment

4. The achievement of thinning schedules

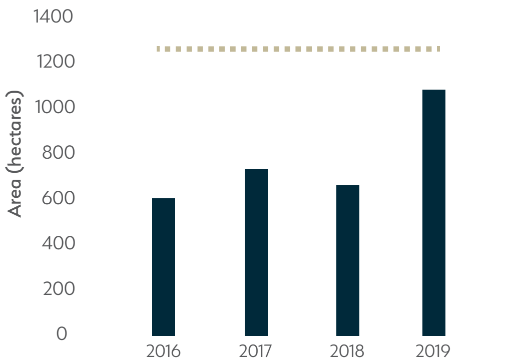
Thinning is important for forest health and productivity. By removing some of the standing trees, it reduces the competition for water, nutrients and light. It also helps protect catchments from a drying climate. As such, it is required under the FMP for forest health and ensuring future sustained yield.

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

Karri

Target: Meet Forest Management Plan thinning schedules

The FMP prescribes the target for first thinning of the karri forest. As the FMP schedule is based on a calendar year, this KPI is reported on a calendar year basis. Achievement of thinning targets is limited by FMP quantities and current market demand.



	2016	2017	2018	2019
FMP first thinning target (hectares)	1,230	1,230	1,230	1,230
Area thinned (hectares)	617	724	641	1,066

Karri thinning

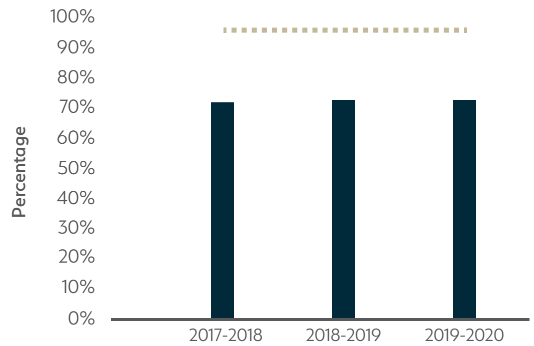
Softwood plantations

Target: 95 per cent of softwood plantations are thinned within guidelines

To promote optimal growth of softwood plantations, stands are typically thinned twice during rotations. Through this KPI the FPC monitors if plantations are thinned within guidelines, which provides a two-year recommended timeframe whereby thinning is considered beneficial. At some sites, thinning is done prior to the recommended scheduled period, as thinning can be beneficial at an earlier age in some select higher productivity sites. In these cases, if thinning is done earlier, it is considered ahead of schedule and within guidelines. A 95 per cent target allows for shortfalls due to market conditions not being favourable for commercial softwood thinning. The thinning program requires commercial markets for the products.

In 2019-2020 financial year 74 per cent of softwood plantations were compliant with thinning schedules.

Note that 2017-2018 and 2018-2019 results have been retrospectively amended since 2018-2019 reporting to reflect corrected analysis.



	2017-2018	2018-2019	2019-2020
Target	95%	95%	95%
Actual percentage	72%	73%	74%

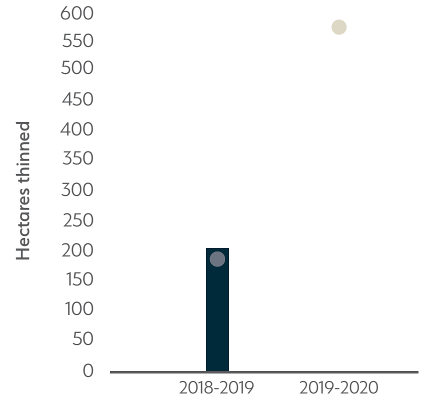
Softwood plantations thinned within guidelines

Sandalwood plantations

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

The 2018-2019 financial year was the first year that the FPC commenced the systematic thinning program 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.

The FPC was not able to secure a commercial contract for plantation sandalwood thinning in 2019-2020, and as such no sandalwood thinning was completed in the last financial year. The FPC will continue to reassess the thinning program and will prioritise thinning within those sites of higher priority (i.e. areas that will benefit the most from an adjustment to host-to-sandalwood ratio).



	2018-2019	2019-2020
Target (hectares)	200	586
Actual (hectares)	212	0

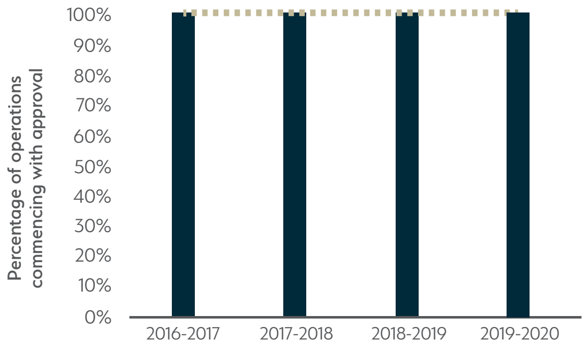
Sandalwood plantation thinning

5. 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 from internal and external parties. 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 KPI is important for demonstrating ecologically sustainable management of the forest. One hundred per cent of pre-operations planning approvals have been obtained for the last four financial years.



	2016-2017	2017-2018	2018-2019	2019-2020
Target	100%	100%	100%	100%
Actual	100%	100%	100%	100%

Pre-operation planning approvals completed

6. 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 2019-2020 the FPC was externally audited against the International Standard ISO 14001:2015 (for an Environmental Management System) and the Australian Standard for Sustainable Forest Management (SFM) AS 4708:2013. The FPC's primary forest certification, SFM, is internationally recognised by the Program for the Endorsement of Forest Certification (PEFC). The SFM certification includes native forest and softwood plantations but excludes the FPC's sandalwood business and some other operations.

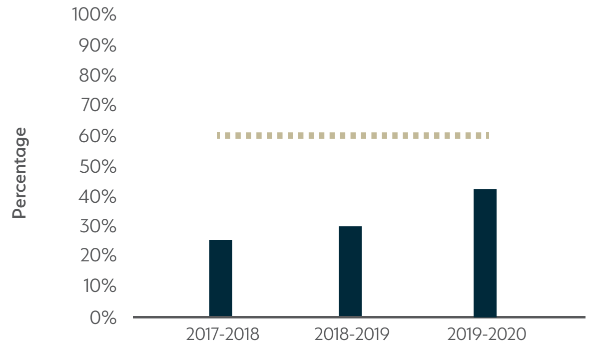
7. Management of native forest fuel loads adjacent to priority pine plantations

Target: There is an annual increase in the percentage of native forest fuel loads adjacent to the FPC's priority pine plantations being under six years of age, in pursuit of a target of 60%

This Key Effectiveness Indicator was adopted as an annual report KPI for the 2019-2020 reporting year. The FPC has defined priority pine plantations according to age and size. Larger plantations and those containing critical age classes can then be prioritised in terms of managing adjoining native forest fuel loads to reduce the threat of wildfire. The target is for 60% or more of native forest fuel loads adjoining priority pine plantations six years or less since last burnt.

The FPC continues to work closely with DBCA fire managers to prioritise fuel reduction in areas posing the greatest risk to the FPC's softwood estate.

Three years of comparative data is shown. Results for each financial year are collated following the Autumn burn period. As at June 2020 there were 26 priority plantations and results have improved since the previous year.



	2017-2018	2018-2019	2019-2020
Target	60%	60%	60%
Actual	24%	32%	43%

Percentage of native forest fuel loads adjoining priority pine plantations that are under six years of age

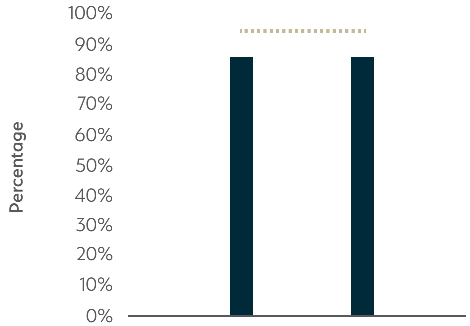
8. Softwood plantations planted in the previous winter meet minimum stocking levels

Target: 95 per cent of the total softwood plantations planted in the previous winter are compliant with minimum stocking levels

This KPI was added as an annual report KPI for the 2019-2020 reporting year. Optimum stocking levels can be achieved through well planned, effective site preparation and weed control, use of high-quality seedlings and good planting techniques. Survival of seedlings is essential to maintain stocking to ensure good form and wood production.

During Autumn each year areas that were planted in the previous winter are assessed for seedling survival. Infill planting may be necessary at the beginning of the next planting season if seedling survival is insufficient.

Results including one year of comparative data is shown in the graph below. Note that the results are for survival of seedlings planted in the previous calendar year (winter period), which has been assessed in the following Autumn. For softwood plantations established in 2019 the 87% survival result was mainly due to weed competition in some areas.



	Survival of 2018 planting	Survival of 2019 planting
Target	95%	95%
Actual	87%	87%

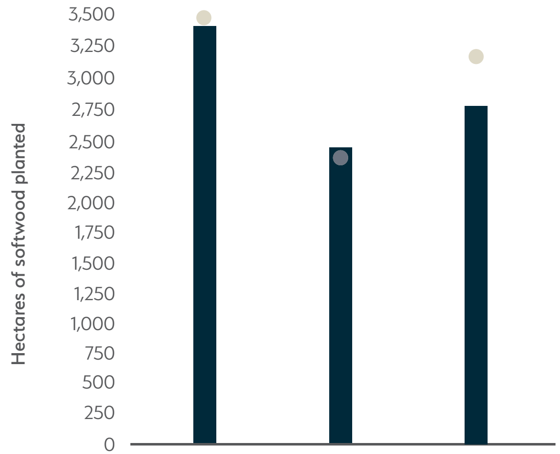
Percentage of softwood plantations planted in the previous winter meeting minimum stocking levels

9. First and second rotation softwood planting targets are achieved

Target: First and second rotation softwood planting targets are achieved

The replanting 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 facilitate a viable and sustainable softwood industry by providing a softwood resource into the future.

As the winter planting season crosses over into two financial years, this KPI is measured on a calendar year basis. The 2019 results were under target as the FPC did not have sufficient new land available to meet the softwood plantation expansion target.



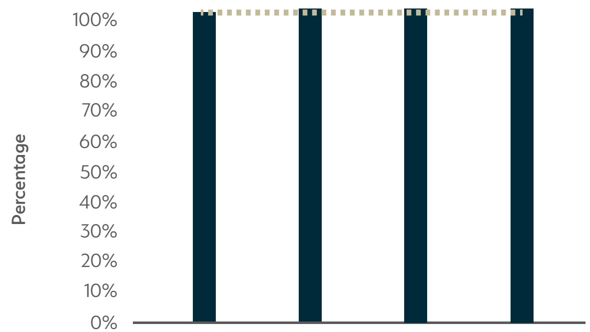
	2017	2018	2019
Target	3,437	2,308	3,174
Actual	3,418	2,460	2,775

First and second rotation softwood planting

10. Native forest resource processed locally (excluding any trials or research undertaken)

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

In order to support Western Australia's forest industry, the FPC seeks to ensure all native forest resource 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.



	2016-2017	2017-2018	2018-2019*	2019-2020
Target	100%	100%	100%	100%
Actual	100%	100%	100%	100%

Native forest resource processed locally

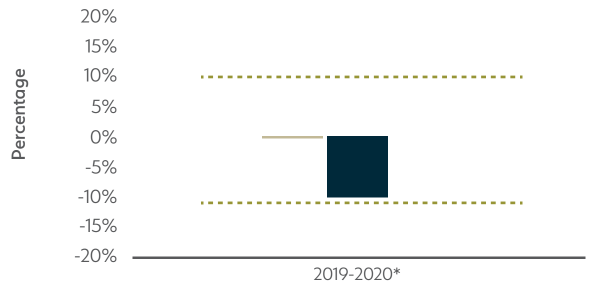
* Not including any export undertaken in breach of contracts.

11. Log deliveries meet customer orders

Target: Overall deliveries compared with customer orders has a variance of no greater than 10 per cent

This KPI was introduced for2019-2020 financial year reporting. No comparative information is available for 2018-2019. The intent of this KPI is to monitor how well the FPC is fulfilling customer orders. Over the year the total of customer orders is compared with the total customer deliveries. If the FPC deliveries have a variance of no greater than 10% above or below the customers total orders, the KPI has been achieved.

Customers have the flexibility under their contracts to adjust their orders within limits.



	2019-2020*
Softwood (variance - orders versus deliveries)	0%
Native forest (variance - orders versus deliveries)	-9%
Target variance	Within 10% to -10%

Total variance of overall deliveries compared with customer orders

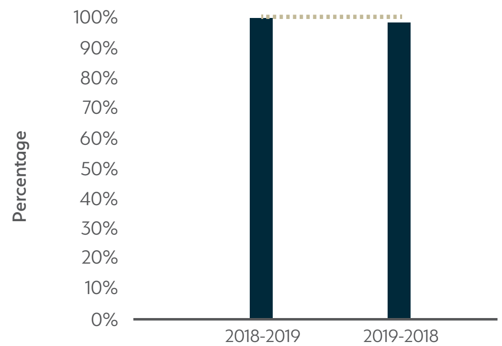
* Note that results have been rounded to the nearest one per cent.

12. Sandalwood sales orders

Target: 100 per cent of Sandalwood sales orders are met

This KPI was introduced for 2019-2020 financial year reporting to monitor if all domestic and international sandalwood sales orders are met.

During 2019-2020, 98 percent of all sandalwood sales orders were met. The two percent shortfall was due to a fire at the sandalwood processing factory on 30 May 2019. As a result, powder processing was not occurring for a number of months. This resulted in delays to all international sandalwood sales and two international sales were cancelled by the FPC.



	2018-2019	2019-2018
Target	100%	100%
Percentage sales met (international and domestic)	99%	98%

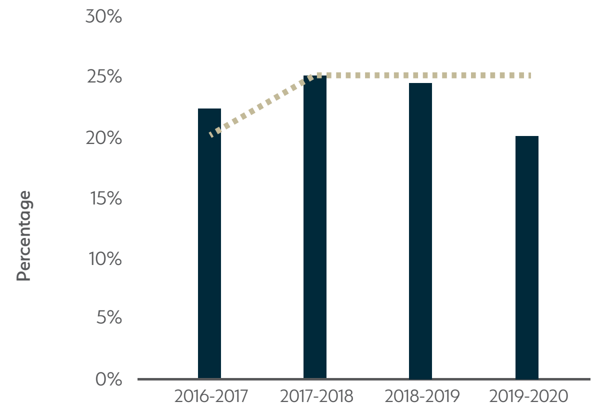
Sandalwood sales orders met

13. 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 from 2017-2018 financial year to capture improvement aspirations.

The FPC has not reached this target as it has requested contractors to reduce the amount of roots being collected. It was found that there was a link between the amount of roots collected and a decrease in oil quality. This relationship is being investigated further.



	2016-2017	2017-2018	2018-2019	2019-2020
Target	20%	25%	25%	25%
Actual	22%	25%	24%	21%

Percentage of sandalwood roots in green sandalwood harvested

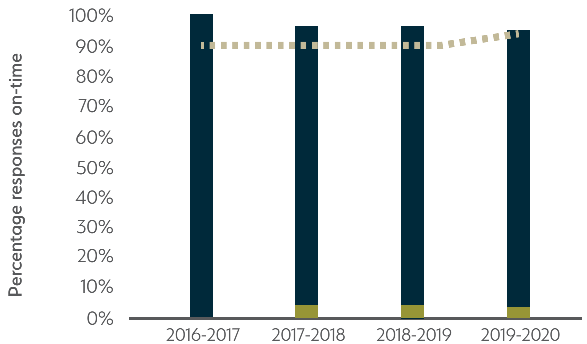
Key efficiency indicators

1. Timeliness of response to stakeholder concerns or complaints

Target: Response to 95 per cent of stakeholder concerns or complaints within 28 days (excluding the initial confirmation response)

Providing a timely response is an important part of effective complaints handling. The FPC has set a target that 95% of responses will be within 28 days of the initial receipt of the complaint. The target has been increased in 2019-2020 due to increased performance.

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 have an agreed resolution. The FPC aspires to work constructively and proactively with all stakeholders and to address any concerns or complaints raised within a reasonable timeframe.



	2016-2017	2017-2018	2018-2019	2019-2020
Target	90%	90%	90%	95%
On-time	100%	96%	96%	97%
Overdue	0%	4%	4%	3%

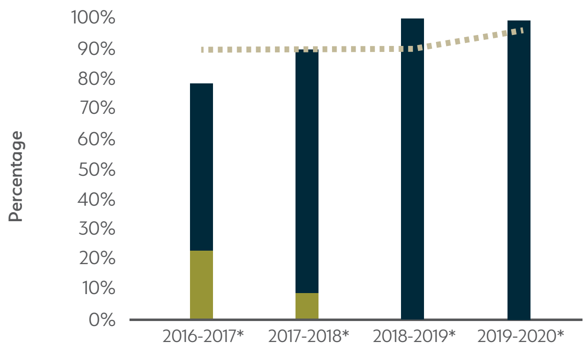
Timeliness of response to stakeholder concerns or complaints

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

Target: 95 per cent of responses provided on time

The FPC is 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 FPC operates with accountability and transparency.

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 KPI target if at least 95 per cent of Ministerial requests and Parliamentary Questions are responded to within the agreed timeframes. Note that due to improved performance, the KPI target has been raised from 90 per cent to 95 per cent for 2019-2020.



	2016-2017*	2017-2018*	2018-2019*	2019-2020*
Target	90%	90%	90%	95%
On-time	78%	91%	100%	100%
Overdue	22%	9%	0%	0%

Responses to Ministerial requests and Parliamentary Questions provided on time

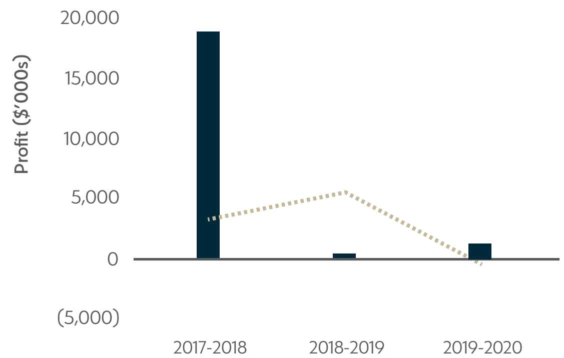
* Note that results have been rounded to the nearest one per cent.

3. 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 achieved a $0.9 million profit result in the 2019-2020 year.

Note that a change in accounting policy in July 2019 impacted the 2017-2018 and 2018-2019 outcomes. Refer to 2018-2019 annual report for further information on prior year results. Refer to note 9.10.1 of the financial statements of this annual report for information on the variance between target and actuals. The target used for the KPI is the projected financial performance set prior to the start of the financial year.



	2017-2018	2018-2019	2019-2020
Target ($'000s)	2,876	5,247	(56)
Actual ($'000s)	18,498	32	890

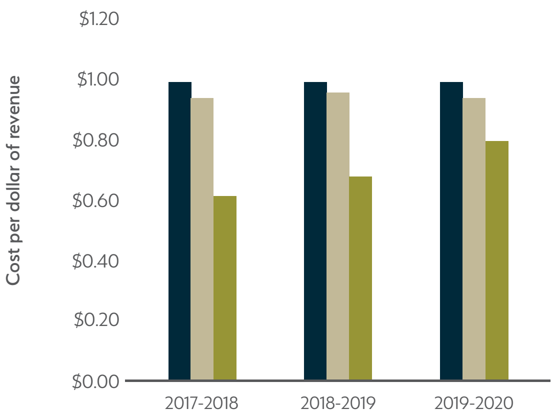
Operating profit

4. Cost per dollar of revenue generated

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

The figures below reflect revenues and costs excluding amortisation and contribution income on licences and forestry right-of-use assets, to reflect the true cost per dollar for native forest and sandalwood operations. Note that sandalwood and native forest prior year results have been adjusted since 2018-2019 annual reporting, to remove amortisation non-cash expense.

Native Forest
The unit cost per dollar generated in 2019-2020 remained stable.

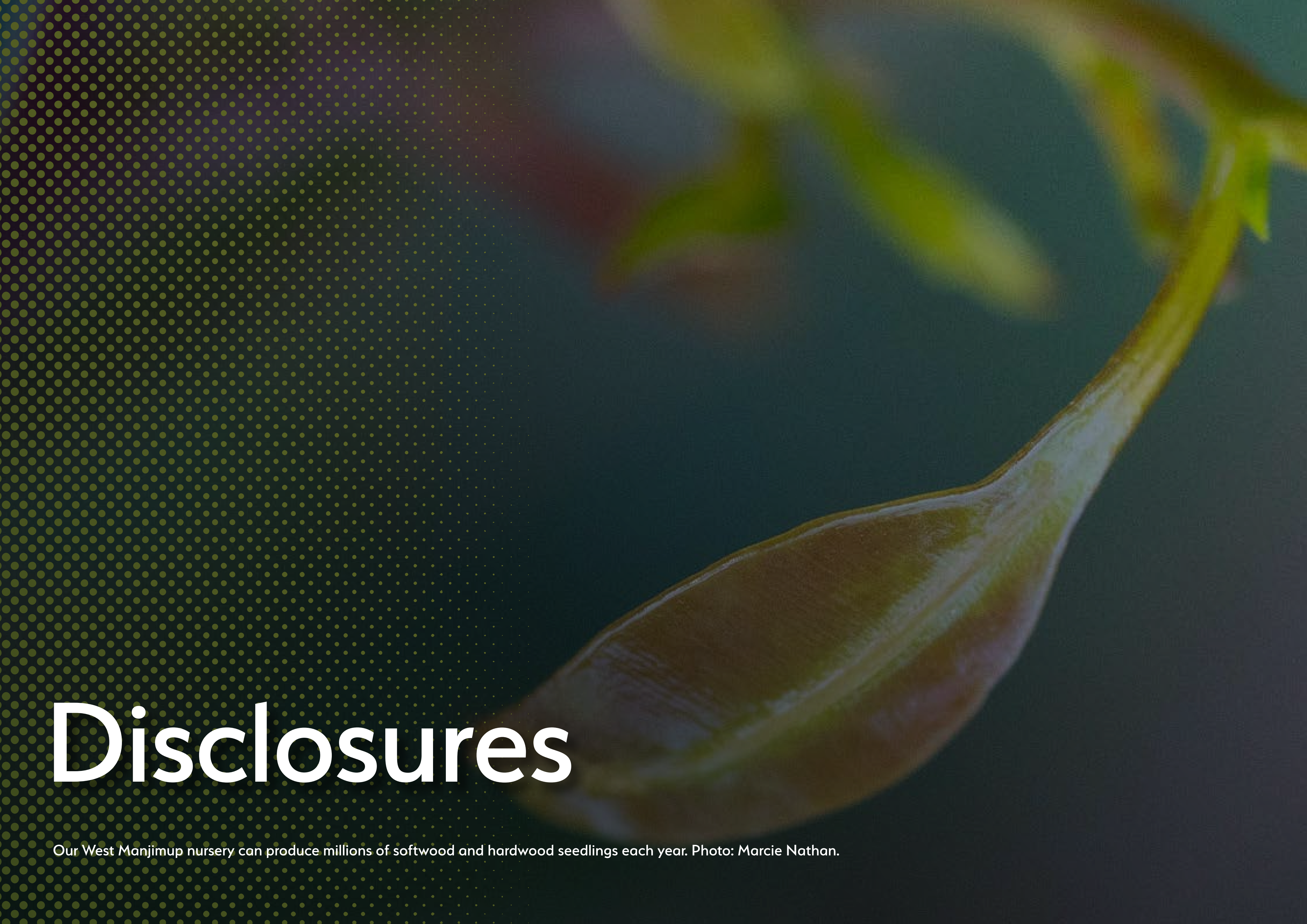


	2017-2018	2018-2019	2019-2020
Native forest	$0.99	$0.99	$0.99
Plantations	$0.92	$0.96	$0.92
Sandalwood	$0.65	$0.72	$0.81

Cost per dollar of revenue generated

Plantation
The previous year's result was negatively impacted by higher sales of lower margin products and additional costs associated with a fire in the Lewana plantation ($2.6 million). After considering this impact, the unit cost per dollar generated has remained stable.

Sandalwood
The unit cost per dollar generated in 2019-2020 increased by nine cents due to a reduction in the average value of products sold during the year.



Disclosures

Our West Manjimup nursery can produce millions of softwood and hardwood seedlings each year. Photo: Marcie Nathan.

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 2019–2020 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.

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 the Commissioners page.

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, Ms Amelia Yam (Chair from 1 August 2018 – 31 December 2019); Mr Nick Bayes (from 31 January 2020) and Co-opted Commissioner Ms Catherine Broadbent (from 1 February 2019); and Dr Louise Duxbury (from 1 February 2019 – 31 January 2020).

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, Ms Jacqueline Jarvis (from 1 February 2019); and Mr Nick Bayes (from 1 February 2019 – 31 January 2020) are members of the Committee.

Right: We gave grants to 22 community groups through our 2020 Community Support program.

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 (until 31 December 2019), Ms Jacqueline Jarvis and Mr Bob Pearce are members of the Committee.

Commission meetings and remuneration

The role and functions of the Commission are set out in the Act and the Commission is subject to the provisions within the Statutory Corporations (Liability of Directors) Act 1996. The Commission is responsible for the performance of the FPC's statutory functions and determines its strategic direction.

The Commission formally met six 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			6		5		3		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 2019 – 30 June 2020	**$50,000**	6	6	N/A	N/A	3	3	3	3
Ms Amelia Yam (Deputy Chair)	1 July 2019 – 31 December 2020	**$10,665**	0	3	1	3	N/A	N/A	2	3
Mr Robert Pearce	1 July 2019 – 30 June 2020	**$20,850**	6	6	5	5	N/A	N/A	3	3
Ms Vanessa Elliott	1 July 2019 – 30 June 2020	**$20,850**	5	6	N/A	N/A	3	3	N/A	N/A
Mr Nick Bayes	1 July 2019 – 30 June 2020	**$20,850**	5	6	0	2	1	2	N/A	N/A
Dr Louise Duxbury	1 July 2019 – 30 June 2020	**$20,850**	6	6	3	3	N/A	N/A	N/A	N/A
Ms Jacqueline Jarvis	1 July 2019 – 30 June 2020	**$2,486***	5	6	N/A	N/A	2	3	3	3
Ms Catherine Broadbent (Co-opted Commissioner)	1 July 2019 – 30 June 2020	**$17,513**	3	3	5	5	N/A	N/A	1	1

* Ms Jarvis became a contract public sector employee and is no longer entitled to remuneration.

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 five FOI applications during the 2019–2020 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 2019. The FPC's Individual Development Plan (IDP) process 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's 2013 Recordkeeping Plan has been reviewed and revised in order to continue compliance with all areas of the *State Records Act 2000*. The most significant change over the last few years has been the transition to managing digital information and moving away from hardcopy records. Reflecting this transition from a paper to a digital process, the Recordkeeping Plan 2020 sets out the FPC's intention to further develop and implement policies and procedures for the management of digital records.

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 has been reviewed and revised in order to continue compliance with all areas of the *State Records Act 2000*.

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 Electronic Document and Records Management System (EDRMS) to incorporate and enhance stakeholder management. This will ensure there is a process and strategy in place for effectively engaging our stakeholders. The implementation of the workflow module in the EDRMS will assist in ensuring stakeholders are responded to in an appropriate timeframe.

Training and Induction Program

Our in-house online training package provides 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 2020-2025
We developed our first Disability Access and Inclusion Plan (DAIP) in 2015 to meet the requirements of the *Disability Services Act 1993* (the Act). The DAIP sets out initiatives to ensure that people with disability have the same access to the FPC's buildings, information, stakeholder consultation and recruitment processes as anyone else. Measures include, for example, providing disability access to the FPC's buildings, raising awareness of people with disability in the FPC's induction process for both staff and contractors, and ensuring that the FPC's website is accessible for people with disability.

The Act requires that public authorities review the DAIP at least every five years. This year's review of the DAIP assessed progress of the strategies in the seven outcome areas to achieve access and inclusion. Following the review, we developed the DAIP 2020– 2025 and drafted an Implementation Plan to ensure action items are completed and monitored to achieve continuous improvement. The new DAIP is available from the FPC website.

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 2019–2020 was $19,355 (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			
Initiative	Recruitment	$6,394.00	**$7,033.00**
	Forest operations notices	$11,202.00	**$12,322.00**
Total		**$17,596.00**	**$19,355.00**

Right: We are involved in a range of research trials that will help to develop genetically superior softwood seedlings in the future.

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 & 3 combined	40.0%	49.0%
Indigenous Australians	2.7%	2.7%
People from culturally diverse backgrounds	17.3%	13.7%
People with a disability	2.3%	1.6%
Youth (aged 24 and under)	8.7%	3.9%
Mature (aged 45 and over)	56.3%	52.8%

* The Public Sector Quarterly Entity profile (QEP) for June 2020 was not available at the time this report was produced. Data from December 2019 QEP report was used for this report.

** This data includes fixed term and casual employees

Right: The majority of our staff are located in regional areas and contribute to the vibrancy of their local communities.

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 Chief Finance Officer noted prompt settlement of the personal use amounts, and, that the nature of the expenditure was immaterial and characteristic of honest mistakes.

AGGREGATE AMOUNT	$
Personal use expenditure for the reporting period	$1210.11
Personal use expenditure settled by the due date (within 5 working days)	$1210.11
Personal use expenditure settled after the period (after 5 working days)	$0
Personal use expenditure outstanding at balance date	$0

Top left: Our Reconciliation Action Plan will further develop Aboriginal business engagement in recognition of the traditional ownership of the lands on which forestry is reliant.
Bottom left: Through our sponsorship program we helped establish the Pemby G83, a mountain bike event in Pemberton.

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 cohort
Crown	A tree's canopy or upper foliage
First Rotation (1R)	The establishment of new plantations
Hardwood	Tree species with hard or dense wood, or the timber from it
Harvesting	Removal of trees as part of a silvicultural operation
Laminated Veneer Lumber (LVL)	An engineered wood product used primarily for structural applications
Low-grade logs	Logs unsuitable for sawmilling but suitable for other uses including manufacturing of reconstituted or engineered wood products, wood chipping, charcoal and energy generation
Plantation	A planted forest to product a resource
Residues	Part of trees not suitable for sawlogs including branches, needles and tree stumps
Second Rotation (2R)	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	A general term referring to any of a variety of trees having narrow needle-like or scale-like leaves, generally coniferous. Also refers to the wood from such trees
Stumpage revenue	The stumpage revenue is the timber sales revenue less production charges which includes management costs, harvest and haulage costs, and sandalwood processing and marketing costs
Sustainable yield	The maximum level of harvest from a forest that can be maintained in perpetuity under a given management regime
Thinning	Harvest of a proportion of the trees in an immature stand for the purpose of improving the growth of remaining trees
Timber	General term used to describe wood
Veneer logs	High quality logs that can be sliced or peeled to produce veneer

Notes

Notes

Getting in touch with the FPC

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