# Forest Products Commission
# Annual Report 2021-2022

Forest Products Commission

# Statement of compliance

**Hon. Dave Kelly MLA**
Minister for Forestry

## Statement of compliance

For year ended 30 June 2022

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 2022.

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

The financial statements comply with Australian Accounting Standards – Simplified Disclosures issued by the Australian Accounting Standards Board.

**Ms Debra Blaskett**
Chair
2 September 2022

**Mr Stuart West**
General Manager
2 September 2022

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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/fpcwa

# Contents

# Who we are

Along with providing jobs and softwood timber products for the building and construction industry, pine plantations capture and store carbon.



# Chair's statement

Changes to the *Forest Products Act 2000* have already begun to highlight exciting opportunities for investment, carbon sequestration, and additional revenue for the West Australian community through the Government's record $350 million investment in the State's softwood plantation timber industry. I am looking forward to seeing the positive impact this has for the forest industry, particularly in regional communities.

**MS DEBRA BLASKETT**
CHAIR

# General Manager's statement

The FPC has a vital role to play in supporting the thousands of jobs in WA's timber and construction industry that depend on the renewable supply of Western Australian timber products. Our industry is undergoing significant changes including the State's $350 million investment to expand the pine plantation estate and the Government's decision to end native logging by 2024. I would also like to commend our staff for their continued professionalism and enthusiasm during the year.

**MR STUART WEST**
GENERAL MANAGER

The State Government's record $350 million investment to expand our softwood plantation timber estate over the next 10 years will help to meet the increase in demand for softwood timber products.

# 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 workers in timber and related industries. These industries include forest management, harvesting, primary processing and manufacturing sectors. The forest and timber industries are currently adapting and responding to policy changes, and the FPC is committed to working with the State Government and industry to facilitate a vibrant and sustainable forest industry into the future.

During 2021-2022, 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.

## Our values

Our values underpin and guide us in everything we do as we carry out our work. All interactions with colleagues, contractors, stakeholders, and members of the community reflect our values and expected behaviours.

Efficiency

Passion

Empowerment

Trust

Respect

Teamwork

## 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 and sustainable 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**
Debra Blaskett

**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

### MS DEBRA BLASKETT

CHAIR | SUB-COMMITTEE - CHAIR PLANTATION INVESTMENT COMMITTEE

Appointed June 2021. Appointed Chair November 2021.

Debra Blaskett was previously an Executive at Perth Airport where she was responsible for Corporate Services including risk, governance, safety, environment, people and culture, and corporate affairs. Prior to joining Perth Airport, Debra held several senior positions in the Commonwealth public service across the portfolios of Australian External Territories Administration, and aviation, maritime and offshore oil and gas security regulation. Debra is currently a Non-Executive Director at Fremantle Ports. She has also previously been the Deputy President of the Board of the Tourism Council of Western Australia. Debra holds a Bachelor of Jurisprudence, Bachelor of Laws, and Bachelor of Arts (Hons) degrees, and is a Graduate of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia.

### HON MELISSA PARKE

DEPUTY CHAIR | SUB-COMMITTEE - CHAIR PEOPLE AND SAFETY COMMITTEE

Appointed June 2021

The Hon Melissa Parke is a former Minister for International Development and former federal member for Fremantle (2007 to 2016). Prior to entering the Australian Parliament, Melissa served as an international lawyer with the United Nations in Kosovo, Gaza, New York and Lebanon (1999 to 2007). Following her retirement from Parliament, Melissa served for 4 years as a member of the UN Group of Eminent Experts on Yemen for the UN Human Rights Council, investigating violations of international law committed by parties to the conflict in Yemen. Melissa has been an Ambassador for ICAN (International Campaign to Abolish Nuclear Weapons) since 2017. Melissa is currently the Chair of the Western Australian Museum Board of Trustees and is also a board member of the East Metropolitan Health Service, BRAC (an international development NGO) and Animals Australia.

### MR ROBERT PEARCE

COMMISSIONER | SUB-COMMITTEE - CHAIR AUDIT AND RISK COMMITTEE

Appointed November 2012

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

### MR STAN LIAROS

COMMISSIONER

Appointed June 2021

Stan Liaros is the CEO of the Apprentice and Traineeship Company, Chair of Aqwest (Bunbury Water Corporation), Board Member of The Construction Training Fund and Bunbury Development Committee. He is a former Chair of the Apprentice Employment Network WA, the South West Academy of Sport and was senior Vice-President of the South West Football league for five years. Stan is actively involved in business and community activities in the South West of WA where he strongly advocates for employment and training in that area.

### MS VANESSA MARTIN

COMMISSIONER

Appointed November 2021

Vanessa Martin is a Noongar Yorga from the Hayward/Knapp/Reynolds/Munro moort (families) and a direct descendant from the Minang, Wudjari of the Wagyl Kaip and Nyoongar - Badduk and Murningya peoples east of Esperance on the South East Coast of WA. Vanessa has extensive experience in working in the public, private and not for profit sectors in various senior leadership roles. She is currently Chair of the Marr Mooditj Training Aboriginal Corporation, a Board member on the Swan River Trust, Chairperson of the Noongar Boodjar Language Cultural Aboriginal Corporation and the Chairperson of the Noongar Advisory Company which supports and provides advice to the Trustee on the Noongar Boodjar Trust for the Noongar Native Title Settlement. Vanessa has helped develop and manage the implementation of State Government and private sector companies Aboriginal employment and training strategies, as well as play a significant role in liaison, consultation and negotiation with key stakeholders in the State's Aboriginal community.

**MS STEPHANIE BLACK**
COMMISSIONER
Appointed June 2022

Stephanie Black is an experienced leader and has held executive positions within government and the private sector, most recently as Deputy Director General, Infrastructure and the Regions, for the Department of Premier and Cabinet. Prior to joining that Department she was the Executive Director Procurement at the Department of Finance. She is experienced in leading large and small teams to achieve transformational change, excellent commercial outcomes and complex business objectives. Stephanie has extensive governance, risk and financial management knowledge.

**MR SIMON BYRNE**
COMMISSIONER
Appointed June 2022

Simon Byrne is an executive manager with over eight years Executive Director board experience; a 35-year career in legal services and over 25 years' experience in utility businesses and environmental regulation. He has over 10 years' experience in company secretarial, procurement, risk and compliance and corporate services. Simon is currently General Counsel and Company Secretary for ATCO Australia Pty Ltd and ATCO Gas Australia.

## Former Commissioners

**MR ROSS HOLT** B.Econs (Hons)
FORMER CHAIR
Appointed November 2015. Term concluded November 2021.

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**
FORMER COMMISSIONER
Appointed November 2017. Term concluded June 2022.

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**
FORMER COMMISSIONER
Appointed November 2017. Term concluded June 2022.

Vanessa Elliott 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**
FORMER CO-OPTED COMMISSIONER
Appointed February 2019. Term concluded June 2022.

Cathy Broadbent 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 nine years and has been a Council member at Perth College where she was Chair of the Remuneration Committee and a member of the Risk Management Committee. Cathy has also been a Board Member of Diabetes WA and Diabetes Research Centre WA. Before moving to Perth for University, Cathy lived in Manjimup and has experienced many facets of the timber industry.

# Executive team

**A safety leader is one who knows the way, goes the way, and shows the way.**

Safety plays a big part at the FPC and in forestry. Hi-vis Friday is a safety initiative designed to ensure we keep safety at the forefront of everyone's mind. On the last day of each month all staff are encouraged to participate by wearing their hi-vis shirts to work.

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

## 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); CAANZ; Adv,Dipl(Tax); GAICD

### DIRECTOR FINANCE

With more than 30 years of working in Australia and internationally, predominantly in manufacturing, government trading entities, and the auditing sectors, Tony brings extensive experience in corporate services, strategic planning, risk management, financial management, tax, and auditing to the Director Finance role. Before joining the FPC in 2018, Tony was Chief Financial Officer for various mints worldwide and a financial consultant to the age care industry.

## 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 MCCAVANAGH

BA Industrial Relations. GradDip Public Sector Management

### DIRECTOR PEOPLE AND CULTURE

Suzanne joined the FPC in February 2020 as Director People and Culture. She has 25 years experience in executive roles and has been a member of executive leadership teams in 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 was accountable to lead a workforce of 10,000 staff across four hospitals. She has extensive expertise in working in leading transformational and cultural change programs, HR strategy, workforce planning, organisational re-design, organisational development and cultural change. Her early career was in industrial relations.

## MR JOHN TREDINNICK

BSc For MSc

### DIRECTOR NEW BUSINESS AND INNOVATION

John has more than 30 years experience working in Senior Management positions within Australia's forestry industry, and internationally. His experience includes forest management, timber processing and timber trading. John is leading a number of transformation and business development projects aimed at expanding the State's plantation estate, and introducing efficiencies and innovation throughout the FPC's operations.

## 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).

# Our performance

Expanding Western Australia's softwood estate will support and secure the many thousands of jobs in the State's construction industry that depend on the reliable supply of softwood timber.

# Performance management framework

To help evaluate our contribution to the State, our *Statement of Corporate Intent 2021-2022* (SCI) links the State Government goals to our strategic goals.

## 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 and sustainable 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

G1:

- 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

G2:

- 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

G3:

- 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 and sustainable forestry industry to deliver social and economic benefits, particularly in regional Western Australia

We established 600 hectares of new softwood plantations in 2021-2022.

# Western Australia's forest products

## Softwood plantations

The State Government's record $350 million investment to expand our softwood plantation timber estate over the next 10 years will help to meet the increase in demand for softwood timber products.

Direct and indirect timber industry jobs will be created as part of the expansion plan, with the new jobs initially associated with the plantation establishment program. The expansion will also support and secure the many thousands of jobs in the State's construction industry that depend upon the reliable supply of softwood timber. This funding will underwrite the wider industry objective, outlined in the Forest Industries Federation WA (FIFWA) *Western Australia – Plantations - The Missing Piece of the Puzzle* document, of increasing the size of the softwood plantation estate to ensure a sustainable softwood industry into the future.

Along with benefits to job creation and supporting the housing and construction industry, expanding the softwood estate will help the FPC to deliver more carbon sequestration through Western Australia's pine plantations. To facilitate this, the FPC helped progress an amendment to the *Forest Products Act 2000* allowing the FPC to purchase land, trade in carbon credits and generate revenue for the West Australian community from the carbon sequestered in our softwood estate. The program is also a key action of the Western Australia Climate Policy as it is projected to sequester up to 7 million tonnes of carbon dioxide equivalents.

In partnership with the Water Corporation the FPC is progressing the establishment of around 1,400 hectares of new pine plantation on two properties in the South West. Under this arrangement the Water Corporation will receive the carbon credits generated by the planting while the FPC will manage the commercial softwood plantations.

The FPC has also worked in partnership with the industry and the South West Timber Hub to develop the Decision Tree decision support tool which is designed to assist private landowners evaluate the viability of establishing tree crops on their land.

**600 hectares**
of new plantation established

**2.6 million**
seedlings grown for planting in 2022

**5,600 hectares**
of sandalwood plantations under management

**1 new** contract awarded to Aboriginal businesses in the Sandalwood industry, worth over
**$500,000**

## 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 2021-22, the FPC was successful in developing new markets for wild sandalwood (*Santalum spicatum*) products. Combined with a significant increase in demand for wood from domestic sandalwood oil processors this has ensured value from this unique resource is maximised.

We continued to manage over 5,000 hectares of sandalwood plantations which will be used in the coming years to complement the demand for wild Western Australian sandalwood. This year we commenced a broadscale wood sampling survey within the plantation estate. The quantities and quality of oil identified through this survey will be used to inform sales opportunities as the plantations mature and assist in steering silvicultural management to maximise commercial value.

Aboriginal and Torres Strait Islander peoples are an important component of our sandalwood operations, and we continue to work with local First Nations Peoples on country to involve them in the wild sandalwood supply chain. The FPC has six existing Sandalwood Dreaming contracts with Aboriginal and Torres Strait Islander owned businesses, and is currently engaging with another four businesses progressing towards new contracts.

# Western Australia's forest products

## 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.

The FPC continued to deliver native forest products in a difficult operating environment and supplied feature grade timbers through our Public Specialty Timber and Feature Grade Log Auctions. The online auction format for the Public Auctions continued to perform well.

The native forest industry is currently adapting and responding to significant policy changes following the State Government's announcement to end large-scale commercial native forestry from 2024, and the FPC is committed to working with the State Government and industry to implement these changes.

Two Feature Grade Log Auctions:

**744** tonnes of logs sold

**Our Public Specialty Timber Auctions:**

**95%** average clearance rates

**1,176** tonnes of speciality logs sold

**40** metres$^3$ sawn timber sold

Preparing for the timber auction at the FPC Harvey Mill.

**100%** of stakeholder enquiries responded to within **28** days

**14** community and industry projects in regional WA were awarded funding

## Community and stakeholder engagement

We are committed to building and maintaining strong and effective relationships through purposeful, practical and meaningful engagement.

The *FPC Stakeholder Engagement Strategy* seeks to ensure the FPC understands the views, needs and expectations of its stakeholders and to achieve its strategic and operational objectives.

Our engagement planning and implementation focuses on a flexible and adaptable approach to accommodate different community and stakeholder perception and sentiments, through meaningful engagement efforts and a range of community and stakeholder education and engagement programs.

The FPC continues to partner with Local Governments, key industry stakeholders and community groups to engage and contribute to a range of projects and initiatives throughout the South West, such as partnering with the Shire of Nannup to support their Trails Town Project.

Through the FPC's Community Support Program grants, we were able to provide funding support to 14 community and industry projects in regional WA. These included equipment and facility upgrade projects for youth camping groups, heritage societies and volunteer bushfire brigades.

Jazz in the Jarrah.

## Aboriginal engagement

The FPC is committed to developing and strengthening relationships with Aboriginal and Torres Strait Islander peoples, engaging staff and stakeholders in reconciliation, and developing and piloting innovative strategies to empower Aboriginal and Torres Strait Islander peoples.

The FPC has and continues to form valuable relationships with Aboriginal and Torres Strait Islander community members, particularly in regional areas of Western Australia. Training opportunities are being developed, with the aim to increase employment and business opportunities for Aboriginal and Torres Strait Islander peoples within the forestry industry. Initiatives include:

- The ongoing implementation and management of the Sandalwood Dreaming program, which has enabled Aboriginal and Torres Strait Islander groups to work on country harvesting sandalwood;
- A project to salvage high value logs from mine clearing operations in the Goldfields-Esperance region has been initiated; and
- Aboriginal and Torres Strait Islander contractors have been engaged in the South West region to undertake silvicultural activities within softwood plantations.

Cultural awareness will continue to remain a focus for the FPC. A reconciliation week celebration was arranged for all staff as well as a joint celebration breakfast at the Kalgoorlie office to thank the FPC's Goldfields stakeholders, job seekers and contractors for their collaboration and support.

Over the next year the FPC will be expanding pathways into employment through the development of an Aboriginal and Torres Strait Islander traineeship and mentoring program to provide forestry skills and experience for job seekers.

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

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

**4%** of the FPC's contracts were awarded to Aboriginal businesses, **exceeding the WA State Government target of 3%**

## Climate change

Recent research shows that climate change has had a considerable impact on Australia's natural environment, including the native forests of the South West. The Intergovernmental Panel on Climate stresses that climate change is causing 'dangerous and widespread' disruptions to the environment and people around the world. The report also states that there is increasing concurrence of heat and drought events causing tree mortality, an effect that is increasing in the forests of the south west of Western Australia. Climate change impacts on the health and vitality of the forests coupled with the move to logging of younger regrowth jarrah and karri forests over the past two decades has contributed to decreased quality and the reduced amount of commercial sawlog recovered from native forest harvesting and an increase in residue.

The FPC is contributing to the implementation of the Western Australia Climate Policy, in particular through the expansion of the softwood plantation estate. The FPC currently has several projects registered under the Clean Energy Regulator's Emissions Reduction Fund. The FPC's climate change policy is aligned with the State policy, and as well as the softwood plantation program includes initiatives to measure the agency's greenhouse gas emissions and removals and to implement an agency emissions reduction plan.

Sandalwood nuts are not only used to regenerate sandalwood but oil from the seed can also be used in pharmaceutical products.

# G2: Deliver healthy forests for future generations

The FPC aims to deliver healthy forests for future generations, particularly through the regeneration of Western Australia's native forest and woodland resources.

# Sustainable forest management

## Regeneration of native forests and woodlands

The FPC aims to deliver healthy forests for future generations, particularly through the regeneration of Western Australia's native forest and woodland resources.

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

Widespread rainfall in the rangelands in the 2021 winter has resulted in excellent germination of sandalwood seed sown in past years. Surveys indicate that we have recruited at least 80,000 new seedlings to the sandalwood population this year. These encouraging results have also been seen in the northern rangelands where sandalwood establishment has previously proven difficult.

Karri forest regeneration continues to exceed our key performance indicator (KPI) target. Whilst jarrah forest regeneration is below target, there has been an improvement towards this KPI.

**21 tonnes** of sandalwood seed hand planted in

**1,480 kilometres** of rip-lines seeded in the rangelands

More than **110,000** sandalwood seeds planted by Aboriginal and/or Torres Strait Islander people

## Fauna monitoring in the karri forest

The presence of native fauna and feral animals in karri forest harvest coupes is identified by the FPC through fauna monitoring.

Our fauna monitoring has continued to provide valuable information on the use of the forest by threatened animals before and after harvest. The 2021-22 program identified 36 different fauna species across the six coupes monitored. Fauna monitoring also provides data on feral animal activity and is used to inform control programs.

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

## Fire

Assistance with fire suppression and fuel reduction activities by the FPC to protect forest assets and property made a considerable contribution to fire management in Western Australia.

FPC funding and staff support continued to be critical to the Department of Biodiversity, Conservation and Attractions' annual prescribed burning program with several Southwest communities and many softwood plantations benefitting from the strategic silviculture and fuel reduction burns undertaken.

This year, a review of the Guidelines for Plantation Fire Protection was carried out jointly by the FPC, the Department of Fire and Emergency Services (DFES), Rural Fire and the timber industry to capture changes to fire management expectations from the timber industry and local government.

The FPC participated in a review of the DFES and Forest Industries Federation Western Australia Plantation Firefighter training module to further develop volunteer skills when responding to plantation fires in the community. Fire skills training was also formally included in the development program for all new FPC operational recruits to help maintain our fire suppression capacity into the future.

**45 staff** engaged in fire management roles this year

**30 staff** supported interagency fire response rosters across the Southwest

**58 fires** attended by FPC staff

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

We employ 181 people across our work sites with 68 per cent of our staff located in regional towns.

# Human resources

## Staff snapshot

We employ 181 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.

The FPC is committed to increasing the diversity of our workforce and have a range of plans and strategies in place to achieve this. The majority of our workforce diversity profiles – such as the employment of indigenous Australians, people from culturally diverse backgrounds, and people with disabilities – are currently above the average for the WA public sector workforce.

| Type of staff | FTE | Headcount |
|---|---|---|
| Permanent full time employees* | 129 | 129 |
| Permanent part time employees | 13.07 | 21 |
| Fixed Term full time employees | 9 | 9 |
| Fixed Term part time employees | 0.80 | 1 |
| Seconded in FPC | 7 | 7 |
| Trainees | 0 | 1 |
| Casuals | 9.43 | 13 |
| **Totals** | **168.30** | **181** |

* The information above has been sourced from pay period 26 (23/06/2022)

## Research and Technology

The FPC continues to direct significant resources towards research projects designed to increase the efficiency of forest management activities or improve forest health and productivity.

Remote sensing, including satellite imagery and drone captured data, is being employed by the FPC to help detect seedlings and weeds in newly established plantations. This technology increases the accuracy and efficiency of estimating seedling survival, highlighting areas requiring additional planting. This will significantly enhance our forest inventory and silvicultural planning operations and represents one of the important steps we are taking on our path towards digital forestry.

Trials of ground-based LiDAR (Light Detection and Ranging) have investigated the potential to create 3D images of softwood plantations that can be used for inventory and planning. The trials have successfully demonstrated the scope for increases in the efficiency of data collection and analysis. The FPC is now in the process of operationalising this technology.

Remote sensing and machine learning technologies are also being used to investigate new ways of undertaking sandalwood inventory. If successful, these new approaches will enable more efficient methodologies for identifying sandalwood across the rangelands.

A range of operational trials have been initiated that aim to maximise the utilisation of timber recovered from mine site clearing. The FPC is also investigating alternative approaches to achieving ecological thinning objectives that will be outlined in the next Forest Management Plan. These trials have been conducted in collaboration with DBCA and have included the use of different equipment and silvicultural prescriptions.

The FPC continued to work with Forest and Wood Products Australia on developing a computerised fertiliser model, called 'Profert' to assist forestry managers in determining appropriate fertiliser rates for our softwood estate. This new modelling tool analyses a range of factors from each plantation, including its tree age, soil type, soil nutrition and climatic region. Profert uses this combined information to help estimate the most suitable fertiliser rates for each plantation.

Improvement of the Pinus radiata genetic resource in plantations is ongoing as part of our membership to Tree Breeding Australia. Research and development are focussed on improving and protecting the genetic resource within Australian pine plantations.

# Human resources

## Occupational safety and health

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

The FPC is a member of the Forest Industry Safety and Training Committee which includes representatives across all sectors of the supply chain. Transport safety continues to be the key focus, with the WA forest industry committed to a zero target for truck incidents.

In 2021, following extensive consultation across the entire business, the FPC launched the Critical Risk and Fundamental Rules for Life Campaign. The campaign is designed to heighten awareness of the FPC's critical risks and define the safety behavioural expectations. This ensures we maintain a safe working environment to eliminate life changing incidents in our workplace.

The FPC launched its annual OSHTOBER campaign in October 2021. The theme was 'Health and Wellness' aimed at promoting lifestyle changes to improve physical and mental health.

The WA Work Health Safety legislation came into force in 2022. The FPC Board, Executive team and staff were briefed on the key changes to the legislation. In addition, the FPC engaged a safety consultant to complete a gap analysis of the FPC's safety systems and processes against ISO 45001:2018 Occupational health and safety management systems and alignment with the recently introduced *Work Health and Safety Act 2020*. The assessment highlighted where FPC was performing well, and areas for improvement which will be the focus over the next 12 months.

Our Critical Risk and Fundamental Rules for Life Campaign ensures we maintain a safe working environment.

# Performance summary

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

# 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, the FPC reported an operating loss result of $5.65 million, before contribution income and amortisation of sandalwood licence and native forestry right-of-use assets.

The FPC has invested $6.0 million in building the State's softwood estate.

No dividend was paid to the State Government for the 2021-2022 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 2021-2022.

Our Sandalwood Dreaming Program enables Aboriginal and Torres Strait Islander groups to work on country harvesting sandalwood.

## Financial performance

| | Target 2021-22 ($ millions) | Actual 2021-22 ($ millions) | Variance ($ millions) |
|---|---|---|---|
| **Financial targets** | | | |
| Total expenses | 139.2 | 136.3 | 2.9 |
| Total income | 134.6 | 128.5 | (6.1) |
| Total equity | 262.8 | 243.6 | (19.2) |
| Net increase / (decrease) in cash held (sourced from Statement of Cash Flows) | (8.8) | 6.1 | 14.9 |
| | | | |
| **Financial outcomes** | | | |
| Timber revenues | 133.5 | 125.0 | (8.5) |
| Operating loss | (4.5) | (7.8) | (3.3) |
| Net loss after tax | (5.3) | (30.9) | (25.6) |
| Closing cash balance | 2.1 | 17.0 | 14.9 |
| Dividends paid | - | - | - |
| | | | |
| **Performance measures** | | | |
| Return on assets | -1.8% | -10.8% | -9.0% |
| Return on equity | -2.0% | -12.7% | -10.7% |
| Operating profit to timber revenues | -3.4% | -6.2% | -2.8% |

# 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 2021-2022 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 2021 | 1,056 ($m^3$ '000s) | 593 ($m^3$ '000s) |
| | | Karri – cumulative total from 2014 to 2021 | 472 ($m^3$ '000s) | 394 ($m^3$ '000s) |
| | Other bole volume for jarrah, karri and marri* | Jarrah - cumulative total from 2014 to 2021 | 2,336 ($m^3$ '000s) | 1,412 ($m^3$ '000s) |
| | | Karri - cumulative total from 2014 to 2021 | 1,312 ($m^3$ '000s) | 1,032 ($m^3$ '000s) |
| | | Marri - cumulative total from 2014 to 2021 | 1,120 ($m^3$ '000s) | 119 ($m^3$ '000s) |
| **2** | **Harvest of sandalwood does not exceed licence limits** | | | |
| | | Green and dead wood sandalwood harvest | 2,000 tonnes | 725 tonnes actual dead<br>758 tonnes actual green<br>Total 1,483 actual dead and green |

| | | Target | Actual |
|---|---|---|---|
| **3** | **Effectiveness of forest regeneration** | | |
| | Karri* | 95 per cent of regeneration requiring no remedial action | 95 per cent |
| | Jarrah* | 90 per cent of areas cutover for regeneration completed in 30 months | 62 per cent |
| | Sandalwood | Annual cumulative average of 50,000 seedlings established | 46,000 seedlings<br>Cumulative average of 11 years (84,277 in 2021) |
| **4** | **The achievement of thinning schedules** | | |
| | Karri* | 1,230 hectares per annum of first thinning | 433 hectares thinned |
| | Softwood plantations | 95 per cent of softwood plantations are thinned within guidelines | 74 per cent<br>Actual percentage |
| | Sandalwood plantations | 0 hectares thinned | 0 hectares thinned |
| **5** | **All operations commence with required approvals** | | |
| | | 100 per cent of operations commence with pre-operation planning approval | 99 per cent |
| **6** | **Independent certification maintained** | | |
| | | Certification maintained | The FPC has maintained appropriate certification |

## Summary of audited key performance indicators

| | | Target | Actual |
|---|---|---|---|
| 7 | **Management of native forest fuel loads adjacent to priority pine plantations** | | |
| | | 60 per cent<br><br>Annual increase in the percentage of native forest fuel loads (adjacent to FPC's priority pine plantations) under six years of age | 54 per cent |
| 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 | 69 per cent |
| 9 | **First and second rotation softwood planting targets are achieved*** | | |
| | | 2,292 hectares (first and second rotation combined) | 1,474 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 | 13 per cent softwood (variance - orders versus deliveries) |
| | Native Forest | Variance of no greater than 10 per cent | 20 per cent native forest (variance - orders versus deliveries) |
| 12 | **Sandalwood sales orders** | | |
| | | 100 per cent of sandalwood sales orders are met | 98 per cent |
| 13 | **Green sandalwood roots as a percentage of green sandalwood harvested** | | |
| | | Total green volume includes 15 to 25 per cent roots | 21 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 | 100 per cent on time<br>None overdue |
| 2 | **Timeliness of initial response to Ministerial requests and Parliamentary Questions** | | |
| | | 95 per cent of responses provided on time | 97 per cent on time<br>3 per cent overdue |
| 3 | **Operating profit / (loss)** | | |
| | | ($4,517,000) | ($7,806,000) |
| 4 | **Cost per dollar of revenue generated** | | |
| | Native forest | | $1.25 |
| | Plantations | | $0.93 |
| | Sandalwood | | $0.84 |

# Financial statements

More than 110,000 sandalwood seeds planted by Aboriginal and/or Torres Strait Islander people in 2021-2022.

# Auditor General's report

## INDEPENDENT AUDITOR'S REPORT 2022

FOREST PRODUCTS COMMISSION

To the Parliament of Western Australia

## 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 2022, 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 2022 and the financial position at the end of that period
- in accordance with Australian Accounting Standards (applicable to Tier 2 Entities), 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 believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**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 (applicable to Tier 2 Entities) , the Financial Management Act 2006 and the Treasurer's Instructions
- such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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.auasb.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 Commissioners are those policies and procedures established 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).

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 2022.

#### 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 2022. 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 2022.

#### 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 as the Commissioners determine 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 report on financial statements, 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 is responsible for the other information. The other information is the information in the entity's annual report for the year ended 30 June 2022, but not the financial statements, key performance indicators and my auditor's report.

My opinions on the financial statements, controls and key performance indicators do not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, controls and key performance indicators, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and key performance indicators, or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to those charged with governance and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

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

This auditor's report relates to the financial statements, and key performance indicators of the Forest Products Commission for the year ended 30 June 2022 included in the annual report 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 the annual report. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to contact the entity to confirm the information contained in the website version.

Grant Robinson

GRANT ROBINSON
ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT
DELEGATE OF THE AUDITOR GENERAL FOR WESTERN AUSTRALIA

Perth, Western Australia
8 September 2022

# Certification of financial statements

## Certification of the financial statements

For the year ended 30 June 2022

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 reporting period ended 30 June 2022 and the financial position as at 30 June 2022.

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

**Ms Debra Blasket**
Chair
2 September 2022

**Mr Robert Pearce**
Commissioner
2 September 2022

**Mr Antonio De Nobrega** CA ANZ
Chief Finance Officer
2 September 2022

# Statement of comprehensive income

For the year ended 30 June 2022

| | Notes | 2022 $000 | 2021 $000 |
|---|---|---|---|
| **Continuing operations** | | | |
| **Income** | | | |
| Sales of forest products | 3.2 | 125,008 | 114,520 |
| Commonwealth grants and contributions | 3.4 | 115 | 111 |
| Interest income | 3.5 | 41 | 31 |
| Grants and subsidies from State Government | 3.3 | 452 | 200 |
| Other income | 3.6 | 3,245 | 6,383 |
| Gain on disposal of non-current assets | 3.7 | - | 15 |
| Gains from foreign exchange | 3.7 | 115 | 147 |
| **Total income** | | **128,976** | **121,407** |
| | | | |
| **Expenses** | | | |
| Production expenses | 4.2 | 84,775 | 74,368 |
| Net movement of biological assets | 5.4.1 | 9,453 | 9,120 |
| Employee benefits expense | 4.3.1 | 19,768 | 20,270 |
| Supplies and services | 4.6.1.(a) | 21,615 | 16,785 |
| Depreciation and amortisation expense | 5.1.1; 5.2.1; 5.3.1 | 6,094 | 9,091 |
| Finance costs | 7.2 | 374 | 633 |
| Accommodation expenses | 4.6.1.(b) | 920 | 656 |
| Grants and subsidies | 4.4 | 20 | 60 |
| Loss on disposal of non-current assets | 4.5 | 13 | 5 |
| Other expenses | 4.6.1.(c) | 2,751 | 1,443 |
| Onerous contracts | 4.6.2 | (321) | 267 |
| **Total expenses** | | **145,462** | **132,698** |
| | | | |
| **Net results from continuing operations before income tax** | | **(16,486)** | **(11,291)** |
| Income tax (expense) / benefit | 4.7.1 | (14,380) | 3,403 |
| **Net results from continuing operations after income tax** | | **(30,866)** | **(7,888)** |

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

| | Notes | 2022 $000 | 2021 $000 |
|---|---|---|---|
| **Other Comprehensive Income** | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| Remeasurements of defined benefit liability | 4.3.2(c) | 9 | 4 |
| Changes in asset revaluation surplus | 9.6.1 | 4,724 | 2,128 |
| Deferred tax on items of other comprehensive income | 9.6.1 | (1,417) | (638) |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Changes in cashflow hedge reserve | 9.6.2 | (12) | - |
| Income tax on items of other comprehensive income | 9.6.2 | 3 | - |
| **Total economic flows - other comprehensive income net of income tax** | | **3,307** | **1,494** |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | | **(27,559)** | **(6,394)** |

# Statement of financial position

as at 30 June 2022

| | Notes | 2022 $000 | 2021 $000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 7.3.1 | 17,007 | 10,928 |
| Inventories | 6.1 | 7,603 | 10,528 |
| Receivables | 6.2 | 14,438 | 16,208 |
| Biological assets | 5.4 | 11,883 | 6,288 |
| Other current assets | 6.3 | 1,824 | 2,369 |
| **Total current assets** | | **52,755** | **46,321** |
| **Non-current assets** | | | |
| Infrastructure, property, plant and equipment | 5.1 | 41,711 | 38,027 |
| Deferred tax assets | 4.7.3 | - | 15,793 |
| Biological assets | 5.4 | 186,258 | 197,355 |
| Right of use assets | 5.2 | 2,436 | 1,591 |
| Intangible assets | 5.3 | 3,313 | 5,560 |
| **Total non-current assets** | | **233,718** | **258,326** |
| **Total assets** | | **286,473** | **304,647** |
| | | | |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Payables | 6.4.(a) | 15,870 | 17,554 |
| Lease liabilities | 7.1 | 703 | 558 |
| Employee related provisions | 4.3.2.(a) | 3,606 | 3,508 |
| Other provisions | 6.5.(a) | 5,433 | 7,749 |
| Deferred revenue | 6.6.(a) | 1,672 | 1,933 |
| | | | |
| **Total current liabilities** | | **27,284** | **31,302** |

| | Notes | 2022 $000 | 2021 $000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Payables | 6.4.(b) | 3,133 | 3,827 |
| Lease liabilities | 7.1 | 1,789 | 1,064 |
| Employee related provisions | 4.3.2.(b) | 771 | 966 |
| Other provisions | 6.5.(b) | 1,461 | 796 |
| Deferred revenue | 6.6.(b) | 8,475 | 9,836 |
| | | | |
| **Total non-current liabilities** | | **15,629** | **16,489** |
| **Total liabilities** | | **42,913** | **47,791** |
| | | | |
| **Net Assets** | | **243,560** | **256,856** |
| | | | |
| **Equity** | | | |
| Contributed Equity | 9.6 | 290,508 | 276,245 |
| Reserves | 9.6.2 | 16,297 | 12,999 |
| Accumulated deficit | 9.6.3 | (63,245) | (32,388) |
| **Total Equity** | | **243,560** | **256,856** |

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 2022

| | Notes | Contributed equity $000 | Reserves $000 | Accumulated surplus/(deficit) $000 | Total equity $000 |
|---|---|---|---|---|---|
| **CONTRIBUTED EQUITY** | | | | | |
| **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 | | - | - | - | - |
| State contribution (repayment) | | - | - | - | - |
| **Balance at 30 June 2021** | 9.6 | **276,245** | **12,999** | **(32,388)** | **256,856** |
| | | | | | |
| **Balance at 1 July 2021** | | **276,245** | **12,999** | **(32,388)** | **256,856** |
| Net result after income tax for the year | | - | - | (30,866) | (30,866) |
| Other comprehensive income for the year, net of income tax | | - | 3,298 | 9 | 3,307 |
| Total comprehensive income for the year | | - | 3,298 | (30,857) | (27,559) |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividends paid | | - | - | - | - |
| State contribution (equity injection) | | 14,263 | - | - | 14,263 |
| **Balance at 30 June 2022** | 9.6 | **290,508** | **16,297** | **(63,245)** | **243,560** |

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 2022

| | Notes | 2022 $000 | 2021 $000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Receipts** | | | |
| Receipts from external customers | | 135,745 | 127,164 |
| Interest received | | 32 | 31 |
| Other receipts | | 729 | 1,753 |
| **Total receipts** | | **136,506** | **128,948** |
| **Payments** | | | |
| Payments for employee benefits | | (19,868) | (20,461) |
| Payments to suppliers | | (30,807) | (26,638) |
| Forest management expenditure | | (87,556) | (76,250) |
| **Total payments** | | **(138,231)** | **(123,349)** |
| **Net cash from/(used) in operating activities** | 7.3.2 | **(1,725)** | **5,599** |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| **Receipts** | | | |
| Proceeds from sale of non-current physical assets | | - | 15 |
| **Payments** | | | |
| Purchase of non-current physical assets | | (27) | (40) |
| Purchase of investments | | | |
| Investment in new plantations | 5.4 | (6,033) | (5,242) |
| **Net cash used in investing activities** | | **(6,060)** | **(5,267)** |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| **Payments** | | | |
| Lease payments | | (851) | (1,126) |
| **Net cash used in financing activities** | | **(851)** | **(1,126)** |

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

| | Notes | 2022 $000 | 2021 $000 |
|---|---|---|---|
| **CASH FLOWS FROM / (TO) STATE GOVERNMENT** | | | |
| State Contribution (equity injection) | | 14,263 | - |
| Other grants and subsidies | 3.3 | 452 | 200 |
| **Net cash provided to State Government** | | **14,715** | **200** |
| | | | |
| Net increase/(decrease) in cash and cash equivalents | | 6,079 | (594) |
| Cash and cash equivalents at the beginning of the period | | 10,928 | 11,522 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | 7.3.1 | **17,007** | **10,928** |

# Index of notes to the financial statements

# Notes to the financial statements

For the year ended 30 June 2022

## 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 2 September 2022.

**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**) - Simplified Disclosures
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.

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

## 2.1 FPC objectives

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

- Sustainable harvesting and regeneration of the State's forest resources;
- Promoting innovation in forest management and local value-adding of timber resources; and
- Generating positive returns to the State.

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

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

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

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

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

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

**Plantations** – Responsible for all harvesting, replanting and maintenance of the FPC's plantation estate as well as the maintenance of core sharefarm plantations. The objective of the core sharefarms is to maintain plantations that sustain and develop the timber industry.

**Policy and industry development** – This segment is responsible for policy, industry development and corporate support to Government.

**Non-commercial** – Activities that are non-core to the main operating segments and include sharefarms that are not required for long-term timber production.

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 2022**

| 2022 | Native Forest $000 | Plantations $000 | Sandalwood $000 | Policy and Industry Development $000 | Non Commercial $000 | Eliminations $000 | Total $000 |
|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | |
| Sales of forest products | 35,924 | 67,660 | 21,424 | - | - | - | 125,008 |
| Commonwealth grants and contributions | 31 | 69 | 15 | - | - | - | 115 |
| Interest | - | - | 41 | - | - | - | 41 |
| Other income | 358 | 395 | 208 | 263 | - | - | 1,224 |
| Gains from foreign exchange | - | - | 115 | - | - | - | 115 |
| Internal segment revenue | - | 2,036 | - | - | - | (2,036) | - |
| **Total Income** | **36,313** | **70,160** | **21,803** | **263** | **-** | **(2,036)** | **126,503** |
| | | | | | | | |
| **Expenses** | | | | | | | |
| Production expenses | (29,845) | (42,706) | (12,224) | - | - | - | (84,775) |
| Employee Expenses | (5,899) | (9,240) | (2,639) | (1,686) | (304) | - | (19,768) |
| Supplies and services | (8,996) | (10,717) | (2,422) | (1,262) | (254) | 2,036 | (21,615) |
| Depreciation and amortisation expense[1] | (324) | (1,298) | (186) | (80) | (24) | - | (1,912) |
| Finance costs | (7) | (257) | (94) | (15) | (1) | - | (374) |
| Accommodation expenses | (254) | (540) | (102) | 57 | (81) | - | (920) |
| Grants and subsidies | (5) | (5) | (5) | (5) | - | - | (20) |
| Loss on disposal of non-current assets | (3) | (3) | (3) | (5) | 1 | - | (13) |
| Other expenses | (224) | (615) | (736) | (1,167) | (9) | - | (2,751) |
| **Total Expenses** | **(45,557)** | **(65,381)** | **(18,411)** | **(4,163)** | **(672)** | **2,036** | **(132,148)** |
| | | | | | | | |
| **Operating profit/(loss) before contribution income & amortisation of licences and forestry right-of-use assets[2]** | **(9,244)** | **4,779** | **3,392** | **(3,900)** | **(672)** | **-** | **(5,645)** |
| Contribution income | - | - | 2,021 | - | - | - | 2,021 |
| Amortisation of sandalwood licence and native forest right-of-use asset | (2,161) | - | (2,021) | - | - | - | (4,182) |
| | | | | | | | |
| **Operating profit / (loss)[3]** | **(11,405)** | **4,779** | **3,392** | **(3,900)** | **(672)** | **-** | **(7,806)** |

Continued.

### 2.2 SCHEDULE OF INCOME AND EXPENSES BY SERVICE (CONTINUED)
**For the year ended on 30 June 2022**

| 2022 | Native Forest $000 | Plantations $000 | Sandalwood $000 | Policy and Industry Development $000 | Non Commercial $000 | Eliminations $000 | Total $000 |
|---|---|---|---|---|---|---|---|
| Net movement in biological assets | - | (9,453) | - | - | - | - | (9,453) |
| Grants and subisdies from State Government | - | 452 | - | - | - | - | 452 |
| Onerous contracts | - | - | - | - | 321 | - | 321 |
| **Profit / (Loss) before Tax** | **(11,405)** | **(4,222)** | **3,392** | **(3,900)** | **(351)** | **-** | **(16,486)** |
| | | | | | | | |
| Allocation of Income Tax Equivalent | 3,421 | 1,267 | (1,018) | (18,050) | - | - | (14,380) |
| | | | | | | | |
| **Profit / (Loss) for the year** | **(7,984)** | **(2,955)** | **2,374** | **(21,950)** | **(351)** | **-** | **(30,866)** |
| | | | | | | | |
| Total Segment Assets | **6,982** | **224,118** | **70** | **-** | **55,303** | **-** | **286,473** |
| Total Segment Liabilities | **5,660** | **4,705** | **-** | **-** | **32,548** | **-** | **42,913** |

[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 2022**

| 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 assets[2]** | **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)** |

## 2.2 SCHEDULE OF INCOME AND EXPENSES BY SERVICE (CONTINUED)

**For the year ended on 30 June 2022**

| 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.

[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 | 2022 $000 | 2021 $000 |
|---|---|---|---|
| Sale of forest products | 3.2 | 125,008 | 114,520 |
| Other income from WA Government entities | 3.3 | 452 | 200 |
| Commonwealth grants and contributions | 3.4 | 115 | 111 |
| Interest income | 3.5 | 41 | 31 |
| Other income | 3.6 | 3,245 | 6,383 |
| Other gains | 3.7 | 115 | 162 |
| **Total income from transactions** | | **128,976** | **121,407** |

## 3.2 SALES OF FOREST PRODUCTS

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Harvesting operations | 99,060 | 88,786 |
| Recovery of harvesting costs | 25,197 | 25,448 |
| Plant propagation centre revenue | 751 | 286 |
| **Total sales of forest products** | **125,008** | **114,520** |

This revenue is recognised when FPC transfers control of the timber to a customer, for the amount to which FPC expects to be entitled.

Under AASB 15, the sale of timber products is to be recognised at the point in time when the performance obligation of delivery of timber has been satisfied. This is judged to occur at the point of delivery to the buyers' premises, unless otherwise stated in an enforceable contract.

Revenue 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.

This revenue is recognised when FPC transfers control of the products to a customer, for the amount to which FPC expects to be entitled.

Under AASB 15, the sale of these products is to be recognised at the point in time when the performance obligation of delivering harvested and transformed products to buyers has been satisfied.

Amounts are recognised net of returns and taxes paid.

### 3.3 OTHER INCOME FROM WESTERN AUSTRALIAN GOVERNMENT ENTITIES

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Special purpose grants: | | |
| Government operating subsidy[1] | 200 | 200 |
| Farm forestry grant [2] | 252 | - |
| **Total other income from Western Australian Government entities** | **452** | **200** |

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

[2] Farm Forestry, Private Native Forestry and Indigenous Forestry grant allocation passed from the Federal to WA State Government under the Federation Funding Agreement.

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

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Commonwealth grants | 115 | 111 |
| **Total Commonwealth grants** | **115** | **111** |

Commonwealth boosting apprenticeship commencements program funding.

### 3.5 INTEREST INCOME

| | Notes | 2022 $000 | 2021 $000 |
|---|---|---|---|
| Interest on overdue trade receivables | 6.2 | - | - |
| Interest on cash at bank | | 41 | 31 |
| **Total interest income** | | **41** | **31** |

Interest income is recognised under the effective interest method, under AASB 9.

### 3.6 OTHER INCOME

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Contracts and other revenue | 148 | 51 |
| Revenue from cost recovery operations[1] | 813 | 1,363 |
| Resources received free of charge | 263 | - |
| Contributional licence income | 2,021 | 4,969 |
| **Total other income** | **3,245** | **6,383** |

[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.

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

### 3.7 OTHER GAINS

| | 2022 $000 | 2021 $000 |
|---|---|---|
| **Gain on disposal of non-current assets** | | |
| Net proceeds from disposal of non-current assets: | | |
| Plant, equipment and vehicles | - | - |
| | | |
| 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 | 115 | 147 |
| **Total gains** | **115** | **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 | 2022 $000 | 2021 $000 |
|---|---|---|---|
| Production expenses | 4.2 | 84,775 | 74,368 |
| Employee benefits expense | 4.3 | 19,768 | 20,270 |
| Grants and subsidies | 4.4 | 20 | 60 |
| Loss on disposal of non-current assets | 4.5 | 13 | 5 |
| Other expenditure | 4.6 | 25,286 | 18,884 |
| **Total expenses incurred in the delivery of services** | | **129,862** | **113,587** |

## 4.2 PRODUCTION EXPENSES

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Harvesting | 39,269 | 36,938 |
| Haulage | 30,845 | 30,294 |
| Timber processing | 4,067 | 3,770 |
| Roading maintenance and construction | 5,613 | 2,540 |
| Movement in inventory | 2,020 | 1,487 |
| Other | 2,961 | (661) |
| **Total production expenses** | **84,775** | **74,368** |

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

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Employment benefits | 18,020 | 18,584 |
| Superannuation - defined contribution plans[1] | 1,747 | 1,686 |
| Superannuation - defined benefit plans[2] | 1 | - |
| **Total employee benefits expenses** | **19,768** | **20,270** |
| Add: AASB 16 Non-monetary benefits[3] | 65 | 66 |
| Less: Employee Contributions | (21) | (26) |
| **Net Employee benefits** | **19,812** | **20,310** |

[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:** Employee benefits: include wages, salaries and social contributions, accrued and paid leave entitlements and paid sick leave, and non-monetary benefits recognised under accounting standards other than AASB 16 (such as housing or cars) for employees.

**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.

**AASB 16 non-monetary benefits:** non-monetary employee benefits predominantly relating to the provision of vehicle and housing benefits that are recognised under AASB 16 which are excluded from the employee benefits expense.

**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.

### 4.3.2 EMPLOYEE BENEFIT PROVISIONS IN THE STATEMENT OF FINANCIAL POSITION

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

#### 4.3.2.(a) Current

| **Employee benefits provision** | 2022 $000 | 2021 $000 |
|---|---|---|
| Annual leave (a) | 1,484 | 1,351 |
| Long service leave (b) | 2,122 | 2,157 |
| | **3,606** | **3,508** |

#### 4.3.2.(b) Non-current

| **Employee benefits provision** | 2022 $000 | 2021 $000 |
|---|---|---|
| Long service leave (b) | 737 | 923 |
| Superannuation (c) | 34 | 43 |
| | **771** | **966** |
| Total employee benefit provisions | **4,377** | **4,474** |

(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:

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Within 12 months of the end of the reporting period | 1,134 | 1,003 |
| More than 12 months after the end of the reporting period | 350 | 348 |
| | **1,484** | **1,351** |

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:

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Within 12 months of the end of the reporting period | 654 | 722 |
| More than 12 months after the end of the reporting period | 2,205 | 2,358 |
| | **2,859** | **3,080** |

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 2022 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)*.

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Movements in the present value of the defined benefit obligation in the reporting period were as follows: | | |
| Liability at start of year | 43 | 46 |
| **Included in profit or loss:** | | |
| Interest cost | - | - |
| | **-** | **-** |
| **Included in other comprehensive income:** | | |
| Remeasurements loss (gain) recognised: | | |
| financial assumptions | (9) | (3) |
| experience adjustments | - | - |
| | **(9)** | **(3)** |
| **Contributions:** | | |
| Benefits paid | - | - |
| | - | - |
| **Liability at end of year** | **34** | **43** |

Employer contributions of $3,000 (2021: $2,000) are expected to be paid to the Gold State Superannuation Scheme in the subsequent annual reporting period.

## 4.4 GRANTS AND SUBSIDIES

| | 2022 $000 | 2021 $000 |
|---|---|---|
| **Total grants and subsidies provided**[1] | **20** | **60** |

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

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

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

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

## 4.5 LOSS ON DISPOSAL OF NON-CURRENT ASSETS

| **Carrying amount of non-current assets disposed** | 2022 $000 | 2021 $000 |
|---|---|---|
| Plant, equipment and vehicles | 13 | 5 |
| | | |
| Loss on disposal of non-current assets | 13 | 5 |
| **Net loss on disposal of non-current assets** | **13** | **5** |

## 4.6 OTHER EXPENDITURE

### 4.6.1 OTHER OPERATING EXPENDITURE

| | 2022 $000 | 2021 $000 |
|---|---|---|
| **4.6.1.(a) Supplies and services** | | |
| Travel | 183 | 137 |
| Insurance[1] | 547 | 448 |
| Short term and low value leases | 758 | 773 |
| Legal fees and consultants | 621 | 222 |
| DBCA service level agreements | 7,558 | 7,694 |
| Materials | 910 | 582 |
| Forest management expenses | 6,894 | 3,744 |
| Fire salvage and remedial works | 1,782 | 940 |
| Repairs and maintenance | 302 | 228 |
| Vehicle expenses | 73 | 43 |
| Other supplies and services[2] | 1,987 | 1,974 |
| **Total supplies and services** | **21,615** | **16,785** |
| | | |
| **4.6.1.(b) Accommodation expenses** | | |
| Office rental[3] | 638 | 409 |
| Cleaning | 138 | 116 |
| Other property | 144 | 131 |
| **Total accommodation expenses** | **920** | **656** |
| | | |
| **4.6.1.(c) Other** | | |
| Audit fees - Auditor General | 197 | 170 |
| Audit fees - Other[4] | 100 | 69 |
| Expected credit losses expense | 185 | (140) |
| Telephone, postage, communications | 1,453 | 892 |
| Employment on-costs | 288 | 402 |
| Plantation maintenance provision movement | - | (151) |
| Other administration costs | 265 | 201 |
| Resources received free of charge | 263 | - |
| **Total other expenses** | **2,751** | **1,443** |
| | **25,286** | **18,884** |

[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

**Office rental**

Office rental is expensed as incurred as Memorandum of Understanding Agreements between the FPC and the Department of Finance for the leasing of office accomodation contain significant substitution rights.

**Other**

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

**Expected credit losses**

Expected credit losses is is recognised for movement in allowance for impairment of trade receivables. 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.

| | 2022<br>$000 | 2021<br>$000 |
|---|---|---|
| Annuity obligations associated with non-core share farms considered onerous | (321) | 267 |
| | **(321)** | **267** |

### 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 2021: 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 2022: 30%, 30 June 2021: 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. The de-recognition of the net deferred tax asset of $19,340,000 (2021: Nil) has arisen as its realisation was no longer considered probable. This assessment is reconsidered at each reporting date.

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

### 4.7.1 INCOME TAX EXPENSE IN THE STATEMENT OF COMPREHENSIVE INCOME

| Income tax expense | Notes | 2022 $000 | 2021 $000 |
|---|---|---|---|
| Current tax | | - | - |
| Current tax adjustments recognised for prior years | | - | - |
| Deferred tax origination and reversal of temporary differences | | (3,525) | (2,698) |
| Deferred tax origination and reversal of temporary differences via equity | | (1,417) | (687) |
| Deferred tax origination and reversal of temporary differences recognised for prior years | | (18) | (18) |
| De-recognition of net tax assets | | 19,340 | - |
| **Income tax expense/(benefit)** | | **14,380** | **(3,403)** |
| | | | |
| Deferred income tax expense included in income tax expense comprises: | | | |
| Decrease in deferred tax asset | 4.7.3 | 2,497 | 1,073 |
| Increase in deferred tax liability | 4.7.3 | 1,050 | 1,691 |
| De-recognition of net tax assets | | (19,340) | - |
| **Income tax benefit** | | **(15,793)** | **2,764** |
| | | | |
| **Reconciliation of prima facie tax payable to income tax expense** | | | |
| Loss from ordinary activities before income tax | | (16,477) | (11,291) |
| Tax at the applicable Australian tax rate of 30% (2021: 30%) | | (4,943) | (3,387) |
| Tax effect of amounts which are non-deductible for income tax purposes | | 1 | 2 |
| Prior year adjustments | | (18) | (18) |
| De-recognition of net tax assets | | 19,340 | - |
| **Total income tax expense/(benefit)** | | **14,380** | **(3,403)** |

### 4.7.2 TAX ASSETS AND LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION

| Current tax asset/(liability) | 2022 $000 | 2021 $000 |
|---|---|---|
| **Balance at beginning of year** | **-** | **52** |
| Refunds made | - | (52) |
| **Net movement** | **-** | **(52)** |
| **Balance at end of year** | **-** | **-** |

### 4.7.3 DEFERRED TAX ASSET/(LIABILITY)

**Comprises temporary differences attributable to:**

| Deferred tax asset | 2022 $000 | 2021 $000 |
|---|---|---|
| Receivables | 199 | 159 |
| Property, infrastructure, plant and equipment | 54 | 62 |
| Biological assets | - | - |
| Intangibles | 2,041 | 2,041 |
| Tax losses | 8,053 | 4,202 |
| Non-refundable tax offsets | 610 | 518 |
| Employee benefits | 1,313 | 1,343 |
| Sharefarm annuities and incentives | 11,992 | 13,035 |
| Deferred income | 2,144 | 2,331 |
| Restoration provisions | 1,852 | 2,333 |
| Auditing fees provision | 64 | 63 |
| Lease liability | 748 | 486 |
| Unrecognised net deferred asset | (2,041) | (2,041) |
| **Total deferred tax assets** | **27,029** | **24,532** |
| | | |
| **Deferred tax liability** | | |
| Property, infrastructure, plant and equipment | (5,092) | (3,917) |
| Biological assets | (894) | (2,724) |
| Intangibles | (1,703) | (2,098) |
| Hedge contracts | - | - |
| **Total deferred tax liabilities** | **(7,689)** | **(8,739)** |
| **Net tax assets - recognised** | **-** | **15,793** |
| **Net tax assets - unrecognised** | **19,340** | **-** |
| | | |
| **Movements:** | | |
| Opening balance | 15,793 | 13,029 |
| Credited to profit or loss | 4,946 | 3,384 |
| Credited to equity | (1,417) | (638) |
| Prior year adjustments | 18 | 18 |
| De-recognition of net tax assets | (19,340) | - |
| **Closing balance** | **-** | **15,793** |

## 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**<br>This section includes: | | **2022**<br>**$000** | **2021**<br>**$000** |
|---|---|---|---|
| – Note 5.1 | Infrastructure, property, plant and equipment | 41,711 | 38,027 |
| – Note 5.2 | Right-of-use assets | 2,436 | 1,591 |
| – Note 5.3 | Intangible assets | 3,313 | 5,560 |
| – Note 5.4 | Biological assets | 198,141 | 203,644 |
| | | **245,601** | **248,822** |

## 5.1 INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

| Year ended 30 June 2022<br>1 July 2021 | Freehold land<br>$000 | Buildings<br>$000 | Nursery infrastructure<br>$000 | Plant equipment and vehicles<br>$000 | Office equipment<br>$000 | Total<br>$000 |
|---|---|---|---|---|---|---|
| Gross carrying amount | 29,505 | 5,267 | 13,172 | 3,644 | 906 | 52,494 |
| Accumulated depreciation | - | - | (10,374) | (3,444) | (649) | (14,467) |
| **Carrying amount at start of period** | **29,505** | **5,267** | **2,798** | **200** | **257** | **38,027** |
| | | | | | | |
| Additions | - | - | - | - | 47 | 47 |
| Revaluation increments/(decrements) recognised in other comprehensive income | 4,376 | 348 | - | - | - | 4,724 |
| Transfers (from/(to) Level 2) | - | - | - | (1) | 2 | 1 |
| Depreciation expense | - | (264) | (659) | (63) | (102) | (1,088) |
| **Carrying amount at 30 June 2022** | **33,881** | **5,351** | **2,139** | **136** | **204** | **41,711** |
| | | | | | | |
| **Year ended 30 June 2021**<br>**1 July 2020** | | | | | | |
| Gross carrying amount | 27,668 | 5,237 | 13,172 | 3,718 | 864 | 50,660 |
| Accumulated depreciation | - | - | (9,716) | (3,360) | (545) | (13,622) |
| **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 |
| Depreciation expense | - | (262) | (659) | (84) | (104) | (1,109) |
| **Carrying amount at 30 June 2021** | **29,505** | **5,267** | **2,798** | **200** | **257** | **38,027** |

**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 2021 by the Western Australian Land Information Authority (Valuations and Property Analytics). The valuations were performed during the year ended 30 June 2022 and recognised at 30 June 2022. In undertaking the valuation, fair value was determined by reference to market values for land: $32,661,600 (2021: $28,426,700) and buildings: $4,059,000 (2021: $4,022,000). 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 2022.

Fair value for infrastructure assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e: the current replacement cost. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications, adjusted for obsolescence.

Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence.

**Revaluation model:**

**(a) Fair Value where market-based evidence is available:**
The fair value of land and buildings is determined on the basis of current market values determined by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

**(b) Fair Value in the absence of market-based evidence:**
**Buildings and infrastructure are specialised or where land is restricted:** Fair value of land, buildings and infrastructure is determined on the basis of existing use.

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

**Restricted use land:** Fair value is determined by comparison with market evidence for land with similar approximate utility (high restricted use land) or market value of comparable unrestricted land (low restricted use land).

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

### 5.1.1 DEPRECIATION AND IMPAIRMENT

Charge for the period

| Depreciation | 2022 $000 | 2021 $000 |
|---|---|---|
| Buildings | 264 | 262 |
| Infrastructure | 659 | 659 |
| Plant Equipment and vehicles | 63 | 84 |
| Office equipment | 102 | 104 |
| **Total depreciation for the year** | **1,088** | **1,109** |

As at 30 June 2022 there were no indications of impairment to property, plant and equipment or infrastructure.

All surplus assets at 30 June 2022 have either been classified as assets held for sale or have been written-off.

**Finite useful lives**

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

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

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

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

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

**Impairment**

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

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

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

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

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

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

## 5.2 RIGHT-OF-USE ASSETS

| Right-of-use assets | 2022 $000 | 2021 $000 |
|---|---|---|
| Buildings | 1,249 | 10 |
| Vehicles | 772 | 1,140 |
| Infrastructure | 415 | 441 |
| **Net carrying amount at 30 June 2022** | **2,436** | **1,591** |

Additions to right-of-use assets during the 2022 financial year were $1,279,985 (2021: $336,641).

**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 | 2022 $000 | 2021 $000 |
|---|---|---|---|
| Buildings | | 154 | 90 |
| Vehicles | | 531 | 527 |
| Infrastructure | | 53 | 52 |
| **Total right-of-use asset depreciation** | | **738** | **669** |
| Lease interest expense (included in finance costs) | 7.2 | 76 | 60 |
| Expenses relating to variable lease payments not included in lease liabilities (included in Other expenditure) | | 663 | 767 |
| Short-term leases (included in Other expenditure) | | 78 | - |
| Low-value leases (included in Other expenditure) | | 17 | 6 |

The total cash outflow for leases in 2022 was $850,853 (2021: $1,125,778).

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 accomodation. 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

| | 2022 $000 | 2021 $000 |
|---|---|---|
| **Software** | | |
| Opening gross carrying amount | 1,384 | 1,313 |
| Opening accumulated amortisation | (1,227) | (1,044) |
| **Carrying amount at start of year** | **157** | **269** |
| | | |
| Additions | - | - |
| Transfers (from/(to) Level 2) | - | 71 |
| Amortisation expense | (86) | (183) |
| **Carrying amount at end of year** | **71** | **157** |
| | | |
| **Right of use assets** | | |
| **Sandalwood** | | |
| Additions | 2,021 | 4,969 |
| Amortisation expense | (2,021) | (4,969) |
| **Carrying amount at end of year** | **-** | **-** |
| | | |
| **Native forest** | | |
| Opening gross carrying amount | 11,886 | 11,886 |
| Opening accumulated amortisation | (6,483) | (4,322) |
| **Carrying amount at start of year** | **5,403** | **7,564** |
| | | |
| Amortisation expense | (2,161) | (2,161) |
| **Carrying amount at end of year** | **3,242** | **5,403** |
| | | |
| **Total intangibles carrying amount at end of year** | **3,313** | **5,560** |

### Initial recognition

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

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

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

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

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(b) an intention to complete the intangible asset, and use or sell it;

(c) the ability to use or sell the intangible asset;

(d) the intangible asset will generate probable future economic benefit;

(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(f) the ability to measure reliably the expenditure attributable to the intangible asset during it's development.

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

### Licences

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

**Development costs**

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

**Computer Software**

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

| Software | 2022 $000 | 2021 $000 |
|---|---|---|
| Opening accumulated amortisation | (1,227) | (1,044) |
| Amortisation expense for the year | (86) | (183) |
| **Closing accumulated amortisation** | **(1,313)** | **(1,227)** |
| | | |
| **Right of use assets** | | |
| **Sandalwood** | | |
| Amortisation expense for the year | (2,021) | (4,969) |
| **Native forest** | | |
| Opening accumulated amortisation | (6,483) | (4,322) |
| Amortisation expense for the year | (2,161) | (2,161) |
| **Closing accumulated amortisation** | **(8,644)** | **(6,483)** |
| Total amortisation expense for the year | (4,268) | (7,313) |
| **Closing accumulated amortisation** | **(9,957)** | **(7,710)** |

As at 30 June 2022 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] | 1.5 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 of intangible assets**

As at 30 June 2022 there were no indications of impairment to intangible assets.

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

## 5.4 BIOLOGICAL ASSETS

| Current | 2022 $000 | 2021 $000 |
|---|---|---|
| **Biological assets at valuation** | | |
| **Plantations** | | |
| Plantations biological assets at valuation | 11,883 | 6,288 |
| **Total biological assets at valuation current** | **11,883** | **6,288** |
| | | |
| **Non-Current** | | |
| **Biological assets at valuation** | | |
| **Plantations** | | |
| Mature standing timbers | 180,477 | 192,937 |
| Plantation sandalwood | 5,781 | 4,418 |
| Plantations biological assets at valuation | 186,258 | 197,355 |
| | | |
| **Total biological assets at valuation non-current** | **186,258** | **197,355** |
| **Total biological assets at valuation** | **198,141** | **203,644** |
| | | |
| The plantations estate is represented by: | | |
| Pine plantations standing timber | 192,360 | 199,226 |
| Plantation sandalwood | 5,781 | 4,418 |
| **Total plantations biological assets at valuation** | **198,141** | **203,644** |

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

| | Notes | 2022 $000 | 2021 $000 |
|---|---|---|---|
| **Carrying amount at start of year** | | **203,644** | **208,529** |
| Net movement in biological assets | 5.4.1 | (9,453) | (9,120) |
| Add Harvey Coast/Lewana provision (movement) | | (2,083) | (1,007) |
| Add expenditure for new plantations | | 6,033 | 5,242 |
| **Carrying amount at end of year** | | **198,141** | **203,644** |

**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 74,970 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)

The valuation as at 30 June 2022 and movements since 30 June 2021 are summarised as follows:

| | 2022 $000 | 2021 $000 | Movement $000 |
|---|---|---|---|
| Plantations (core) | 192,360 | 199,226 | (6,866) |
| Sandalwood (non-core plantations) | 5,781 | 4,418 | 1,363 |
| **TOTAL** | **198,141** | **203,644** | **(5,503)** |
| Expenditure for new plantations | | | (6,033) |
| Provision for replanting Lewana | | | 2,083 |
| **Net movement in biological asset** | | | **(9,453)** |

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 | | | 1,007 |
| **Net movement in biological asset** | | | **(9,120)** |

## 6.0 OTHER ASSETS AND LIABILITIES

**Introduction**

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

| **Structure**<br>This section includes: | Notes | 2022 $000 | 2021 $000 |
|---|---|---|---|
| Inventories | 6.1 | 7,603 | 10,528 |
| Receivables | 6.2 | 14,438 | 16,208 |
| Other current assets | 6.3 | 1,824 | 2,369 |
| Payables | 6.4 | 19,003 | 21,381 |
| Other provisions | 6.5 | 6,894 | 8,545 |
| Other liabilities | 6.6 | 10,147 | 11,769 |

### 6.1 INVENTORIES

| **Current** | 2022 $000 | 2021 $000 |
|---|---|---|
| Inventories held for resale at cost: | | |
| – Plant propagation centre | 895 | 1,423 |
| – Sandalwood | 5,872 | 7,877 |
| – Timber on forest landings | 836 | 1,228 |
| | **7,603** | **10,528** |

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 | 2022 $000 | 2021 $000 |
|---|---|---|
| Trade and other receivables | 15,149 | 16,739 |
| Provision for expected credit loss | (711) | (531) |
| | **14,438** | **16,208** |

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

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Balance at start of year | (531) | (671) |
| Amounts written off during the year | 5 | - |
| Expected credit losses expense | (185) | 140 |
| **Balance at end of year** | **(711)** | **(531)** |

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 (ECLs) as shown in the table at note 8.3 'Credit risk'.

For trade receivables the FPC recognises an allowance for ECLs measured at the lifetime expected credit losses at each reporting date. The FPC has established a provision matrix that is based on it's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the environment. Please refer to note 4.6.1.(c) for the amount of ECLs expensed in this financial year.

### 6.3 OTHER CURRENT ASSETS

| Current | 2022 $000 | 2021 $000 |
|---|---|---|
| Prepayments | 1,117 | 1,582 |
| Accrued revenue | 707 | 787 |
| | **1,824** | **2,369** |

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

### 6.4 PAYABLES

| 6.4.(a) Current | 2022 $000 | 2021 $000 |
|---|---|---|
| Trade payables | 8,920 | 6,322 |
| GST payable | (281) | (172) |
| Payroll tax accrual | - | 78 |
| Accrued logging costs | 3,478 | 488 |
| Other accrued expenses | 3,000 | 10,060 |
| Accrued salaries and wages | 331 | 343 |
| Land annuity obligations | 410 | 435 |
| Hedge Contract | 12 | - |
| **Total current** | **15,870** | **17,554** |
| | | |
| **6.4.(b) Non-current** | | |
| Land annuity obligations | 3,133 | 3,827 |
| **Total non-current** | **3,133** | **3,827** |
| **Balance at end of year** | **19,003** | **21,381** |

**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 15–20 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 it's fair value.

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

## 6.5 OTHER PROVISIONS

| 6.5.(a) Current | Notes | 2022 $000 | 2021 $000 |
|---|---|---|---|
| Provision for regeneration of native forest | 6.5.1 | 4,199 | 3,745 |
| Provision for replant (Lewana) | 6.5.2 | 1,092 | 3,175 |
| Unearned revenue | 6.5.3 | 142 | 784 |
| Provision for sandalwood plantation maintenance | 6.5.4 | - | 45 |
| **Total current** | | **5,433** | **7,749** |
| | | | |
| **6.5.(b) Non-current** | | | |
| Provision for regeneration of native forest | 6.5.1 | 1,461 | 796 |
| **Total non-current** | | **1,461** | **796** |
| **Balance at end of year** | | **6,894** | **8,545** |

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 (LEWANA)

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:

| **Provision for regeneration of native forest** | 2022 $000 | 2021 $000 |
|---|---|---|
| Carrying amount at start of year | 4,541 | 5,529 |
| Additional provisions recognised | 2,142 | (125) |
| Payments/other sacrifices of economic benefits | (1,023) | (863) |
| **Carrying amount at end of year** | **5,660** | **4,541** |
| | | |
| **Provision for replant (Lewana)** | | |
| Carrying amount at start of year | 3,175 | 4,182 |
| Additional provisions recognised/(reversed) | (1,765) | - |
| Payments/other sacrifices of economic benefits | (318) | (1,007) |
| **Carrying amount at end of year** | **1,092** | **3,175** |
| | | |
| **Unearned revenue** | | |
| Carrying amount at start of year | 784 | 577 |
| Additional/(reversals of) provisions recognised | (642) | 207 |
| **Carrying amount at end of year** | **142** | **784** |
| | | |
| **Provision for sandalwood plantation maintenance** | | |
| Carrying amount at start of year | 45 | 292 |
| Payments/other sacrifices of economic benefits | (45) | (247) |
| **Carrying amount at end of year** | **-** | **45** |

## 6.6 OTHER LIABILITIES

**Deferred revenue**

| | 2022 $000 | 2021 $000 |
|---|---|---|
| **6.6.(a) Current** | | |
| Contractual obligations | 144 | 142 |
| Forward sold log supply | 1,528 | 1,791 |
| | **1,672** | **1,933** |
| **6.6.(b) Non-current** | | |
| Contractual obligations | 4,705 | 4,752 |
| Forward sold log supply | 3,770 | 5,084 |
| | **8,475** | **9,836** |
| **Balance at end of year** | **10,147** | **11,769** |

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 it's 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

| **Lease liabilities** | 2022 $000 | 2021 $000 |
|---|---|---|
| Not later than one year | 703 | 558 |
| Later than one year and not later than five years | 1,522 | 1,064 |
| Later than five years | 267 | - |
| | **2,492** | **1,622** |
| Current | 703 | 558 |
| Non-current | 1,789 | 1,064 |
| | **2,492** | **1,622** |

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.

This section should be read in conjunction with note 5.2.

The FPC has not received any COVID-19 rent concessions and therefore has made no assessment of whether a concession is a lease modification. This assessment impacts the measurement of the liability and AASB 1060 requires additional consequential disclosures.

| Lease expenses recognised in the Statement of comprehensive income | 2022 $000 | 2021 $000 |
|---|---|---|
| Lease Interest expense | 76 | 60 |
| Expenses relating to variable lease payments not included in lease liabilities | 663 | 767 |
| Short-term leases | 78 | - |
| Low-value leases | 17 | 6 |
| Losses/(gains) arising from sale and leaseback transactions | 13 | - |

**Short-term leases** are recognised on a straight-line basis with a lease term of 12 months or less.

**Low-value leases** with an underlying value of $5,000 or less are recognised on a straight-line basis.

**Variable lease payments** that are not included in the measurement of the lease liability recognised in the period in which the event or condition that triggers those payments occurs.

## 7.2 FINANCE COSTS

| Finance costs | 2022 $000 | 2021 $000 |
|---|---|---|
| Lease Interest | 76 | 60 |
| Interest on contract obligations | 207 | 369 |
| Foreign exchange loss | 91 | 204 |
| **Finance costs expensed** | **374** | **633** |

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:

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Petty cash | 2 | 2 |
| Cash and cash equivalents | 17,005 | 10,926 |
| **Balance at end of year** | **17,007** | **10,928** |

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 | 2022 $000 | 2021 $000 |
|---|---|---|---|
| Loss from ordinary activities after income tax equivalent | | (30,866) | (7,888) |
| | | | |
| Taxable items presented in Other Comprehensive Income | | | |
| Remeasurements of defined benefit liability | | 9 | 4 |
| **Non-cash items:** | | | |
| Depreciation and amortisation expense | 5.1.1; 5.2.1; 5.3.1 | 6,094 | 9,091 |
| Movement in provision for doubtful debts | 6.2.1 | 180 | (140) |
| Change in fair value of biological assets | 5.4.1 | 9,453 | 9,120 |
| | | | |
| **Decrease/(increase) in assets:** | | | |
| Current inventories | | 2,924 | (858) |
| Current receivables | | 1,192 | 3,071 |
| Other current assets | | (5,050) | 2,323 |
| Other assets | | 15,123 | (11,145) |
| | | | |
| **Increase/(decrease) in liabilities:** | | | |
| Payables | | (1,684) | 3,224 |
| Unearned revenue and deferred income | | 2,265 | 1,378 |
| Other liabilities | | (1,365) | (2,581) |
| **Net cash provided by operating activities** | | **(1,725)** | **5,599** |

## 7.4 COMMITMENTS

### 7.4.1 LEASE COMMITMENTS

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Commitments for minimum lease payments are payable as follows: | | |
| Within 1 year | 807 | 1,061 |
| Later than 1 year and not later than 5 years | 3,388 | 4,220 |
| Later than 5 years | 704 | 641 |
| **Non-cancellable leases** | **4,899** | **5,922** |

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 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

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Expenditure commitments, being contracted expenditure additional to the amounts reported in the financial statements, are payable as follows: | | |
| Within 1 year | 960 | 1,246 |
| Later than 1 year and not later than 5 years | 3,302 | 3,216 |
| | **4,262** | **4,462** |

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 it's oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the FPC Audit and Risk Committee.

## 8.2 MARKET RISK

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

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

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.

| | Average exchange rates | | Reporting date exchange rates | |
|---|---|---|---|---|
| **Australian dollars** | **2022** | **2021** | **2022** | **2021** |
| USD | 0.7258 | 0.7468 | 0.6889 | 0.7518 |

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

| | 2022 $000 | 2021 $000 |
|---|---|---|
| USD bank account | 398 | 51 |

**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.

| | Carrying | -10% change | | +10% change | |
|---|---|---|---|---|---|
| **2022** | **amount ($000's)** | **Profit ($000's)** | **Equity ($000's)** | **Profit ($000's)** | **Equity ($000's)** |
| Financial Assets | | | | | |
| USD Bank Account | 578 | 45 | 45 | (37) | (37) |

USD rate used in this analysis was the spot rate as at 30 June 2022: 1 AUD = 0.6889

| | Carrying | -10% change | | +10% change | |
|---|---|---|---|---|---|
| **2021** | **amount ($000's)** | **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

### 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 it's 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) | 2022 $000 | 2021 $000 |
|---|---|---|---|
| Discount rate (real, pre-tax): | +300 bpts | (57,377) | (76,359) |
| | - 300 bpts | 144,029 | 205,289 |
| | | | |
| Expected future sales values | + 3% | 33,127 | 32,129 |
| | - 3% | (33,126) | (32,129) |
| | | | |
| Expected future costs | + 3% | (18,621) | (22,947) |
| | - 3% | 18,618 | 22,943 |

## 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.

| | | | Days past due | | | |
|---|---|---|---|---|---|---|
| | Total $000 | Current $000 | <30 days $000 | 31-60 days $000 | 61-90 days $000 | >90 days $000 |
| **30 June 2022** | | | | | | |
| Expected credit loss rate | | 0.69% | 73.33% | 0.00% | 0.00% | 74.89% |
| Estimated total gross carrying amount at default | 15,149 | 14,329 | 135 | - | - | 685 |
| Expected credit losses | (711) | (99) | (99) | - | - | (513) |
| **1 July 2021** | | | | | | |
| Expected credit loss rate | | 0.97% | 3.19% | 5.35% | 0.00% | 29.48% |
| Estimated total gross carrying amount at default | 16,739 | 10,670 | 3,260 | 1,944 | 122 | 743 |
| Expected credit losses | (531) | (104) | (104) | (104) | - | (219) |

## 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:**

| | 2022 $000 | 2021 $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 | 36 | 32 |
| | **36** | **32** |
| **Available facilities not in use as at reporting date:** | | |
| Credit cards | 714 | 718 |
| Bank overdraft facility | 9,000 | 9,000 |
| | **9,714** | **9,718** |

[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 |
|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | |
| **Financial assets** | | | | | | | |
| Commonwealth Bank Cash Management Account | 7.3.1 | 0.93% | 16,428 | 16,428 | - | - | - |
| Commonwealth Bank USD Account | 7.3.1 | 0.00% | 578 | 578 | - | - | - |
| | | | | | | | |
| Trade receivables | 6.2 | n/a | 15,149 | 15,149 | - | - | - |
| Provision for expected credit losses | 6.2.1 | n/a | (711) | (711) | - | - | - |
| Collateral security held - cash | 9.8 | n/a | 4,206 | 4,206 | - | - | - |
| Collateral security held - non cash | | n/a | 5,925 | 5,925 | - | - | - |
| Total credit exposure - trade receivables | | | 24,569 | 24,569 | - | - | - |
| | | | | | | | |
| Foreign exchange contracts | | n/a | - | - | | | |
| | | | 41,575 | 41,575 | - | - | - |
| **Financial liabilities** | | | | | | | |
| Trade payables | 6.4 | n/a | 8,920 | 8,920 | - | - | - |
| Foreign exchange contracts | | n/a | 12 | 12 | - | - | - |
| Land annuities payable | | n/a | 4,479 | 420 | 420 | 1,259 | 2,380 |
| | | | 13,411 | 9,352 | 420 | 1,259 | 2,380 |
| **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 | | | 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 |

**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) |
|---|---|---|---|---|---|
| **2022** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 17,005 | (119) | (119) | 119 | 119 |
| | | | | | |
| **Financial liabilities** | | | | | |
| Land annuities payable | 3,543 | (123) | (123) | 114 | 114 |
| | | | | | |
| **2021** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 10,926 | (76) | (76) | 76 | 76 |
| | | | | | |
| **Financial liabilities** | | | | | |
| Land annuities payable | 4,262 | (179) | (179) | 164 | 164 |

## 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.

**Resource under supply liability**

The FPC notes a disputed potential liability relating to claims by a customer regarding alleged under supply of resource and ancillary contractual issues.

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 |
|---|---|---|---|---|
| **2022** | | | | |
| Land | - | - | 33,881 | 33,881 |
| Buildings | - | - | 5,351 | 5,351 |
| Infrastructure | - | - | 2,139 | 2,139 |
| **Total land, buildings and infrastructure** | **-** | **-** | **41,371** | **41,371** |
| **2021** | | | | |
| Land | - | - | 29,505 | 29,505 |
| Buildings | - | - | 5,267 | 5,267 |
| Infrastructure | - | - | 2,798 | 2,798 |
| **Total land, buildings and infrastructure** | **-** | **-** | **37,570** | **37,570** |

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)**

| 2022 | Land $000 | Buildings $000 | Infrastructure $000 |
|---|---|---|---|
| Fair value at start of year | 29,505 | 5,267 | 2,798 |
| Additions | - | - | - |
| Revaluation increments recognised in other comprehensive income | 4,376 | 348 | - |
| Disposals | - | - | - |
| Depreciation expense | - | (264) | (659) |
| **Fair value at end of year** | **33,881** | **5,351** | **2,139** |
| Total gains or losses for the period included in profit or loss, under 'other gains' | - | - | - |
| **2021** | | | |
| Fair value at start of year | 27,668 | 5,237 | 3,456 |
| Additions | - | | |
| Revaluation increments recognised in other comprehensive income | 1,837 | 292 | - |
| Disposals | | - | |
| Depreciation expense | - | (262) | (659) |
| **Fair value at end of year** | **29,505** | **5,267** | **2,798** |
| 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 30/06/2022 $000 | Fair value 30/06/2021 $000 | Valuation technique(s) | Unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|
| Land | 33,881 | 29,505 | Market approach | Selection of land with similar approximate utility | Higher value of similar land increases estimated fair value. |
| Buildings | 5,351 | 5,267 | Market approach | Consumed economic benefit/ obsolescence of asset | Greater consumption of economic benefit or increased obsolescence lowers fair value. |
| Infrastructure | 2,139 | 2,798 | 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 |
|---|---|---|---|---|
| **2022** | | | | |
| Plantations | - | - | 198,141 | 198,141 |
| **Total biological assets** | **-** | **-** | **198,141** | **198,141** |
| | | | | |
| **2021** | | | | |
| Plantations | - | - | 203,644 | 203,644 |
| **Total biological assets** | **-** | **-** | **203,644** | **203,644** |

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)**

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Fair value at start of period | 203,644 | 208,529 |
| Additions | 3,950 | 4,235 |
| Net movement in biological assets | (9,453) | (9,120) |
| **Fair value at end of year** | **198,141** | **203,644** |

**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 2022 Margules Groome were contracted for this work (2021: Margules Groome).

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

| | 2022 $000 | 2021 $000 |
|---|---|---|
| **Opening balance 1 July** | 203,644 | 208,529 |
| Harvested timber recognised in profit or loss | (24,954) | (22,961) |
| Fire risk adjustment | 2,112 | (5,194) |
| Changes in fair value less estimated point of sale costs recognised in profit or loss due to: | | |
| - change in discount rate | (33,999) | (8,344) |
| - changes in volumes, prices and markets | 49,975 | 33,452 |
| Plantation sandalwood valuation movement | 1,363 | (1,838) |
| **Closing balance 30 June** | **198,141** | **203,644** |

### 8.6.3 DISCOUNT RATES

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

| | 2022 | 2021 |
|---|---|---|
| Plantation pine | 10.70% | 8.77% |
| Plantation sandalwood | 8.80% | 9.30% |

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

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

## 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 ($) | 2022 | 2021 |
|---|---|---|
| 50,001 - 60,000 | - | 1 |
| 40,001 - 50,000 | 1 | - |
| 20,001 - 30,000 | 7 | 4 |
| 10,001 - 20,000 | 1 | - |
| 0 - 10,000 | - | 1 |

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Total fees received by non-executive Commissioners | 216 | 156 |

**Compensation of Senior Officers**

| Compensation band ($) | 2022 | 2021 |
|---|---|---|
| 290,001 - 300,000 | 1 | 1 |
| 230,001 - 240,000 | - | 1 |
| 210,001 - 220,000 | 1 | - |
| 180,001 - 190,000 | 4 | 2 |
| 160,001 - 170,000 | 3 | 2 |
| 150,001 - 160,000 | 1 | 3 |
| 140,001 - 150,000 | 3 | 1 |
| 130,001 - 140,000 | 1 | 1 |
| 110,001 - 120,000 | 2 | - |
| 100,001 - 110,000 | - | 1 |
| 80,001 - 100,000 | 2 | 1 |
| 50,001 - 80,000 | - | 1 |
| 30,001 - 50,000 | - | 1 |
| 0 - 30,000 | - | 1 |

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Short term employee benefits | 2,617 | 2,110 |
| Post employment benefits | 262 | 196 |
| Other long term benefits | - | - |
| **Total compensation of Senior Officers** | **2,879** | **2,306** |

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:

| | 2022 $000 | 2021 $000 |
|---|---|---|
| – State Government contributions (Note 9.6); | 14,263 | - |
| – State Government operating subsidy (Note 3.3); | 200 | 200 |
| – State Government forestry grant (Note 3.3); | 252 | - |
| – Recoup of costs from DBCA (Note 3.6); | 697 | 463 |
| – Recoup of costs from Synergy (Note 3.6); | - | 485 |
| – payments to DBCA (Note 4.6.1); | (3,543) | (3,758) |
| – payments to Treasury for works performed by DBCA (Note 4.6.1); | (12,824) | - |
| – superannuation payments to GESB (Note 4.3.1); | (233) | (256) |
| – insurance payments to the Insurance Commission of WA (Riskcover) (Note 4.6.1); | (860) | (905) |
| – payment for services provided by the Auditor General (Note 9.5); | (213) | (170) |
| – payment to the State Solicitors Office (SSO); | (39) | (70) |
| – payment for services provided by the Department of Finance (Note 4.6.1); | (746) | (488) |
| – payment for services provided by the Department of Primary Industries and Regional Development (Note 4.6.1); | (251) | (318) |

**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:

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Auditing the accounts, financial statements, controls and key performance indicators | 197 | 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.

| **Contributed equity** | 2022 $000 | 2021 $000 |
|---|---|---|
| Balance at start of the year | 276,245 | 276,245 |
| | | |
| Contributions by owners | | |
| Equity injection | 14,263 | - |
| **Balance at end of the year** | **290,508** | **276,245** |

### 9.6.1 RESERVES

| Asset revaluation surplus | 2022 $000 | 2021 $000 |
|---|---|---|
| Balance at start of the year | 12,999 | 11,509 |
| Net asset revaluation increase (Note 5.1) | 4,724 | 2,128 |
| Deferred tax on items of other comprehensive income (Note 4.7.3) | (1,417) | (638) |
| | **16,306** | **12,999** |

### 9.6.2 CASHFLOW HEDGE RESERVE

| | | |
|---|---|---|
| Balance at start of the year | - | - |
| Net movement in reserve | (12) | - |
| Income tax on items of other comprehensive income | 3 | - |
| **Balance at end of the year** | **(9)** | **-** |
| | | |
| **Balance at end of the year** | **16,297** | **12,999** |

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

### 9.6.3 RETAINED EARNINGS

| | | |
|---|---|---|
| Balance at start of the year | (32,388) | (24,504) |
| Profit for the year | (30,857) | (7,884) |
| Dividend paid | - | - |
| **Balance at end of the year** | **(63,245)** | **(32,388)** |

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 (2021: Nil) of debtors to be written off.

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Debtors | 5 | - |
| Total | **5** | **-** |

### 9.8 FUNDS HELD IN TRUST

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

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Opening balance | 4,525 | 3,946 |
| Receipts | 320 | 725 |
| Payments | (639) | (146) |
| Closing balance | **4,206** | **4,525** |

[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:

| | | Operative for reporting periods beginning on/after |
|---|---|---|
| **AASB 2020-1** | **Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current**<br>This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.<br>There is no financial impact. | **1 Jan 2023** |
| **AASB 2020-3** | **Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments**<br>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.<br>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**<br>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.<br>There is no financial impact. | **1 Jan 2023** |
| **AASB 2021-5** | **Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a single transaction**<br>This Standard requires entities to account for income tax consequences when economic transactions take place, rather than when income tax payments or recoveries are made.<br>There is no financial impact. | **1 Jan 2023** |
| **AASB 2021-6** | **Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and other Australian Accounting Standards**<br>This Standard requires entities to be consistent with the amendments made by AASB 2021-2 to accounting policy disclosures, the AASB amended specific Australian Accounting Standards to improve the usefulness of accounting policy disclosures.<br>There is no financial impact. | **1 Jan 2023** |

### 9.10 EXPLANATORY STATEMENT

Significant variations between estimates and actual results for 2022 and between the actual results for 2022 and 2021 are shown below. Narratives are provided for significant variations, which are considered to be those greater than 10% and $1.4 million for the Statement of Comprehensive Income and Statement of Cashflow and greater than 10% and $3.0 million for the Statement of Financial Position.

### 9.10.1 STATEMENT OF COMPREHENSIVE INCOME VARIANCES

| | Variance note | Estimate 2022 $000 | Actual 2022 $000 | Actual 2021 $000 | Variance Est to 2022 $000 | Variance 2022–2021 $000 |
|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | |
| **Income** | | | | | | |
| Sales of forest products | | 133,494 | 125,008 | 114,520 | (8,486) | 10,488 |
| Commonwealth grants and contributions | | - | 115 | 111 | 115 | 4 |
| Interest income | | 80 | 41 | 31 | (39) | 10 |
| Other income | 1, A | 1,074 | 3,245 | 6,383 | 2,171 | (3,138) |
| Gain on disposal of non-current assets | | - | - | 15 | - | (15) |
| Gains from foreign exchange | | - | 115 | 147 | 115 | (32) |
| **Total income** | | **134,648** | **128,524** | **121,207** | **(6,124)** | **7,317** |
| | | | | | | |
| **Expenses** | | | | | | |
| Production expenses | B | 83,987 | 84,775 | 74,368 | (788) | (10,407) |
| Employee benefits expense | 2 | 22,968 | 19,768 | 20,270 | 3,200 | 502 |
| Supplies and services | 3, C | 24,012 | 21,615 | 16,785 | 2,397 | (4,830) |
| Depreciation and amortisation expense | 4, D | 4,140 | 6,094 | 9,091 | (1,954) | 2,997 |
| Finance costs | | 474 | 374 | 633 | 100 | 259 |
| Accommodation expenses | | 1,153 | 920 | 656 | 233 | (264) |
| Grants and subsidies | | 50 | 20 | 60 | 30 | 40 |
| Loss on disposal of non-current assets | | - | 13 | 5 | (13) | (8) |
| Other expenses | | 2,381 | 2,751 | 1,443 | (370) | (1,308) |
| **Total operating expenses** | | **139,165** | **136,330** | **123,311** | **2,835** | **(13,019)** |
| | | | | | | |
| **Operating profit / (loss)** | | **(4,517)** | **(7,806)** | **(2,104)** | **(3,289)** | **(5,702)** |
| | | | | | | |
| **Other economic flows included in net result** | | | | | | |
| Net movement in biological assets | 5 | (4,142) | (9,453) | (9,120) | (5,311) | (333) |
| Onerous contracts | | (381) | 321 | (267) | 702 | 588 |
| Grants and subsidies from State Government | | 1,400 | 452 | 200 | (948) | 252 |
| **Other economic flows included in net result before income tax** | | **(3,123)** | **(8,680)** | **(9,187)** | **(5,557)** | **507** |
| | | | | | | |
| Income tax benefit / (expense) | 6, E | 2,292 | (14,380) | 3,403 | (16,672) | (17,783) |
| | | | | | | |
| **Net result from continuing operations after income tax** | | **(5,348)** | **(30,866)** | **(7,888)** | **(25,518)** | **(22,978)** |

### 9.10.2 STATEMENT OF FINANCIAL POSITION VARIANCES

| | Variance note | Estimate 2022 $000 | Actual 2022 $000 | Actual 2021 $000 | Variance Est to 2022 $000 | Variance 2022–2021 $000 |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| **Current assets** | | | | | | |
| Cash and cash equivalents | 1, A | 2,130 | 17,007 | 10,928 | 14,877 | 6,079 |
| Inventories | | 7,078 | 7,603 | 10,528 | 525 | (2,925) |
| Receivables | | 16,418 | 14,438 | 16,208 | (1,980) | (1,770) |
| Biological assets | 2, B | 6,288 | 11,883 | 6,288 | 5,595 | 5,595 |
| Other current assets | | 2,369 | 1,824 | 2,369 | (545) | (545) |
| **Total current assets** | | **34,283** | **52,755** | **46,321** | **18,472** | **6,434** |
| **Non-current assets** | | | | | | |
| Infrastructure, property, plant and equipment | 3 | 46,221 | 41,711 | 38,027 | (4,510) | 3,684 |
| Deferred tax assets | 4, C | 18,085 | - | 15,793 | (18,085) | (15,793) |
| Biological assets | | 202,336 | 186,258 | 197,355 | (16,078) | (11,097) |
| Right of use assets | | 1,290 | 2,436 | 1,591 | 1,146 | 845 |
| Intangible assets | | 2,109 | 3,313 | 5,560 | 1,204 | (2,247) |
| **Total non-current assets** | | **270,041** | **233,718** | **258,326** | **(36,323)** | **(24,608)** |
| **Total assets** | | **304,324** | **286,473** | **304,647** | **(17,851)** | **(18,174)** |
| **LIABILITIES** | | | | | | |
| **Current liabilities** | | | | | | |
| Payables | 5 | 10,781 | 15,870 | 17,554 | 5,089 | (1,684) |
| Lease liabilities | | 510 | 703 | 558 | 193 | 145 |
| Employee related provisions | | 2,600 | 3,606 | 3,508 | 1,006 | 98 |
| Other provisions | 6 | 9,215 | 5,433 | 7,749 | (3,782) | (2,316) |
| Deferred revenue | | 1,933 | 1,672 | 1,933 | (261) | (261) |
| **Total current liabilities** | | **25,039** | **27,284** | **31,302** | **2,245** | **(4,018)** |
| **Non-current liabilities** | | | | | | |
| Payables | | 3,177 | 3,133 | 3,827 | (44) | (694) |
| Lease liabilities | | 650 | 1,789 | 1,064 | 1,139 | 725 |
| Employee related provisions | | 1,500 | 771 | 966 | (729) | (195) |
| Other provisions | | 915 | 1,461 | 796 | 546 | 665 |
| Deferred revenue | | 10,202 | 8,475 | 9,836 | (1,727) | (1,361) |
| **Total non-current liabilities** | | **16,444** | **15,629** | **16,489** | **(815)** | **(860)** |
| **Total liabilities** | | **41,483** | **42,913** | **47,791** | **1,430** | **(4,878)** |
| **Net assets** | | **262,841** | **243,560** | **256,856** | **(19,281)** | **(13,296)** |
| **Equity** | | | | | | |
| Contributed equity | | 287,578 | 290,508 | 276,245 | 2,930 | 14,263 |
| Reserves | 7, D | 12,999 | 16,297 | 12,999 | 3,298 | 3,298 |
| Accumulated deficit | 8, E | (37,736) | (63,245) | (32,388) | (25,509) | (30,857) |
| **Total equity** | | **262,841** | **243,560** | **256,856** | **(19,281)** | **(13,296)** |

### 9.10.3 STATEMENT OF CASH FLOW VARIANCES

| | Variance note | Estimate 2022 $000 | Actual 2022 $000 | Actual 2021 $000 | Variance Est to 2022 $000 | Variance 2022–2021 $000 |
|---|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | |
| **Receipts** | | | | | | |
| Receipts from external customers | | 133,207 | 135,745 | 127,164 | 2,538 | 8,581 |
| Interest received | | 80 | 32 | 31 | (48) | 1 |
| Other receipts | | 1,329 | 729 | 1,753 | (600) | (1,024) |
| **Total receipts** | | **134,616** | **136,506** | **128,948** | **1,890** | **7,558** |
| **Payments** | | | | | | |
| Payments for employee benefits | 1 | (22,955) | (19,868) | (20,461) | 3,087 | 593 |
| Payments to suppliers | 2, A | (24,318) | (30,807) | (26,638) | (6,489) | (4,169) |
| Forest management expenditure | B | (90,597) | (87,556) | (76,250) | 3,041 | (11,306) |
| **Total payments** | | **(137,870)** | **(138,231)** | **(123,349)** | **(361)** | **(14,882)** |
| **Net cash inflow from operating activities** | | **(3,254)** | **(1,725)** | **5,599** | **1,529** | **(7,324)** |
| | | | | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | |
| Proceeds from sale of non-current physical assets | | - | - | 15 | - | (15) |
| Purchase of non-current physical assets | | (250) | (27) | (40) | 223 | 13 |
| Investment in new plantations | 3 | (17,455) | (6,033) | (5,242) | 11,422 | (791) |
| **Net cash used in investing activities** | | **(17,705)** | **(6,060)** | **(5,267)** | **11,645** | **(793)** |
| | | | | | | |
| **CASHFLOWS FROM FINANCING ACTIVITIES** | | | | | | |
| **Payments** | | | | | | |
| Lease payments | | (572) | (851) | (1,126) | (279) | 275 |
| **Net cash used in financing activities** | | **(572)** | **(851)** | **(1,126)** | **(279)** | **275** |
| | | | | | | |
| **CASH FLOWS FROM / (TO) STATE GOVERNMENT** | | | | | | |
| State Contribution (equity injection) | 4, C | 11,333 | 14,263 | - | 2,930 | 14,263 |
| Other grants and subsidies | | 1,400 | 452 | 200 | (948) | 252 |
| **Net cash provided from (to) State Government** | | **12,733** | **14,715** | **200** | **1,982** | **14,515** |
| | | | | | | |
| Net increase/(decrease) in cash and cash equivalents | | (8,798) | 6,079 | (594) | 14,877 | 6,673 |
| Cash and cash equivalents at the beginning of the period | | 10,928 | 10,928 | 11,522 | - | (594) |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | | **2,130** | **17,007** | **10,928** | **14,877** | **6,079** |

### 9.10.4 SIGNIFICANT VARIANCES BETWEEN ESTIMATE AND ACTUAL FOR 2022 AND/OR BETWEEN ACTUALS FOR 2022 AND 2021:

**Statement of Comprehensive Income**

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

1) Other income was greater than forecast due to a previous change in accounting treatment, for the annual sandalwood contributional income, not yet included in estimates.
2) Employee benefits expenses were underspent due to a number of positions that were vacant during parts of the year.
3) Lower expenditure on consultants, professional services, travel and repairs and maintenance resulted in lower than estimated costs for supplies and services.
4) Higher amortisation expense resulted from the unbudgeted amortisation of the annual sandalwood licence during the year.
5) A higher than budgeted decrement in the valuation for Plantation biological assets.
6) The higher than estimated tax expense resulted from the de-recognition of the net tax assets at the end of the year.

**Variances between 2022 and 2020 ($000's)**

A) Other income was lower than the previous year due to a lower accounting value for the annual sandalwood contributional income.
B) Production expenses were higher than the prior year due to the higher sales activity volumes combined with higher fuel costs and capacity constraints on contractors.
C) Increased fire salvage, fertiliser and other forest maintenance costs in native forest and plantations, resulted in higher supplies & services costs than the previous year.
D) A reduction in the valuation of the sandalwood licence resulted in a reduced amortisation expense for the sandalwood licence.
E) The higher tax expense in the current year resulted from the de-recognition of the net tax assets at the end of the year. This de-recognition of the net deferred tax asset arose as its realisation was no longer considered probable.

**Statement of Financial Position**

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

1) The higher cash position resulted from a previously unbudgeted cash injection from Treasury to underpin the withdrawal from the logging of Native Forest areas.
2) As a result of an independent valuation of the plantation estate, the current biological asset portion was revalued higher than previously estimated.
3) Land purchases anticipated for an expansion of the softwood estate were not completed during the year.
4) The net deferred tax asset was de-recognised at the end of the current financial year and taken up as an income tax expense.
5) Higher levels of trade payables and accrued expenses than estimated.
6) Lower provisions for replanting and unrecognised revenue resulted in smaller balances than previously estimated for the year.
7) An independent revaluation of land by Landgate in 2022 resulted in an unanticipated increase in the reserve related to the land carrying value.
8) A larger loss than anticipated, including the write-down of net deferred tax assets, resulted in a higher rise in accumulated losses than originally estimated.

**Variances between 2022 and 2021 ($000's)**

A) The higher cash position resulted from a cash injection from Treasury to fund the shortfall created by the withdrawal from the logging of Native Forest areas.
B) As a result of an independent valuation of the plantation estate, the current biological asset portion was revalued higher than in the previous valuation, despite an overall lower plantation valuation.
C) The net deferred tax asset was de-recognised at the end of the current financial year and taken up as an income tax expense.
D) An upward evaluation of land by Landgate in 2022 resulted in an increase in the reserve during the year.
E) An increased accounting loss combined with the de-recognition of net deferred tax assets resulted in a rise in accumulated tax losses for the year.

**Statement of Cash Flows**

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

1) Employee benefits payments were reduced due to a number of vacant positions that remained unfilled during portions of the year.
2) A payment of $7 million to Treasury, that was deferred from 2021, was paid in 2022.
3) The delayed acquisition of land resulted in less than expected expenditure on plantation expansion expenditure on new plantations.
4) Additional equity was received for the native forest logging exit, rather than the anticipated funds for plantation expansion.

**Variances between 2022 and 2021 ($000's)**

A) Higher payments to suppliers from the higher sales activity level combined with payments to contractors for unanticipated price rises in fuel costs resulted in a greater outflow than the previous year.
B) Increased expenditure in forest management resulted from higher than forecast activity in forest operations due to the increased production in 2022.
C) An additional equity injection was recognised in 2022 following the decision to cease native forest logging.

# Key performance indicators

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

# Certification of the key performance indicators

## Certification of the key performance indicators

We hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Forest Products Commission's performance, and fairly represent the performance of the Forest Products Commission for the financial year ended 30 June 2022.

| | |
|---|---|
| **Ms Debra Blaskett**<br>Chair<br>2 September 2022 | **Mr Robert Pearce**<br>Commissioner<br>2 September 2022 |

# Contents

# Overview

Some changes were made to the FPC's key performance indicators (KPIs) for 2019-2020 financial year onwards reporting to improve relevance and wording. Where available, data has been presented for the previous five years as a comparison. The FPC's KPIs are aligned with State Government goals.

## 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 and sustainable 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
2) Harvest of sandalwood does not exceed licence limits
3) Effectiveness of forest regeneration
4) The achievement of thinning schedules
5) All operations commence with required approvals
6) Independent certification maintained
7) Management of native forest fuel loads adjacent to priority pine plantations
8) Softwood plantations planted in the previous winter meet minimum stocking levels
9) First and second rotation softwood planting targets are achieved
10) Native forest resource processed locally (excluding any trials or research undertaken)
11) Log deliveries meet customer orders
12) Sandalwood sales orders
13) Green sandalwood roots as a percentage of green sandalwood harvested

## Key efficiency indicators

1) Timeliness of response to stakeholder concerns or complaints
2) Timeliness of initial response to Ministerial requests and Parliamentary Questions
3) Operating profit
4) Cost per dollar of revenue generated

# 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. The direct and indirect impacts of climate change on the health and vitality of the forests coupled with the move to logging of younger regrowth jarrah and karri forests over the past two decades has contributed to decreased quality and the reduced amount of commercial sawlog recovered from native forest harvesting and an increase in residue.

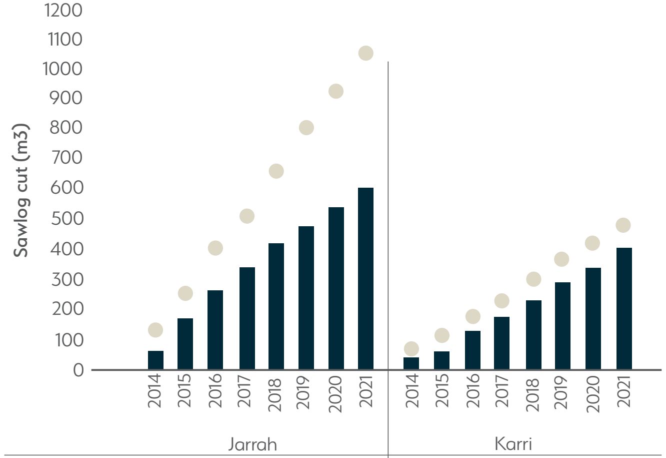
The harvested volume may vary between years depending on the customer demand for log products, and the volumes harvested in previous years. The FPC monitors harvest levels to ensure volumes removed stay within cumulative allowable limits over the 10 year period of the FMP from 2014 to 2023.

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

This KPI is measured in calendar years rather than financial year to be consistent with the FMP and timber harvested is reported in cubic metres (rather than tonnes) to enable comparison with the FMP annual allowable cut.

### First and second-grade jarrah and karri sawlogs

**Target: Native forest harvest level does not exceed the level prescribed in the FMP (2014-2023)**

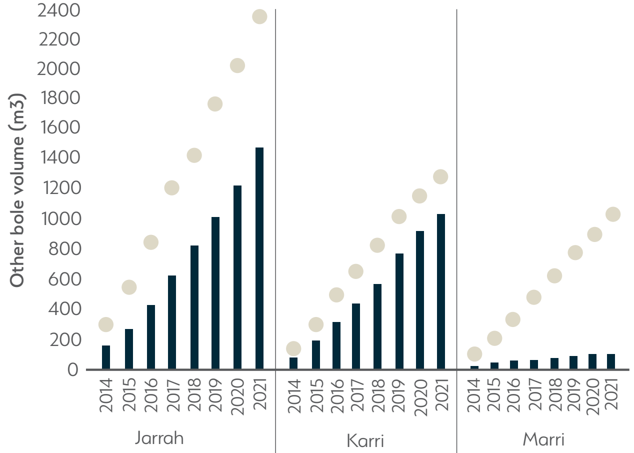



| | Jarrah 2014 | Jarrah 2015 | Jarrah 2016 | Jarrah 2017 | Jarrah 2018 | Jarrah 2019 | Jarrah 2020 | Jarrah 2021 | Karri 2014 | Karri 2015 | Karri 2016 | Karri 2017 | Karri 2018 | Karri 2019 | Karri 2020 | Karri 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ann Allow SL ($m^3$) | 132 | 264 | 396 | 528 | 660 | 792 | 924 | 1056 | 59 | 118 | 177 | 236 | 295 | 354 | 413 | 472 |
| Actual SL $m^3$ | 71 | 170 | 260 | 341 | 419 | 469 | 538 | 593 | 42 | 86 | 129 | 175 | 230 | 284 | 338 | 394 |

### Other bole volume for jarrah, karri and marri

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

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



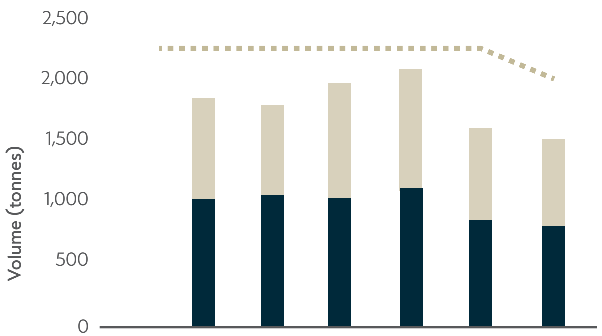

| | Jarrah 2014 | Jarrah 2015 | Jarrah 2016 | Jarrah 2017 | Jarrah 2018 | Jarrah 2019 | Jarrah 2020 | Jarrah 2021 | Karri 2014 | Karri 2015 | Karri 2016 | Karri 2017 | Karri 2018 | Karri 2019 | Karri 2020 | Karri 2021 | Marri 2014 | Marri 2015 | Marri 2016 | Marri 2017 | Marri 2018 | Marri 2019 | Marri 2020 | Marri 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ann Allow OBV (m3) | 292 | 584 | 876 | 1168 | 1460 | 1752 | 2044 | 2336 | 164 | 328 | 492 | 656 | 820 | 984 | 1148 | 1312 | 140 | 280 | 420 | 560 | 700 | 840 | 980 | 1120 |
| Actual OBV (m3) | 140 | 288 | 441 | 631 | 820 | 998 | 1215 | 1412 | 98 | 219 | 326 | 448 | 574 | 747 | 903 | 1032 | 15 | 28 | 41 | 56 | 67 | 78 | 99 | 119 |

## 2. Harvest of sandalwood does not exceed licence limits

**Target: Sandalwood harvest does not exceed licence limits**

In 2021-2022 the FPC's sandalwood harvest licence was reduced to 2,000 tonnes (from 2,250 tonnes) in line with the recommendations of the Sandalwood Taskforce. The quantity includes all parts of the tree except leaves, bark and small branches. During 2021-2022 the FPC harvested less than the licenced amount.

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.




| | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 |
|---|---|---|---|---|---|---|
| Green and dead wood limit (tonnes) | 2250 | 2250 | 2250 | 2250 | 2250 | 2000 |
| Actual green (tonnes) | 1008 | 1023 | 1007 | 1079 | 835 | 758 |
| Actual dead (tonnes) | 743 | 690 | 895 | 987 | 727 | 725 |

**Harvest of sandalwood does not exceed licence limits**

Note: 2021-2022 quota reduced from 2250 tonnes to 2000 tonnes in line with Sandalwood Taskforce recommendations.

## 3. Effectiveness of forest regeneration

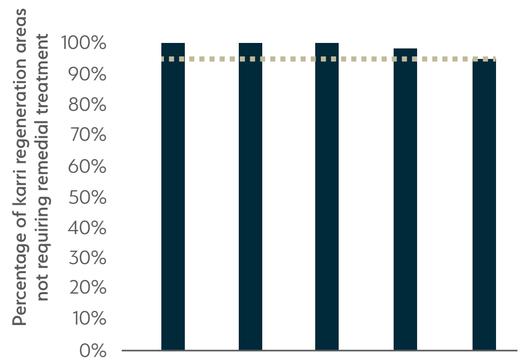
Regeneration of native forests is essential for maintaining productive capacity, biological diversity and sustainability. Regeneration works are carried out in accordance with relevant guidelines. Regeneration success is monitored, and remedial action taken as necessary. Remedial action may include infill 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 2021, 95 per cent of karri areas were successfully regenerated.

Data for this KPI is reconciled on a calendar year basis.



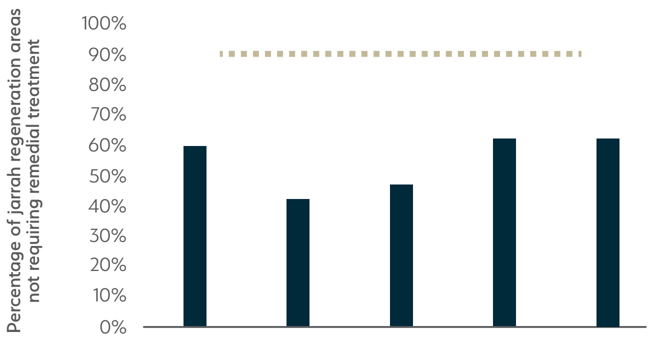

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Target | 95% | 95% | 95% | 95% | 95% |
| Actual | 100% | 100% | 100% | 99% | 95% |

## Jarrah

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

Jarrah forest consists of a mosaic of different forest structures. The silvicultural objective for each area of forest varies depending on its structure and a range of other factors such as forest condition in the surrounding landscape. Regeneration may require follow up treatment post-harvest where the harvesting operation has not achieved the desired silvicultural outcome. For example, it may be necessary to remove competition by specific trees which are restricting light, nutrients and water to allow successful regeneration.

Following jarrah harvesting, prescribed burning is carried out by DBCA. This burning, which is essential for reducing fuel loads (from harvest residues) 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.




| | 2017 (cumulative result*) | 2018 (cumulative result*) | 2019 (cumulative result*) | 2020 (cumulative result*) | 2021 (cumulative result*) |
|---|---|---|---|---|---|
| Target | 90% | 90% | 90% | 90% | 90% |
| Actual | 62% | 60% | 42% | 47% | 62% |

Jarrah regeneration

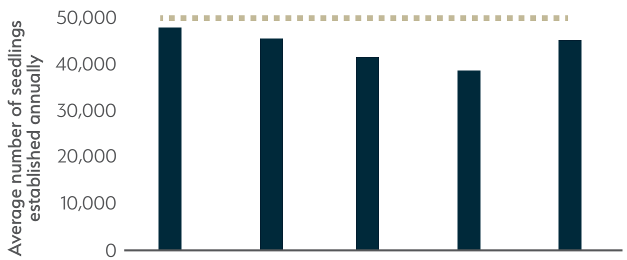
Areas cutover (for regeneration release) needs to be prescribed burnt within 30 months.

While improved from the previous year, the 2020-2021 cumulative result reflects the limited opportunities available during 2019-2020 and 2021 (weather related) to undertake prescribed burning to achieve the desired result. Weather conditions must be safe and conducive to the prescribed burning outcomes desired.

## 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.




| | 2017-2018 cumulative average over 7 years | 2018-2019 cumulative average over 8 years | 2019-2020 cumulative average over 9 years | 2020-2021 cumulative average over 10 years | 2021-2022 cumulative average over 11 years |
|---|---|---|---|---|---|
| Target seedlings | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| Actual seedlings | 49,000 | 47,000 | 42,000 | 39,000 | 46,000 |

Sandalwood seedling establishment

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. Between 2017 and 2020 there was minimal winter rainfall across the seeding operation areas. However, seeds sown during this time may germinate in subsequent years as they remain viable for several years in the soil. Good rainfall in the winter of 2021 resulted in strong regeneration outcomes during 2021-2022 generating a significant improvement in the long term average regeneration of sandalwood.

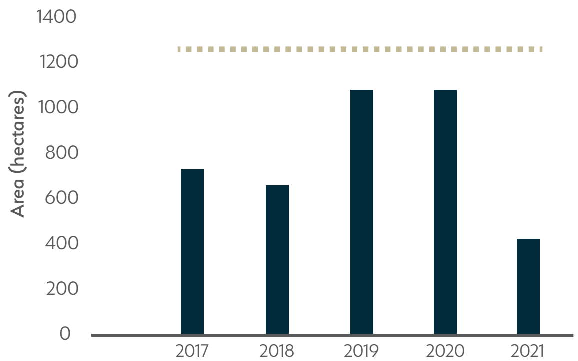
## 4. The achievement of thinning schedules

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 2021 the target area was not achieved.




| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| FMP first thinning target (hectares) | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 |
| Area thinned (hectares) | 724 | 641 | 1,066 | 637 | 433 |

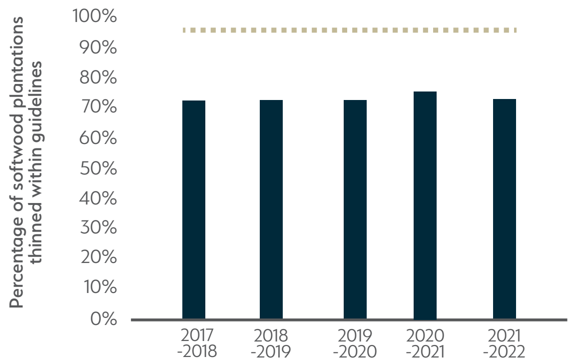
Karri thinning

### 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 most 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 2021-2022 financial year 74 per cent of softwood plantations were compliant with thinning schedules.




| | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 |
|---|---|---|---|---|---|
| Target | 95% | 95% | 95% | 95% | 95% |
| Actual percentage | 72% | 73% | 74% | 75% | 74% |

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.

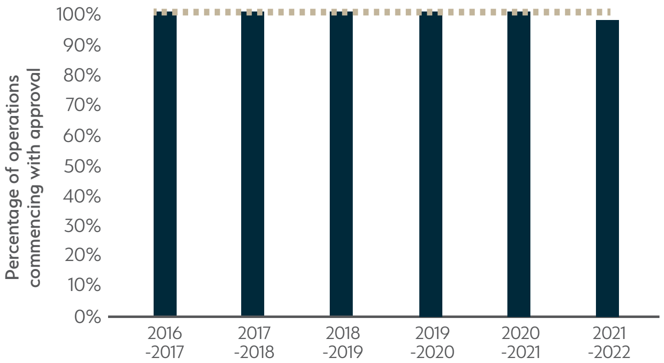
With the majority of plantations now exceeding or approaching 14 years of age, a delayed thinning for the commercial product may be possible. A forest health assessment will determine this.

## 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 was obtained for the previous four financial years.




| | 2016 -2017 | 2017 -2018 | 2018 -2019 | 2019 -2020 | 2020 -2021 | 2021 -2022 |
|---|---|---|---|---|---|---|
| Target | 100% | 100% | 100% | 100% | 100% | 100% |
| Actual | 100% | 100% | 100% | 100% | 100% | 99% |

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. The FPC's primary forest certification, Responsible Wood, is internationally recognised by the Program for the Endorsement of Forest Certification (PEFC).

In July 2021 the FPC was externally audited against the International Standard ISO 14001:2015 (for an Environmental Management System) and in November 2021 against the Australian Standard for Sustainable Forest Management (SFM) AS 4708:2013. The FPC received a 6 month extension of our AS 4708 certificate until December 2022 due to impact of COVID-19.

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.

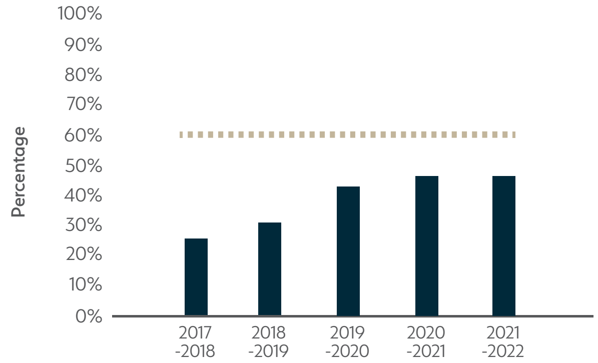
## 7. Management of native forest fuel loads adjacent to priority pine plantations

**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 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 their 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 to be 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 2022, there are 28 priority plantations and the percentage of adjoining DBCA managed native forest fuel loads less than six years old was increased slightly to 54 per cent from 47 per cent from previous financial year.




| | 2017 -2018 | 2018 -2019 | 2019 -2020 | 2020 -2021 | 2021 -2022 |
|---|---|---|---|---|---|
| Target | 60% | 60% | 60% | 60% | 60% |
| Actual | 24% | 32% | 43% | 47% | 54% |

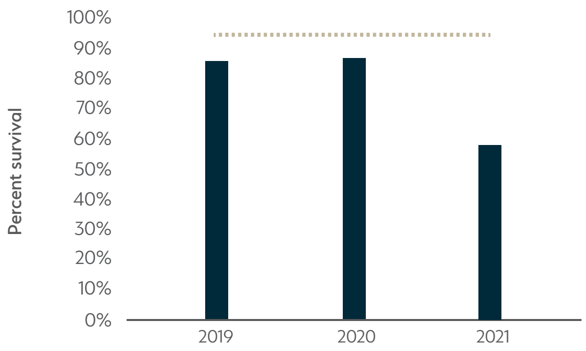
Percentage of native forest fuel loads adjoining priority pine plantations that are under six years of age

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

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

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

During Autumn each year areas that were planted in the previous winter are assessed for seedling survival. Infill planting may be necessary at the beginning of the next planting season if seedling survival is insufficient. 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 2021 seedling mortality leading to the 69 per cent survival result was mainly due to weed competition in some areas and periods of higher than average temperatures in summer.




| | 2019 | 2020 | 2021 |
|---|---|---|---|
| Target | 95% | 95% | 95% |
| Actual | 87% | 87% | 69% |

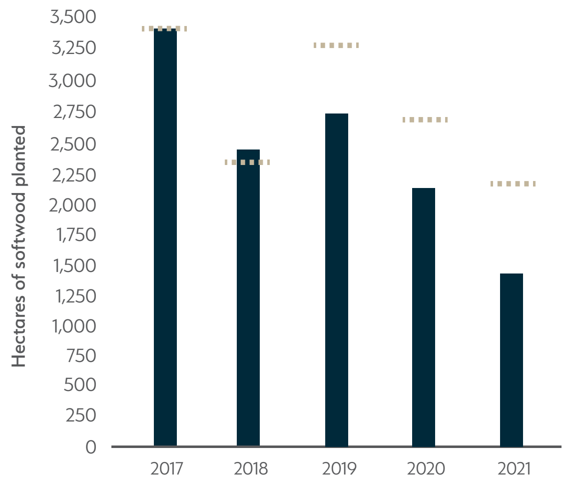
Percentage of softwood plantations in the previous winter meeting minimum stocking levels

## 9. First and second rotation softwood planting targets are achieved

**Target: First and second rotation softwood planting targets are achieved**

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

As the winter planting season crosses over into two financial years, this KPI is measured on a calendar year basis. The 2021 results overall were under target. Land acquisition for first rotation establishment was placed on hold in 2021 while changes to the Forest Products Act to support this activity were progressed.



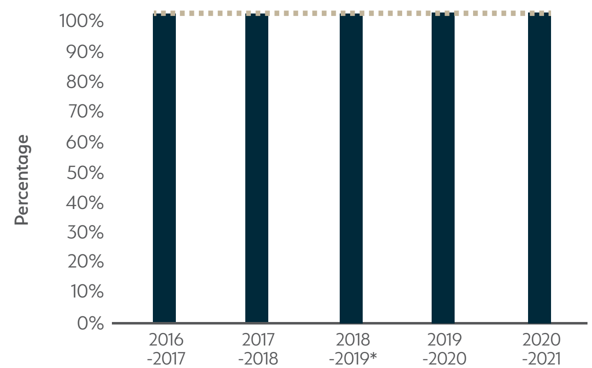

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Target | 3,437 | 2,308 | 3,174 | 2,714 | 2,292 |
| Actual | 3,418 | 2,460 | 2,775 | 2,177 | 1,474 |

First and second rotation softwood planting

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

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

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




| | 2016 -2017 | 2017 -2018 | 2018 -2019* | 2019 -2020 | 2020 -2021 |
|---|---|---|---|---|---|
| Target | 100% | 100% | 100% | 100% | 100% |
| Actual | 100% | 100% | 100% | 100% | 100% |

Native forest resource processed locally

## 11. Log deliveries meet customer orders

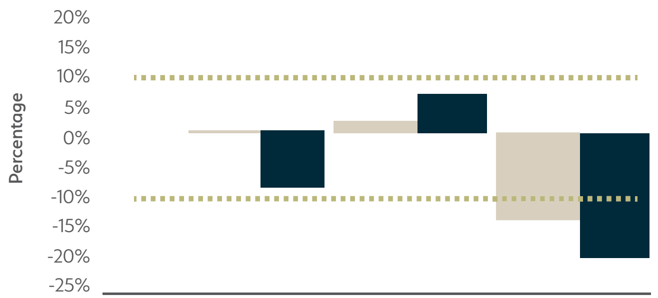
**Target: Overall deliveries compared with customer orders has a variance of no greater than 10 per cent**

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.

Overall deliveries were below target for both softwood and hardwoods in 2021-2022 and the KPI was not achieved.

The buoyant housing and construction market and significantly reduced timber imports both contributed to substantial increases in the demand for all types of locally-sourced plantation timbers.

On the supply side, the time and effort to source native forest timber also increased resulting in reduced harvesting rates due to timber being sourced from less productive areas of native forest. At the same time COVID-19-related staff absences and higher paid employment in mining and other sectors resulted in a shortage of harvest operators and truck drivers, further affecting supply.




| | 2019 -2020 | 2020 -2021 | 2021 -2022 |
|---|---|---|---|
| Softwood | 0.31% | 1.61% | -13.13% |
| Native forest | -8.71% | 7.15% | -19.79% |
| Target variance | Within 10% to -10% | | |

Total variance of overall deliveries compared with customer orders

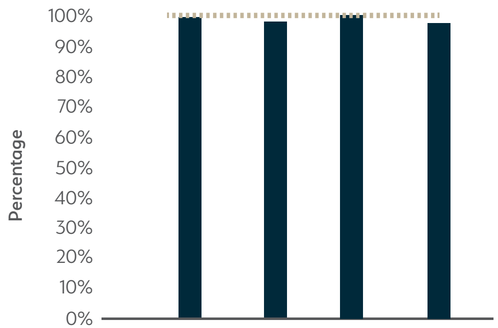
## 12. Sandalwood sales orders

**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 2021-2022, 98 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. Some orders were delayed or cancelled as a result of shipping delays.

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




| | 2018 -2019 | 2019 -2020 | 2020 -2021 | 2021 -2022 |
|---|---|---|---|---|
| Target | 100% | 100% | 100% | 100% |
| Percentage sales met (international and domestic) | 99% | 98% | 100% | 98% |

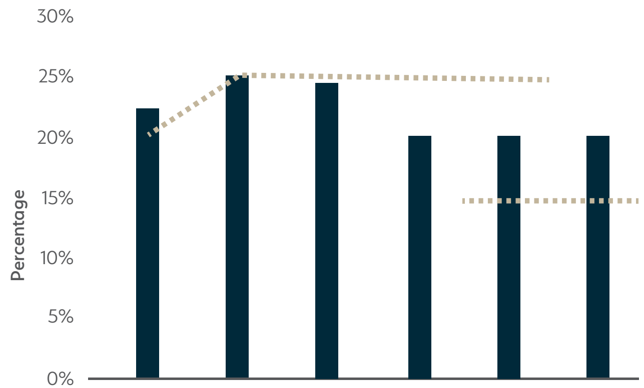
Sandalwood sales orders met

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

**Target: Total green volume includes 15 to 25 per cent roots**

Recovery of sandalwood root material reduces the number of trees harvested. Therefore, it is important for the sustainability of the industry to achieve an optimal amount of root recovery. The target of 20 per cent in 2016-2017 was raised to 25 per cent from 2017-2018 financial year to capture opportunities for improvement in recovery through changes to harvesting techniques.

However, it was subsequently found that there was a link between the amount of roots collected and a decrease in oil quality that affected the quality and value of the product. As such for the 2020-2021 reporting year the target was amended to a range of 15-25% to enable a better balance between quality of product and utilisation.




| | 2016 -2017 | 2017 -2018 | 2018 -2019 | 2019 -2020 | 2020 -2021 | 2021 -2022 |
|---|---|---|---|---|---|---|
| Target | 20% | 25% | 25% | 25% | 15 to 25% | 15 to 25% |
| Actual | 22% | 25% | 24% | 21% | 23% | 20.8% |

Percentage of sandalwood roots in green sandalwood harvested

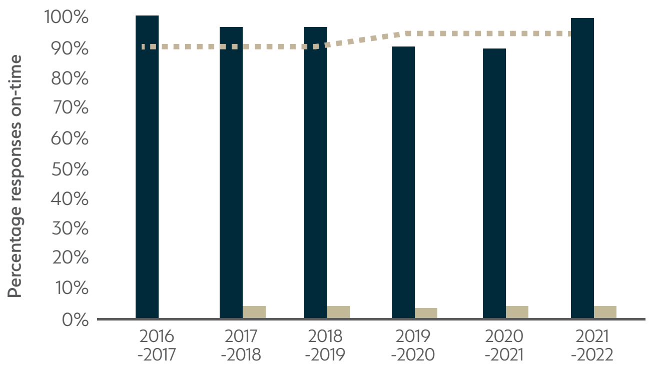
# Key efficiency indicators

## 1. Timeliness of response to stakeholder concerns or complaints

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

Providing a timely response is an important part of effective complaints handling. The FPC has set a target that 95 per cent 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. All stakeholder concerns or complaints in 2021-2022 were responded to within the 28 day period (100% in time).

It is important to note that some complaints or concerns may take longer than 28 days to reach a final outcome, and not all complaints or concerns will necessarily have an agreed resolution. The FPC aspires to work constructively and proactively with all stakeholders and to address any concerns or complaints raised within a reasonable timeframe.




| | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 |
|---|---|---|---|---|---|---|
| Target | 90% | 90% | 90% | 95% | 95% | 95% |
| On-time | 100% | 96% | 96% | 97% | 96% | 100% |
| Overdue | 0% | 4% | 4% | 3% | 4% | 0% |

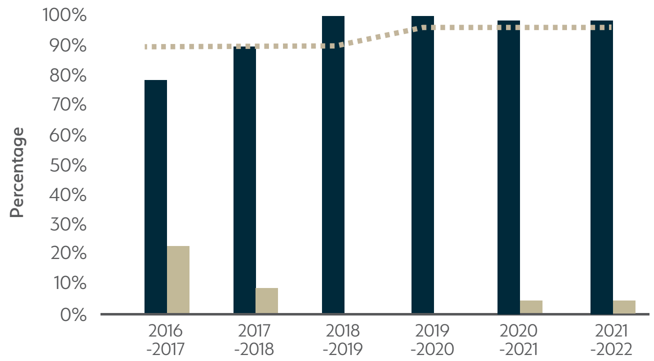
Timeliness of response to stakeholder concerns or complaints

## 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 for 2019-2020. The FPC achieved 97 per cent for financial year 2021-22, 3 per cent higher than the previous year.




| | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 |
|---|---|---|---|---|---|---|
| Target | 90% | 90% | 90% | 95% | 95% | 95% |
| On-time | 78% | 91% | 100% | 100% | 96% | 97% |
| Overdue | 22% | 9% | 0% | 0% | 4% | 3% |

Responses to Ministerial requests and Parliamentary Questions provided on time

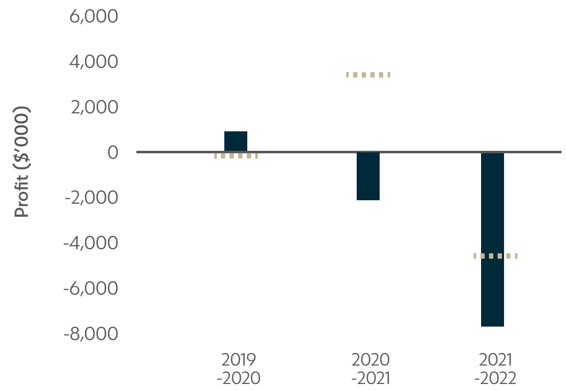
* Note that results have been rounded to the nearest one per cent.

## 3 Operating profit

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

The FPC operating result for the 2021-2022 year was a $7.8 million operating loss against a budgeted loss of $4.5 million.

Refer to note 9.10.1 of the financial statements of this annual report for information on the variance between target and actuals. The target used for the KPI is the projected financial performance set prior to the start of the financial year.




| | 2019-2020 | 2020-2021 | 2021-2022 |
|---|---|---|---|
| Target | (56) | 3,585 | (4,517) |
| Actual | 890 | (2,104) | (7,806) |

Operating profit

## 4. Cost per dollar of revenue generated

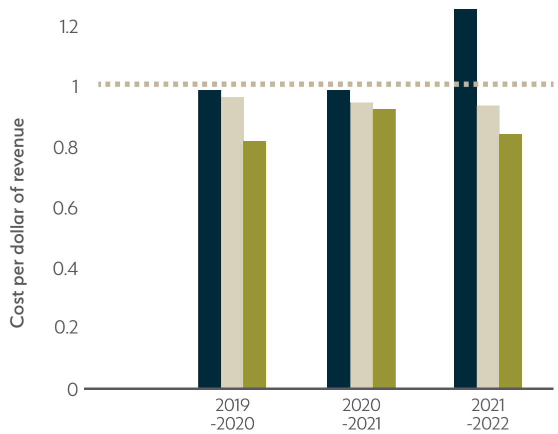
**Target: The cost per dollar of revenue generated to decrease over time**

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 2021-2022 rose sharply due to higher costs than in the prior years, through a combination of high fuel prices and contractor constraints following the announcement of an end to native forest logging at the end of the current *Forest Management Plan* in December 2023.

**Plantation**
The unit cost per dollar for plantations was slightly lower than the previous year's result, following high demand for the building industry. The unit cost per dollar generated has remained within a stable range over the three years.

**Sandalwood**
The unit cost per dollar generated in 2021-22 decreased by eight cents following an increase in domestic market sales of products during the year and a reduction of international sales, which attract higher costs.




| | 2019 -2020 | 2020 -2021 | 2021 -2022 |
|---|---|---|---|
| Native forest | $0.99 | $0.99 | $1.25 |
| Plantations | $0.92 | $0.94 | $0.93 |
| Sandalwood | $0.81 | $0.92 | $0.84 |

Cost per dollar of revenue generated

# Disclosures

2.6 million softwood seedlings were grown for planting in 2022.

# Disclosures and legal compliance

## Administered legislation

The FPC is governed by the Forest Products Act 2000 (the Act) and the *Forest Products Regulations 2020*.

## Ministerial directives

No Ministerial directives under the Act were received during the 2021–2022 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); Ms Debra Blaskett; Ms Vanessa Martin (from November 2021); and Co-opted Commissioner Ms Catherine Broadbent (until June 2022). In addition to the four formal meetings held, the Committee also held one special Committee meeting.

People and Safety

The People and Safety Committee has 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 The Hon. Ms Melissa Parke (Committee Chair, from November 2021); Ms Debra Blaskett (from November 2021); Ms Vanessa Elliott (from July 2021 to June 2022); Mr Ross Holt (Committee Chair, until November 2021); and Mr Nick Bayes (until July 2021).

Plantations Investment

The Plantation Investment Committee has oversight of the Softwood Strategy, with an emphasis on the estate expansion requirements to ensure industry sustainability. Members of the Committee included Ms Debra Blaskett (Committee Chair, from November 2021); Mr Bob Pearce; Ms Vanessa Martin (from November 2021); The Hon Ms Melissa Parke (from November 2021); Co-opted Commissioner Ms Cathy Broadbent (until June 2022); and Mr Ross Holt (Committee Chair, until November 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, in addition the Commission also held two special Commission meetings. The Commissioners visited a variety of forestry field operations and met with key industry stakeholders.

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

| | | | Commission | | Audit and Risk Committee | | People and Safety Committee | | Plantation Investment Committee | |
|---|---|---|---|---|---|---|---|---|---|---|
| Number of meetings held | | | 7 | | 6 | | 4 | | 2 | |
| Name | Period of membership | Gross annual remuneration | Attended | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend |
| Mr Ross Holt (Chair) | 1 July 2021 – 15 November 2021 | $19,615.42 | 3 | 3 | N/A | N/A | 3 | 3 | 1 | 1 |
| Ms Debra Blaskett (Chair) | 1 July 2021 – 30 June 2022<br>Chair from 16 November 2021 | $39,205.91 | 7 | 7 | 4 | 4 | 1 | 1 | 2 | 2 |
| The Hon. Ms Melissa Parke | 1 July 2021 – 30 June 2022 | $21,491.69 | 7 | 7 | N/A | N/A | 3 | 4 | 2 | 2 |
| Mr Stan Liaros | 1 July 2021 – 30 June 2022 | $21,491.69 | 4 | 7 | N/A | N/A | 1 | 3 | N/A | N/A |
| Mr Nick Bayes | 1 July 2021 – 13 June 2022 | $20,048.22 | 5 | 7 | N/A | N/A | 0 | 1 | N/A | N/A |
| Ms Vanessa Elliott | 1 July 2021 – 13 June 2022 | $20,288.80 | 5 | 7 | N/A | N/A | 3 | 4 | N/A | N/A |
| Mr Robert Pearce | 1 July 2021 – 30 June 2022 | $20,850.15 | 7 | 7 | 4 | 4 | N/A | N/A | 2 | 2 |
| Ms Vanessa Martin | 16 November 2021 – 30 June 2022 | $12,670.46 | 3 | 4 | N/A | N/A | N/A | N/A | 0 | 1 |
| Ms Catherine Broadbent (Co-opted Commissioner) | 1 July 2021 – 30 June 2022 | $20,850.48 | 7 | 7 | 4 | 4 | N/A | N/A | 1 | 2 |
| Mr Simon Byrne | 14 June 2022 – 30 June 2022 | $641.54 | 0 | 0 | N/A | N/A | N/A | N/A | N/A | N/A |
| Ms Stephanie Black | 14 June 2022 – 30 June 2022 | $0.00 | 0 | 0 | N/A | N/A | N/A | N/A | N/A | N/A |

* Note: Ms Stephanie Black is a public sector employee and was not entitled to remuneration

# Other legal requirements

**Freedom of Information**
The *Freedom of Information Act 1992* (FOI Act) enables the public to apply for access to documents held by the FPC. Guidance on how to apply, and obtain, requested documents is set out in the FPC's Information Statement, which is available to the public on the FPC website.

The Information Statement is prepared in accordance with the requirements of the FOI Act and provides guidance in obtaining access to documents held by the FPC.

The FPC received one FOI application during the 2021-2022 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; and
- 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.

**Information management**
*State Records Act 2000*

The FPC has been actively focused on the management of digital information. This is reflected through the upgrading of the recordkeeping system to guarantee improved technology and to comply with required standards. The FPC is supporting change through the effective management of a web interface into the recordkeeping system.

The FPC's Recordkeeping Plan sets out the FPC's intention to further develop and implement policies and procedures for the management of digital records in conjunction with reviewing the FPC's business classification to incorporate it into the future digital landscape.

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 participate in recordkeeping 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. Provision of additional recordkeeping 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 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.

**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 2021-2022 was $16,454.27 (including GST).

| EXPENDITURE TYPE | ORGANISATION | AMOUNT | TOTAL |
|---|---|---|---|
| Advertising agencies | | $0 | $0 |
| Market research agencies | | $0 | $0 |
| Polling organisations | | $0 | $0 |
| Direct mail organisations | | $0 | $0 |
| Media advertising organisations | | | |
| – Recruitment | Initiative | $12,175.55 | **$12,175.55** |
| – Forest operations notices | | $4,278.72 | **$4,278.72** |
| Total | | **$16,454.27** | **$16,454.27** |


We work with Aboriginal businesses to engage them across the sandalwood supply chain, continuing the Western Australian sandalwood story.

# 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 of June 2022, 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 | 23.1% | 43.8% |
| Indigenous Australians | 3.3% | 2.8% |
| People from culturally diverse backgrounds | 23.2% | 15.7% |
| People with a disability | 2.8% | 1.5% |
| Youth (aged 24 and under) | 6.1% | 5.3% |
| Mature (aged 45 and over) | 67.4% | 51.6% |

* The Public Sector Quarterly Entity profile (QEP) for June 2022 was not available at the time this report was produced. Data from December 2021 QEP report was used for this report.

** This data includes fixed term and casual employees.

**WA Multicultural Policy Framework**

The FPC Multicultural Plan 2021 – 2024 builds on the FPC's commitment to implement achievable actions to improve workforce outcomes for people from culturally diverse backgrounds. The implementation of this Multicultural Plan allows the continuation of strategies outlined in the FPC People Plan 2021 – 2023 and the FPC Workforce and Diversity Plan 2020 – 2022.

In the first year of the Multicultural Plan 2021 – 2024, the FPC implemented actions including updating the induction process for new staff to include the Diverse WA online awareness module and inviting all existing staff to undertake the training.

*Pinus pinaster* seedlings.

**Occupational safety, health and injury management**
The FPC is committed to providing safe and healthy working conditions for the prevention of work-related injury and ill health, eliminating hazards and reducing occupational health and safety risks, and consultation and participation of workers.

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

In 2022 the FPC engaged a consultant to complete a gap analysis of the FPC's safety systems and processes against ISO 45001:2018 Occupational health and safety management systems and alignment with the recently introduced *Work Health and Safety Act 2020*. The assessment highlighted where FPC was performing well, and areas for improvement which will be the focus over the next 12 months.

The FPC has changed the formula it uses to calculate Lost Time Injury to bring it more in line with Public Sector standards.

**Unauthorised use of credit cards**
Officers of the FPC hold corporate credit cards where their functions warrant usage of this facility. There was no unauthorised use of credit cards during the 2021-22 reporting period.

| MEASURES | 2019-2020 | 2020-2021 | 2021-2022 | TARGETS | COMMENTS ABOUT TARGETS |
|---|---|---|---|---|---|
| Number of fatalities | 0 | 0 | 0 | 0 | Zero fatalities |
| Lost time injury and disease incidence rate (LTIFR) | 1 | 3 | 1 | 0 or 10% reduction in incidence rate | Number of LTI injuries reduced from 5 in 2020/21 to 2 in 2021/22. |
| Lost time injury and severity rate | 50% | 0% | 0% | 0 or 10% reduction in severity rate | A motor vehicle accident in 2019 resulted in 172 lost days in total over the claim period. There were no severe lost time injuries or diseases recorded in 2020/21 and 2021/22. |
| Percentage of injured workers returned to work (i) within 13 weeks | 100% | 100% | 100% | Actual target to be stated | 100% |
| Percentage of injured workers returned to work (ii) within 26 weeks | 100% | 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 | 19% | 38% | 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 |

# Glossary

| Term | Definition |
|---|---|
| **Carbon sequestration** | The removal and storage of carbon dioxide from the atmosphere into reservoirs, including forests and wood products |
| **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 |
| **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 |
| **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 |

# Getting in touch with the FPC

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