



Forest Products Commission
Annual Report 2020-2021



fpc Forest Products
Commission

Statement of compliance



Hon. Dave Kelly MLA

Minister for Forestry

Statement of compliance

For year ended 30 June 2021

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 2021.

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



Mr Ross Holt
Chairman
3 September 2021



Mr Stuart West
General Manager
3 September 2021

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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This document is available in alternative formats upon request.



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Who we are



Who we are

Financial highlights

Our annual turnover was \$114 million. We operated at a profit and invested in plantation expansion, innovation, jobs and communities.

Our investment in community

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

\$103 million

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

\$0.6 million

for sandalwood regeneration

\$1.4 million

for South West native forest regeneration

\$4 million

invested in expansion of the softwood estate

\$100 thousand

awarded through FPC community grants and sponsorships

\$1.6 million

of new contracts awarded to Aboriginal businesses by the FPC

\$74 million

in contracts awarded, including 12 sale and 81 purchase contracts

Chair's report



Demand for West Australian timber resulting from State and Federal government stimulus packages, supported our industry to recover quickly from the initial COVID-19 downturn experienced at the end of last financial year.

I'd like to recognise and acknowledge FPC staff for their success in addressing the uncertainty of COVID whilst also managing the significant increase in domestic demand for West Australian timber products.

While domestic demand has continued to increase, key international markets for softwood and sandalwood have been severely impacted by COVID-19 and other international pressures. Fortunately the FPC and larger industry acted quickly, finding alternative markets and minimising the economic impact.

We have continued to find new and innovative ways to expand the softwood estate, with the State government releasing a problem and opportunity statement seeking private investment to facilitate softwood expansion.

In June 2021, the FPC released their Innovate Reconciliation Action Plan (RAP) and has continued to work toward increasing the economic participation of Aboriginal and Torres Strait Islander People in the Western Australian timber industry.

The FPC has continued efforts to support and develop the forestry industry's safety culture through supporting a series of safety forums held across the South West. Over 300 members of industry attended these sessions that focused on the consequences of

inattention. Building the industry's safety culture is an important task with serious real-world implications and I look forward to seeing it continue to progress.

I wish to thank Ms. Jacqueline Jarvis and Dr. Louise Duxbury, who resigned from the Commission in the last year. Their contributions to the FPC and industry over the past three years is valued highly. I would also like to thank my fellow Commissioners and the Minister for Forestry, the Hon. Dave Kelly MLA, for their support during the last year.

I continue to be impressed by the commitment and dedication of the FPC staff, particularly during a year that experienced so much disruption, uncertainty and change, due to the COVID-19 pandemic.

Mr Ross Holt

Chair
3 September 2021

General Manager's report



Western Australia's forest industry has been an important driver in WA's post COVID-19 recovery. Federal and State governments home building grants have seen the demand for WA timber increase significantly, spurring employment and economic activity in our regional communities.

Our softwood customers in particular, experienced high levels of demand, while our native forest customers faced supply challenges from a variety of issues.

The FPC's ability to plan for and deliver adequate quantities of jarrah and karri sawlogs proved very challenging for a number of reasons including COVID-19 impacting the planning process and declining yields of sawlog per hectare from the coupes being harvested.

I would like to commend our staff for their continued resilience and enthusiasm over the last year, despite lockdowns and changed working conditions becoming a somewhat normal part of life.

I am proud that this year we took an important step toward the FPC's future, launching our first People Plan. The FPC's People Plan was informed by significant consultation, was designed to address the FPC's future workforce needs and ensures the FPC continues to be a great place to work. I look forward to seeing our organisation grow as the Plan progresses.

This year, we have continued our commitment to expanding the softwood estate, spending \$4 million in this area of our business.

We've also continued to spend significant amounts on native forest and sandalwood regeneration following harvest activities.

I'd like to acknowledge our Minister and Commissioners for their leadership and support over the last 12 months and look forward to continuing to work with them in the year to come.

Mr Stuart West

General Manager
3 September 2021

Who we are



Our agency

We are responsible for sustainable forest management and supporting Western Australia's (WA) forest products industry, primarily sourcing native forest, plantation and sandalwood products on land managed by the State.

All our operations are undertaken in accordance with the *Forest Management Plan 2014-2023* (FMP), which is prepared by the Conservation and Parks Commission (CPC) and the Department of Biodiversity, Conservation and Attractions (DBCA).

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

During 2020-2021, we reported to the Minister for Forestry, the Hon. Dave Kelly MLA.

We are governed by the *Forest Products Act 2000* (the Act) and the *Forest Products Regulations 2020*.

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

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

We comply with all other relevant legislation.

Our vision

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

Our mission

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

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

Our values

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

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

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

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

Our role

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

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

Our organisational structure

Minister for Forestry
Hon. Dave Kelly MLA

Board Chair
Ross Holt

General Manager
Stuart West

Director Finance
Antonio De Nobrega

Director Business Services
Andrew Lyon

Director People and Culture
Suzanne McCavanagh

Director New Business and Innovation
John Tredinnick

Director Operations
Islay Robertson

Commissioners



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.



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.



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.



MS CATHERINE (CATHY) BROADBENT
CO-OPTED COMMISSIONER

Appointed February 2019.

Cathy joined the Forest Products Commission 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.



MR ROBERT PEARCE
COMMISSIONER

Appointed November 2012.

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



DR LOUISE DUXBURY
COMMISSIONER

Appointed November 2017. Term ended 26 November 2020.

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. Resigned March 2021.

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.



Executive team



Left to right: Andrew Lyon, Islay Robertson, Suzanne McCavanagh, Stuart West, Antonio De Nobrega and John Tredinnick.

MR STUART WEST

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

Stuart has an extensive background in the Australian forestry industry spanning over 30 years, holding executive responsibilities for the past 20 years. Stuart has extensive experience working in government owned forestry businesses and with Australia's major forestry companies. He has led initiatives to attract new manufacturing and generating new demand for products in a variety of sectors including food and agriculture, forestry and manufacturing.

MR ANTONIO DE NOBREGA

Hon, BCompt; MBA (UK); CA (ANZ)
DIRECTOR FINANCE

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

MR ANDREW LYON

BSc Env Mgt; MBA
DIRECTOR BUSINESS SERVICES

Andrew Lyon joined the FPC in 2008 and has been the Director Business Services since 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 policy and management, carbon policy, science and applied research. He is passionate about sustainable forest management policy, is an Adjunct Lecturer in silviculture at Edith Cowan University and is also the WA forestry representative on the national Forest and Forest Products Committee.

MS SUZANNE MCCA VANAGH

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.

MR JOHN TREDINNICK

BSc For MSc
DIRECTOR NEW BUSINESS AND INNOVATION

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

MR ISLAY ROBERTSON

Dipl. For.; BSc For. (Hons); MBA
DIRECTOR OPERATIONS

Islay joined the FPC in May 2021 as Director, Operations. He has over 30 years of executive, management and operational experience in forestry across Australia. Islay brings extensive industry knowledge and perspectives to the FPC from roles in government, private business and industry. He is a former Director of Timber Queensland and the Australian Forest Products Association (AFPA) and has chaired both the AFPA Growers Chamber (2017-2020) and the National Forest Biosecurity Steering Committee (2018-2020).

MR GAVIN BUTCHER

BSc For
DIRECTOR OPERATIONS
Retired April 2021.

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.





Our performance

Performance management framework

To help evaluate our contribution to the State, our *Statement of Corporate Intent 2020-2021* (SCI) links the State Government goals to our strategic goals and the relevant key performance indicators.

State Government goals

1: Sustainable finances
Responsible financial management and better service delivery

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

3: Strong communities
Safe communities and supported families

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

Our strategic goals

G1: Facilitate a vibrant forestry industry to deliver social and economic benefits to Western Australian communities, particularly in regional Western Australia

G2: Deliver healthy forests for future generations

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

Key performance indicators

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

- Quantity of native forest timbers harvested compared with 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

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

G1: Facilitate a vibrant forestry industry to deliver social and economic benefits, particularly in regional Western Australia

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



Sustainable forest management

Regeneration of native forests

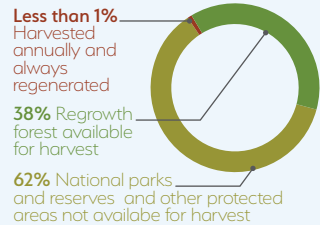
The FPC's goal is to deliver healthy forests for future generations. This includes the regeneration of Western Australia's native forest resources.

All of our operations are undertaken in accordance with the *Forest Management Plan 2014-2023* (FMP).

435 hectares
of karri forest regenerated



Available forest area



750 kilometres
of rip-lines seeded in rangelands



500 kilograms
of sandalwood seed hand planted

8,430 hectares
of jarrah forest regenerated



Fauna monitoring in the karri forest

The FPC undertakes fauna monitoring in karri forest harvest coupes to identify the presence of native fauna and feral animals.

Our fauna monitoring has continued to provide valuable information on the use of the forest by threatened and priority animals before and after harvest. The 2020-21 program identified 28 different fauna species across the six coupes monitored. This included several occurrences of threatened species in regrowth coupes, demonstrating the return of these species following the harvesting and regeneration of the forest.

28
different fauna species
observed in monitored karri forests
over the last year



Feral animals, mainly foxes, cats and pigs, were identified in all monitored coupes, highlighting the need for continued feral animal control programs.

Fire

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

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. While the FPC currently views fuel reduction burning as the most effective tool to mitigate the threat of bushfire we are also supporting the Department of Fire and Emergency Services (DFES) in investigating alternative approaches including mechanical fuel reduction.

In 2020 a training and development pathway was established to ensure that FPC staff are provided with the appropriate training to contribute to fire suppression operations at all levels of incident management.

54 staff
engaged in fire management
roles this year



70 fires
attended by FPC staff



Staff supported
joint agency
emergency
response rosters



G2: 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."



Western Australia's forest products

Softwood plantations

Our softwood estate continues to deliver benefits to Western Australians, including through job creation and investment in local communities, carbon storage and providing vital resources for the State's housing and construction industry.

Continuing to maintain supply to our softwood customers was a key focus of the past year. While the FPC continued to meet the supply targets for our State Agreement partners, the introduction of State and Federal home builder grants saw an unprecedented increase in demand for softwood.

In 2020 the FPC worked with the State Government to release a Problem and Opportunity Statement (POS) seeking private investment to expand the WA softwood plantation estate by 50,000 hectares. The POS seeks to maintain and expand the softwood estate by planting more than 60 million trees, ensuring a sustainable softwood industry into the future.

Farm Forestry Assist supported private investment in the softwood estate across:



3 new properties and **75** hectares

2.8 million seedlings grown for planting in 2021

900 hectares of new pine estate established

Sandalwood

Our sandalwood operations include the management of plantations across the Wheatbelt and Mid West, along with managing the harvesting and regeneration of wild sandalwood on Crown Land across the State.

During 2020-21, the FPC was successful in achieving Chain of Custody certification for Wild Sandalwood. The scope of this new certification covers the processing, sale and delivery of wild harvest and plantation grown native sandalwood (*Santalum spicatum*) products. In addition, our sandalwood operations were successfully included as part of the FPC's Sustainable Forest Management (SFM) certification (AFS 4708). This now enables both wild sandalwood and plantation grown native sandalwood to be marketed as "100% PEFC Certified".

We continued to manage sandalwood plantations, which will be used in the coming years to complement the demand for wild Western Australian sandalwood. Last financial year we sponsored a workshop by the Australian Sandalwood Network for new and prospective sandalwood plantation growers. Aboriginal people are critical to our sandalwood operations, and we continue to work with local Aboriginal people on country to involve them in the native sandalwood supply chain.

5,600 hectares of sandalwood plantations under management

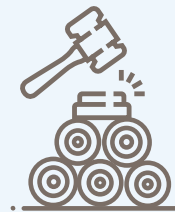
Wild Sandalwood Chain of Custody achieved

2 new contracts awarded to Aboriginal businesses in the Sandalwood industry, worth **\$1,140,000**

Native forest

Western Australia's native forest industry is managed in accordance with a 10 year Forest Management Plan (FMP) developed by the Conservation and Parks Commission of Western Australia. The 2014-2023 FMP covers approximately 2.5 million hectares of land in the South West of Western Australia.

Providing access to WA timbers for artisans and craftspeople is a crucial activity for the FPC. We also continued to supply the public and feature grade contracted customers with timber through our Public Specialty Timber and Feature Grade Log Auctions. FPC Public Auctions were successfully transitioned to an online format in response to COVID-19 and continued to perform consistently well on the new platform.



Three Feature Grade Log Auctions:

439 tonnes of logs sold

Our Public Specialty Timber Auctions:

95% average clearance rates

1030 tonnes of speciality logs sold

40 metres³ sawn timber sold



\$26 million spent on regional forest contractors involved throughout the whole native forest lifecycle

Western Australia's forest products

Community and stakeholder engagement

The FPC's Stakeholder Engagement Strategy outlines our goals and commitments and sets out the process by which the FPC plans and adapts our engagement to build confidence, ensure inclusivity and deliver value to benefit stakeholders.

We are committed to maintaining and growing constructive relationships with our stakeholders through continuous improvements in our planning, processes, and engagement efforts.

Our community engagement programs continue to provide successful outcomes for forest users and regional communities.



Aboriginal engagement

The FPC is committed to gaining a deeper understanding of and advancing reconciliation within our sphere of influence.

The FPC's 2021-2022 Innovate Reconciliation Action Plan (RAP) was launched on 1 June 2021. Throughout 2020-21 the FPC maintained our Reconciliation Working Group, Aboriginal employment and continued our Aboriginal trainee program. We have been active in internal and external support of Reconciliation and NAIDOC Weeks; including sponsoring the NAIDOC Opening Ceremony and National Reconciliation Week activities.

The FPC's People Plan commits to enhancing Aboriginal and Torres Strait Islander recruitment, as well as embedding cross-cultural learning across the organisation.

A key value of our RAP, as the WA Government's lead forestry agency, is to create meaningful economic opportunities for Aboriginal people in the timber industry. The FPC has implemented practices to support and encourage established and aspiring Aboriginal businesses in all procurement and sale processes. This includes engaging with not-for-profit organisations with expertise in recruitment and business development.

Aboriginal heritage and cultural assessments are **embedded in FPC operations.**



FPC Reconciliation Action Plan 'Innovate' released



FPC is a signatory to the **Noongar Standard Heritage Agreement**



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 190 people across our work sites with 68 per cent of our staff located in regional towns. This includes permanent full time and permanent part time employees, fixed term contract, casual employees and trainees.

Type of staff	FTE	Headcount
Permanent full time employees*	129	129
Permanent part time employees	14.97	22
Fixed Term full time employees	13	13
Fixed Term part time employees	1.67	2
Seconded in FPC	3	3
Trainees	0	1
Casuals	8.72	20
Total	170.39	190

* The information above has been sourced from pay period 26 (24/06/2021)

Research and Technology

We continue to invest in research to improve our business practices and contribute to a sustainable forest products industry.

This year the FPC worked with Swift Geospatial to develop a system to monitor the health of our plantation estate using remote sensing. Satellite imagery was used to compare plantation canopy cover levels from year to year to determine if there had been any decline. From this work we developed a forest health 'dashboard', which included canopy cover change maps within our plantations. With further research, the aim is for these new canopy cover change maps to be included in future forest health monitoring.

We continued to be a part of Tree Breeding Australia's *Pinus radiata* breeding program which is contributing to the development of the genetic resource both within Western Australia, and across Australia.

With the support of the DBCA we are continuing to investigate improved sandalwood regeneration in the Mid-West region. Trials have been established over the past two years to determine if moisture retention treatments can aid sandalwood germination and establishment in semi-arid regions.

The FPC has participated in collaborative projects aimed at developing technology that will support the creation of a "Digital Forest". The projects investigate the use of both aerial and ground based remote sensing techniques to enhance forest management outcomes using 3D models and virtual reality technologies.

A new Electronic Delivery Note (EDN) was successfully implemented during the year. The system replaces the use of approximately 35,000 paper-based delivery notes each year and provides real time information on log deliveries to the FPC, its customers and contractors.

Sustainable forest management performance

During the last financial year, 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 entire business is covered by ISO 4001:2015.

Occupational safety and health

We continued to engage with Forest Industry Federation of Western Australia (FIFWA), the Australian Forest Products Association (AFPA), the Community and Public Sector Union (CPSU)/Civil Service Association (CSA) on Occupational Health and Safety (OHS) matters.

The FPC is a member of the Forest Industry Safety and Training Committee (FISTCo) which includes representatives across all sectors of the supply chain. Transport safety and training continue to be the key focus, key achievements include industry targets for minimum equipment and technology standards, as well as the development of an industry training database to ensure the WA forest industry maintains a safe and skilled workforce.

The coronavirus pandemic presented the FPC with unexpected changes and challenges, namely the loss of access to offices and workplaces, increased demand on technology and sudden changes to work activities. Improvements in the way we communicate, share information and operate have supported our people and business to respond appropriately to sudden change. Resilience, flexibility and adaptability of our organisation has been key to our ability to continue operating in a safe and sustainable manner in the on-going COVID-19 environment.

Regular **safety toolbox meetings** improved communication.



300

industry stakeholders attended FPC sponsored safety forums across the South West.



Industry wide **training database** progressed

Performance summary

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 \$0.06 million has been achieved before contribution income and amortisation of sandalwood licence and native forestry right-of-use assets.

The FPC has invested \$5.2 million in building the State's softwood estate.

No dividend was paid to the State Government for the 2020-2021 year.

Pricing arrangements

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

Section 59 of the Act prescribes the costs that are to be factored into a price for forest products. Contracts include indexation or an alternative escalation mechanism to minimise financial risk to the FPC.

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



	Target 2020-21 (\$ millions)	Actual 2020-21 (\$ millions)	Variance (\$ millions)
Financial targets			
Total expenses (sourced from Statement of Comprehensive Income)	126.5	123.3	3.2
Total income (sourced from Statement of Comprehensive Income)	130.1	121.2	(8.9)
Total equity (sourced from Statement of Financial Position)	265.2	256.9	(8.3)
Net increase / (decrease) in cash held (sourced from Statement of Cash Flows)	2.0	(0.6)	(2.6)
Financial outcomes			
Timber revenues	128.9	114.5	(14.4)
Operating profit	3.6	(2.1)	(5.7)
Net profit / (loss) after tax	2.0	(7.9)	(9.9)
Closing cash balance	13.5	10.9	(2.6)
Dividends paid	-	-	-
Performance measures			
Return on assets	0.6%	-2.6%	-3.2%
Return on equity	0.8%	-3.1%	-3.9%
Operating profit to timber revenues	2.8%	-1.8%	-4.6%

Summary of audited key performance indicators

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. All the KPIs have a strong focus on sustainability.

An overview of the 2020-2021 KPI results is provided below. 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 2020	924 (m3 '000s)
		Karri – cumulative total from 2014 to 2020	538 (m3 '000s)
	Other bole volume for jarrah, karri and marri*	Jarrah - cumulative total from 2014 to 2020	413 (m3 '000s)
		Karri - cumulative total from 2014 to 2020	2,044 (m3 '000s)
		Marri - cumulative total from 2014 to 2020	1,215 (m3 '000s)
			903 (m3 '000s)
			99 (m3 '000s)
2	Harvest of sandalwood does not exceed licence limits		
	Green and dead wood sandalwood harvest	2,250 tonnes	726 tonnes actual dead
			835 tonnes actual green
			Total 1,561 actual dead and green

	Target	Actual
3	Effectiveness of forest regeneration	
	Karri*	95 per cent of regeneration requiring no remedial action
	Jarrah*	99.3 per cent
		90 per cent of areas cutover for regeneration completed in 30 months
	Sandalwood	47 per cent
		Annual cumulative average of 50,000 seedlings established
		39,000 seedlings
		Cumulative average of 10 years
4	The achievement of thinning schedules	
	Karri*	1,230 hectares per annum of first thinning
	Softwood plantations	637 hectares thinned
		95 per cent of softwood plantations are thinned within guidelines
		75 per cent Actual percentage
	Sandalwood plantations	0 hectares thinned
5	All operations commence with required approvals	
		100 per cent of operations commence with pre-operation planning approval
6	Independent certification maintained	
		Certification maintained
		The FPC has maintained appropriate certification

Performance summary
Summary of audited key performance indicators

	Target	Actual
7 Management of native forest fuel loads adjacent to priority pine plantations	60 per cent	47 per cent
	Annual 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 *	95 per cent of the total softwood plantations planted in the previous winter are compliant with minimum stocking levels	87 per cent
9 First and second rotation softwood planting targets are achieved*	2,714 hectares (first and second rotation combined)	2,177 hectares
10 Native forest resource processed locally (excluding any trials or research undertaken)	100 per cent of native resource processed locally	100 per cent
11 Log deliveries meet customer orders		
Plantations	Variance of no greater than 10 per cent	2 per cent softwood (variance - orders versus deliveries)

	Target	Actual
Native Forest	Variance of no greater than 10 per cent	7 per cent native forest (variance - orders versus deliveries)
12 Sandalwood sales orders	100 per cent of sandalwood sales orders are met	100 per cent
13 Green sandalwood roots as a percentage of green sandalwood harvested	Total green volume includes 15 to 25 per cent roots	23 per cent

* Reported for the previous calendar year

Key efficiency indicators

	Target	Actual
1 Timeliness of response to stakeholder concerns or complaints	95 per cent of responses provided on time	96 per cent on time 4 per cent overdue
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	6,725 (\$'000s)	YTD May \$774,000
4 Cost per dollar of revenue generated		
Native forest	Increase over time	\$1.03 YTD May
Plantations	Stable over time	\$0.92 YTD May
Sandalwood	Increase over time	\$0.88 YTD May



Financial statements



Auditor General's report

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

FOREST PRODUCTS COMMISSION

Report on the audit of the financial statements

Opinion

I have audited the financial statements of the Forest Products Commission (Commission) which comprise:

- the Statement of Financial Position at 30 June 2021, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended
- 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 2021 and the financial position at the end of that period
- in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

I am independent of the Commission in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

Emphasis of matter - non-presentation of Cost of Inventories Sold

As set out in Note 5.4.1 Biological Assets Increase/Decrease, Forest Products Commission has not presented the cost of inventories sold separately from the gain/(loss) on valuation of biological assets in the Statement of Comprehensive Income as required by AASB 102 *Inventories*. This presentation issue has no impact on the net result reported by the Commission and is not considered material to the users of the financial statements. My opinion is not modified in respect of this matter.

Responsibilities of the Commissioners for the financial statements

The Commissioners are responsible for:

- keeping proper accounts
- preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions
- such internal control as the Commissioners determine 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 Commissioners are responsible for:

- assessing the entity's ability to continue as a going concern
- disclosing, as applicable, matters related to going concern
- 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 responsibilities 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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

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

Report on the audit of 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 Commissioners 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 2021.

The Commissioners' responsibilities

The Commissioners are 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 involves performing procedures to obtain evidence about the suitability of the controls design to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including an 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 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 audit of 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 2021. 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 2021.

The Commissioners' responsibilities for the key performance indicators

The Commissioners are 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 the Commissioners determine is 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 Commissioners are 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 responsibilities

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.

Other information

The Commissioners are responsible for the other information. The other information is the information in the entity's annual report for the year ended 30 June 2021, but not the financial statements, key performance indicators and my auditor's report.

My opinions do not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon.

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

This auditor's report relates to the financial statements, controls and key performance indicators of the Forest Products Commission for the year ended 30 June 2021 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, controls 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, controls or key performance indicators. If users of the financial statements, controls 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, controls and key performance indicators.



CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA

Perth, Western Australia
8 September 2021

Certification of financial statements

Certification of the financial statements

For the year ended 30 June 2021

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 2021 and the financial position as at 30 June 2021.

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



Mr Ross Holt
Chair
3 September 2021



Mr Robert Pearce
Commissioner
3 September 2021



Mr Antonio De Nobrega
Chief Finance Officer
3 September 2021

Statement of comprehensive income

For the year ended 30 June 2021

	Notes	2021 \$000	2020 \$000
Continuing operations			
Income			
Sales of forest products	3.2	114,520	122,128
Commonwealth grants and contributions	3.4	111	-
Interest income	3.5	31	202
Grants and subsidies from State Government	3.3	200	200
Other income	3.6	6,383	6,309
Gain on disposal of non-current assets	3.7	15	-
Gains from foreign exchange	3.7	147	-
Total income		121,407	128,839
Expenses			
Production expenses	4.2	74,368	74,415
Net movement of biological assets	5.4.1	9,120	4,431
Employee benefits expense	4.3.1	20,270	21,269
Supplies and services	4.6.1.(a)	16,785	19,721
Depreciation and amortisation expense	5.1.1; 5.2.1; 5.3.1	9,091	9,012
Finance costs	7.2	633	916
Accommodation expenses	4.6.1.(b)	656	854
Grants and subsidies	4.4	60	117
Loss on disposal of non-current assets	4.5	5	33
Other expenses	4.6.1.(c)	1,443	1,412
Onerous contracts	4.6.2	267	381
Total expenses		132,698	132,561
Net results from continuing operations before income tax		(11,291)	(3,722)
Income tax benefit	4.7.1	3,403	1,142
Net results from continuing operations after income tax		(7,888)	(2,580)

	Notes	2021 \$000	2020 \$000
Other Comprehensive Income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit liability	4.3.2.(c)	4	5
Changes in asset revaluation surplus	9.6.1	2,128	1,696
Deferred tax on items of other comprehensive income	9.6.1	(638)	(509)
Items that may be reclassified subsequently to profit or loss			
Changes in cashflow hedge reserve	9.6.2	-	(7)
Income tax on items of other comprehensive income	9.6.2	-	2
Total economic flows - other comprehensive income net of income tax		1,494	1,187
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(6,394)	(1,393)

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

Statement of financial position

as at 30 June 2021

	Notes	2021 \$000	2020 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	7.3.1	10,928	11,522
Inventories	6.1	10,528	9,669
Receivables	6.2	16,208	19,422
Income tax receivable	4.7.2	-	52
Biological assets	5.4	6,288	8,048
Other current assets	6.3	2,369	2,880
Total current assets		46,321	51,593
Non-current assets			
Infrastructure, property, plant and equipment	5.1	38,027	37,038
Deferred tax assets	4.7.3	15,793	13,029
Biological assets	5.4	197,355	200,481
Right of use assets	5.2	1,591	1,745
Intangible assets	5.3	5,560	7,833
Total non-current assets		258,326	260,126
Total assets		304,647	311,719
LIABILITIES			
Current Liabilities			
Payables	6.4.(a)	17,554	14,330
Lease liabilities	7.1	558	508
Employee related provisions	4.3.2.(a)	3,508	3,585
Other provisions	6.5.(a)	7,749	9,808
Deferred revenue	6.6.(a)	1,933	3,284
Total current liabilities		31,302	31,515

	Notes	2021 \$000	2020 \$000
Non-current liabilities			
Payables	6.4.(b)	3,827	3,894
Lease liabilities	7.1	1,064	1,252
Employee related provisions	4.3.2.(b)	966	966
Other provisions	6.5.(b)	796	941
Deferred revenue	6.6.(b)	9,836	9,901
Total non-current liabilities		16,489	16,954
Total liabilities		47,791	48,469
Net Assets			
		256,856	263,250
Equity			
Contributed Equity	9.6	276,245	276,245
Reserves	9.6.2	12,999	11,509
Accumulated surplus / (deficit)	9.6.3	(32,388)	(24,504)
Total Equity		256,856	263,250

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 2021

	Notes	Contributed equity \$000	Reserves \$000	Accumulated surplus/(deficit) \$000	Total equity \$000
CONTRIBUTED EQUITY					
Balance at 1 July 2019		276,245	10,327	(21,929)	264,643
Net result after income tax for the year		-	-	(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		-	-	-	-
State contribution (repayment)		-	-	-	-
Balance at 30 June 2020	9.6	276,245	11,509	(24,504)	263,250
Balance at 1 July 2020		276,245	11,509	(24,504)	263,250
Net result after income tax for the year		-	-	(7,888)	(7,888)
Other comprehensive income for the year, net of income tax		-	1,490	4	1,494
Total comprehensive income for the year		-	1,490	(7,884)	(6,394)
Transactions with owners in their capacity as owners:					
Dividends paid		-	-	-	-
Balance at 30 June 2021	9.6	276,245	12,999	(32,388)	256,856

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 2021

	Notes	2021 \$000	2020 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from external customers		127,164	130,789
Interest received		31	202
Other receipts		1,753	1,093
Total receipts		128,948	132,084
Payments			
Payments for employee benefits		(20,461)	(20,793)
Payments to suppliers		(26,638)	(30,240)
Forest management expenditure		(76,250)	(90,055)
Total payments		(123,349)	(141,088)
Net cash from/(used) in operating activities	7.3.2	5,599	(9,004)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Proceeds from sale of non-current physical assets		15	-
Payments			
Purchase of non-current physical assets		(40)	(4,547)
Purchase of intangible assets		-	-
Purchase of investments			
Investment in new plantations	5.4	(5,242)	(6,054)
Net cash used in investing activities		(5,267)	(10,601)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments			
Lease payments		(1,126)	(641)
Net cash used in financing activities		(1,126)	(641)

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

	Notes	2021 \$000	2020 \$000
CASH FLOWS FROM / (TO) STATE GOVERNMENT			
Other grants and subsidies	3.3	200	200
Dividends paid		-	-
Taxation equivalents		-	164
Net cash provided to State Government		200	364
Net increase/(decrease) in cash and cash equivalents		(594)	(19,882)
Cash and cash equivalents at the beginning of the period		11,522	31,404
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7.3.1	10,928	11,522

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Notes to the financial statements

For the year ended 30 June 2021

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 3 September 2021.

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**) - Reduced Disclosure Requirements
- 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).

The FPC has adjusted the format of the Statement of Comprehensive Income to increase the comparability of information presented. There have been no adjustments to the figures reported, merely a removal of sub-totals.

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.

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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.

The FPC operates in one geographical segment, being Western Australia.

2.2 SCHEDULE OF INCOME AND EXPENSES BY SERVICE
For the year ended on 30 June 2021

2021	Native Forest \$000	Plantations \$000	Sandalwood \$000	Policy and Industry Development \$000	Non Commercial \$000	Eliminations \$000	Total \$000
Income							
Sales of forest products	36,190	64,336	13,994	-	-	-	114,520
Commonwealth grants and contributions	28	62	14	7	-	-	111
Interest	-	-	31	-	-	-	31
Other income	235	967	212	-	-	-	1,414
Gain on disposal of non-current assets	3	5	2	3	2	-	15
Gains from foreign exchange	-	-	147	-	-	-	147
Internal segment revenue	-	2,065	-	-	-	(2,065)	-
Total Income	36,456	67,435	14,400	10	2	(2,065)	116,238
Expenses							
Production expenses	(25,276)	(41,375)	(7,717)	-	-	-	(74,368)
Employee Expenses	(5,840)	(9,530)	(2,546)	(2,055)	(299)	-	(20,270)
Supplies and services	(4,748)	(10,244)	(2,076)	(1,265)	(517)	2,065	(16,785)
Depreciation and amortisation expense ¹	(321)	(1,244)	(214)	(143)	(39)	-	(1,961)
Finance costs	(6)	(417)	(207)	(2)	(1)	-	(633)
Accommodation expenses	(151)	(336)	(60)	(61)	(48)	-	(656)
Grants and subsidies	(9)	(34)	(10)	(7)	-	-	(60)
Loss on disposal of non-current assets	(1)	(2)	(1)	(1)	-	-	(5)
Other expenses	99	(317)	(345)	(871)	(9)	-	(1,443)
Total Expenses	(36,253)	(63,499)	(13,176)	(4,405)	(913)	2,065	(116,181)
Operating profit/(loss) before contribution income & amortisation of licences and forestry right-of-use assets²	203	3,936	1,224	(4,395)	(911)	-	57
Contribution income	-	-	4,969	-	-	-	4,969
Amortisation of sandalwood licence and native forest right-of-use asset	(2,161)	-	(4,969)	-	-	-	(7,130)
Operating profit / (loss)³	(1,958)	3,936	1,224	(4,395)	(911)	-	(2,104)

Continued.

2.2 SCHEDULE OF INCOME AND EXPENSES BY SERVICE (CONTINUED)
For the year ended on 30 June 2021

2021	Native Forest \$000	Plantations \$000	Sandalwood \$000	Policy and Industry Development \$000	Non Commercial \$000	Eliminations \$000	Total \$000
Net movement in biological assets	-	(9,120)	-	-	-	-	(9,120)
Grants and subsidies from State Government	-	200	-	-	-	-	200
Onerous contracts	-	-	-	-	(267)	-	(267)
Profit / (Loss) before Tax	(1,958)	(4,984)	1,224	(4,395)	(1,178)	-	(11,291)
Allocation of Income Tax Equivalent	587	1,495	(367)	1,688	-	-	3,403
Profit / (Loss) for the year	(1,371)	(3,489)	857	(2,707)	(1,178)	-	(7,888)
Total Segment Assets	9,221	229,631	65	-	65,730	-	304,647
Total Segment Liabilities	4,541	4,752	45	-	38,453	-	47,791

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.

2.2 SCHEDULE OF INCOME AND EXPENSES BY SERVICE (CONTINUED)
For the year ended on 30 June 2021

2020	Native Forest \$000	Plantations \$000	Sandalwood \$000	Policy and Industry Development \$000	Non Commercial \$000	Eliminations \$000	Total \$000
Income							
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 Income	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/(loss) before contribution income & amortisation of licences and forestry right-of-use assets²	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

Continued.

2.2 SCHEDULE OF INCOME AND EXPENSES BY SERVICE (CONTINUED)
For the year ended on 30 June 2021

2020	Native Forest \$000	Plantations \$000	Sandalwood \$000	Policy and Industry Development \$000	Non Commercial \$000	Eliminations \$000	Total \$000
Net movement in biological assets	-	(4,431)	-	-	-	-	(4,431)
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.

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 Commonwealth grants and contributions
- Note 3.5 Interest income
- Note 3.6 Other income
- Note 3.7 Other gains

3.1 SUMMARY OF INCOME THAT FUNDS THE DELIVERY OF OUR SERVICES

	Notes	2021 \$000	2020 \$000
Sale of forest products	3.2	114,520	122,128
Other income from WA Government entities	3.3	200	200
Commonwealth grants and contributions	3.4	111	-
Interest income	3.5	31	202
Other income	3.6	6,383	6,309
Other gains	3.7	162	-
Total income from transactions		121,407	128,839

3.2 SALES OF FOREST PRODUCTS

	2021 \$000	2020 \$000
Harvesting operations	88,786	96,643
Recovery of harvesting costs	25,448	25,222
Plant propagation centre revenue	286	263
Total sales of forest products	114,520	122,128

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

	2021 \$000	2020 \$000
Special purpose grants:		
Government operating subsidy ¹	200	200
Total other income from Western Australian Government entities	200	200

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 COMMONWEALTH GRANTS AND CONTRIBUTIONS

	2021 \$000	2020 \$000
Commonwealth grants	111	-
Total Commonwealth grants	111	-

Commonwealth boosting apprenticeship commencements program funding.

3.5 INTEREST INCOME

	Notes	2021 \$000	2020 \$000
Interest on overdue trade receivables	6.2	-	11
Interest on cash at bank		31	191
Total interest income		31	202

Interest income is recognised as the interest accrues.

3.6 OTHER INCOME

	2021 \$000	2020 \$000
Contracts and other revenue	51	55
Revenue from cost recovery operations ¹	1,363	1,445
Resources received free of charge	-	26
Contributional licence income	4,969	4,784
Total other income	6,383	6,309

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.

3.7 OTHER GAINS

	2021 \$000	2020 \$000
Gain on disposal of non-current assets		
Net proceeds from disposal of non-current assets:		
Plant, equipment and vehicles	15	-
Carrying amount of non-current assets disposed:		
Plant, equipment and vehicles	-	-
Gain on disposal of non-current assets	15	-
Net gain	15	-
Other gains		
Gain on foreign currencies	147	-
Total gains	162	-

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	2021 \$000	2020 \$000
Production expenses	4.2	74,368	74,415
Employee benefits expense	4.3	20,270	21,269
Grants and subsidies	4.4	60	117
Loss on disposal of non-current assets	4.5	5	33
Other expenditure	4.6	18,884	21,987
Total expenses incurred in the delivery of services		113,587	117,821

4.2 PRODUCTION EXPENSES

	2021 \$000	2020 \$000
Harvesting	36,938	38,962
Haulage	30,294	31,143
Timber processing	3,770	3,769
Roading maintenance and construction	2,540	2,157
Movement in inventory	1,487	(359)
Other	(661)	(1,257)
Total production expenses	74,368	74,415

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

	2021 \$000	2020 \$000
Employment benefits	18,584	19,512
Superannuation - defined contribution plans ¹	1,686	1,755
Superannuation - defined benefit plans ²	-	2
Total employee benefits expenses	20,270	21,269
Add: AASB 16 Non-monetary benefits ³	66	30
Less: Employee Contributions	(26)	(4)
Net Employee benefits	20,310	21,295

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: include wages, salaries and social contributions, accrued and paid leave entitlements and paid sick leave, and non-monetary benefits (such as housing or cars) for employees.

Employee Contributions: contributions made to the FPC by employees towards employee benefits that have been provided by the FPC. This includes both AASB 16 and non-AASB 16 employee contributions

Superannuation: the amount recognised in profit or loss of the Statement of Comprehensive Income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBs or other superannuation funds.

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

	2021 \$000	2020 \$000
Employee benefits provision		
Annual leave (a)	1,351	1,493
Long service leave (b)	2,157	2,092
	3,508	3,585

4.3.2.(b) Non-current

	2021 \$000	2020 \$000
Employee benefits provision		
Long service leave (b)	923	920
Superannuation (c)	43	46
	966	966
Total employee benefit provisions	4,474	4,551

(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:

	2021 \$000	2020 \$000
Within 12 months of the end of the reporting period	1,003	1,123
More than 12 months after the end of the reporting period	348	370
	1,351	1,493

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:

	2021 \$000	2020 \$000
Within 12 months of the end of the reporting period	722	619
More than 12 months after the end of the reporting period	2,358	2,393
	3,080	3,012

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 2021 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)*.

	2021 \$000	2020 \$000
Movements in the present value of the defined benefit obligation in the reporting period were as follows:		
Liability at start of year	46	175
Included in profit or loss:		
Interest cost	-	2
	-	2
Included in other comprehensive income:		
Remeasurements loss (gain) recognised:		
financial assumptions	(3)	(2)
experience adjustments	-	(3)
	(3)	(5)
Contributions:		
Benefits paid	-	(126)
	-	(126)
Liability at end of year	43	46

Employer contributions of \$2,000 (2020: \$2,000) are expected to be paid to the Gold State Superannuation Scheme in the subsequent annual reporting period.

4.4 GRANTS AND SUBSIDIES

	2021 \$000	2020 \$000
Total grants and subsidies provided¹	60	117

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

	2021 \$000	2020 \$000
Carrying amount of non-current assets disposed	\$000	\$000
Plant, equipment and vehicles	5	33
Loss on disposal of non-current assets	5	33
Net loss on disposal of non-current assets	5	33

4.6 OTHER EXPENDITURE

4.6.1 OTHER OPERATING EXPENDITURE

	2021 \$000	2020 \$000
4.6.1(a) Supplies and services		
Travel	137	207
Insurance ¹	448	470
Short term and low value leases	773	676
Legal fees and consultants	222	327
DBCA service level agreements	7,694	6,519
Materials	582	788
Forest management expenses	3,744	5,888
Fire salvage and remedial works	940	1,576
Repairs and maintenance	228	342
Vehicle expenses	43	89
Other supplies and services ²	1,974	2,839
Total supplies and services	16,785	19,721
4.6.1(b) Accommodation expenses		
Lease rentals and accommodation ³	409	707
Other property	247	147
Total accommodation expenses	656	854
4.6.1(c) Other		
Audit fees - Auditor General	170	170
Audit fees - Other ⁴	69	96
Expected credit losses expense	(140)	(246)
Telephone, postage, communications	892	730
Employment on-costs	402	420
Plantation maintenance provision movement	(151)	(50)
Other administration costs	201	266
Resources received free of charge	-	26
Total other expenses	1,443	1,412
	18,884	21,987

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 7.4.1 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 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.

	2021 \$000	2020 \$000
Annuity obligations associated with non-core share farms considered onerous	267	381
	267	381

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 2020: 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 2021: 30%, 30 June 2020: 30%).

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that is not a business combination and that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in the Statement of Comprehensive Income.

4.7.1 INCOME TAX EXPENSE IN THE STATEMENT OF COMPREHENSIVE INCOME

	Notes	2021 \$000	2020 \$000
Income tax expense			
Current tax		-	-
Current tax adjustments recognised for prior years		-	-
Deferred tax origination and reversal of temporary differences		(2,698)	(586)
Deferred tax origination and reversal of temporary differences via equity		(687)	(527)
Deferred tax origination and reversal of temporary differences recognised for prior years		(18)	(29)
Income tax benefit		(3,403)	(1,142)
Deferred income tax expense included in income tax expense comprises:			
(Increase)/decrease in deferred tax asset	4.7.3	1,073	1,158
Increase/(decrease) in deferred tax liability	4.7.3	1,691	(522)
Income tax benefit		2,764	636
Reconciliation of prima facie tax payable to income tax expense			
Loss from ordinary activities before income tax		(11,291)	(3,717)
Tax at the applicable Australian tax rate of 30% (2020: 30%)		(3,387)	(1,115)
Tax effect of amounts which are non-deductible for income tax purposes		2	2
Prior year adjustments		(18)	(29)
Total income tax benefit		(3,403)	(1,142)

4.7.2 TAX ASSETS AND LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION

	2021 \$000	2020 \$000
Current tax asset/(liability)		
Balance at beginning of year	52	215
Payments/(refunds) made	(52)	(163)
Prior year adjustments	-	-
Current tax	-	-
Net movement	(52)	(163)
Balance at end of year	-	52

4.7.3 DEFERRED TAX ASSET/(LIABILITY)

Comprises temporary differences attributable to:

	2021 \$000	2020 \$000
Deferred tax asset		
Receivables	159	216
Property, infrastructure, plant and equipment	62	103
Biological assets	-	181
Intangibles	2,041	2,041
Tax losses	4,202	1,368
Non-refundable tax offsets	518	216
Employee benefits	1,343	1,365
Sharefarm annuities and incentives	13,035	13,969
Deferred income	2,331	2,456
Restoration provisions	2,333	3,006
Auditing fees provision	63	51
Lease liability	486	528
Unrecognised net deferred asset	(2,041)	(2,041)
Total deferred tax assets	24,532	23,459
Deferred tax liability		
Property, infrastructure, plant and equipment	(3,917)	(3,448)
Biological assets	(2,724)	(4,189)
Intangibles	(2,098)	(2,793)
Hedge contracts	-	-
Total deferred tax liabilities	(8,739)	(10,430)
Net tax assets/(liabilities)	15,793	13,029
Movements:		
Opening balance	13,029	12,393
Credited to profit or loss	3,384	1,116
Credited to equity	(638)	(509)
Prior year adjustments	18	29
Closing balance	15,793	13,029

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	2021	2020
This section includes:	\$000	\$000
– Note 5.1 Infrastructure, property, plant and equipment	38,027	37,038
– Note 5.2 Right-of-use assets	1,591	1,745
– Note 5.3 Intangible assets	5,560	7,833
– Note 5.4 Biological assets	203,644	208,529
	248,822	255,145

5.1 INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Nursery infrastructure	Plant equipment and vehicles	Office equipment	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Year ended 30 June 2021						
1 July 2020						
Gross carrying amount	27,668	5,237	15,317	3,837	911	52,970
Accumulated depreciation	-	-	(11,861)	(3,479)	(592)	(15,932)
Carrying amount at start of period	27,668	5,237	3,456	358	319	37,038
Additions	-	-	-	39	-	39
Revaluation increments/(decrements) recognised in other comprehensive income	1,837	292	-	-	-	2,129
Transfers (from/(to) Level 2)	-	-	-	(113)	42	(71)
Disposals	-	-	1	-	-	1
Accumulated depreciation written back	-	-	-	-	-	-
Depreciation expense	-	(262)	(659)	(84)	(104)	(1,109)
Carrying amount at 30 June 2021	29,505	5,267	2,798	200	257	38,027
Year ended 30 June 2020						
1 July 2019						
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

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).

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.

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 2020 by the Western Australian Land Information Authority (Valuations and Property Analytics). The valuations were performed during the year ended 30 June 2021 and recognised at 30 June 2021. In undertaking the valuation, fair value was determined by reference to market values for land: \$28,426,700 (2020: \$22,614,000) and buildings: \$4,022,000 (2020: \$3,933,000). 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 and remain carried at the amount that approximates their fair value at 30 June 2021.

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

	2021 \$000	2020 \$000
Depreciation		
Buildings	262	269
Infrastructure	659	659
Plant Equipment and vehicles	84	84
Office equipment	104	87
Total depreciation for the year	1,109	1,099

As at 30 June 2021 there were no indications of impairment to property, plant and equipment or infrastructure.

All surplus assets at 30 June 2021 have either been classified as assets held for sale or have been written-off.

Finite useful lives

All infrastructure, property, plant and equipment having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits. The exceptions to this rule include assets held for sale, land and investment properties.

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

Asset	Useful life
Buildings	20 to 40 years
Computer equipment	4 years
Heavy fleet vehicles	5 years
Infrastructure	20 years
Motor vehicles	3 to 7 years
Office equipment	6 to 7 years
Office furniture	6 to 7 years
Plant and equipment	4 to 10 years

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

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

Impairment

Non-financial assets, including items of property, plant and equipment and intangibles, are tested for impairment whenever there is an indication that the asset may be impaired. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised.

Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised through profit and loss.

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

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

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

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

5.2 RIGHT-OF-USE ASSETS

	2021 \$000	2020 \$000
Right-of-use assets		
Buildings	10	4
Vehicles	1,140	1,253
Infrastructure	441	489
Net carrying amount at 30 June 2021	1,591	1,745

Additions to right-of-use assets during the 2021 financial year were \$336,641 (2020: \$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.

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

	Note	2021 \$000	2020 \$000
Buildings		90	22
Vehicles		527	622
Infrastructure		52	52
Total right-of-use asset depreciation		669	696
Lease interest expense (included in finance costs)	7.2	60	51
Expenses relating to variable lease payments not included in lease liabilities (included in Other expenditure)		767	670
Short-term leases (included in Other expenditure)		-	-
Low-value leases (included in Other expenditure)		6	6

The total cash outflow for leases in 2021 was \$1,125,778 (2020: \$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.

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

	2021	2020
	\$000	\$000
Software		
Opening gross carrying amount	1,313	1,298
Opening accumulated amortisation	(1,044)	(772)
Carrying amount at start of year	269	526
Additions	-	15
Transfers (from/(to) Level 2)	71	-
Disposals	-	-
Amortisation on disposals written back	-	-
Amortisation expense	(183)	(272)
Carrying amount at end of year	157	269
Right of use assets		
Sandalwood		
Additions	4,969	4,784
Amortisation expense	(4,969)	(4,784)
Carrying amount at end of year	-	-
Native forest		
Opening gross carrying amount	11,886	11,886
Opening accumulated amortisation	(4,322)	(2,161)
Carrying amount at start of year	7,564	9,725
Amortisation expense	(2,161)	(2,161)
Carrying amount at end of year	5,403	7,564
Total intangibles carrying amount at end of year	5,560	7,833

Initial recognition

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

Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

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

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

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

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

Licences

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

Development costs

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

Computer Software

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

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

	2021 \$000	2020 \$000
Software		
Opening accumulated amortisation	(1,044)	(772)
Disposals	-	-
Amortisation expense for the year	(183)	(272)
Closing accumulated amortisation	(1,227)	(1,044)
Right of use assets		
Sandalwood		
Amortisation expense for the year	(4,969)	(4,784)
Native forest		
Opening accumulated amortisation	(4,322)	(2,161)
Amortisation expense for the year	(2,161)	(2,161)
Closing accumulated amortisation	(6,483)	(4,322)
Total amortisation expense for the year	(7,313)	(7,217)
Closing accumulated amortisation	(7,710)	(5,366)

As at 30 June 2021 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)	2.5 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 5.11.

5.4 BIOLOGICAL ASSETS

	2021 \$000	2020 \$000
Current		
Biological assets at valuation		
Plantations		
Plantations biological assets at valuation	6,288	8,048
Total biological assets at valuation current	6,288	8,048
Non-Current		
Biological assets at valuation		
Plantations		
Mature standing timbers	192,937	194,225
Plantation sandalwood	4,418	6,256
Esperance pine	-	-
Plantations biological assets at valuation	197,355	200,481
Total biological assets at valuation non-current	197,355	200,481
Total biological assets at valuation	203,644	208,529
The plantations estate is represented by:		
Pine plantations standing timber	199,226	202,273
Plantation sandalwood	4,418	6,256
Total plantations biological assets at valuation	203,644	208,529

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

	Notes	2021 \$000	2020 \$000
Carrying amount at start of year		208,529	207,808
Net movement in biological assets	5.4.1	(9,120)	(4,431)
Add Harvey Coast/Lewana provision (movement)		(1,007)	(902)
Add expenditure for new plantations		5,242	6,054
Carrying amount at end of year		203,644	208,529

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 costs to sell. Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A gain or loss on valuation is recognised in the Statement of Comprehensive Income.

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

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

Plantation timber

The FPC values pine plantations that are managed across a broad geographic area of approximately 76,599 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 5,648 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)

During the financial year 2020-21, FPC engaged external consultants to review its presentation of financial statements, especially potential gaps in the way AASB 141 Agriculture has been applied by FPC in the past. As per the recommendation provided, FPC should recognise the cost of inventories sold, which is comprised of the fair value less costs to sell (FVLCS) of trees at the point of harvest plus conversion costs incurred between harvest and sale, separately from the gain/(loss) on valuation of biological assets in the Statement of Comprehensive Income.

Given this issue is only a matter of presentation, as it has no impact on the net result reported by the FPC and further, that there appears to be diversity of treatment across the industry, it is considered prudent that any changes and alternative options are thoroughly considered. Accordingly, the FPC will undertake a thorough review of the matter and engage with relevant stakeholders to determine the appropriate treatment to be adopted for the 2022 financial year end.

The valuation as at 30 June 2021 and movements since 30 June 2020 are summarised as follows:

	2021 \$000	2020 \$000	Movement \$000
Plantations (core)	199,226	202,273	(3,047)
Sandalwood (non-core plantations)	4,418	6,256	(1,838)
TOTAL	203,644	208,529	(4,885)
Expenditure for new plantations			(5,242)
Provision for replanting Lewana/ Harvey Coast			1,007
Statement of Comprehensive Income			(9,120)

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)

6.0 OTHER ASSETS AND LIABILITIES

Introduction

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

Structure	Notes	2021 \$000	2020 \$000
This section includes:			
Inventories	6.1	10,528	9,669
Receivables	6.2	16,208	19,422
Other current assets	6.3	2,369	2,880
Payables	6.4	21,381	18,224
Other provisions	6.5	8,545	10,749
Other liabilities	6.6	11,769	13,185

6.1 INVENTORIES

Current	2021 \$000	2020 \$000
Inventories held for resale at cost:		
– Plant propagation centre	1,423	1,724
– Sandalwood	7,877	6,293
– Timber on forest landings	1,228	1,652
	10,528	9,669

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	2021 \$000	2020 \$000
Trade and other receivables	16,739	20,092
Provision for expected credit loss	(531)	(670)
	16,208	19,422

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

	2021 \$000	2020 \$000
Balance at start of year	(670)	(916)
Amounts written off during the year	-	-
Expected credit losses expense	140	246
Balance at end of year	(531)	(670)

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 8.3 'Credit risk'.

6.3 OTHER CURRENT ASSETS

	2021	2020
Current	\$000	\$000
Prepayments	1,582	1,567
Accrued revenue	787	1,313
Total	2,369	2,880

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

	2021	2020
6.4.(a) Current	\$000	\$000
Trade payables	6,322	8,390
GST payable	(172)	(265)
Payroll tax accrual	78	83
Accrued logging costs	488	330
Other accrued expenses	10,060	4,932
Accrued salaries and wages	343	444
Land annuity obligations	435	416
Total current	17,554	14,330
6.4.(b) Non-current		
Land annuity obligations	3,827	3,894
Total non-current	3,827	3,894
Balance at end of year	21,381	18,224

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

		2021	2020
6.5.(a) Current	Notes	\$000	\$000
Provision for regeneration of native forest	6.5.1	3,745	4,810
Provision for replant (Harvey Coast/Lewana)	6.5.2	3,175	4,182
Unearned revenue	6.5.3	784	746
Provision for sandalwood plantation maintenance	6.5.4	45	70
Total current		7,749	9,808
6.5.(b) Non-current			
Provision for regeneration of native forest	6.5.1	796	719
Provision for sandalwood plantation maintenance	6.5.4	-	222
Total non-current		796	941
Balance at end of year		8,545	10,749

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 4.6.1 '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:

	2021	2020
	\$000	\$000
Provision for regeneration of native forest		
Carrying amount at start of year	5,529	4,693
Additional provisions recognised	(125)	1,467
Payments/other sacrifices of economic benefits	(863)	(631)
Carrying amount at end of year	4,541	5,529
Provision for replant (Harvey Coast/Lewana)		
Carrying amount at start of year	4,182	5,084
Payments/other sacrifices of economic benefits	(1,007)	(902)
Carrying amount at end of year	3,175	4,182
Unearned revenue		
Carrying amount at start of year	746	1,000
Additional/(reversals of) provisions recognised	38	(254)
Carrying amount at end of year	784	746
Provision for sandalwood plantation maintenance		
Carrying amount at start of year	292	341
Payments/other sacrifices of economic benefits	(292)	(49)
Carrying amount at end of year	45	292

6.6 OTHER LIABILITIES

Deferred revenue

	2021	2020
	\$000	\$000
6.6.(a) Current		
Contractual obligations	142	1,140
Forward sold log supply	1,791	2,144
	1,933	3,284
6.6.(b) Non-current		
Contractual obligations	4,752	4,484
Forward sold log supply	5,084	5,417
	9,836	9,901
Balance at end of year	11,769	13,185

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 loss from ordinary activities
- Note 7.4 Commitments
- Note 7.4.1 Lease commitments
- Note 7.4.2 Other expenditure commitments

7.1 LEASE LIABILITIES

	2021	2020
	\$000	\$000
Lease liabilities		
Current	558	508
Non-current	1,064	1,252
	1,622	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

	2021	2020
	\$000	\$000
Finance costs		
Lease Interest	60	51
Interest on contract obligations	369	504
Foreign exchange (gain)/loss	204	361
Finance costs expensed	633	916

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:

	2021	2020
	\$000	\$000
Petty cash	2	2
Cash and cash equivalents	10,926	11,520
Balance at end of year	10,928	11,522

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 LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EQUIVALENT TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:

	Notes	2021 \$000	2020 \$000
Loss from ordinary activities after income tax equivalent		(7,888)	(2,580)
Taxable items presented in Other Comprehensive Income			
Remeasurements of defined benefit liability		4	5
Non-cash items:			
Depreciation and amortisation expense	5.1.1; 5.2.1; 5.3.1	9,091	9,012
Movement in provision for doubtful debts	6.2.1	(140)	(246)
Change in fair value of biological assets	5.4.1	9,120	4,431
Decrease/(increase) in assets:			
Current inventories		(858)	(2,787)
Current receivables		3,071	(21)
Other current assets		2,323	9,012
Other assets		(11,145)	(18,738)
Increase/(decrease) in liabilities:			
Payables		3,224	(8,927)
Unearned revenue and deferred income		1,378	1,121
Other liabilities		(2,581)	714
Net cash provided by operating activities		5,599	(9,004)

7.4 COMMITMENTS

7.4.1 LEASE COMMITMENTS

	2021 \$000	2020 \$000
Commitments for minimum lease payments are payable as follows:		
Within 1 year	1,061	547
Later than 1 year and not later than 5 years	4,220	1,571
Later than 5 years	641	393
Non-cancellable leases	5,922	2,511

Payments for short-term and low value leases 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, which are not included within the statement of financial position, refer to note 5.2.

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.

7.4.2 OTHER EXPENDITURE COMMITMENTS

	2021 \$000	2020 \$000
Expenditure commitments, being contracted expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	1,246	1,415
Later than 1 year and not later than 5 years	3,216	3,749
	4,462	5,164

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

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 Contingent assets and liabilities
 - Note 8.5.1 Contingent assets
 - Note 8.5.2 Contingent liabilities
- Note 8.6 Fair value measurements
 - Note 8.6.1 Fair value measurements - land, buildings and infrastructure
 - Note 8.6.2 Fair value measurements - biological assets
 - Note 8.6.3 Discount rates

8.1 FINANCIAL RISK MANAGEMENT OBJECTIVES

The FPC has exposure to the following risks:

- Market risk
- Credit risk
- Liquidity risk

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

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

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

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

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

8.2 MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates and commodity prices, will affect the FPC's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The FPC enters into derivatives in order to manage market risks around currency risk. All such transactions are carried out within the guidelines set by the FPC's Foreign Exchange Hedging Policy. Generally the FPC seeks to apply hedge accounting in order to manage volatility in profit or loss.

The FPC believe that commodity risk for sandalwood stock is minimal due to the non-perishable nature of the slightly higher stock holdings, following reduced sales to China. New markets have now been established in other regions.

8.2.1 CURRENCY RISK

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

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

Australian dollars	Average exchange rates		Reporting date exchange rates	
	2021	2020	2021	2020
USD	0.7468	0.6714	0.7518	0.6863

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

	2021 \$000	2020 \$000
USD bank account	51	489

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 10 per cent change in exchange rates.

2021	Carrying amount (\$000's)	-10% change		+10% change	
		Profit (\$000's)	Equity (\$000's)	Profit (\$000's)	Equity (\$000's)
Financial Assets					
USD Bank Account	67	5	5	(4)	(4)

USD rate used in this analysis was the spot rate as at 30 June 2021: 1 AUD = 0.7518

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

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

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)	2021 \$000	2020 \$000
Discount rate (real, pre-tax):	+300 bpts	(76,359)	(62,656)
	-300 bpts	205,289	145,735
Expected future sales values	+3%	32,129	29,036
	-3%	(32,129)	(29,036)
Expected future costs	+3%	(22,947)	(17,038)
	-3%	22,943	17,034

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.

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

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

	Total \$000	Current \$000	Days past due			
			<30 days \$000	31-60 days \$000	61-90 days \$000	>90 days \$000
30 June 2021						
Expected credit loss rate		0.97%	3.19%	5.35%	0.00%	45.21%
Estimated total gross carrying amount at default	16,739	10,670	3,260	1,944	122	743
Expected credit losses	(531)	(104)	(104)	(104)	-	(336)
1 July 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)

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:

	2021 \$000	2020 \$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	32	17
	32	17
Available facilities not in use as at reporting date:		
Credit cards	718	733
Bank overdraft facility	9,000	9,000
	9,718	9,733

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
2021							
Financial assets							
Commonwealth Bank Cash Management Account	7.3.1	0.33%	10,859	10,859	-	-	-
Commonwealth Bank USD Account	7.3.1	0.00%	67	67	-	-	-
Trade receivables	6.2	n/a	16,739	16,739	-	-	-
Provision for expected credit losses	6.2.1	n/a	(531)	(531)	-	-	-
Collateral security held - cash	9.8	n/a	4,525	4,525	-	-	-
Collateral security held - non cash		n/a	9,034	9,034	-	-	-
Total credit exposure - trade receivables		n/a	29,767	29,767	-	-	-
Foreign exchange contracts		n/a	-	-	-	-	-
			40,693	40,693	-	-	-
Financial liabilities							
Trade payables	6.4	n/a	6,322	6,322	-	-	-
Foreign exchange contracts		n/a	-	-	-	-	-
Land annuities payable		n/a	5,337	443	443	1,329	3,122
			11,659	6,765	443	1,329	3,122
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	9.8	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

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)
2021					
Financial assets					
Cash and cash equivalents	10,926	(81)	(81)	81	81
Financial liabilities					
Land annuities payable	4,262	(179)	(179)	164	164
2020					
Financial assets					
Cash and cash equivalents	11,520	(81)	(81)	81	81
Financial liabilities					
Land annuities payable	4,309	(181)	(181)	166	166

8.5 CONTINGENT ASSETS AND LIABILITIES

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

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

8.5.1 CONTINGENT ASSETS

There are no contingent assets as at reporting date.

8.5.2 CONTINGENT LIABILITIES

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

Resource shortfall

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

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

Contaminated sites

Under the *Contaminated Sites Act 2003* (Act), the FPC is required to report known and suspected contaminated sites to the Department of Water and Environment Regulation (DWER). In accordance with the Act DWER classifies these sites. DER classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as contaminated – remediation required or possibly contaminated - investigation required, the FPC may have a liability in respect of investigation or remediation expenses.

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

8.6 FAIR VALUE MEASUREMENTS

Valuation processes

There were no changes in valuation techniques during the period. 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 year \$000
2021				
Land	-	-	29,505	29,505
Buildings	-	-	5,267	5,267
Infrastructure	-	-	2,797	2,797
Total land, buildings and infrastructure	-	-	37,569	37,569
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

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

Fair value measurements using significant unobservable inputs (Level 3)

	Land \$000	Buildings \$000	Infrastructure \$000
2021			
Fair value at start of year	27,668	5,237	3,456
Additions	-	-	-
Revaluation increments/(decrements) recognised in other comprehensive income	1,837	292	-
Disposals	-	-	-
Depreciation expense	-	(262)	(659)
Fair value at end of year	29,505	5,267	2,797
Total gains or losses for the period included in profit or loss, under 'other gains'	-	-	-
2020			
Fair value at start of year	24,253	5,367	1,970
Additions	4,031	-	-
Revaluation increments/(decrements) recognised in other comprehensive income	(616)	169	2,145
Disposals	-	(30)	-
Depreciation expense	-	(269)	(659)
Fair value at end of year	27,668	5,237	3,456
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 30/06/2021 \$000	Fair value 30/06/2020 \$000	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs to fair value
Land	29,505	27,668	Market approach	Selection of land with similar approximate utility	Higher value of similar land increases estimated fair value.
Buildings	5,267	5,237	Market approach	Consumed economic benefit/ obsolescence of asset	Greater consumption of economic benefit or increased obsolescence lowers fair value.
Infrastructure	2,798	3,456	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 year \$000
2021				
Plantations	-	-	203,644	203,644
Total biological assets	-	-	203,644	203,644
2020				
Plantations	-	-	208,529	208,529
Total biological assets	-	-	208,529	208,529

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

Fair value measurements using significant unobservable inputs (Level 3)

	2021 \$000	2020 \$000
Fair value at start of period	208,529	207,808
Additions	4,235	5,152
Net movement in biological assets	(9,120)	(4,431)
Fair value at end of year	203,644	208,529

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. For the year ended 30 June 2021 Margules Groome was contracted for this work (2020: Indufor Asia Pacific Ltd).

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 (Margules Groome).

Biological assets (Level 3 fair values)

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

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

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

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

	2021 \$000	2020 \$000
Opening balance 1 July	208,529	207,808
Volume	12,386	8,597
Revenue	23,609	817
Expense	(30,698)	(11,027)
Discount rate	(8,344)	-
Plantation sandalwood	(1,838)	2,334
Esperance pine	-	-
Closing balance 30 June	203,644	208,529

8.6.3 DISCOUNT RATES

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

	2021	2020
Plantation pine	8.77%	8.30%
Plantation sandalwood	9.30%	10.30%

The discount rate is real and pre-tax.

9.0 OTHER DISCLOSURES

Introduction

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

Structure

This section includes:

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

9.1 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

Plantation Energy Australia, a residue customer of the FPC, entered into administration in July 2021, balances have been provided for where their recovery is in doubt.

9.2 KEY MANAGEMENT PERSONNEL

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

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

Compensation of Members of the Accountable Authority

Compensation band (\$)	No. of members	No. of members
	2021	2020
50,001 - 60,000	1	1
20,001 - 30,000	4	4
10,001 - 20,000	-	2
0 - 10,000	1	1
	2021	2020
	\$000	\$000
Total fees received by non-executive Commissioners	156	180

Compensation of Senior Officers

Compensation band (\$)	No. of employees	No. of employees
	2021	2020
290,001 - 300,000	1	-
280,001 - 290,000	-	1
230,001 - 240,000	1	-
200,001 - 210,000	-	1
190,001 - 200,000	-	1
180,001 - 190,000	2	-
170,001 - 180,000	-	2
160,001 - 170,000	2	1
150,001 - 160,000	3	1
140,001 - 150,000	1	-
130,001 - 140,000	1	1
100,001 - 110,000	1	1
80,001 - 100,000	1	-
50,001 - 80,000	1	2
30,001 - 50,000	1	1
0 - 30,000	1	1

	2021 \$000	2020 \$000
Short term employee benefits	2,110	1,783
Post employment benefits	196	126
Other long term benefits	-	-
Total compensation of Senior Officers	2,306	1,909

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

9.3 RELATED PARTY TRANSACTIONS

The FPC is a wholly owned and controlled entity of the State of Western Australia.

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 State and entities related to the State. These transactions are generally based on the standard terms and conditions that apply to all agencies. Significant transactions include:

	2021 \$000	2021 \$000
State Government operating subsidy (Note 3.3)	200	200
Recoup of costs from DBCA (Note 3.6)	463	638
Recoup of costs from Synergy (Note 3.6)	485	295
Payments to DBCA (Note 4.6.1)	(3,758)	(6,583)
Superannuation payments to GESB (Note 4.3.1)	(256)	(424)
Insurance payments to the Insurance Commission of WA (Riskcover) (Note 4.6.1)	(905)	(997)
Payment for services provided to the Auditor General (Note 9.5)	(170)	(170)
Payment to State Solicitors Office (SSO)	(70)	(3,944)

	2021 \$000	2021 \$000
Payment for services provided to the Department of Finance (Note 4.6.1)	(488)	(818)
Payment for services provided by the Department of Primary Industries and Regional Development (Note 4.6.1)	(318)	(252)

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.

9.4 RELATED AND AFFILIATED BODIES

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

9.5 REMUNERATION OF AUDITOR

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

	2021 \$000	2020 \$000
Auditing the accounts, financial statements, controls and key performance indicators	170	170

9.6 EQUITY

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

	2021 \$000	2020 \$000
Contributed equity		
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

9.6.1 RESERVES

	2021 \$000	2020 \$000
Asset revaluation surplus		
Balance at start of the year	11,509	10,322
Net asset revaluation increase (Note 5.1)	2,128	1,696
Deferred tax on items of other comprehensive income (Note 4.7.3)	(638)	(509)
	12,999	11,509

9.6.2 CASHFLOW HEDGE RESERVE

	2021 \$000	2020 \$000
Balance at start of the year	-	5
Net movement in reserve	-	(7)
Income tax on items of other comprehensive income	-	2
Balance at end of the year	-	-
	12,999	11,509

Forward exchange contracts are held to hedge against fluctuations in US dollars (Note 8.2.1).

9.6.3 RETAINED EARNINGS

	2021 \$000	2020 \$000
Balance at start of the year	(24,504)	(21,929)
Profit for the year	(7,884)	(2,575)
Dividend paid	-	-
Balance at end of the year	(32,388)	(24,504)

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

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

9.7 SUPPLEMENTARY FINANCIAL INFORMATION

(a) Write-offs

During the previous year, the Board approved nil (2020: Nil) of debtors to be written off.

	2021 \$000	2020 \$000
Debtors	-	-
Total	-	-

9.8 FUNDS HELD IN TRUST

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

	2021 \$000	2020 \$000
Opening balance	3,946	3,485
Receipts	725	585
Payments	(146)	(124)
Closing balance	4,525	3,946

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

9.9 FUTURE IMPACT OF AUSTRALIAN STANDARDS ISSUED NOT YET EFFECTIVE

The FPC cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 Application of Australian Accounting Standards and Other Pronouncements or by an exemption from TI 1101. Where applicable, the FPC plans to apply the following Australian Accounting Standards from their application date:

AASB 1060	General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.	1 Jul 2021
	This Standard sets out a new, separate disclosure standard to be applied by all entities that are reporting under Tier 2 of the Differential Reporting Framework in AASB 1053.	
	There is no financial impact.	

AASB 2020-1	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current There is no financial impact.	1 Jan 2023	AASB 2021-1	Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities This Standard amends AASB 1060 to provide not-for-profit entities with optional relief from presenting comparative information in the notes to the financial statements where the entity did not disclose the comparable information in its most recent previous general purpose financial statements. There is no financial impact.	1 Jul 2021
AASB 2020-3	Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments This Standard amends: (a) AASB 1 to simplify the application of AASB 1; (b) AASB 3 to update a reference to the Conceptual Framework for Financial Reporting; (c) AASB 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability; (d) AASB 116 to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset; (e) AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making; and (f) AASB 141 to remove the requirement to exclude cash flows from taxation when measuring fair value. There is no financial impact.	1 Jan 2022	AASB 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates This Standard amends: (a) AASB 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements; (b) AASB 101, to require entities to disclose their material accounting policy information rather than their significant accounting policies; (c) AASB 108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates; (d) AASB 134, to identify material accounting policy information as a component of a complete set of financial statements; and (e) AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures. There is no financial impact.	1 Jan 2023
AASB 2020-6	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date This Standard amends AASB 101 to defer requirements for the presentation of liabilities in the statement of financial position as current or non-current that were added to AASB 101 in AASB 2020-1. There is no financial impact.	1 Jan 2022	AASB 2021-3	Amendments to Australian Accounting Standards – Covid-19- Related Rent Concessions beyond 30 June 2021 This Standard amends AASB 16 to extend by one year the application period of the practical expedient added to AASB 16 by AASB 2020-4. There is no financial impact.	1 Apr 2021
AASB 2020-7	Amendments to Australian Accounting Standards – Covid-19- Related Rent Concessions: Tier 2 Disclosures This Standard adds new disclosure requirements to AASB 1060. There is no financial impact.	1 Jul 2021			

9.10 EXPLANATORY STATEMENT

Significant variations between estimates and actual results for 2021 and between the actual results for 2021 and 2020 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 2021 \$000	Actual 2021 \$000	Actual 2020 \$000	Variance Est to 201 \$000	Variance 2021-2020 \$000
Continuing operations						
Income						
Sales of forest products	1, A	128,939	114,520	122,128	(14,419)	(7,608)
Commonwealth grants and contributions		-	111	-	111	111
Interest income		96	31	202	(65)	(171)
Other income	2	1,058	6,383	6,309	5,325	74
Gain on disposal of non-current assets		-	15	0	15	15
Gains from foreign exchange		-	147	-	147	147
Total income		130,093	121,207	128,839	(8,886)	(7,432)
Expenses						
Production expenses	3	80,066	74,368	74,415	5,698	47
Employee benefits expense		20,678	20,270	21,269	408	999
Supplies and services	B	18,311	16,785	19,721	1,526	2,936
Depreciation and amortisation expense	4	4,213	9,091	9,012	(4,878)	(79)
Finance costs		563	633	916	(70)	283
Accommodation expenses		1,053	656	854	397	198
Grants and subsidies		40	60	117	(20)	57
Loss on disposal of non-current assets		-	5	33	(5)	28
Other expenses		1,584	1,443	1,412	141	(31)
Total operating expenses		126,508	123,311	127,749	3,197	4,438
Operating profit / (loss)		3,585	(2,104)	890	(5,689)	(2,994)
Other economic flows included in net result						
Net movement in biological assets	5, C	(1,060)	(9,120)	(4,431)	(8,060)	(4,689)
Onerous contracts		332	(267)	(381)	(599)	114
Grants and subsidies from State Government		-	200	200	200	-
Other economic flows included in net result before income tax		(728)	(9,187)	(4,612)	(8,459)	(4,575)
Income tax benefit / (expense)	6	(857)	3,403	1,142	4,260	2,261
Net result from continuing operations after income tax		2,000	(7,888)	(2,580)	(9,888)	(5,308)

9.10.2 STATEMENT OF FINANCIAL POSITION VARIANCES

	Variance note	Estimate 2021 \$000	Actual 2021 \$000	Actual 2020 \$000	Variance Est to 2021 \$000	Variance 2021-2020 \$000
ASSETS						
Current assets						
Cash and cash equivalents		13,484	10,928	11,522	(2,556)	(594)
Inventories		9,598	10,528	9,669	930	859
Receivables		16,070	16,208	19,422	138	(3,214)
Income tax receivable		52	-	52	(52)	(52)
Biological assets		8,048	6,288	8,048	(1,760)	(1,760)
Other current assets		2,804	2,369	2,880	(435)	511
Total current assets		50,056	46,321	51,593	(3,735)	(5,272)
Non-current assets						
Infrastructure, property, plant and equipment		36,476	38,027	37,038	1,551	989
Deferred tax assets		12,171	15,793	13,029	3,622	2,765
Biological assets		204,231	197,355	200,481	(6,876)	(3,127)
Right of use assets		1,683	1,591	1,745	(92)	(154)
Intangible assets		5,403	5,560	7,833	157	(2,273)
Total non-current assets		259,964	258,326	260,126	(1,638)	(1,800)
Total assets		310,020	304,647	311,719	(5,373)	(7,072)
LIABILITIES						
Current liabilities						
Payables		15,045	17,554	14,330	2,509	3,224
Lease liabilities		509	558	508	49	50
Employee related provisions		3,586	3,508	3,585	(78)	(77)
Other provisions		9,877	7,749	9,808	(2,128)	(2,059)
Deferred revenue		450	1,933	3,284	1,483	(1,351)
Total current liabilities		29,467	31,302	31,515	1,835	(213)
Non-current liabilities						
Payables		3,444	3,827	3,894	383	(67)
Lease liabilities		1,152	1,064	1,252	(88)	(188)
Employee related provisions		966	966	966	-	-
Other provisions		941	796	941	(145)	(145)
Deferred revenue		8,801	9,836	9,901	1,035	(65)
Total non-current liabilities		15,304	16,489	16,954	1,185	(465)
Total liabilities		44,771	47,791	48,469	3,020	(678)
Net assets		265,249	256,856	263,250	(8,393)	(6,394)
Equity						
Contributed equity		276,245	276,245	276,245	-	-
Reserves		11,509	12,999	11,509	1,490	1,490
Accumulated surplus / (deficit)		(22,505)	(32,388)	(24,504)	(9,883)	(7,884)
Total equity		265,249	256,856	263,250	(8,393)	(6,394)

9.10.3 STATEMENT OF CASH FLOW VARIANCES

	Variance note	Estimate 2021 \$000	Actual 2021 \$000	Actual 2020 \$000	Variance Est to 2021 \$000	Variance 2021-2020 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts						
Receipts from external customers	1, A	130,200	127,164	130,789	(3,036)	(3,625)
Interest received		96	31	202	(65)	(171)
Other receipts		1,083	1,753	1,093	670	660
Total receipts		131,379	128,948	132,084	(2,432)	(3,137)
Payments						
Payments for employee benefits		(20,973)	(20,461)	(20,793)	512	332
Payments to suppliers	2, B	(23,018)	(26,638)	(30,240)	(3,620)	3,602
Forest management expenditure	3, C	(79,644)	(76,250)	(90,055)	3,394	13,805
Total payments		(123,635)	(123,349)	(141,088)	287	17,740
Net cash inflow from operating activities		7,744	5,599	(9,004)	(2,145)	14,603
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of non-current physical assets		-	15	-	15	15
Purchase of non-current physical assets	D	(600)	(40)	(4,547)	560	4,507
Purchase of intangible assets		-	-	-	-	-
Investment in new plantations		(4,810)	(5,242)	(6,054)	(432)	812
Net cash used in investing activities		(5,410)	(5,267)	(10,601)	143	5,334
CASHFLOWS FROM FINANCING ACTIVITIES						
Payments						
Lease payments		(572)	(1,126)	(641)	(554)	(485)
Net cash used in financing activities		(572)	(1,126)	(641)	(554)	(485)
CASH FLOWS FROM / (TO) STATE GOVERNMENT						
Other grants and subsidies		200	200	200	-	-
Dividends paid		-	-	-	-	-
Taxation equivalents		-	-	164	-	(164)
Net cash provided from (to) State Government		200	200	364	-	(164)
Net increase/(decrease) in cash and cash equivalents		1,962	(594)	(19,882)	(2,556)	19,288
Cash and cash equivalents at the beginning of the period		11,522	11,522	31,404	-	(19,882)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		13,484	10,928	11,522	(2,556)	(594)

9.10.4 SIGNIFICANT VARIANCES BETWEEN ESTIMATE AND ACTUAL FOR 2021 AND/OR BETWEEN ACTUALS FOR 2021 AND 2020:

Statement of Comprehensive Income

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

- 1) Native forest segment was less than the estimate due to combination of delays, lower value product recovery and capacity constraints. 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 a weak domestic market and delays related to the Chinese international market.
- 2) Other income was greater than forecast due to the change in accounting treatment for the annual sandalwood contributory income not yet included in estimates.
- 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) Higher amortisation expense resulted from the unbudgeted amortisation of the annual sandalwood and native forest licences during the year.
- 5) A reduction in the valuation for Plantation biological assets combined with a reduction in sandalwood plantations due to a higher AUD.
- 6) The higher than estimated tax benefit resulted from the higher variance in biological asset movements.

Variations between 2021 and 2020 (\$000's)

- A) Sales of forest products in native forest was lower than the previous year due to lower high-value products and contractor capacity constraints. Plantations segment performed below the previous year due to slightly lower volumes, partially offset by improvement in market demand in structural wood products in 2021. A better performance in native forest and plantations has been partly offset by the downturn in domestic sales, despite slightly higher international market sales.
- B) A reduction in expenditure due to Covid restrictions impacting the ability to engage consultants and other professional services, including for software development and implementation.
- C) A reduction in the valuation for Plantation biological assets combined with a reduction in sandalwood plantations due to a higher AUD.

Statement of Financial Position

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

- 1) Nil.

Variations between 2021 and 2020 (\$000's)

Nil.

Statement of Cash Flows

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

- 1) Decreased receipts resulted from lower sales revenues in all areas, as outlined above.
- 2) Higher payments to suppliers included costs for transition to the GovNext cloud service and other technology improvements.
- 3) Lower expenditure than forecast in forest management resulted from the reduction in forecast forestry production operations.

Variations between 2021 and 2020 (\$000's)

- A) Decreased sales volumes resulted in lower revenue receipts in 2021, per above.
- B) Decreased payments to suppliers resulted from lower administration and professional services programs being initiated during Covid restrictions during 2021.
- C) Decreased expenditure in forest management resulted from lower than forecast forest operations activity due to the reduced production in 2021.
- D) Land was purchased for softwood expansion in 2020, with no land purchased in 2021.



Key performance indicators



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 2021.



Mr Ross Holt
Chair
3 September 2021



Mr Robert Pearce
Commissioner
3 September 2021

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Introduction

Some changes were made to KPIs for 2019-2020 financial year onwards reporting to improve relevance and wording. Where available, data has been presented for the previous four 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:** Facilitate a vibrant forestry industry to deliver social and economic benefits to Western Australian communities, particularly in regional Western Australia
- G2:** Deliver healthy forests for future generations
- 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.

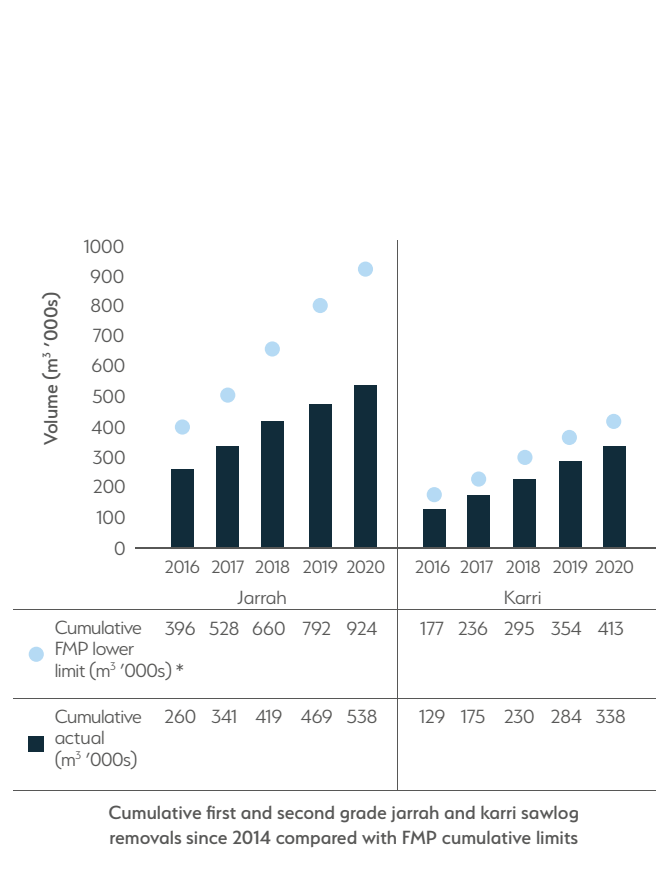
The harvested volume may vary between years depending on the customer demand for log products, and the volumes harvested in previous years. The FPC monitors harvest levels to ensure volumes removed stay within cumulative allowable limits over the 10 year period of the FMP from 2014 to 2023.

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)



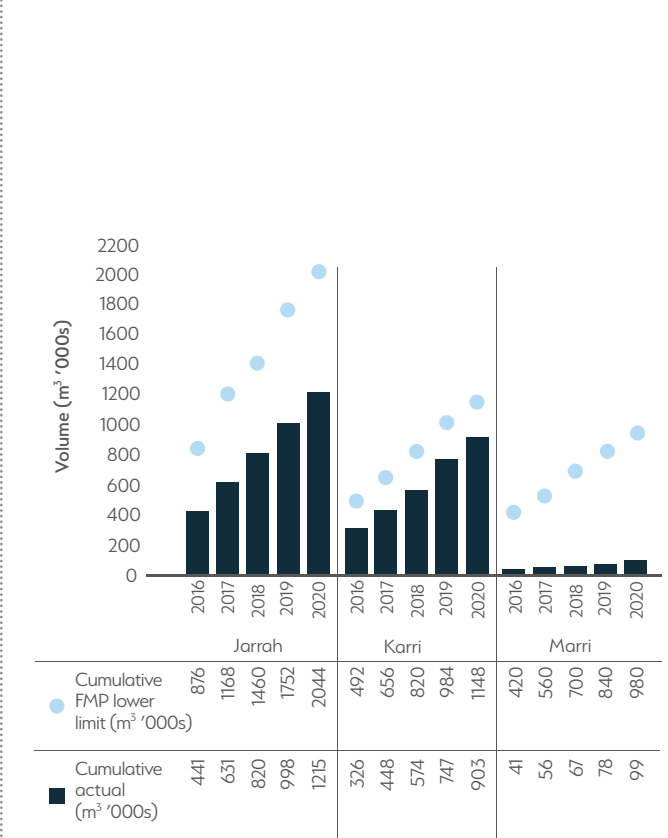
* Refer to FMP (2014-2023) Table 4, which specifies lower limits for average annual allowable cut of first and second grade jarrah and karri sawlogs. These have been used as the basis for cumulative limits.

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 1,000m³.

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.



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

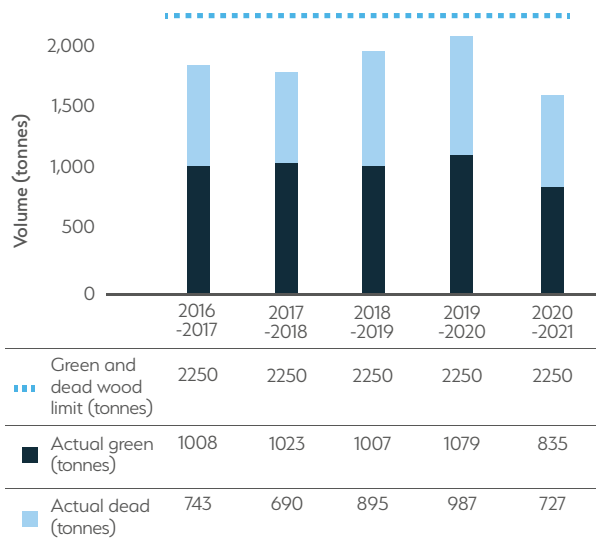
* Refer to FMP (2014-2023) Table 5, which specifies lower limits for average annual allowable cut of other bole volume for jarrah, karri and marri. This has been used as the basis for cumulative limits.

2. Harvest of sandalwood does not exceed licence limits

Target: Sandalwood harvest does not exceed licence limits

During 2020-2021 the FPC was granted a one-year licence for the harvest of 2,250 tonnes of WA wild sandalwood (*Santalum spicatum*). For 2020-2021 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 each of the last five years, with levels not exceeding the quantities available to FPC.



Harvest of sandalwood does not exceed licence limits

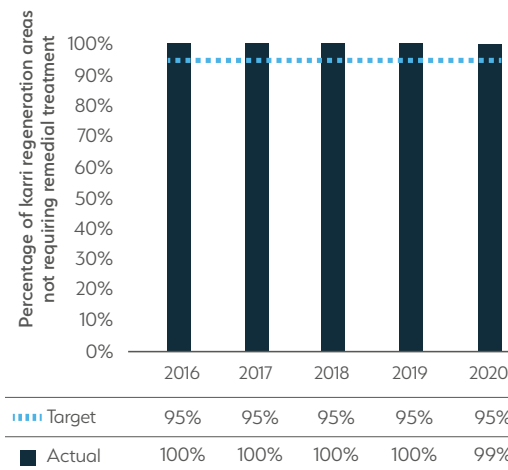
3. Effectiveness of forest regeneration

Regeneration of native forests is essential for maintaining productive capacity, biological diversity and sustainability. Regeneration works are 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 not requiring remedial treatment

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*. In 2020 over 99% of karri areas were successfully regenerated. 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.



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.

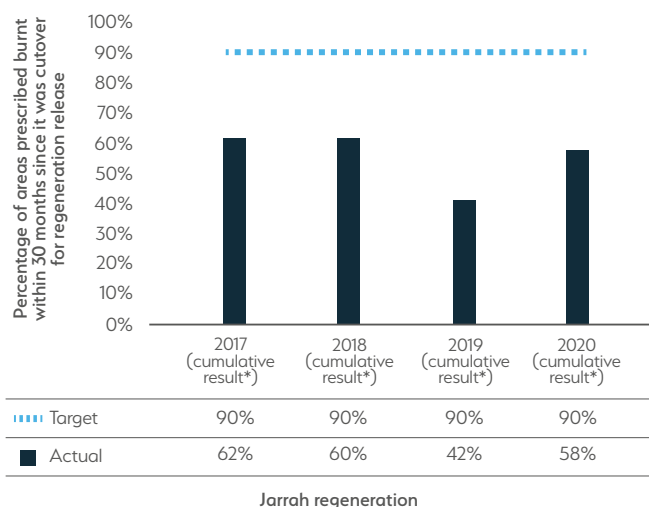
Key performance indicators

Key effectiveness indicators

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.

While improved from the previous year, the 2020 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.



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

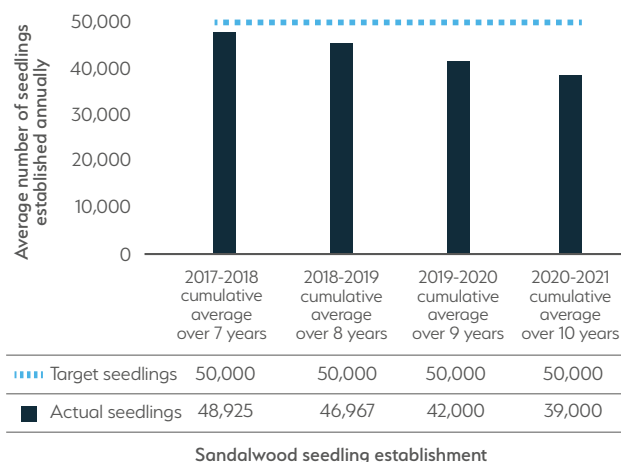
Sandalwood

Target: Average 50,000 seedlings established annually

Each year between September and April the FPC undertakes a significant direct seeding program in areas harvested for wild Western Australian sandalwood. Areas are selected for this regeneration program based on a number of criteria including fire risk and grazing pressure. Seedling survival is assessed in the summer after seeding to calculate the 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. Including the 2019-2020 program this program has now been running for 10 years. Hence, seedling establishment is currently below the target of 50,000 seedlings established annually. Since 2017 there has been minimal winter rainfall across the seeding operation areas. However, additional seeds may germinate in subsequent years as seeds remain viable for several years in the soil. Good rainfall in the winter of 2021 has raised hope that good seedling numbers will be recorded when surveys are completed in the coming summer.

In 2018-2019 and 2019-2020, the FPC expanded its seeding program significantly and sowed over 20 tonnes of sandalwood seed in each year. The program was reduced to 10 tonnes in 2020-2021 as a one off cost saving measure during the COVID-19 pandemic.



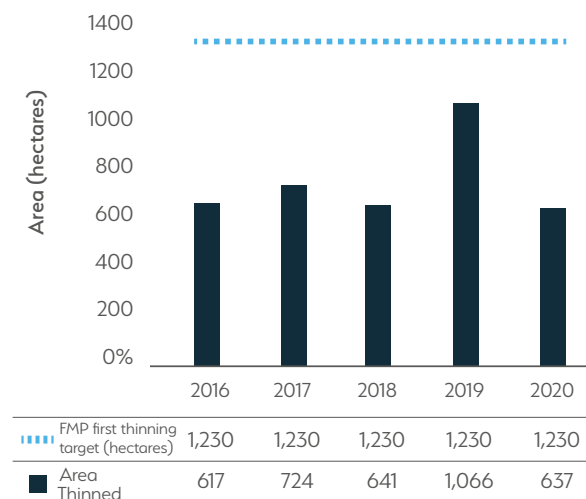
4. The achievement of thinning schedules

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.

Karri

Target: Meet Forest Management Plan thinning schedules

The FMP prescribes a target area for first thinning of young karri forest. As the FMP schedule is based on a calendar year, this KPI is reported on a calendar year basis. The achievement of thinning targets is limited by both volume available under the FMP and by market demand for arising products. Once again, in 2020 the target area was not achieved.

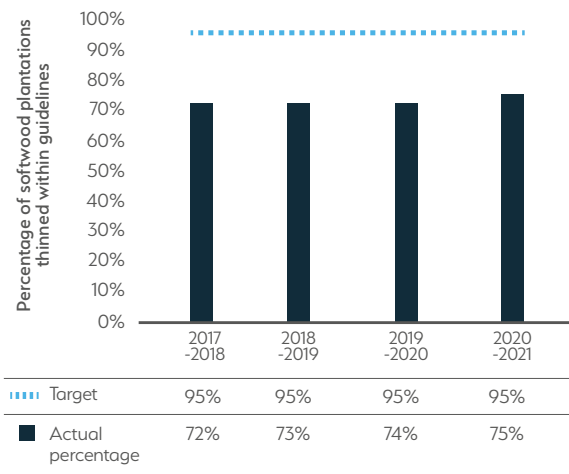


Softwood plantations

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

Softwood plantations 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 acknowledges some plantations do not grow at expected rates and that market conditions may not be favourable for commercial thinning since commercial markets are needed for arising products. The FPC continues its efforts to bring the plantation thinning schedule back in line with the guidelines.

In 2020-2021 financial year 75 per cent of softwood plantations were compliant with thinning schedules.



Softwood plantation thinning

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.

No sandalwood thinning was completed in 2019-2020 due to the FPC not being able to secure contractor capacity for this work. Due to a difficult operating environment at the start of the 2020-2021, a decision was made again not to proceed with the planned sandalwood plantation thinning program. As a consequence of two years without thinning, the FPC now plans to conduct a fresh assessment of the sandalwood plantation estate to investigate the viability of continuing with this program.

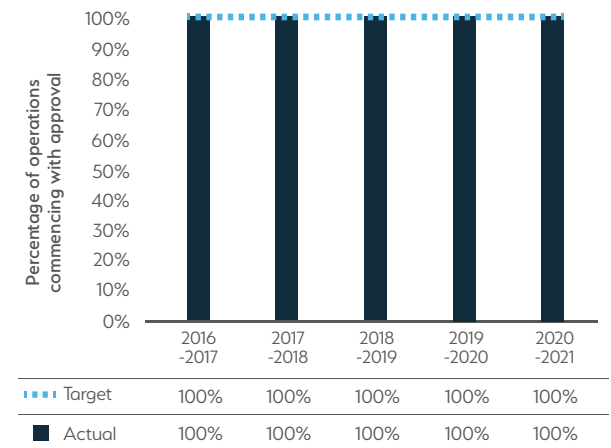
With the majority of plantations now exceeding or approaching 14 years of age, a delayed thinning for the commercial product may be possible. A forest health assessment will determine this.

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.



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 2020-2021 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 entire business is covered by ISO14001:2015.

The FPC's primary forest certification, SFM, is internationally recognised by the Program for the Endorsement of Forest Certification (PEFC). In 2021, the FPC achieved certification to Chain of Custody PEFC ST 2002:2013 for wild and plantation sandalwood, as well as the extension of our AS 4708:2013 certification to include the sustainable management of wild sandalwood. The FPC are now able to market our wild and plantation grown native sandalwood products as 100 per cent PEFC Certified as well as PEFC Controlled Source.

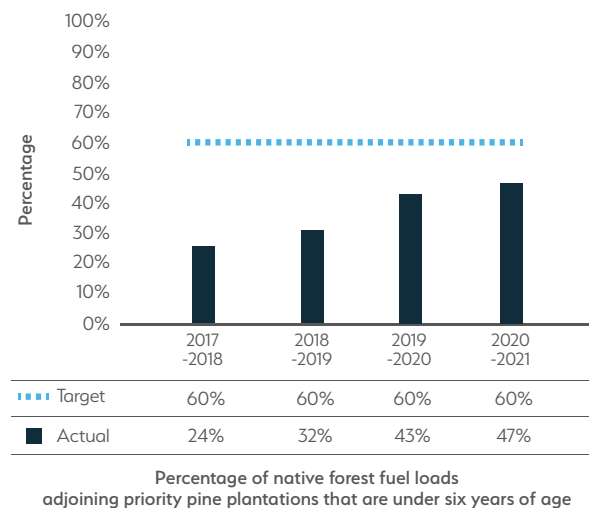
7. Management of native forest fuel loads adjacent to priority pine plantations

Target: There is an annual increase in the percentage of DBCA managed 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 per cent

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 per cent 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.

Results for each financial year are collated following the Autumn burn period. As of 30 June 2021, there were 28 priority plantations and the percentage of adjoining DBCA managed native forest fuel loads less than six years old has increased to 47 per cent from 43 per cent last financial year.

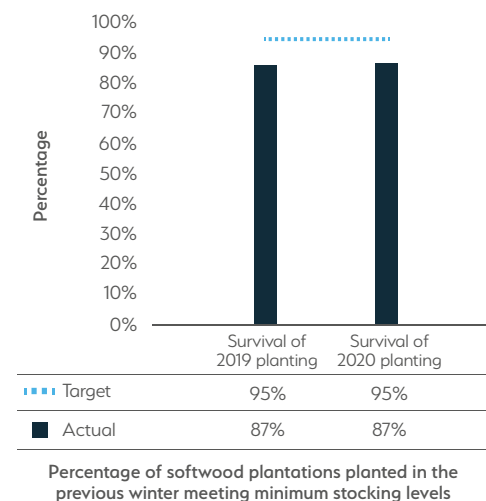


8. Softwood plantations planted in the previous winter meet minimum stocking levels

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. 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 2020 seedling mortality leading to the 87 per cent survival result was mainly due to weed competition in some areas.

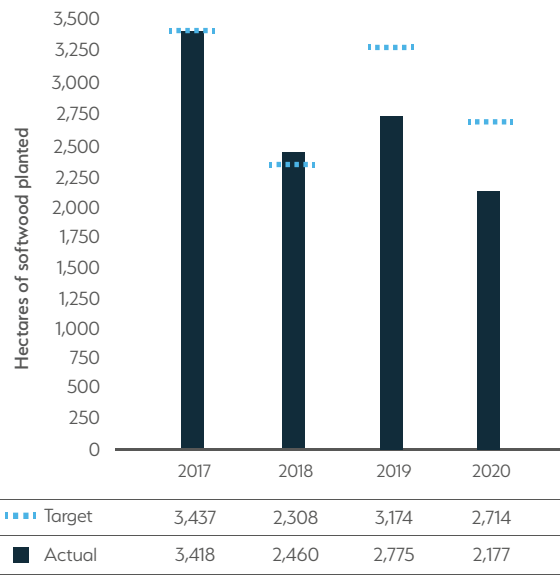


9. First and second rotation softwood planting targets are achieved

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 2020 results overall were under target. While the FPC exceeded the second rotation target, it could not source sufficient new land to meet the first rotation softwood plantation expansion target.

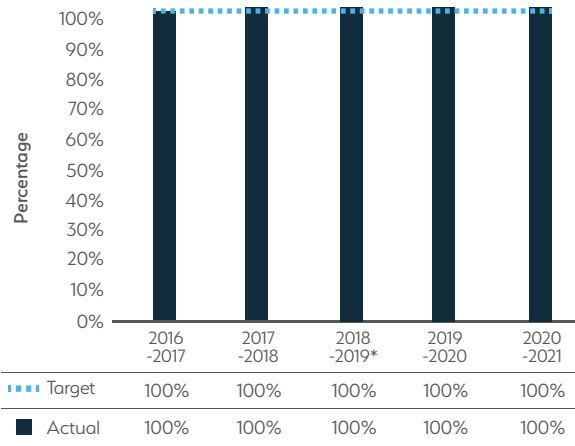


First and second rotation softwood planting

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.



Native forest resource processed locally

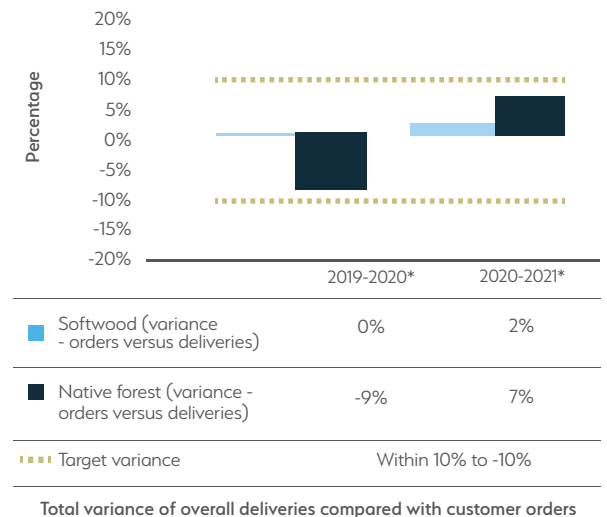
* Not including any export undertaken in breach of contracts..

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 for 2019-2020 financial year reporting. This KPI intends to monitor how well the FPC is fulfilling customer orders. Across each financial year, the total of customer orders is compared against the total customer deliveries. If the FPC deliveries have a variance of no greater than 10 per cent above or below the customers’ total orders, the KPI has been achieved. While financial year figures show overall deliveries ahead of orders, analysis at the product level, in particular for jarrah sawlog, was more challenging and supply fell short of target.

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



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

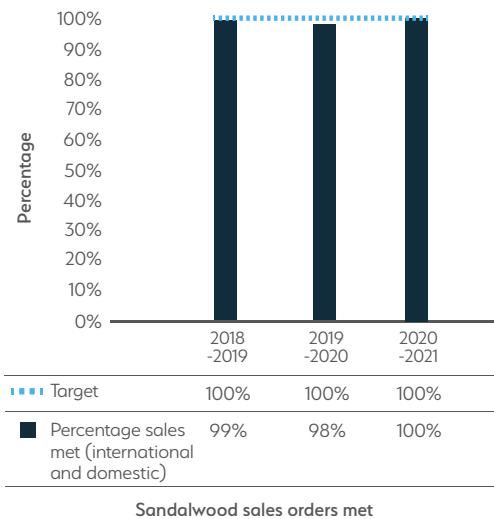
12. Sandalwood sales orders

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 2020-2021, 100 per cent of all sandalwood sales orders were met. The ability for the FPC to meet its 100 per cent sales targets is based on several factors, including resource availability, stock levels and the market environment across the domestic and export sectors.

The graph below shows the percentage of international and domestic sales met against the sandalwood sales order target.

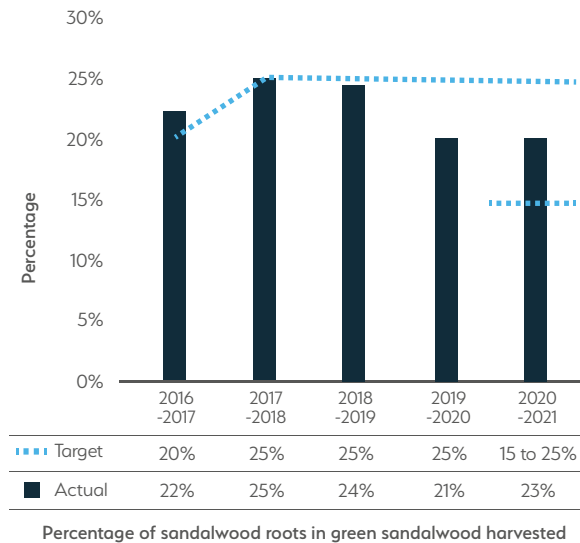


13. Green sandalwood roots as a percentage of green sandalwood harvested

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.

However, during the 2019-2020 reporting period the FPC did not meet the previous KPI target as contractors were requested 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 was investigated further. As such for the 2020-2021 reporting year the target was adjusted to a range of between 15-25% to enable a better balance between quality of product and utilisation.



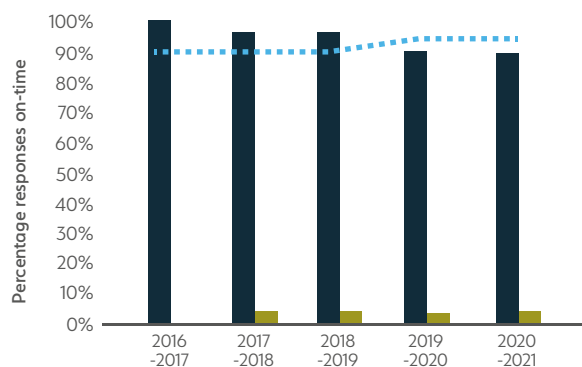
Key efficiency indicators

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 was 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.



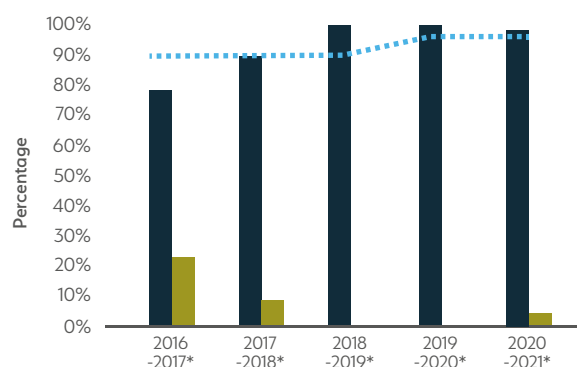
Timeliness of response to stakeholder concerns or complaints

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 was raised from 90 per cent to 95 per cent in 2019-2020.



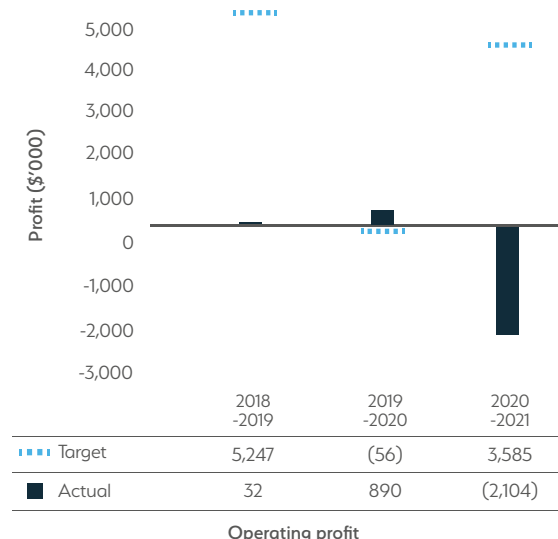
Responses to Ministerial requests and Parliamentary Questions provided on time

* 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 reported a \$2.1 million operating loss result in the 2020-2021 year against a budgeted profit of \$3.6million. Refer to note 9.10.1 of the financial statements of this annual report for information on the variance between target and actuals.



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.

Native Forest

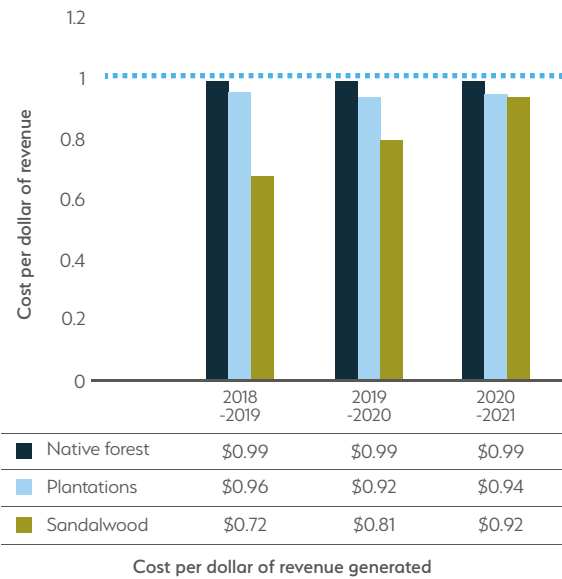
The unit cost per dollar generated in 2020-2021 remained stable and consistent with the prior years.

Plantation

The year's result was negatively impacted by higher sales of lower margin products and additional costs associated with private property payments and longer haulage costs from long haul sharefarms in Albany.

Sandalwood

The unit cost per dollar generated in 2020-21 increased by eleven cents due to a reduction in domestic market sales of products during the year.





Disclosures



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 2020–2021 reporting period.

Governance disclosures

Contracts with senior officers

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

Commissioners

The FPC governing body is a Commission of seven Commissioners appointed by the Governor, on the Minister for Forestry's recommendation. The Governor appoints a Chair and Deputy Chair from the Commissioners. Commissioners may hold office for up to three years and are eligible to be reappointed. Profiles for the Commissioners can be found on 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 are Mr Bob Pearce (Chair), Mr Nick Bayes (from 1 July 2020 – 21 May 2021) and Co-opted Commissioner Ms Catherine Broadbent.

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. Members of the Committee included, Mr Ross Holt (Chair), Ms Vanessa Elliott; Ms Jacqueline Jarvis (from 1 July 2020 - 31 March 2021); and Mr Nick Bayes (from 21 May 2021).

Commission meetings and remuneration

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

The Commission formally met seven times throughout the year. Individual members of the Commission provided their expertise on a number of important strategic issues relating to the forestry industry, safety, strategic risk management, financial and fire management. The Commissioners visited a variety of forestry field operations and met with key industry stakeholders.

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

			Commission		Audit and Risk Committee		People and Safety Committee	
Number of meetings held			8		6		4	
Name	Period of membership	Gross annual remuneration	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Mr Ross Holt (Chair)	1 July 2020 – 30 June 2021	\$50,000	8	8	1**		4	4
Mr Nick Bayes	1 July 2020 – 30 June 2021	\$20,850	7	8	3	5	1	1
Ms Catherine Broadbent (Co-opted Commissioner)	1 July 2020 – 30 June 2021	\$20,850	7	8	6	6	N/A	N/A
Ms Vanessa Elliott	1 July 2020 – 30 June 2021	\$20,850	7	8	N/A	N/A	3	4
Mr Robert Pearce	1 July 2020 – 30 June 2021	\$20,850	8	8	6	6	N/A	N/A
Dr Louise Duxbury	1 July 2020 – 26 November 2021	\$8,709.42	4	4	N/A	N/A	N/A	N/A
Ms Jackie Jarvis	1 July 2020 – 31 March 2021	N/A*	2	2	N/A	N/A	2	2

* Note: Ms Jarvis was a contract public sector employee and was no longer entitled to remuneration. She was granted an extended leave of absence from the Commission for part of FY20/21.

** Mr Holt attended one Audit and Risk Committee meeting as a proxy.

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 one FOI applications during the 2020-2021 financial year.

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.

Compliance with public sector standards and ethical codes

The Forest Products Commission works within the Public Sector's Integrity, Ethics and Accountability Framework. The FPC ensures compliance with the:

- FPC Code of Conduct.
- WA Public Sector Code of Ethics.
- Integrity Strategy for WA Public Authorities.
- Public Sector Standard in Human Resource Management.
- Relevant awards, agreements, and policies.

The FPC's Code of Conduct (Code) sets out standards for appropriate accountable, ethical and professional behaviour for FPC staff. The Code is integrated into its induction program and is available to employees via the intranet.

The FPC's employees must 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 2020.

Information management

State Records Act 2000

The FPC's 2020 Recordkeeping Plan has been reviewed and revised in order to continue compliance with all areas of the *State Records Act 2000*. The Commission has been continually focused on the transition to digital information. Reflecting this transition from a paper to a digital process, the 2020 Recordkeeping Plan 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.

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.

Training and Induction Program

The FPC's in-house online training package provides an effective way of ensuring staff has an awareness of their roles and responsibilities in compliance with the Recordkeeping Plan.

Additionally, all new staff participates in record-keeping training within two weeks of commencing with the FPC. The training incorporates:

- use of the electronic document and records management system (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

The FPC continues to commit to initiatives set out in the Disability Access and Inclusion Plan (DAIP 2020-2025) 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.

Disclosures
Other legal requirements

Reportable expenditure

In accordance with section 175ZE of the *Electoral Act 1907*, the FPC incurred the following expenditure in advertising, market research, polling, direct mail and media advertising. Total expenditure for 2020-2021 was \$12,269.13 (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	\$4,146.14	\$4,560.75
	Forest operations notices	\$7,007.61	\$7,708.37
Total		\$11,153.75	\$12,269.13



Government policy requirements

Workforce profile

The FPC is committed to increasing the diversity of our workforce and have a range of plans and strategies in place to achieve this. As at March 2021, our workforce diversity profiles compared to the WA public sector are set out in the table below:

DIVERSITY GROUP	FPC	WA PUBLIC SECTOR
Women in Management Tier 2 & 3 combined	33.3%	50.2%
Indigenous Australians	3.2%	2.7%
People from culturally diverse backgrounds	12.1%	14.6%
People with a disability	2.7%	1.5%
Youth (aged 24 and under)	2.9%	4.3%
Mature (aged 45 and over)	60.7%	52.0%

* The Public Sector Quarterly Entity profile (QEP) for June 2021 was not available at the time this report was produced. Data from March 2021 QEP report was used for this report.

** This data includes fixed term and casual employees

WA Multicultural Policy Framework

The FPC's Workforce and Diversity Plan 2020 – 2022 and the FPC People Plan 2021 – 2023 establish targets to improve workforce outcomes for people from culturally diverse backgrounds. The development and implementation of a Multicultural Plan will be a priority for the People and Culture Branch for the next year and will build upon strategies that already exist in the People Plan and the Workforce and Diversity Plans.



Occupational safety, health and injury management

The FPC's focus on increasing the quality and quantity of reporting continues to produce high level and accurate data. Accurate data provides the opportunity to understand and control causal factors. We continue to strive to improve safety standards within our business and across the industry to achieve zero harm.

MEASURES	2018-2019	2019-2020	2020-2021	TARGETS	COMMENTS ABOUT TARGETS
Number of fatalities	0	0	0	0	Zero fatalities
Lost time injury and disease incidence rate (LTIFR)	7.01%	6.38%	19.15%	0 or 10% reduction in incidence rate	Increase in slip trips and falls in natural terrain and reduced man hours leading to increased LTIFR rate over period
Lost time injury and severity rate	Medium - 2 High - 1	Low - 1 Extreme - 1	Low - 2 Medium - 4	0 or 10% reduction in severity rate	Increase in slip trips and falls in natural terrain
Percentage of injured workers returned to work (i) within 13 weeks	N/A	100%	100%	Actual target to be stated	100%
Percentage of injured workers returned to work (ii) within 26 weeks	N/A	100%	100%	Greater than or equal to 80%	100%
Percentage of managers trained in occupational safety, health and injury management responsibilities, including refresher training within 3 years	N/A	N/A	19%	Greater than or equal to 80%	A training strategy has been developed for managers to undertake training as a priority over the next three years

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, two 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	\$89.42
Personal use expenditure settled by the due date (within 5 working days)	\$89.42
Personal use expenditure settled after the period (after 5 working days)	0
Personal use expenditure outstanding at balance date	0



Glossary

Term	Definition
Bole log	Trunk or main stem of tree
Carbon sequestration	The removal and storage of carbon dioxide from the atmosphere into reservoirs, including forests and wood products
Clearfall	A silvicultural system in which all trees in an area are removed at one time to allow regeneration to establish and develop as an even age stand
Crown	A tree's canopy or foliage
First Rotation (1R)	The establishment of new plantations
Hardwood	Tree species with hard or dense wood, or the timber from it
Harvesting	Felling of trees as part of a silvicultural operation
Laminated Veneer Lumber (LVL)	A high-strength engineered wood product used primarily for structural applications
Low-grade logs	Logs unsuitable for sawmilling but suitable for other uses including manufacturing of reconstituted wood products, wood chipping, charcoal and energy generation
Plantation	A planted forest
Residues	Part of trees other than bole or trunk including branches, needles and tree stumps
Second Rotation (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 harvest and haulage costs, and sandalwood processing and marketing costs
Sustainable yield	Sustainable yield of a forest is the maximum level of commercial harvest that can be maintained under a given management regime
Thinning	Felling of a proportion of the trees in an immature stand for the purpose of improving the growth of trees that remain without permanently breaking the canopy and encouraging regeneration
Timber	General term used to describe sawn wood suitable for building, furniture construction and other purposes
Veneer logs	High quality logs that can be sliced or peeled to produce veneer
Wood fibre	Part of trees not suitable for sawlogs including branches, needles and tree stumps

Notes

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fpc Forest Products
Commission

