Forest Products Commission
WESTERN AUSTRALIA

FOREST PRODUCTS COMMISSION

Annual Report 2011–12

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Statement of compliance

For year ended 30 June 2012
Hon Terry Redman, Minister for Forestry

In accordance with section 63 of the *Financial Management Act 2006*, we hereby submit for your information and presentation to Parliament, the Annual Report of the Forest Products Commission for the financial year ended 30 June 2012.

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

Michael Gurry
Chairman of Accountable Authority

19 September 2012

Karen Gadsby
Member of Accountable Authority

19 September 2012

From the Chairman

2011-12 has been a successful year for the Forest Products Commission (FPC). Following the restructure of both the organisation and its finances, FPC has focused on its commercial performance and industry development with good results on several fronts.

FPC's financial performance has been sound with an operating profit of $12.2 million (which includes $4.9 million fire settlement claim) and a profit for the year of $12.9 million. The contributing factors to this outcome were a reduction in operating expenditure, improved sales of native timber and an increase in softwood chip exports. The forest industries continue to make a contribution to Western Australia's regional economy with an estimated contribution of $1.06 billion per year and direct employment of approximately 3,400 people in timber related industries.

There has also been a general increase in confidence across the native sawlog sector with a corresponding increase in sales. FPC, through an expression of interest process, has assessed market interest in undertaking new investment in native forest processing in Western Australia. This will provide options for stimulation of the industry in using regrowth timber.

The domestic softwood industry has experienced a more subdued year with sales being down as a result of the high Australian dollar and a significant reduction nationally in new home starts.

The sandalwood industry remains sound with strong sales in both the domestic and international market. FPC continues its investment in a regeneration program to assist the long-term sustainability of the sandalwood industry in Western Australia.

In September 2011 two new Commissioners were appointed to vacancies on the Board. I welcome Ed Valom who has extensive commercial experience in the timber industry and Rob McDonald whose background is in financial management, particularly at executive level in the public sector. The skills and experience they bring complement the existing Board and will ensure an ongoing positive contribution to the management of FPC and development of forest industries.

The year also saw the appointment of David Hartley to the position of General Manager after a period of acting in the position. David's background is in agriculture and economics and brings extensive experience in senior public sector management to the General Manager's role.

I would like to thank the Commissioners for their support and contribution to the improved performance of FPC in a time of significant change at both an organisational and industry level. I would also like to thank FPC staff and Executive for their support and commitment to both improving the organisation's performance and development of the industry.

Finally on behalf of the Board I would like to thank the Hon Terry Redman MLA, Minister for Forestry for his support and guidance throughout the year.

Michael Gurry

Chairman

Executive summary

The 2011-12 year has been a positive one for the Forest Products Commission (FPC).

The organisation has successfully built on the structural and financial reform of the previous 18 months and has been fully focused on business management and industry development. Consequently the three core businesses of South West forests; softwood; and sandalwood are all profitable.

The South West forest industry in particular has recovered from a period of uncertainty, the closure of several mills and low sales to now be in a sound position with demand for timber strong. In particular the purchase and re-opening of Deanmill by Auswest has provided a very positive signal that there is a long-term future for sawmillers.

The expression of interest process for native timber has resulted in some significant interest in the use of lower grade timber for engineered wood products. If these proposals are successful it will further enhance the profitability of the native timber industry.

The industry also continues to be sustainable with the harvesting of regrowth forests carefully planned and managed to ensure the natural environment is protected. The management and harvesting of regrowth forests is required to meet rigorous environmental requirements. In any one year less than half a per cent of the South West's native forests are harvested and all of the harvested areas are regenerated.

The softwood industry has experienced a difficult year with sawlog and veneer log sales declining as a result of the depressed national and international markets. On the supply side, the impact of several dry seasons continued to have an impact with some tree deaths and slowing of growth rates in plantations north of Perth. Although the impact of the dry seasons appears to have stabilised, the situation will continue to be monitored.

The sandalwood industry continued to experience good sales on the international market and achieve gross profit in line with forecasts. A highlight has been the opening of new processing facilities at Canning Vale by FPC's agent Wescorp. FPC continues the sandalwood regeneration program to contribute to the long-term sustainability of the industry.

After a period of uncertainty the structure and staffing of FPC has been stabilised and the organisation is now tightly focussed on its core business and industry development to ensure the forest industry is profitable, environmentally sustainable and returns significant social and economic benefits to Western Australia. I would like to thank FPC staff for their ongoing commitment and contribution to the success of the agency under what at times are very difficult circumstances.

David Hartley

General Manager

Contents

1

Governance and compliance

West Manjimup Nursery and Seed centre

Agency overview

The Forest Products Commission (FPC) is a government owned statutory authority responsible for the sustainable management, commercial harvesting and sale of timber assets from State-owned native forests and plantations in the South West of Western Australia, and in the rangelands.

The FPC maintains a comprehensive Integrated Forest Management System (IFMS) which includes requirements for operational, environmental and safety management that are compatible with internationally recognised standards. The FPC is accredited to the Australian Forestry Standard (AS 4708) and the international standard ISO 14001 for its Environmental Management System (EMS).

Enabling legislation

The FPC was established on 16 November 2000 and operates under the *Forest Products Act 2000* and sections of the *Forest Management Regulations 1993*.

Responsible Minister

The Hon Terry Redman MLA, Minister for Forestry.

Other key legislation impacting on activities

In the performance of its functions, the FPC has complied with requirements of the relevant legislation, as originally enacted and as variously amended. The relevant legislation is listed in Appendix 1.

Ministerial directives

One ministerial directive was received during the financial year.

The FPC's fire management policies and procedures cater for not only the risk of FPC activities starting a bushfire, but also the use of fire as a sustainable forestry tool to assist native forest regeneration and the preparation of plantation sites for replanting. The FPC forest activities occur on both Department of Environment and Conservation (DEC) managed timber reserves and freehold land. The FPC must therefore ensure its fire and risk management provisions reflect those of the land manager, fire authority and local government by-laws. In late June 2012, the FPC received a direction from the Minister for Forestry to this effect. The FPC is working with DEC as part of its risk management review to conform to ISO 31,000 standards, and local governments in preparation for the 2012-13 fire season.

Vision

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

Mission

FPC's mission is to contribute to Western Australia's economic and regional development with:

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

Values

At FPC, we operate responsibly, ethically and sustainably, and our products and services provide renewable resources.

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

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

Objectives

The *Forest Products Act 2000* outlines the functions to be undertaken by the FPC that include both commercial and non-commercial activities, which describe the outcomes that the FPC must achieve in meeting the Government's Strategic Goals, being (i) 'Jobs and Economic Development'; (ii) Regional Development; and (iii) Lifestyle and Environment. The Act established two principles and outcomes under which the FPC operates:

- The long-term viability of the forest products industry.
- The application of the principles of ecologically sustainable forest management set out in Section 12(2) of the *Forest Products Act 2000*, in the management of indigenous forest products located on public land.

The Act also requires the FPC to achieve a profit that is consistent with the planned targets while ensuring the two key principles and outcomes are met.

<table>
<tr><th>Government strategic goal</th><th>FPC outcomes</th><th>Services</th></tr>
<tr><td>Jobs and economic development</td><td>The long-term viability of the forest products industry.
Profit consistent with long term viability of forest products industry and application of sustainable forest management.</td><td rowspan="3">The sustainable harvesting and regeneration of the State's plantation and native forest resources.
Promoting innovation in forest management and local value adding for timber resources. Generating positive returns to the State from the State-owned plantations and native forest resources.</td></tr>
<tr><td>Regional development</td><td>The long-term viability of the forest products industry.</td></tr>
<tr><td>Lifestyle and the environment</td><td>Application of ecological sustainable forest management.</td></tr>
</table>

The FPC's key performance indicators, as presented further in this report, measure the key effectiveness and efficiencies in achieving these outcomes

The FPC's Statement of Corporate Intent (SCI) further develops these broad objectives and the principle relating to profit to provide clear goals, strategies, objectives and performance targets. The SCI has also been aligned to be consistent with the Government's forest policy.

Performance management framework

The FPC operates in accordance with a Strategic Development Plan (five year business plan) and Statement of Corporate Intent (annual operating plan) as agreed between its Board and the Minister for Forestry.

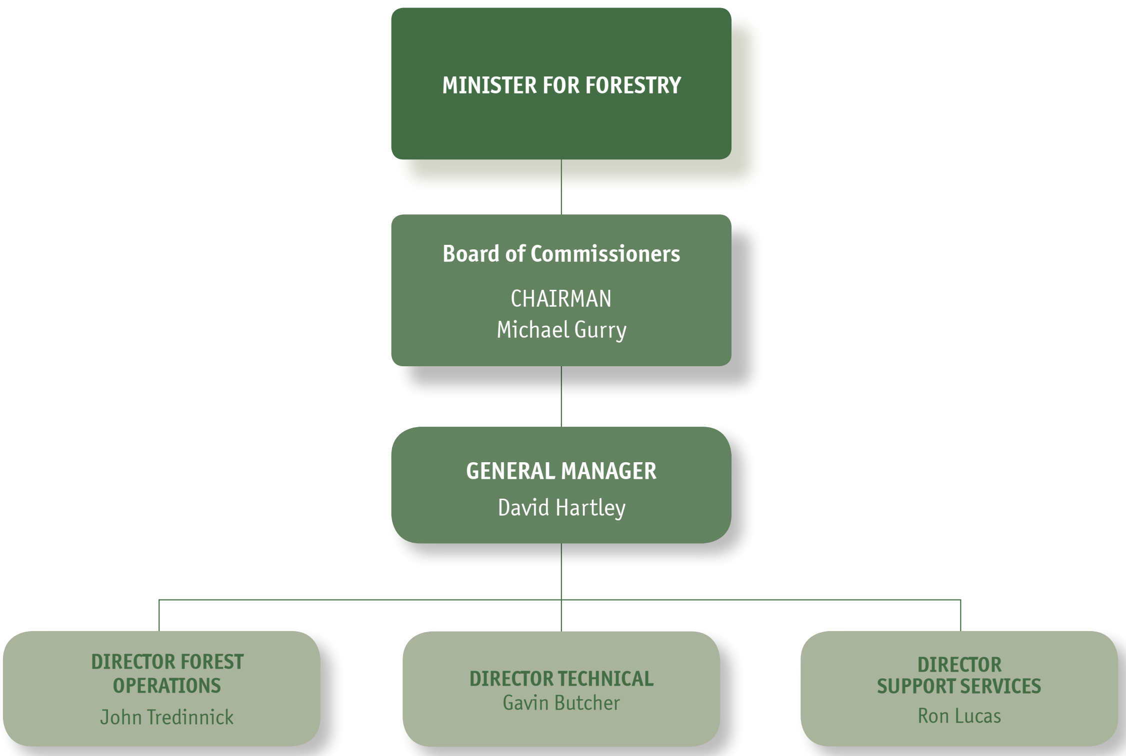
These plans are required under the *Forest Products Act 2000* and set out FPC's strategic objectives, proposed achievements, financial requirement and business strategy.

Monthly FPC performance reports are submitted to the Board of Commissioners along with the annual budget, financial accounts and strategic plan for its approval each year. The Board has an Audit and Risk Committee which meets at least three times a year and out of session meetings are held as required.

The Strategic Development Plan and Statement of Corporate Intent also provide the foundation for more specific planning and reporting and the FPC monitors its performance based on the business activities listed in these plans. The Minister is provided with an evaluation on performance and financial outcomes in the Half Year and Annual Reports as well as updates throughout the year where there are material variations.

Additionally, the FPC submits quarterly reports to the Department of Treasury on its budget and the progress of the financial and organisational restructure.

Organisational chart



Commissioners

The seven-member Board of Commissioners is responsible to the Minister for Forestry and is the governing body of the FPC.

In accordance with the *Forest Products Act 2000*, the role of the Commission is to determine strategic direction, monitor performance and control the agency's business affairs. The current members of the Board are:

Mr Michael Gurry BSc, FAIM, FAICD, SF Fin.

Commissioner from 16 November 2007. Deputy Chairman from 1 July 2009. Chairman from 8 March 2011. Term expires 15 November 2012.

Mr Gurry has extensive commercial experience in Australia and internationally. He was Managing Director of HBF until January 2007, prior to which he was President Asia Pacific for DMR Group Limited, an international information technology and consulting firm. Mr Gurry is a past National President of the Australian Institute of Management and Senior Vice President of the Asian Association of Management Organisations.

He has considerable experience in corporate governance, having served on numerous boards. Mr Gurry is the current Chairman of Reignite Pty Ltd and Foundation Housing Limited. He is also a non-executive director of Joyce Corporation Limited, St Ronan's Pty Ltd and The Helping Foundation.

Ms Karen Gadsby B.Comm (UWA); FCA; MAICD

Commissioner from 11 August 2009. Deputy Chair from 8 March 2011 and Chair of the Audit and Risk Committee. Term expires 15 November 2012.

Ms Gadsby is a qualified chartered accountant who has worked as an executive for a multi-national resources company in the roles of GM Finance, CFO and company secretary.

Ms Gadsby has been involved with Boards for 17 years. She is currently Chair of Community First International and a non-executive director of Talisman Mining Limited; Strategen Environmental Consultants Pty Ltd and Landgate; and she chairs their respective Audit and Risk Management committees. Ms Gadsby has previously held directorships with Perth Home Care services (WA), GMHBA (Vic), Western Health (Vic) and AMES (Vic).

Ms Zelinda Bafile LLB, FAICD

Commissioner from 16 November 2007. Term expires 15 November 2013.

Ms Bafile has practiced as a lawyer for almost 30 years and has over 20 years commercial experience and governance expertise in the banking and finance industry. She has served on a number of Boards and her current appointments include Pro-Chancellor of Curtin University and Community First International Ltd.

Dr Bob Smith BScFor (Hons), MBA, MSc, PhD

Commissioner from 16 November 2007. Term expires 15 November 2012.

A forester whose knowledge of sustainable and profitable use of natural resources spans more than forty years, Dr Smith has held senior management positions in NSW and Victorian government agencies in forestry, natural resource management and finance, including Managing Director of State Forests (NSW) and Director-General NSW Department of Land and Water Conservation.

Dr Smith has worked at all levels of the timber industry and has been a part of Ministerial Councils for forestry, natural resources and agriculture, as well as a member of the Murray Darling Basin Commission. Dr Smith is currently a Director of VicForests, First Superannuation Pty Ltd, LeafCarbon Pty Ltd, and Acting Commissioner, NSW Land and Environment Court.

Mr Rob Delane

Commissioner from 22 November 2010. Term expires 15 November 2013.

Rob Delane is Director General of the Department of Agriculture and Food Western Australia (DAFWA). During 2008-09 he held the position of Deputy Secretary, Bio-security Services Group with the Commonwealth Department of Agriculture, Fisheries and Forestry (DAFF). Mr Delane has considerable knowledge of Australia's agricultural industry development, research and development, bio-security and natural resource management, policy and regulation.

Mr Delane holds a Master of Science (Agricultural Science) and a Bachelor of Science (Agricultural Science). Mr Delane is a graduate member of the Australian Institute of Company Directors and in 2007 received a Public Service Medal for outstanding service to the agricultural industries and community of Western Australia.

Mr Rob McDonald B.Bus CPA MAICD

Commissioner from 6 September 2011. Term expires 30 June 2014.

Mr McDonald spent 32 years working in a variety of different roles across the State public sector, including more than 20 years in senior executive positions. His previous positions include Executive Director, WA Police; Chief Executive Officer, State Supply Commission; Director, State Treasury; and Director of Finance, WA Police.

Mr McDonald currently provides consultancy services in the fields of management, organisational design, business case review, financial and budgetary advice and has completed a number of public sector agency reviews. Mr McDonald is a non-executive Director of the Centre for Cerebral Palsy, Community First International Ltd, Rottnest Island Authority and Chair of the Governing Council for the North Metropolitan Health Service.

Mr Ewald (Ed) Valom

Commissioner from 6 September 2011. Term expires 30 June 2014.

Through a career spanning fifty years, Mr Valom brings extensive timber industry experience to the post of Commissioner. Joining Bunnings in 1961 under a Management Cadet program, Mr Valom's career began at the grassroots of timber processing. He was later to become responsible for the operations of a number of timber mills in the South West of Western Australia, before taking on the role of managing the Manjimup Production Centre, where he remained for some 12 years. As Manager of Timber Operations in hardwood and pine sawmills, Mr Valom directed the manufacture of truss, frame and laminated products, as well as the manufacture of furniture. From 2006 to 2009, he managed Plantation Pulpwood Terminals at Albany's woodchip export facility. Over the past half-century, Mr Valom has acquired first-hand knowledge in the evolution of an industry in transition.

Board meetings

The Commissioners met nine times during the year, at which time they were furnished with detailed monthly reports to assist in monitoring the performance of the agency.

Commissioner	Meetings attended	Eligible to attend	Term status
Mr Michael Gurry	8	9	Chairman throughout the financial year
Ms Karen Gadsby	8	9	Deputy Chair throughout the financial year
Ms Zelinda Bafile	7	9	Commissioner throughout the financial year
Dr Bob Smith	8	9	Commissioner throughout the financial year
Mr Rob Delane	5	9	Commissioner throughout the financial year
Ms Eva Skira	7	7	Appointed as Commissioner on 6 September 2011
Mr Ewald Valom	7	7	Appointed as Commissioner on 6 September 2011

Board committees

Audit and Risk Committee

Commissioner	Meetings attended	Eligible to attend	Term status
Ms Karen Gadsby	3	4	Chair of the Committee throughout the financial year
Ms Zelinda Bafile	1	2	Committee member throughout the financial year
Mr Rob McDonald	3	3	Appointed Committee member on 6 September 2011

The Audit and Risk Committee meets formally three time per year together with other meetings required (Out of Session) as determined during the year. For 2011–12 there were four Out of Session meetings scheduled.

The Audit and Risk Committee makes recommendations to the Board 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.

Appointment of Commissioners

On the Minister's recommendation, Commissioners are appointed by the Governor for a term of up to three years. Individuals are nominated for a position on the Board based on expertise and business acumen relevant to the core functions of the FPC. Commissioners are eligible for reappointment.

Board remuneration

Remuneration, travel expenses and other allowances of the Commissioners are determined by the Minister for Forestry on the recommendation of the Minister for Public Sector Management.

Disclosure of interests

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

Insurance premiums paid to indemnify members of the Board

An insurance policy has been taken out to indemnify members of the Board against any liability incurred under sections 13 or 14 of the *Statutory Corporations (Liability of Directors) Act 1996*. The amount of the insurance premium paid for 2011–12 was $20,091.

Corporate Executive

Meetings of the Corporate Executive are held weekly and are attended by the General Manager, Director Technical Services, Director Forest Operations and Director Support Services.

Photo (left to right):
Gavin Butcher, David Hartley,
John Tredinnick and Ron Lucas

David Hartley

General Manager

Mr Hartley joined the FPC as Acting General Manager in 2010 and was subsequently appointed to the position in February 2012. His background is in agriculture, economics and natural resource management and he has over 30 years experience in management with a range of State and Commonwealth government agencies.

Gavin Butcher BScFor

Director, Technical Director

With a career in plantation and native forest management spanning more than 25 years, Mr Butcher's particular strengths are in the strategic, analytical and financial fields of forestry management. Mr Butcher holds a Bachelor of Science in Forestry and has lectured at Edith Cowan University. His previous position was Executive Manager Operations, prior to which he was Plantations Group Manager with the Department of Conservation and Land Management.

John Tredinnick BScFor; MSc

Director, Forest Operations

Mr Tredinnick has over 30 years experience working in the forest sectors of Western Australia, the eastern states of Australia, and internationally. Most of his previous work has been in the private sector and includes management positions with Bunnings Forest Products and URS Forestry. His experience has covered both the plantation and native forestry sectors. Roles have included resource management, forest valuation, forest certification and management of due-diligence projects associated with several large forest transactions. Mr Tredinnick is a previous Director of the Institute of Foresters of Australia.

Ron Lucas BBus CPA

Director, Support Services

Mr Lucas is a Certified Practicing Accountant appointed to the FPC in June 2011. Prior to joining the FPC, Mr Lucas held the Chief Finance Officer's position with the Department of Agriculture and Food, Western Australia. Mr Lucas brings a strong business services background to the FPC and has extensive experience in corporate services and financial management throughout his employment in senior management roles in the Tourism, Transport, Information Technology, Agriculture and Not for Profit sectors.

Social performance

Our people

The Commission has 144.61 full time equivalents (FTE) employees who work with industry, local communities and other stakeholders to ensure that Western Australia's timber resources are sustainably managed.

Staff numbers and locations as at 30 June 2012

Location	By employment type			Total	Gender breakdown	
	Full-time salaried staff	Part-time salaried staff	Seconded staff		Male	Female
Albany	9	0	1	10	7	3
Bunbury	18	1.2	3	22.2	12	11
Carnarvon	1	0	0	1	1	0
Collie	3	0.6	0	3.6	3	1
Esperance	2	0	0	2	2	0
Gnangara	6	0.58	0	6.58	6	1
Harvey	18	2.4	0	20.4	16	6
Kalgoorlie	3	0	0	3	3	0
Kensington	31	2.73	2	35.73	16	22
Manjimup	18	0.5	0	18.5	14	5
West Manjimup	9	0.6	0	9.6	7	3
Nannup	12	0	0	12	9	3
Totals	130	8.61	6	144.61	96	55

Staff development

The FPC is committed to staff development and strives to develop and maintain a highly skilled and motivated workforce through continuous learning.

In 2011-12, staff across the organisation attended a wide range of training courses throughout the year including but are not limited to; computer software, four wheel drive, occupational safety and health, risk management, forest planning tools, environmental management and specific operational training.

The FPC also completed a training program centred on ethical and accountable decision making and this was conducted across the agency. Specifically this involved training on Code of Conduct, Public Interest Disclosure, Freedom of Information, Equal Opportunity, Performance Management, Bullying and Harassment, Conflict of Interest and Corruption and Crime Commission legislation.

The FPC is strongly committed to providing trained personnel who are actively involved in fire management activities, including fuel reduction burning and bushfire suppression. All fire activities are carried out in accordance with the State and local arrangements between the Department of Environment and Conservation and other authorities and agencies.

The Australian Institute of Company Directors presented a half day Board training session for the executive, several senior managers, the Chairman of the Board and Deputy Chair. Commissioner McDonald completed a five-day Company Directors training course.

Contracts with Senior Officers

At the date of reporting, other than normal contracts of employment of service, no senior officers, or firms of which senior officers are members, or entities in which senior officers have substantial interests, had any interests in existing or proposed contracts with the FPC.

Occupational safety and health

The FPC regards the provision of a safe and healthy work environment as its primary commitment to its people. This commitment is demonstrated in the Occupational Safety and Health (OSH) Policy Statement. This Policy commits the FPC to developing and maintaining an occupational safety and health management system that complies with AS/NZS 4801 and the continuous improvement process.

Occupational safety and health performance

Indicator*	Government target*	FPC target	2010–11	2011–12	Target achieved
Number of fatalities	0	0	0	0	Yes
Lost time injury/disease incident rate	0 or 10% reduction	0 or 10% reduction	10.57	6.25	Yes
Lost time injury severity rate	0 or 10% improvement	0	0	0	Yes
Percentage of injured workers returned to work within (i) 13 weeks and (ii) 26 weeks	Report actual %	100%	i) 100% ii) 100%	i) 100% ii) 100%	Yes
Percentage of managers trained in OSH and injury management	50% or greater	100%	> 80%	> 80%	No

* In accordance with the Public Sector Commission's Circular 2009/11.

Occupational Safety and Health consultation

The FPC is committed to establishing an organisational culture with a high level of relevant safety and health awareness through consultation, communication, information provision and training. The FPC's consultation process is facilitated through the Occupational Safety and Health Coordinator and includes:

- Safety and Health Representatives (SHReps);
- work centre safety managers;
- monthly operational meetings;
- work centre safety committees, which meet quarterly; and
- an annual two day conference for SHReps, environmental, grievance and peer support officers.

Injury management

The FPC injury management practices comply with the requirements of the *Workers' Compensation and Injury Management Act 1981*. The practices emphasise early intervention and early return to work in conjunction with the employee's medical practitioner.

Risk management

The FPC is committed to effective risk management to support our operational objectives.

Our risk management framework has been reviewed including the:

- Risk Management Policy and procedure to comply with Treasurer's Instructions and Public Sector guidelines;
- integration of risk management with strategic planning; and
- Strategic Risk Management Plan.

Code of conduct

The FPC complies with the *Public Sector Code of Ethics* and, through its own Code of Conduct, addresses issues such as conflict of interest, corruption, confidentiality, record keeping and equal opportunity and diversity.

Compliance with Public Sector standards and ethical codes

During the reporting period there were no breaches lodged on the Standards in Human Resource Management. In addition each selection process was subject to an internal review to minimise the potential for a breach claim. During the reporting period one breach against the Grievance Standard was substantiated.

Record keeping plans

The FPC complies with the requirements of the *State Records Act 2000* and is dedicated to improving record keeping practices to achieve and maintain optimum business efficiency.

The agency's record keeping plan, policy and procedures are available to our staff through the agency's website. The Commission is reintroducing on-line record keeping training for all staff as part of our continued compliance for statutory and regulatory requirements.

During 2012-13, the agency will be focusing on moving towards an electronic document record keeping system to ensure all our business transactions are captured and maintained in line with our record keeping plan.

Freedom of Information Act

The FPC complies with the requirements of the *Freedom of Information Act 1992* and maintains the agency's information statement which provides data about the nature of documents held and the procedures to be followed in obtaining those documents. The Information Statement is available on the FPC's website, www.fpc.wa.gov.au.

Statistics about FOI applications are provided to the Information Commissioner's Office as required by Section 111(3)(a) of the *Freedom of Information Act 1992* and published in that agency's annual report and publicly available from the FOI Commissioner's website www.foi.wa.gov.au.

Promotion and consultation

The FPC promotes Western Australia's sustainably managed forests and forest products. We proudly support many industry events and activities and are committed to educating the public about our unique timbers, their environmental friendliness and the value adding opportunities available.

Australian Furniture of the Year Awards 2011

Held at the Hyatt Regency Hotel in Perth, the FPC was again proud to be a supporter of the Australian Furniture of the Year Awards. Organised by the Furniture Industry Association of Australia, the national awards acknowledge excellence in the Australian furnishing industry.

Sponsored by the FPC, the award for 'Best Use of Australian Native Timber' was awarded jointly to Jahroc for their unusual surfboard in Australian red cedar, sheoak and silver ash and also to S&B Mobilia for a table using jarrah and jarrah burl. There were also several 'honourable mentions' in this category. The overall diversity and number of entrants demonstrates that the use of sustainably sourced native timber in furniture manufacture is strong and will continue to grow.

Western Australian Furniture of the Year Awards 2012

The 2012 Western Australian Furniture of the Year Awards was held in June at the Matilda Bay Restaurant in Crawley. Sponsored by the FPC, the category for 'Excellence in Furniture using Australian Native Timber' was awarded to joint winners Jahroc for the Tan Office Suite, and Sunrise Furniture Manufactures for the Subiaco Surgery fit out. The FPC also sponsored the category for 'Excellence in Dining Furniture (table and chairs)' which was presented to Jamel House of Fine Furniture for their Mrs Natural Edge Table and Mojo Stools.

Community and stakeholder consultation

Consultation and communication with stakeholders is a central component of all FPC's activities. Throughout the year the FPC consulted a range of stakeholders in regards to its native and plantation harvesting plans. These stakeholder groups included the public, property owners, indigenous representatives, shires, parliamentary members, corporations, conservation groups, students and government agencies.

Education initiatives

The FPC participates in a number of events and initiatives to further educate the broader community about sustainable forest management and the environmental benefits of utilising timber products.

Key initiatives and highlight:

- As a partner of the Forest Learning national education website, the FPC works with other forestry organisations from around Australia to develop and provide school teachers, students and the public with information and resources on Australian forests and forest-based products.
- In April 2012, the FPC organised a community education field tour during the Southern Forest Festival in Pemberton. The tour provided participants with an introduction to sustainable forestry in the South West and an opportunity to view a karri thinning operation.
- Instigated and organised by the FPC, silvicultural students from Edith Cowan University were introduced to a practical 'hands-on' forestry experience during a class field trip. The field trip also covered aspects of farm forestry and the benefits of integrating trees on previously cleared farmland.
- In May 2012, students from the University of Western Australia visited one of FPC's sharefarm properties in the Great Southern region. The field trip provided students with an insight into the role commercial farm forestry can play in restoring ecological processes within the landscape, with an emphasis on integration at scale to complement traditional farming systems.

Timber auctions

Throughout the year, four specialty timber auctions were held at the Commission's Harvey Mill. Extensive selections of species from around the State, many salvaged from various land clearing projects, were offered for sale to the public. These auctions are designed to accommodate small commercial operators, craftspeople and hobbyists who require varying amounts of craftwood and feature timbers.

Advertising and marketing expenditure

In accordance with s175ZE of the *Electoral Act 1907*, the FPC incurred the following expenditure in advertising, market research, polling, direct mail and media advertising:

- Total expenditure for 2011–12 was $30,477.
- Expenditure was incurred in the following areas:

Advertising agencies	Nil		Nil
Market research organisations	Nil		Nil
Polling organisations	Nil		Nil
Direct mail organisations	Nil		Nil
Media advertising organisations	$30,477	AdCorp Australia Limited Sensis	$23,884 $6,593

2

Significant issues impacting the agency


Softwood harvesting operation

Significant issues impacting the agency

The FPC continues to operate in an environment that is influenced by a number of significant domestic and international factors.

One of the major issues affecting the FPC is the extreme, record low, dry seasonal conditions during the years from 2008 to 2010 which are having a significant impact on the mature plantation estate. The FPC is working with other agencies to gain an understanding of the impacts and develop appropriate mitigation strategies, including maximising the value of the affected resource and developing additional markets.

Building and construction industries are the biggest users of timber products and during 2011-12 our customers continued to be impacted by a marked decline in housing starts. Compounding this further is the strong Australian dollar which has impacted on export markets and led to increased substitution from imported timber products.

Without new investment and the planting of additional land, the softwood estate will substantially reduce over the next 20 years. It is projected that the plantation estate will decline by 54 per cent by 2033. This is a result of not replanting the northern forest region after harvesting, in accordance with the Gnangara Sustainability Strategy; 5,000 hectares of sharefarm leases expiring over the next ten years; and new developments, easements and changes in land tenure which continue to encroach into the plantation estate.

The current *Forest Management Plan* (FMP) expires in December 2013 and there is uncertainty in the native forest industry pending the outcome of the next FMP. This uncertainty makes it difficult for the industry to plan for long-term investment where supply cannot be guaranteed. The successful renegotiation of the next FMP is critical for providing long-term resource security and facilitating new investment in the industry.

A period of prolonged dangerous and illegal forest protest activity occurred at two native forest harvesting operations during 2012. Not only do the protestors put their own safety in jeopardy but their behaviour also places the well-being of our staff and contractors at considerable risk. These activities resulted in a significant amount of FPC and police resources being unnecessarily committed to ensuring a safe working environment for employees of the FPC, its contractors and the public.

The FPC is committed to supporting the State's bushfire response capacity by providing experienced personnel during the fire season. However, this can result in a high degree of interruption to FPC's day to day business operations. Demand for FPC personnel to assist with burning and bushfire response doubled from approximately 4,700 hours in 2010-11 to approximately 9,200 hours in 2011-12. The commitment also increases the FPC's leave liability by reducing opportunities for staff to take leave during the summer and staff accumulating additional fire and time in lieu leave.

The planned introduction of Federal Government legislation to control timber sourced from illegal logging activity, domestically and internationally, has the potential to benefit Australian industries by reducing the availability of some low cost imported timbers and in turn improve the competitive position of local timber industries.

In 2011-12 the illegal harvest and trade of WA sandalwood (*Santalum spicatum*) emerged as a serious threat to the sustainability of the species and the business interests of the FPC and other legitimate sandalwood operators. Illegal activity is driven by the high sandalwood commodity value and control difficulties associated with legislation and resource allocation. The FPC is contributing to domestic legislative and management proposals and strategies in the market place to work towards a solution.

3

Agency performance

Habitat tree marking in Warrup

Operational performance

The FPC's core business is to harvest and deliver forest products to industry in accordance with the *Forest Products Act 2000* and the regulatory guidelines. Despite the uncertainty of access to timber beyond the period of the current Forest Management Plan, there has been an increase in confidence across the native sawlog sector with a corresponding increase in sales. However, the plantation industry has been operating in a difficult environment as a result of declining domestic and global market forces.

Operational highlights

- Increases in the sale of jarrah residue from Alcoa mine clearing and silvicultural harvesting operations, through increased marketing of third grade jarrah sawlogs, domestic firewood and industrial wood products.
- Greater than 65 per cent of the jarrah first and second grade sawlog resource is now supplied in a bole sawlog format, greatly improving the jarrah utilisation standards and improving the efficiency of the native forest processing sector.
- Ongoing development of the markets for mallet timber products with over 1,500 tonnes of mallet produced, milled and processed into finished products. This program has continued with the ongoing support and assistance from the Wheatbelt Region of the Department of Environment and Conservation based at Narrogin.
- Completion of the State's largest wild sandalwood seeding regeneration program.
- Maintained strong domestic and international sales and market position with resistance to wider global financial difficulties.
- Wespine Industries' initiative in the pine woodchip export market has enabled FPC to advance its thinning program.

Demand for FPC staff to assist with bushfires and controlled burning increased significantly from approximately 4,700 hours in 2010-11 to approximately 9,200 hours in 2011-12. In light of the Government's commitment to substantially changing and improving the way that its agencies access and respond to fire risk, FPC is reviewing its fire management processes. The FPC places a high priority on its commitment to managing fire risk and responding to bushfires.

South West Native Forests

South West Native Forests operate in accordance with the *Forest Management Plan 2004-2013* (FMP) to ensure the sustainable management of Western Australia's native timber resource. These operations supply jarrah, karri and marri timber to sawmills throughout the South West of Western Australia.

The Deanmill sawmill, in Manjimup, was purchased by Auswest Timber and reopened in early 2012. The company has announced that it plans to continue with investment and development of its Western Australian sawmilling operations. The reopening has played a significant role in retaining employment in the Manjimup region and restoring confidence in the industry. A number of other sawmills also experienced increased demand for a range of jarrah timber products resulting in strong demand for log products.

The increase in demand also extended to low grade log products with higher volumes of jarrah and karri third grade sawlogs being sold than in previous years and improved sales of jarrah residue logs for domestic and industrial purposes.

In late 2011 the FPC invited Expressions of Interest (EOI) seeking companies that have an interest in the local processing of low grade native timber from the States South West regrowth native forests. Several companies submitted responses and have now been requested to prepare and submit Business Plans by late 2012. Future resource commitments will depend on the volume, grade and location of resource being made available in the next *Forest Management Plan 2014–2023*.

Indigenous consultation processes were undertaken across a range of planned harvesting areas throughout the South West as part of the South West Native Forest Branch's standard consultation process. The process involves close liaison with the South West Aboriginal Land and Sea Council (SWALSC). Ongoing enhancement of the consultation process is occurring to ensure meaningful input is sought from traditional owners and that opportunities for further learning are explored. As a result, several detailed archeological surveys have been undertaken in target areas to ensure indigenous cultural heritage values were identified and protected where they existed.

Plantations

Plantation operations are responsible for the growing, harvesting and sale of the agency's pine, eucalypt and sandalwood plantations. The plantations include a core industrial estate and a sharefarm estate.

The industrial plantation estate supplies over 800,000 tonnes of log and chip products to domestic and international markets each year. The majority of the sales are to Wespine Industries and Wesbeam, which have State Agreements for long-term supply. The plantation sharefarm estate comprises 42,600 hectares of mixed species, of which 18,000 hectares has been previously identified for divestment. Following two unsuccessful tender processes the FPC will continue to manage and maintain these plantations in conjunction with landowners.

The plantation estate has been significantly impacted by exceptional dry seasons. FPC continued to monitor climatic conditions throughout 2012 with surveys conducted in January and May. Although the dry seasonal impacts appear to have stabilised, there is a risk of further tree deaths if below average rainfall continues for long periods into the future. Silviculture regimes, including planting densities and species selections, are being reviewed to mitigate any future impact of extended dry periods.

Markets for residue products, such as export log and woodchips are constantly being developed to enable the FPC to maintain its thinnings program. These sales are often made on a short-term basis in a dynamic world market. These markets are particularly important for recovery products from plantations north of Perth that have been badly affected by dry seasonal conditions in recent times.

The FPC has completed a baseline inventory of softwood timber supply areas to determine their future supply capacity. The inventory also enables the modelling of alternative silvicultural regimes, including the timing of thinning and clearfall.

Following a review of the Manjimup Production Centre which includes the nursery and seed centre, FPC has made the decision to maintain this operation as part of its core business. During 2011-12 the nursery produced 6.6 million seedlings of pine, karri and other eucalypt species. The seed centre sold 11.1 tonnes of pine, sandalwood and mixed species seed, of which ten tonnes of sandalwood seed was used to supply the sandalwood regeneration program.

Sandalwood

Western Australian native sandalwood (*Santalum spicatum*) is a highly sought after product in the domestic and international marketplace. Sandalwood oil extracted from the wood is a highly desirable ingredient of some of world's finest perfumes and therapeutic products. WA sandalwood is also in high demand for use in incense sticks and ceremonial religious practices.

FPC has a domestic contract with Mount Romance Australia and trades lower grade sandalwood in the form of powders and product blends in the international agarbatti market.

In 2011-12 the illegal harvest and trade of sandalwood emerged as a serious threat to the sustainability of the species and the business interests of FPC and other legitimate sandalwood harvesters, processors and traders. Illegal activity is driven by the high sandalwood commodity value and control difficulties. FPC is contributing to domestic legislative and management proposals and strategies in the market place to work towards a solution.

FPC continues research into sandalwood regeneration (Operation Woylie) that has led to a significant transformation in sandalwood silvicultural practices. With information gained from the 2010-11 sandalwood seeding program, FPC implemented a revised program based on advanced techniques developed by Operation Woylie to substantially increase the rate of sandalwood establishment in the State's Rangelands. In 2012 the largest regeneration program in terms of seed planted was achieved. Work will now commence on the construction of a prototype mechanical seeder that will improve the efficiency of these operations.

Research and development

The FPC has continued to engage with industry, universities, government agencies and other research providers to ensure that the science underpinning FPC's operations remains world class. With forest research capability in Australia at an all-time low, this has necessitated new and exciting partnerships in research and the sharing of capabilities both nationally and internationally. The ability to spread costs and share information between participants has enabled the FPC to be involved in diverse areas such as genetics, transport logistics, hydrology, fertiliser and herbicide trials, remote sensing for inventory and wood quality.

Continued collaboration with the Forest and Wood Products Association (FWPA), Australian Forest Products Association (AFPA), Co-operative Research Council (CRC) Forestry and the Forest Industries Federation of WA (FIFWA) will ensure that the FPC and the forest industry is kept at the forefront of new technologies and emerging issues in a difficult climate for research and development.

Research and development highlights:

- Development of quality assurance and a training system for contractor log grading.
- A fertiliser forum held to collate past knowledge and define the research and operational needs for the future program.
- A collaborative research trial testing a harvester head with a wood quality assessment tool.
- The publication of 'ForestCheck' research in the December 2011 journal *Australian Forestry* indicates a rapid recovery of biodiversity following disturbance associated with timber harvesting.
- The completion of the Co-operative Research Council (CRC) Forestry five year hydrological monitoring program *Trees for salinity management in the medium rainfall zone of South West WA*.
- The completion of the Rural Industries Research Development Corporation (RIRDC) report *Flood Irrigated Tropical Timber Trials in the North of Western Australia*.

Environmental performance

Sustainable Forest Management

Compliance with Forest Management Plan 2004–2013

The FPC remains committed to maintaining compliance with the requirements of the *Forest Management Plan 2004-2013* (FMP) and its subsidiary management guideline documents.

There were no instances of significant non-compliance recorded during the 2011 calendar year. The Department of Environment and Conservation environmental audit released in December 2011 reported a high level of compliance (99.7 per cent) with the requirements for protection of informal reserves during timber harvesting operations. The same audit also reported a high level of compliance with habitat tree marking and retention requirements.

The end of term audit of the FMP was published by the Conservation Commission on 30 March 2012. This also indicates a high level of compliance by FPC with the environmental requirements of the FMP.

The FPC reports annually on the compliance of its staff and contractors as required by action 32.5 of the FMP. The full compliance report is available at www.fpc.wa.gov.au.

Australian Forestry Standard (AFS)

To further demonstrate sustainable forest management, the FPC has acquired Australian Forestry Standard (AFS) certification for its native timber and plantation operations in Western Australia. AFS certification applies to all of FPC's operations under the *Forest Management Plan 2004-2013* with the exception of areas covered by active mining tenements.

The AFS criteria requires all aspects of forest management activities are properly planned, expertly conducted, closely monitored and regularly reviewed before certification is awarded by an accredited external auditing body. The criteria of the AFS are outlined in the diagram below.

Diagram 1: Diagrammatic Representation of the Australian Forestry Standard

Integrated Forest Management System (IFMS)

The FPC maintains a comprehensive Integrated Forest Management System (IFMS) which includes requirements for environmental and safety management that are compatible with internationally recognised standards including; a continuous improvement approach, a monitoring and audit system, regular reviews of environmental and safety performance and an effective reporting system.

Commitment to sustainability

The procurement of goods and services to support the FPC's activities takes into account its commitment to sustainability. The FPC relies heavily on contractors for establishment, maintenance and harvesting operations. All contractors are required to meet stringent standards to comply with the FPC's certification requirements and to ensure that forest management is undertaken in a sustainable manner. Field officers regularly monitor contractor activities to ensure compliance.

Environmental incidents

An integral aspect of the IFMS is continuous improvement. Where environmental incidents or audit findings arise, they are dealt with through the FPC's incident reporting procedures. These procedures require an investigation of the incident and its cause followed by implementation of appropriate corrective and preventative actions. Incidents are rated into low, moderate, high and critical categories.

In 2011-12 the FPC reported one high level incident. This incident involved a 220 hectare bush fire in Ellis plantation. No houses or lives were lost, however houses were threatened and some damage was caused to private property.

In response to this incident, the FPC conducted an internal investigation which provided recommendations for improvement.

Financial performance

The 2011-12 financial year has seen a positive return to the Commission, with a reported profit for the year of $12.9 million. The result is driven by improved production performance in the FPC's South West native forests and an increase in softwood chip exports. In addition, revenue from the sandalwood business continues to be sound with strong sales on both the domestic and international market.

This coupled with a strong commitment to reduce discretionary spending has provided savings across employee benefits expenses, finance costs, accommodation costs and other expenses.

As part of its financial reporting requirement, the Commission is required to value its biological assets on an annual basis. This financial year has seen stabilisation in values between financial years despite value changes in timber volume, prices, production costs and discount rate. After accounting for annuity payments and impairment of plantations, the total movement of the biological assets was a $2.2 million decrease or a less than one per cent movement.

Finally, the Commission is also pleased to advise that payments to State Government, in the form of taxes and dividends, increased by $6.8 million as compared to the last financial year with a total of $7.9 million paid during the year.

Pricing arrangements

Pricing arrangements are determined by a variety of factors including requirements under the *Forest Products Act 2000*. Section 59 prescribes the costs that are to be factored in to a price for forest products. More recently, contracts have been negotiated based on a 'fixed' price. This has presented a degree of financial risk to FPC although most contract prices include indexation or an alternate escalation mechanism.

Financial administration

A Financial Management Manual is maintained in accordance with Treasurer's Instruction 701. A Delegations of Authority Register, which records the FPC's delegation of powers, obligations and duties is regularly reviewed and maintained.

Financial targets

	2011–12 Target $000	2011–12 Actual $000	Variation $000
Total Expenses (sourced from Statement of Comprehensive Income)	99,300	104,154	4,854
Total Income (sourced from Statement of Comprehensive Income)	100,300	116,305	16,005
Total equity (Sourced from Statement of Financial Position)	328,300	342,780	14,480
Net increase / (decrease) in cash held (sourced from Statement of Cash Flows)	500	4,888	4,388
Approved full time equivalent (FTE) staff level	144	145	1

As specified in the Budget Statements. Further explanations are contained in Note 40 'Explanatory statement' to the financial statements.

Certification of 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 2012.

Michael Gurry
Chairman of Accountable Authority

19 September 2012

Karen Gadsby
Member of Accountable Authority

19 September 2012

Key performance indicators

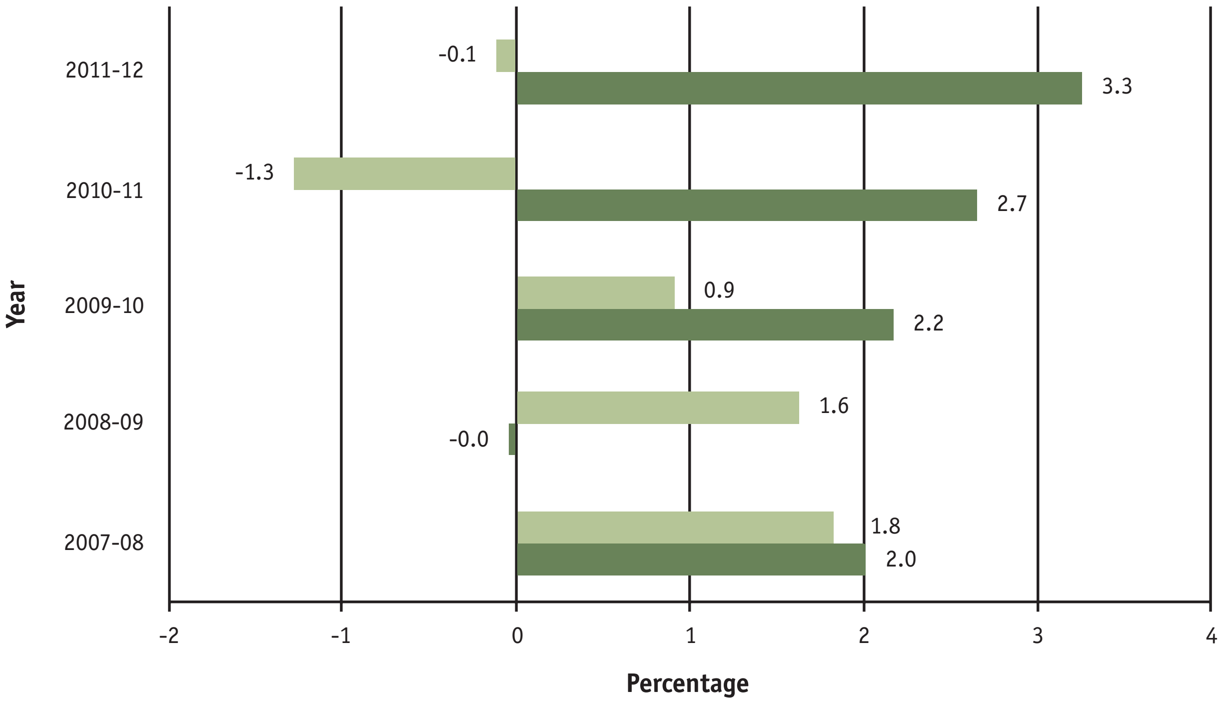
The FPC measures performance against the following key performance indicators (KPI's). These KPI's provide an insight into the FPC's effectiveness and efficiency of its programs and processes.

The FPC monitors these KPI's against its strategic development targets and outcomes in order to monitor actions and drive improvements.

Return on total assets

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

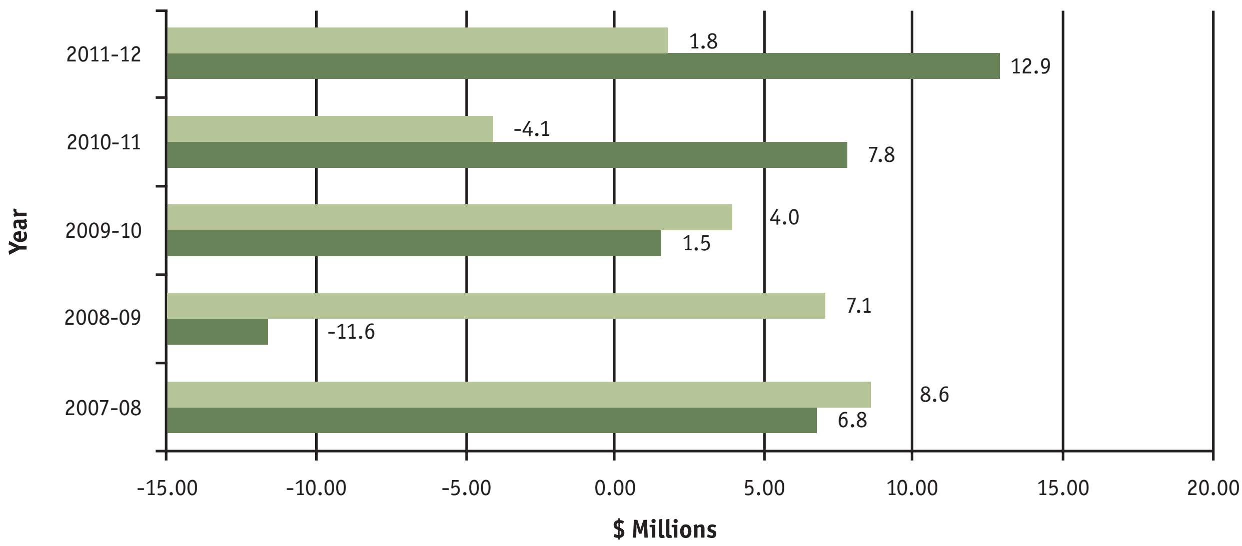
Return on total assets improved from 2.7 per cent in 2010-11 to 3.3 per cent in 2011-12 and reflects the combination of a Cabinet approved restructure program and continued cost management on a lower asset base.



	2007-08	2008-09	2009-10	2010-11	2011-12
Target	1.8	1.6	0.9	-1.3	-0.1
Actual	2.0	0.0	2.2	2.7	3.3

Earnings Before Interest and Tax (EBIT)

Earnings before interest and tax for the 2011-12 year increased $5.1 million (2010-11) to $12.9 million reflecting the Cabinet approved restructure program and continued cost management.



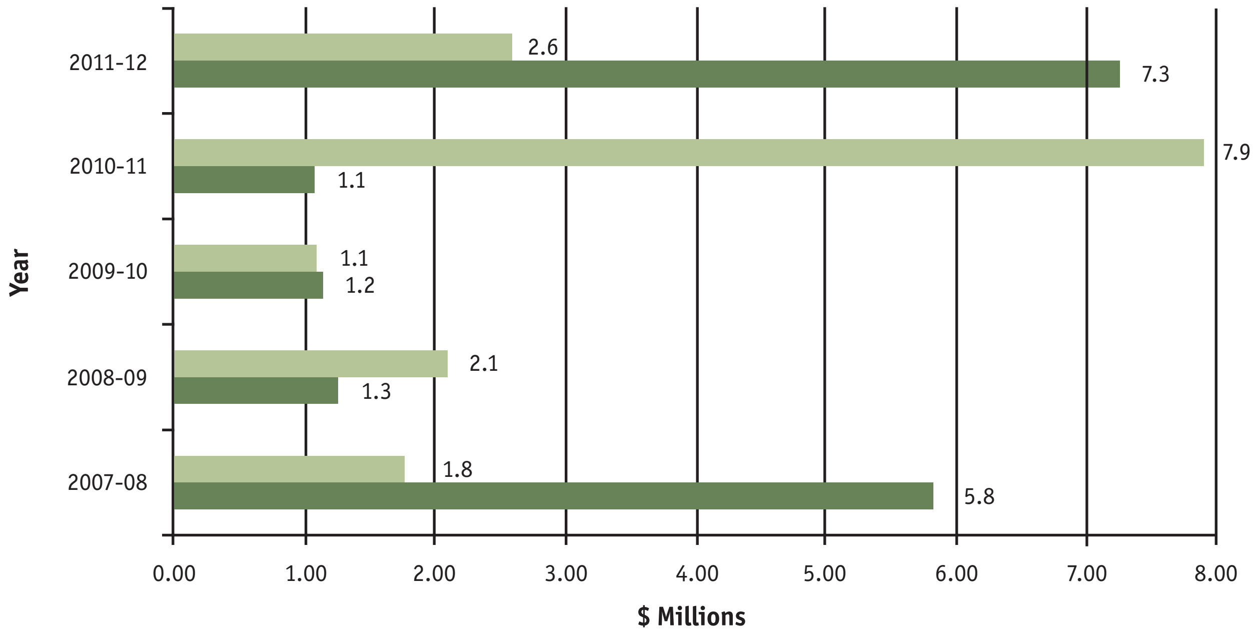
	2007-08	2008-09	2009-10	2010-11	2011-12
Target	8.6	7.1	4.0	-4.1	1.8
Actual	6.8	-11.6	1.5	7.8	12.9

* Earnings calculated on profit and loss before income tax less change in natural resource assets, onerous contracts, Commonwealth grants and contributions, adjustments in doubtful debts and change in provision for native forest regeneration.

Total payments to government – dividend and taxes

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

The FPC paid prior-period tax and penalty interest of $5.8 million in 2011-12 ($1.1 million 2010-11) as well as a dividend of $1.5 million during the year (Nil in 2010-11).

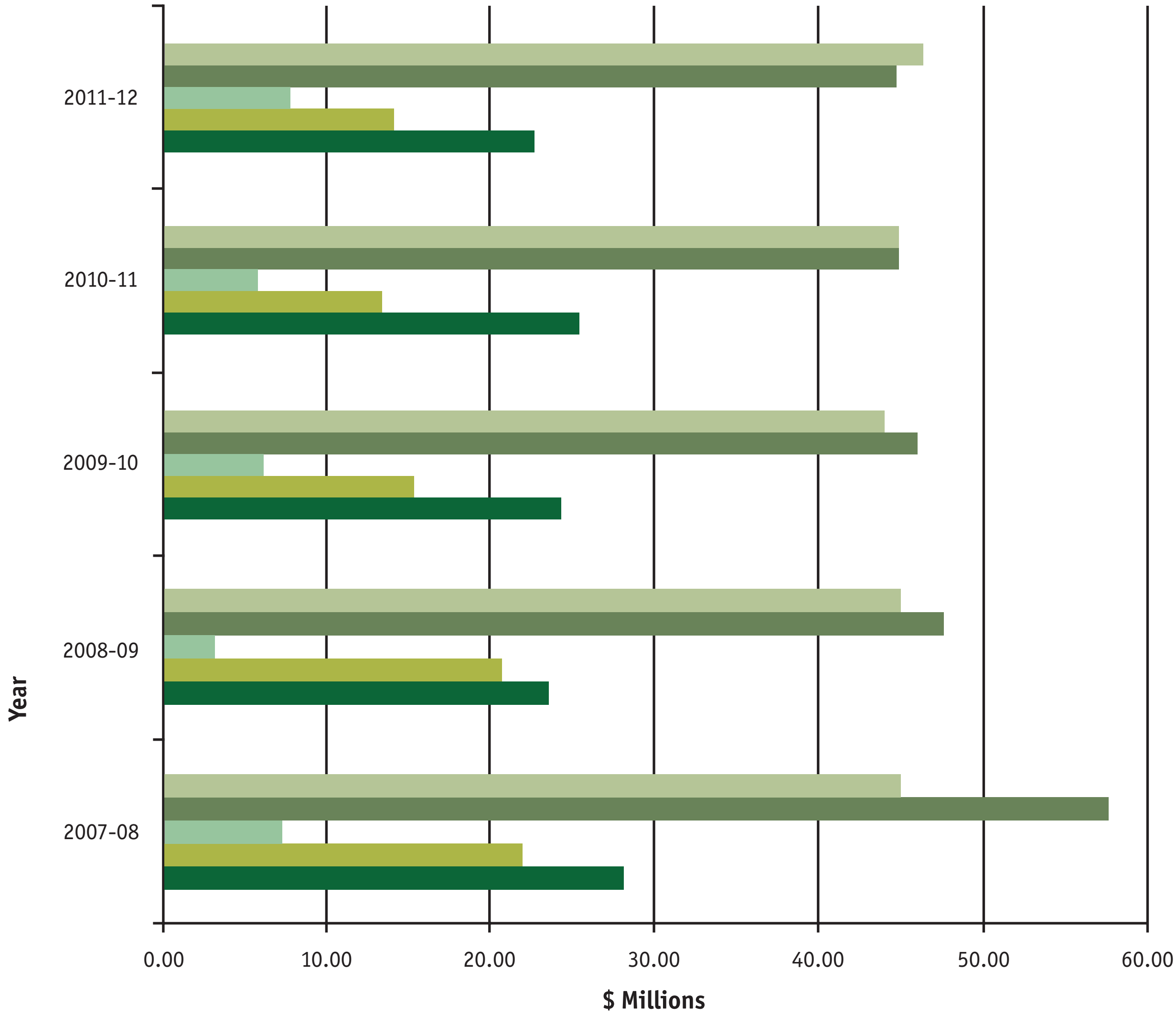


	2007-08	2008-09	2009-10	2010-11	2011-12
Target	1.8	2.1	1.1	7.9	2.6
Actual	5.8	1.3	1.2	1.1	7.3

Stumpage revenue

The stumpage revenue for FPC is the timber sales revenue less charges for in-forest, administration, roading and harvest and haulage costs.

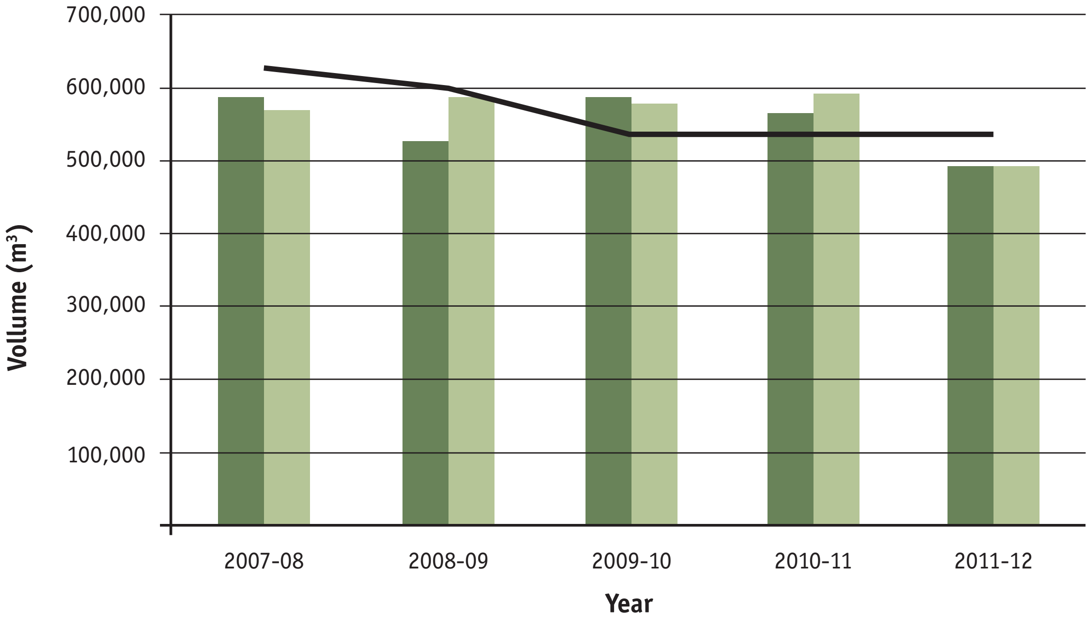
Total stumpage revenue in 2011-12 was largely unchanged from $44.8 million in 2010-11 to $44.75 million in 2011-12. There was a drop of 11 per cent, largely due to difficult trading conditions in the plantation sector. However, this was offset by an improved result in South West native forest operating segment and in sandalwood.



	2007-08	2008-09	2009-10	2010-11	2011-12
Target total	45.00	45.00	44.00	44.80	46.30
Actual total	57.60	47.63	46.02	44.81	44.75
Sandalwood	7.40	3.33	6.30	5.95	7.83
SW forest	22.00	20.70	15.38	13.41	14.18
Plantations	28.20	23.60	24.34	25.46	22.74

Plantation sawlog production consistent with contracted supply to industry

The contractual demand for sawlog represents the actual physical demand during financial year 2012. Actual sawlog production and delivery in 2011-12 closely matched customer demand, which was reduced in 2011-12 due to market conditions. The projected yield is assessed as an average of the supply output for the following five years.



	2007-08	2008-09	2009-10	2010-11	2011-12
Actual supply	588,262	526,802	586,734	567,610	494,113
Contractual demand	571,000	590,000	582,000	591,431	495,000
Projected yield	631,000	601,000	535,000	538,000	540,000

Plantation industrial wood production consistent with contracted supply to industry

The contractual demand for industrial wood represents the actual physical demand during financial year 2012. Actual supply of industrial wood during 2011-12 exceeded contractual demand as new markets for chips were advanced. The projected yield is assessed as an average of the supply output for the following five years.

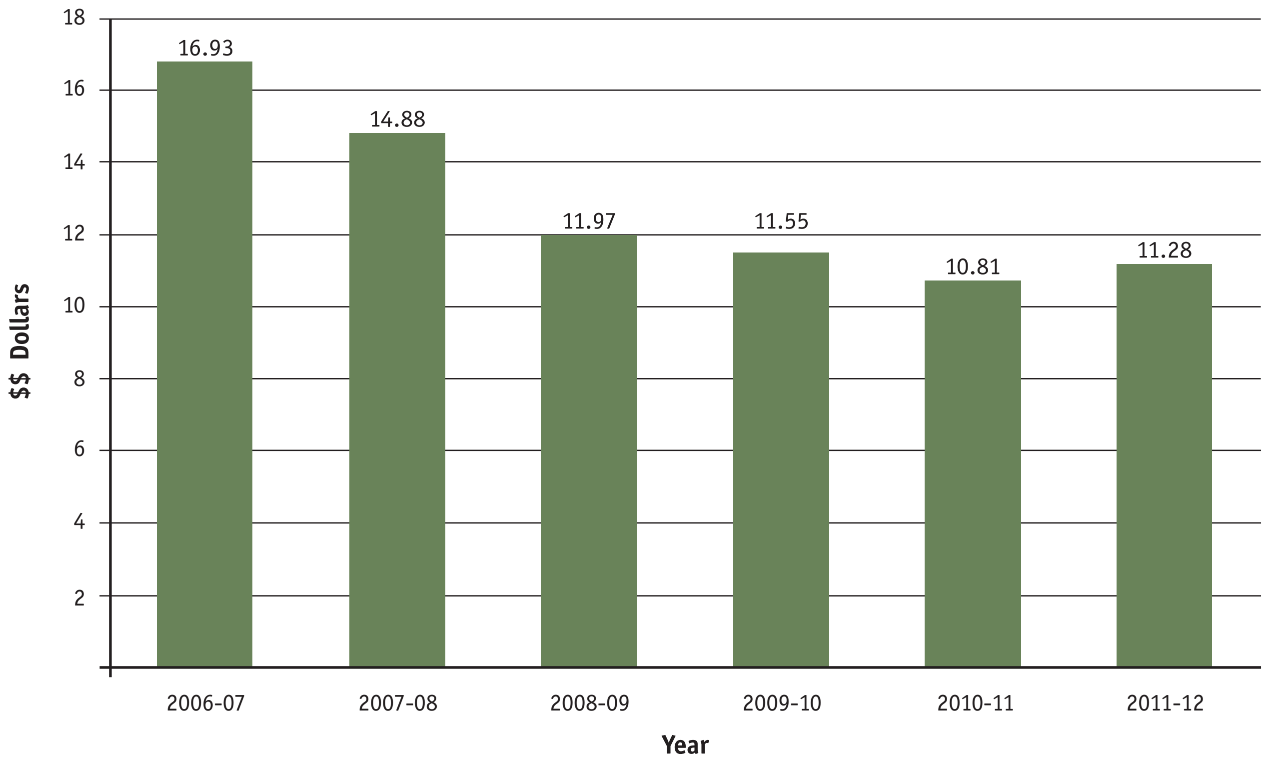
The difference between contractual demand and actual supply is a result of a combination of factors. The need for drought salvage has necessitated short export term sales into spot markets that are not shown in the contractual demand. Offsetting this, other contracts for industrial wood and biomass have not yet started, or only began late in the financial year.

	2007-08	2008-09	2009-10	2010-11	2011-12
Actual supply	409,264	482,527	314,720	356,357	349,295
Contractual demand	412,992	447,000	295,540	331,658	307,500
Projected yield	400,000	390,000	226,000	428,000	369,000

Silvicultural cost per managed hectare of native forest

The FPC has access to a total State forest estate of approximately 800,000 hectares and is responsible, with other agencies, for the management of that forest following harvest. This indicator measures the cost per hectare in the post-harvest management of the forest in each period.

The cost per hectare managed is slightly higher than with 2010-11 levels reflecting increased management costs in silvicultural expenditures.

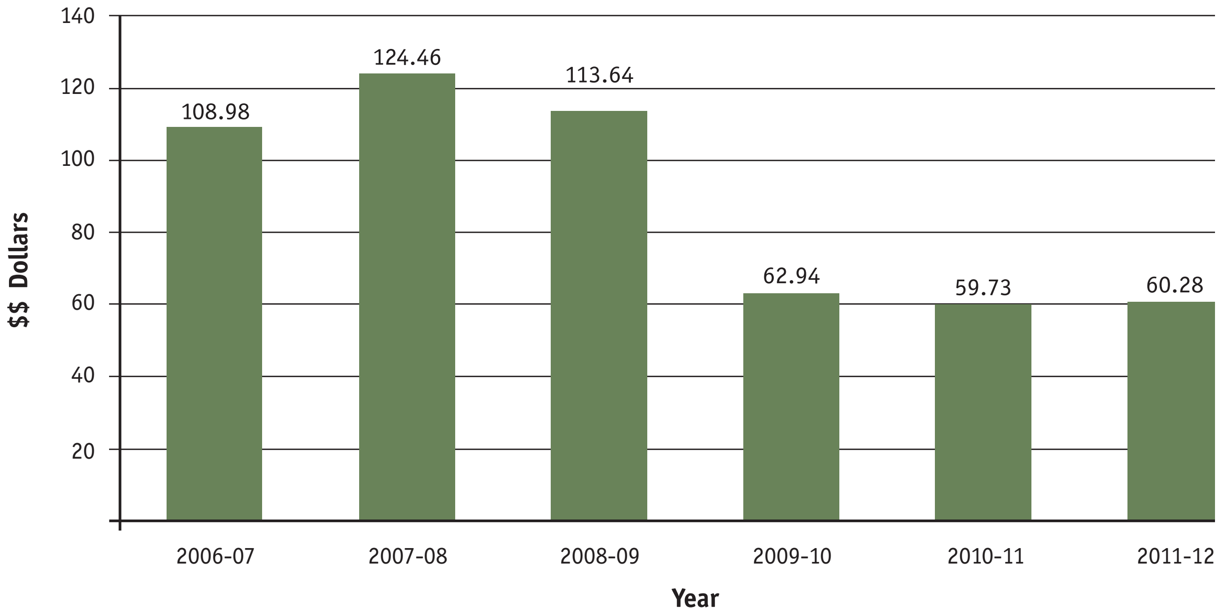


* Costs to manage are defined as those costs associated with silviculture activities, employee expenses, supplies and services, depreciation and other overhead costs.

Plantation management cost per hectare

This indicator measures the Commission's cost per hectare, in managing the various for which it is responsible.

The cost per hectare managed is broadly consistent with 2010-11 levels reflecting continued cost management in silvicultural expenditures.



* Costs to manage are defined as those costs associated with silviculture activities, employee expenses, supplies and services, depreciation and other overhead costs.

Quantity of native forest hardwood harvested compared with sustainable yields and targets

The native forest harvesting levels are based on an annual average yield allowable under the FMP as set out below. The performance measures are a comparison of cumulative removals of jarrah and karri first and second grade sawlogs and other log grades compared to the average sustainable yield.

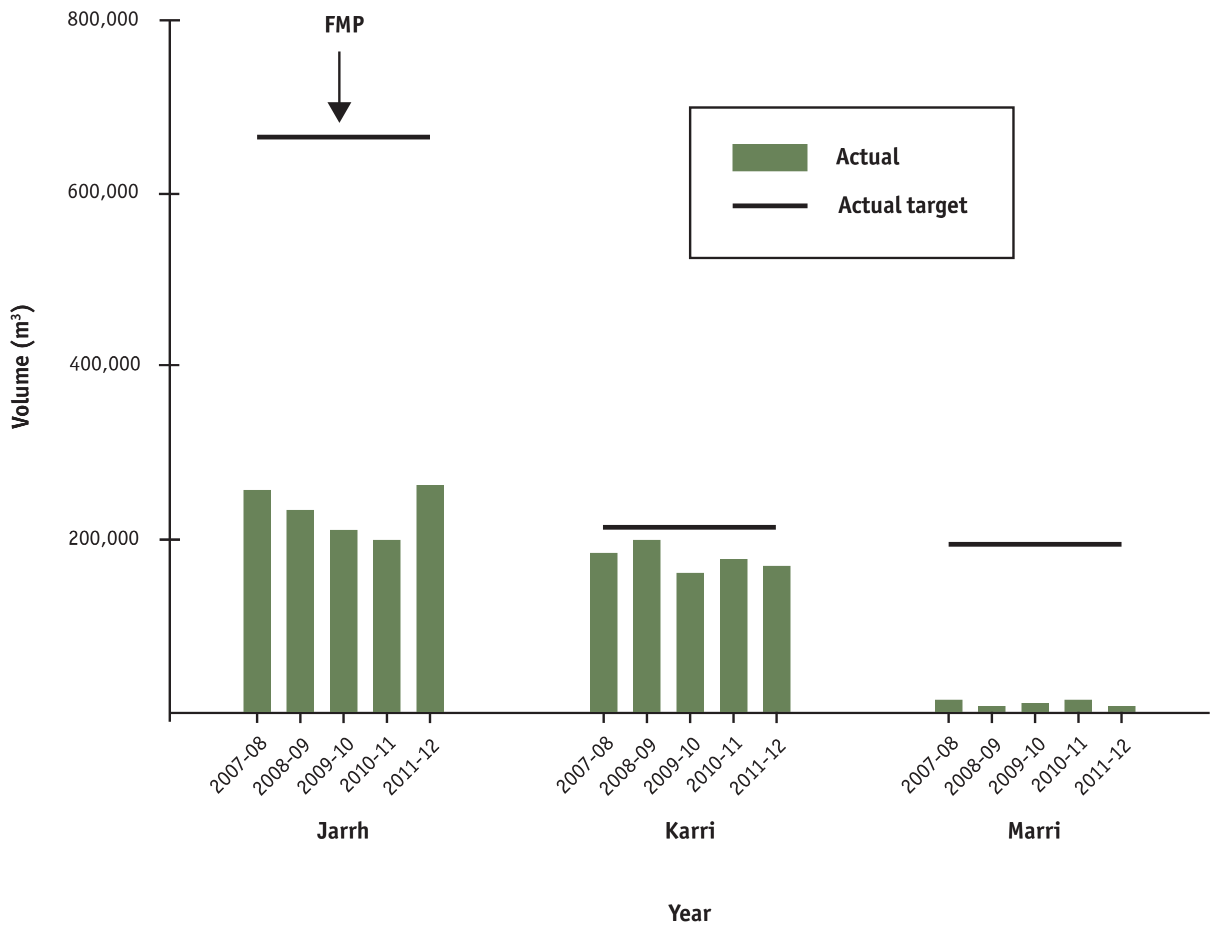
Bole volume for jarrah, karri and marri:

For the period 2004-13, the annual sustained yield of bole volume (including first and second grade sawlogs) for jarrah and karri is 665,000 m^3 and 214,000 m^3 respectively (Note: The FMP was amended on 1 November 2011, backdated to the commencement of the FMP, to allow for an increase in karri other bole yield from 117,000 to 160,000). For all marri bole logs the total is 196,000 m^3.

The target is the average allowable harvest over the 10 years of the Forest Management Plan (FMP). This reflects compliance with FMP set target over a period of three years.

The lower actual harvest levels for jarrah and marri are due to a lack of markets for low-grade logs.

The karri harvest was consistent with the allowable average sustained yield level of bole volume under the FMP due to the inclusion of non-bole material (crown logs).

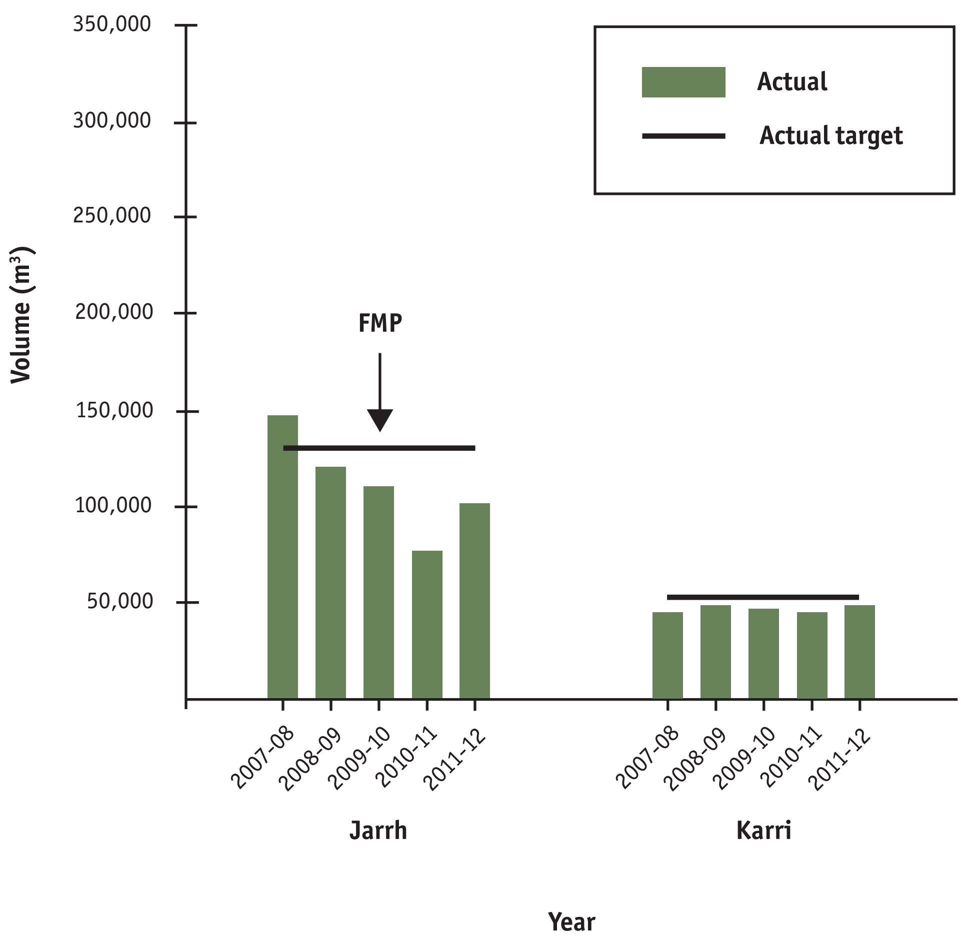


First and second grade sawlogs 2004-13

The annual sustainable yield level of first and second grade sawlogs for jarrah and karri is 131,000 m^3 and 54,000 m^3 respectively. (Marri sawlogs are part of the 196,000 m^3 identified for marri bole logs).

Note: The target is the average allowable harvest over the 10 years of the FMP.

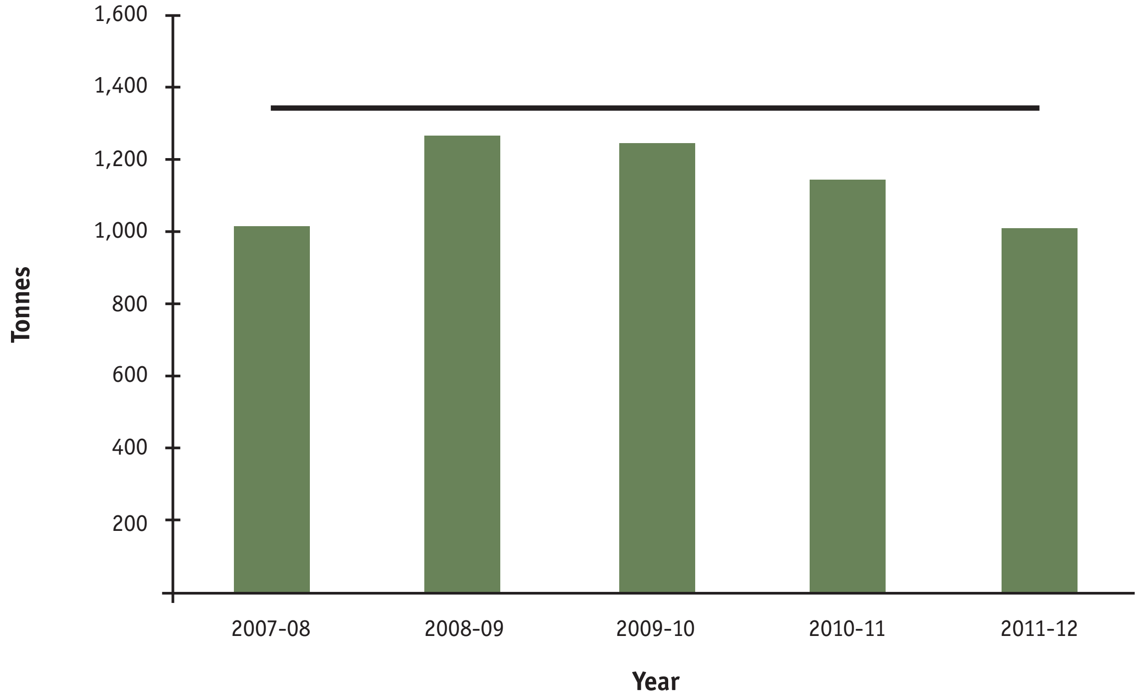
The average annual level of sawlogs harvest is consistent with the allowable quantities in the FMP. The quantity of jarrah sawlogs harvested in 2011-12 was below the allowable cut reflecting reduced customer demand for sawlog during the year.



Quantity of 'greenwood' sandalwood harvested

The annual level of harvest for green sandalwood is determined by DEC.

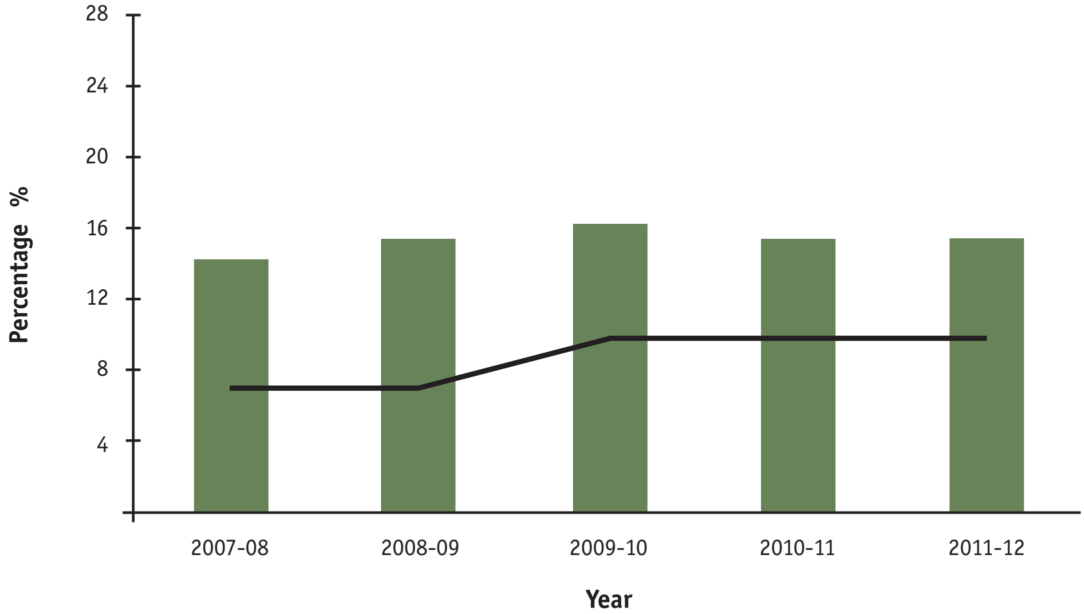
The graph shows the actual green sandalwood harvest, not including green branch wood (293 tonnes) and a portion of the roots (182 tonnes) that is additional to utilisation since the time of the *Sandalwood Order 1996*.



	2007-08	2008-09	2009-10	2010-11	2011-12
Actual	1,008	1,261	1,239	1,139	997
Allowable	1,350	1,350	1,350	1,350	1,350

Proportion of sandalwood harvested from roots

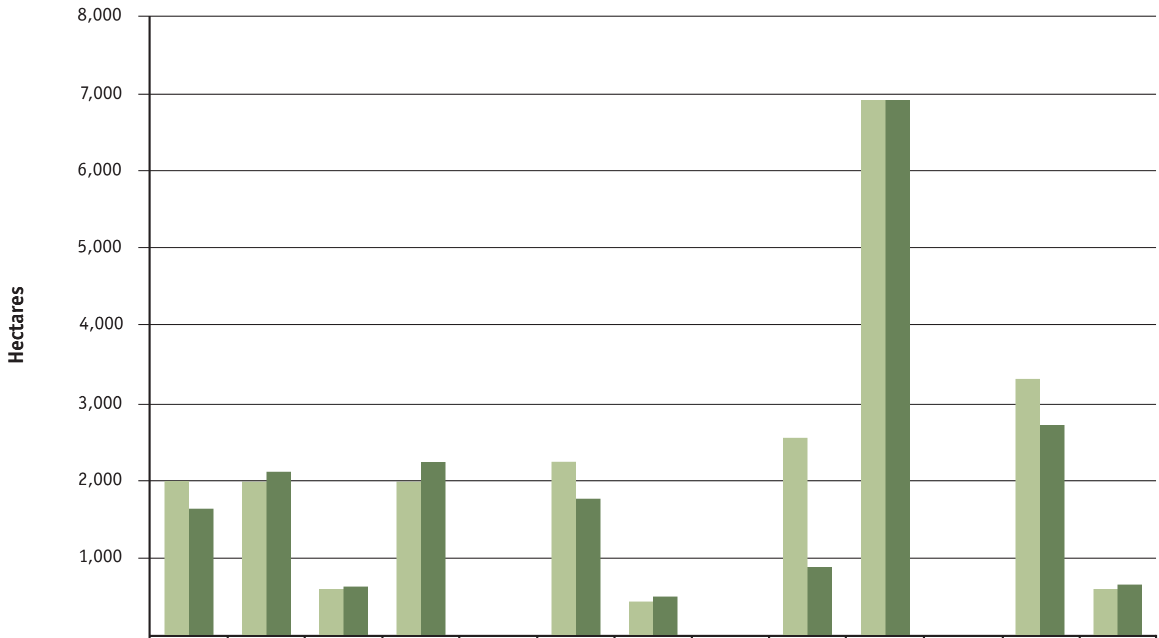
The FPC has a minimum target percentage of total sandalwood harvest from the roots of the trees. The FPC continues to beat the minimum targets set as a result of improvements in harvesting techniques.



	2007-08	2008-09	2009-10	2010-11	2011-12
Actual	14	16	16	15	15
Minimum target	7	7	10	10	10

Area of plantation established against target

Plantation establishment operations are carried out during winter and straddle the financial year. Therefore areas of establishment reported in this Annual Report are those established during winter. Note: establishment of first rotation, eucalypt and sandalwood plantations ceased to occur subsequent to a change in government policy to exit sharefarm management.



	2008-09	2009-10	2010-11	2011-12	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09
Target	2,000	2,000	600	2,000	2,235	456	2,555	6,908	3,304	610
Actual established	1,644	2,112	636	2,252	1,776	516	900	6,899	2,714	689
	Second and third rotation pine species				**First rotation**		**Eucalyptus species**		**Sandalwood**	

Year

Area of native forest regenerated

Regeneration treatments in any one year may include parts of areas harvested over a number of preceding years. Annually, the amount of area regenerated may alter and could be above or below the total area harvested. This could be due to unsuitable site conditions or sites that are scheduled for imminent mine-site clearing activities.

The figures reported cover the 2011 calendar year.

Measure: The area of native forest receiving regenerated treatment compared with the area harvested for regeneration.

Jarrah regeneration

The area of jarrah forest harvested for regeneration was 3,097 (2011: 1,434) hectares, excluding areas cleared for mining or utilities such as roads and power lines.

Treatments to achieve regeneration were completed for 517 (2011: 235) hectares.

Treatment operations following harvesting are not always necessary to achieve a regeneration outcome. Consequently, the area treated for regeneration should not be used as a measure of regeneration success following harvesting. In some cases the harvesting operation itself is sufficient to achieve the objective without any follow up treatment. Treatments will not be required where areas are not secure from disturbance (e.g. mining in the short-term).

Karri regeneration

The area of karri forest clear-felled or partially harvested was 472 (2011: 404) hectares. A total of 853 (2011: 1,212) hectares was thinned.

Regeneration was completed on 536 (2011: 556) hectares which was harvested in either the current or previous years.

Wandoo regeneration

There was 35 hectares of wandoo forest harvested for regeneration with 28 hectares from either the current or previous years harvesting receiving regeneration treatment.

4

Financial disclosures

WA sandalwood seedlings and seed

Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

FOREST PRODUCTS COMMISSION

Report on the Financial Statements
I have audited the accounts and financial statements of the Forest Products Commission.

The financial statements comprise the Statement of Financial Position as at 30 June 2012, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Commission, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Forest Products Commission at 30 June 2012 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

7th Floor Albert Facey House 469 Wellington Street Perth MAIL TO: Perth BC PO Box 8489 Perth WA 6849 TEL: 08 6557 7500 FAX: 08 6557 7600

Report on Controls

I have audited the controls exercised by the Forest Products Commission during the year ended 30 June 2012.

Controls exercised by the Forest Products Commission are those policies and procedures established by the Commission to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

Commission's Responsibility for Controls

The Commission is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Forest Products Commission based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that the Commission complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

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

Opinion

In my opinion, 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 2012.

Report on the Key Performance Indicators

I have audited the key performance indicators of the Forest Products Commission for the year ended 30 June 2012.

The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide information on outcome achievement and service provision.

Commission's Responsibility for the Key Performance Indicators

The Commission is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such controls as the Commission determines necessary to ensure that the key performance indicators fairly represent indicated performance.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Commission's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.

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

Opinion

In my opinion, 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 2012.

Independence

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing and Assurance Standards, and other relevant ethical requirements.

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

This auditor's report relates to the financial statements and key performance indicators of the Forest Products Commission for the year ended 30 June 2012 included on the Commission's website. The Commission's management is responsible for the integrity of the Commission's website. This audit does not provide assurance on the integrity of the Commission's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.

COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
20 September 2012

Page 3 of 3

Financial statements

Certification of financial statements

For the year ended 30 June 2012

The accompanying financial statements of the Forest Products Commission have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2012 and the financial position as at 30 June 2012.

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

Linda Kut
Chief Finance Officer

19 September 2012

Karen Gadsby
Member of Accountable Authority

19 September 2012

Michael Gurry
Chairman of Accountable Authority

19 September 2012

Statement of comprehensive income

For the year ended 30 June 2012

	Note	2012 $000	2011 $000
Income			
Revenue			
Sales	7.1	108,084	105,415
Commonwealth grants and contributions	8.0	152	2,436
Interest revenue	9.0	1,059	1,600
Other revenue	10.0	7,003	2,275
Gains			
Gains on disposal of non-current assets		7	68
Total income		**116,305**	**111,794**
Expenses			
Cost of sales	7.2	64,055	60,154
Employee benefits expense	11.0	17,932	20,682
Supplies and services	12.0	20,400	18,414
Depreciation and amortisation expense	13.0	1,050	1,264
Finance costs	14.0	1,864	6,058
Accommodation expenses	15.0	851	1,267
Other expenses	16.0	42	1,943
Total expenses		**104,154**	**106,780**
Profit before change in natural resource assets valuation, onerous contracts and grants and subsidies from State government		12,152	5,014
Biological asset increase/(decrease)	17.0	(2,228)	(17,736)
Onerous Contracts	18.0	2,480	(2,552)
Proft/(Loss) before Grants and subsidies from State Government		12,403	(15,274)
Grants and Subsidies from State Government	19.0	-	1,095
Proft/(Loss) before income tax equivalent benefit		**12,403**	**(14,179)**
Income tax equivalent expense	42.0	518	391
Profit / (Loss) after income tax equivalent benefit		**12,921**	**(13,788)**
Profit / (Loss) for the year		**12,921**	**(13,788)**
Other comprehensive income			
Changes in asset revaluation surplus	34.2	(597)	816
Changes in cashflow hedge reserve	34.2	(84)	304
Income tax on items of other comprehensive income	34.2	205	(336)
Total other comprehensive income / (loss)		**(476)**	**784**
Total comprehensive income / (loss) for the year		**12,445**	**(13,004)**

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

Statement of financial position

As at 30 June 2012

	Note	2012 $000	2011 $000
Assets			
Current assets			
Cash and cash equivalents		22,132	17,244
Inventories		4,266	4,646
Receivables		20,952	22,994
Biological assets		26,248	41,532
Other current assets		170	585
Total current assets		**73,768**	**87,001**
Non-current assets			
Receivables	21.0	-	13,296
Property, plant and equipment	23.0	21,285	30,005
Deferred tax assets	42.0	7,218	7,334
Biological assets	26.0	306,817	287,745
Intangible assets	24.0	-	6,757
Total non-current assets		**335,320**	**345,137**
Total assets		**409,088**	**432,138**
Liabilities			
Current liabilities			
Payables	28.0	15,184	15,985
Borrowings	29.0	-	8,342
Current tax liabilities	42.0	-	5,855
Provisions	32.0	2,097	2,839
Employee benefits	30.0	3,124	3,045
Deferred revenue	33.0	646	388
Total current liabilities		**21,051**	**36,454**
Non-current liabilities			
Payables	28.0	19,330	22,984
Borrowings	29.0	-	74,465
Deferred tax liabilities	42.0	-	-
Employee benefits	30.0	1,475	1,520
Provisions	32.0	1,680	711
Deferred revenue	33.0	22,772	35,756
Total non-current liabilities		**45,257**	**135,436**
Total liabilities		**66,308**	**171,890**
Net assets		**342,780**	**260,248**
Equity	34.0		
Contributed equity		331,782	260,195
Reserves		7,926	8,402
Retained earnings		3,072	(8,349)
Total equity		**342,780**	**260,248**

* 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 2012

	Note	Contributed equity	Reserves	Retained earnings	Total equity
		$000	$000	$000	$000
Balance at 1 July 2010		**256,011**	**7,618**	**5,439**	**269,068**
Total comprehensive income for the year	34.0	-	784	(13,788)	(13,004)
Change of accounting policy					
Statement of comprehensive income		-	-	-	-
Statement of financial position		-	-	-	-
Transactions with owners in their capacity as owners:					
Other contributions by owners	34.1	4,184	-	-	4,184
Balance at 30 June 2011		**260,195**	**8,402**	**(8,349)**	**260,248**
Balance at 1 July 2011		**260,195**	**8,402**	**(8,349)**	**260,248**
Total comprehensive income for the year	34.0	-	(476)	12,921	12,445
Transactions with owners in their capacity as owners:					
Dividends paid				(1,500)	(1,500)
Other contributions by owners	34.1	71,587	-	-	71,587
Closing balance at 30 June 2012		**331,782**	**7,926**	**3,072**	**342,780**

* 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 2012

	Note	2012 $000	2011 $000
Cash flows from operating activities			
Receipts			
Sale of goods and services		108,080	117,404
Interest received		1,059	1,600
Other receipts		6,935	1,974
Payments			
Employee benefits		(15,769)	(19,326)
Supplies and services		(11,185)	(23,160)
Forest management expenditure		(73,938)	(74,421)
Finance costs		(2,807)	(4,786)
Net cash provided by / (used in) operating activities	35.2	**12,375**	**(715)**
Cash flows from investing activities			
Receipts			
Proceeds from sale of non-current physical assets		7	70
Proceeds from investing activities		-	650
Payments			
Purchase of non-current physical assets		(868)	(113)
Purchase of investments			
Investment in new plantations		(4,813)	(7,643)
Investment in joint venture		-	(81)
Net cash used in investing activities		**(5,673)**	**(7,117)**
Cashflows from financing activities			
Receipts			
Proceeds from borrowings		-	3,538
Payments			
Repayment of borrowings		(82,807)	(8,277)
Net cash used in financing activities		**(82,807)**	**(4,739)**
Cash flows (to) / from State Government			
Other grants and subsidies		15,922	3,950
State contribution (Peel B)		-	70
State contribution (equity injection)		71,587	-
Dividends paid		(1,500)	-
NTER tax payments		(5,016)	-
Net cash provided by State Government		**80,993**	**4,020**
Net increase / (decrease) in cash and cash equivalents		4,888	(8,551)
Cash and cash equivalents at the beginning of year		17,244	25,795
Cash and cash equivalents at the end of year	35.1	**22,132**	**17,244**

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

Index of notes to the financial statements

For the year ended 30 June 2012

Notes to the financial statements

1.0 Australian Accounting Standards

General

The Commission's financial statements for the year ended 30 June 2012 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

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

Early adoption of standards

The Commission cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the Commission for the annual reporting period ended 30 June 2012.

2.0 Summary of significant accounting policies

2.01 General statement

The Commission is a Government Trading Enterprise that prepares general purpose financial statements in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) as applied by the Treasurer's instructions. Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording.

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

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

2.02 Basis of preparation

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

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

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

2.03 Reporting entity

The reporting entity comprises the Commission.

2.04 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 transfer 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.

2.05 Income

Revenue recognition

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

Sale of goods

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership transfer to the purchaser and can be measured reliably.

Provision of services

Revenue is recognised on delivery of the service to the client or by reference to the stage of completion of the transaction.

Interest

Revenue is recognised as the interest accrues.

Grants, donations, gifts and non-reciprocal contributions

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

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

Gains

Realised and unrealised gains are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and some revaluations of non-current assets.

Deferred Revenue

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

2.06 Income tax

The Commission operates within the national tax equivalent regime (NTER) whereby an equivalent amount in respect of income tax is payable to the Treasury. The calculation of the liability in respect of income tax is governed by NTER guidelines and directions approved by Government.

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

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

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

2.07 Property, plant and equipment, and infrastructure

Capitalisation / expensing of assets

Items of property, plant and equipment and infrastructure costing $1,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment and infrastructure costing less than $1,000 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 Forest Products Commission has obtained an exemption, from the Department of Treasury and Finance, from the required capitalisation threshold of $5,000 or more. The Forest Products Commission's asset capitalisation threshold has remained at a threshold of $1,000 or more.

Initial recognition and measurement

Property, plant and equipment and infrastructure are initially recognised at cost.

For items of property, plant and equipment and infrastructure acquired at no cost or for nominal cost, cost is their fair value at the date of acquisition.

Subsequent measurement

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

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

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

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

Fair value of infrastructure has been determined by reference to the depreciated replacement cost (existing use basis) as the assets are specialised and no market-based evidence of value is available. Land under infrastructure is included in land reported under note 23 Property, plant and equipment. Independent valuations are obtained every 3 to 5 years.

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

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

Derecognition

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

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets as described in note 23 Property, plant and equipment.

Depreciation

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

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

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

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

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

Land is not depreciated.

2.08 Intangible assets

Capitalisation / Expensing of assets

Acquisitions of intangible assets costing $1,000 or more and internally generated intangible assets costing $50,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

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

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

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

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

Software[a]	2.5 years

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

Licences

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

Development costs

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

Computer Software

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than $1,000 is expensed in the year of acquisition.

Website costs

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

2.09 Impairment of assets

Property, plant and equipment, infrastructure and intangible assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. As the Commission is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

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

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at the end of each reporting period irrespective of whether there is any indication of impairment.

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

2.10 Leases

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

2.11 Financial Instruments

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

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

Financial instruments have been disaggregated into the following classes:

Financial Assets:

- Cash and cash equivalents
- Receivables

Financial Liabilities:

- Payables
- Bank overdraft
- WATC/Bank Borrowings
- Amounts due to the Treasurer

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

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

2.12 Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents (and restricted cash and cash equivalents) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are included at note 35 Notes to the Statement of Cash Flows.

2.13 Accrued salaries

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Commission considers the carrying amount of accrued salaries to be equivalent to its net fair value.

2.14 Inventories

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

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

2.15 Receivables

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

2.16 Investments and other financial assets

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

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates are classified as held-to-maturity when management has a positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

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

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

2.17 Biological assets

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

(a) The entity controls the asset as a result of past events;
(b) It is probable that future economic benefits associated with the asset will flow to the entity; and
(c) The fair value or cost of the asset can be measured reliably.

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

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

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

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

FPC's valuations of biological assets are for financial reporting purposes only. The Commission'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 manages plantations across a broad geographic area of approximately 72,885 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.

Standing timber less than three years old is carried at cost less impairment where applicable, as the net market value of those assets is not reasonably assessable.

Native timber

Native Forest is managed in accordance with the Forest Management Plan (FMP) 2004-2013, under which there are limitations and requirements in regards to harvesting limits and regeneration (sustainability). Sustainable yield means that the volume harvested will approximate, over long-term harvest cycles, annual forest growth of the harvestable forest areas.

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

Sandalwood

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

The annual harvest limits are set by Executive Council under the *Sandalwood Limitation Order (1996)*, however there is no formal mechanism to apportion sandalwood harvest within the Order in Council between the FPC and other users of the resource.

FPC harvests 1,350 tonnes of green Sandalwood each year. FPC also harvests dead Sandalwood but this is not included in the biological valuation as it is not a living asset.

Valuation of Biological Assets

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, 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 of those cash flows is assessed. The net present value (NPV) is the amount that one would pay today to receive the future cash flows from the harvest of forest products and management of the asset till harvest. NPV is calculated as the net of the future cash inflows and outflows associated with forest production activities, discounted back to current values at the specified real pre-tax Weighted Average Cost of Capital (WACC). The WACC is assessed by the Western Australian Treasury Corporation (WATC) at each financial year end.

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 WACC rate

2.18 Payables

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

2.19 Borrowings

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

2.20 Provisions

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

(i) Provisions – employee benefits

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

Annual leave

The liability for annual leave expected to be settled within 12 months after the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liability is settled.

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

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

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

Long service leave

The liability for long service leave that is expected to be settled within 12 months after the end of the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liability is settled.

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

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

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

Superannuation

The Government Employees Superannuation Board (GESB) administers public sector superannuation arrangements in Western Australia in accordance with legislative requirements.

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

Employees commencing employment prior to 16 April 2007 who are not members of either the Pension or the GSS Schemes became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). Both of these schemes are accumulation schemes. The Commission makes concurrent contributions to GESB on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESBS.

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

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

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

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

(ii) Provisions – other

Employee on-costs

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

Native Forest Regeneration Provision

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

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived to the Commission from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Dividends

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

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

2.21 Superannuation expense

The superannuation expense of the defined benefit plans consists of the following elements:

- Current service cost
- Interest cost (unwinding of the discount)
- Actuarial gains and losses; and
- Past service cost

Actuarial gains and losses of the defined benefit plans are recognised immediately as income or expense in the Statement of Comprehensive Income.

The superannuation expense of the defined contribution plans is recognised as and when the contributions fall due.

2.22 Resources received free of charge or for nominal cost

Resources received free of charge or for nominal cost that can be reliably measured are recognised as at fair value. Where the resource received represents a service that the authority would otherwise pay for, a corresponding expense is recognised. Receipts of assets are recognised in the Statement of Financial Position.

2.23 Jointly controlled operations

The Commission has an interest in a joint venture that is a jointly controlled operation. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves the use of assets and other resources of the venturers rather than the establishment of a separate entity. The Commission recognises its interests in the jointly controlled operations by recognising the assets it controls and the liabilities that it incurs in respect of the joint ventrure. The Commission also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operations.

2.24 Comparative figures

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

3.0 Other policies

3.01 Segment reporting

Segment information is prepared in conformity with AASB 8 *Operating Segments*.

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

3.02 Foreign currency translation, derivative financial instrument and hedge accounting

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

Forward foreign exchange contracts are entered into as hedges to avoid or minimise possible adverse financial effects of movements in exchange rates. Such derivative financial instruments are stated at fair value. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the Statement of Comprehensive Income.

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the Statement of Comprehensive Income in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that was reported in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Statement of Comprehensive Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Statement of Comprehensive Income.

Note that derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the Statement of Comprehensive Income.

3.03 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

4.0 Key Sources of estimation uncertainty

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year.

4.01 Long service leave

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

4.02 Biological assets

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

Calculations performed in assessing the value of the Biological assets incorporate uncertainty with discount rates and harvest yields. See note 27.2 for sensitivity analysis around these estimates.

5.0 Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Commission has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2011 that impacted on the Commission:

AASB 1054	*Australian Additional Disclosures* This Standard, in conjunction with AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact.
AASB 2009-12	*Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Int 2, 4, 16, 1039 & 1052]* This Standard makes editorial amendments to a range of Australian Accounting Standards and Interpretations. There is no financial impact.
AASB 2010-4	*Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101 & 134 and Int 13]* The amendments to AASB 7 clarify financial instrument disclosures in relation to credit risk. The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is no longer required to be disclosed. There is no financial impact. The amendments to AASB 101 clarify the presentation of the statement of changes in equity. The disaggregation of other comprehensive income reconciling the carrying amount at the beginning and the end of the period for each component of equity is no longer required. There is no financial impact.
AASB 2010-5	*Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Int 112, 115, 127, 132 & 1042]* This Standard makes editorial amendments to a range of Australian Accounting Standards and Interpretations. There is no financial impact.
AASB 2010-6	*Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & 7]* This Standard introduces additional disclosure relating to transfers of financial assets in AASB 7. An entity shall disclose all transferred financial assets that are not derecognised and any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. There is no financial impact.

AASB 2011-1	*Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, 5, 101, 107, 108, 121, 128, 132 & 134 and Int 2, 112 & 113]* This Standard, in conjunction with AASB 1054, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact.
AASB 2011-5	*Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASB 127, 128 & 131]* This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity are not-for-profit non-reporting entities that comply with Australian Accounting Standards. There is no financial impact.

6.0 Future impact of Australian Accounting Standards not yet operative

The Commission cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. Consequently, the Commission has not applied early any following Australian Accounting Standards that have been issued that may impact the Commission. Where applicable, the Commission plans to apply these Australian Accounting Standards from their application date:

		Operative for reporting periods beginning on / after
AASB 9	*Financial Instruments* This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments. The Standard was reissued in December 2010. The Commission has not yet determined the application or the potential impact of the Standard.	1 January 2013
AASB 10	*Consolidated Financial Statements* This Standard supersedes requirements under AASB 127 *Consolidated and Separate Financial Statements* and Int 112 *Consolidation – Special Purpose Entities*, introducing a number of changes to accounting treatments. The Standard was issued in August 2011. The Commission has not yet determined the application or the potential impact of the Standard.	1 January 2013

AASB 11	*Joint Arrangements* This Standard supersedes AASB 131 Interests in Joint Ventures, introducing a number of changes to accounting treatments. The Standard was issued in August 2011. The Commission has not yet determined the application or the potential impact of the Standard.	1 January 2013
AASB 12	*Disclosure of Interests in Other Entities* This Standard supersedes disclosure requirements under AASB 127 *Consolidated and Separate Financial Statements* and AASB 131 *Interests in Joint Ventures*. The Standard was issued in August 2011. The Commission has not yet determined the application or the potential impact of the Standard.	1 January 2013
AASB 13	*Fair Value Measurement* This Standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. There is no financial impact.	1 January 2013
AASB 119	*Employee Benefits* This Standard supersedes AASB 119 Employee Benefits, introducing a number of changes to accounting treatments. The Standard was issued in September 2011. The Commission has not yet determined the application or the potential impact of the Standard.	1 January 2013
AASB 127	*Separate Financial Statements* This Standard supersedes requirements under AASB 127 *Consolidated and Separate Financial Statements*, introducing a number of changes to accounting treatments. The Standard was issued in August 2011. The Commission has not yet determined the application or the potential impact of the Standard.	1 July 2013
AASB 128	*Investments in Associates and Joint Ventures* This Standard supersedes AASB 128 *Investments in Associates*, introducing a number of changes to accounting treatments. The Standard was issued in August 2011. The Commission has not yet determined the application or the potential impact of the Standard.	1 July 2013
AASB 1053	*Application of Tiers of Australian Accounting Standards* This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. There is no financial impact.	1 July 2013

AASB 2009-11	*Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Int 10 & 12]* [Modified by AASB 2010-7]	1 July 2013
AASB 2010-2	*Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Int 2, 4, 5, 15, 17, 127, 129 & 1052]* This Standard makes amendments to Australian Accounting Standards and Interpretations to introduce reduced disclosure requirements for certain types of entities. There is no financial impact.	1 July 2013
AASB 2010-7	*Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]* This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. The Commission has not yet determined the application or the potential impact of the Standard.	1 July 2013
AASB 2011-2	*Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & 1054]* This Standard removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards for reduced disclosure reporting. There is no financial impact.	1 July 2013
AASB 2011-6	*Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [AASB 127, 128 & 131]* This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity comply with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements. There is no financial impact.	1 July 2013

AASB 2011-7	*Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Int 5, 9, 16 & 17]* This Standard gives effect to consequential changes arising from the issuance of AASB 10, AASB 11, AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*. The Commission has not yet determined the application or the potential impact of the Standard.	1 July 2013
AASB 2011-8	*Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Int 2, 4, 12, 13, 14, 17, 19, 131 & 132]* This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011. There is no financial impact.	1 July 2013
AASB 2011-9	*Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]* This Standard requires to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The Commission has not yet determined the application or the potential impact of the Standard.	1 July 2012
AASB 2011-10	*Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Int 14]* This Standard makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 119 Employee Benefits in September 2011. The Commission has not yet determined the application or the potential impact of the Standard.	1 July 2013
AASB 2011-11	*Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements* This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements for AASB 119 (September 2011). There is no financial impact.	1 July 2013

		2012 $000	2011 $000
7.0	**Trading Profit**		
	7.1 Sales		
	Harvesting operations	55,399	54,584
	Recovery of harvesting costs	52,191	50,172
	Plant Propagation Center Revenue	494	659
	Total Sales	**108,084**	**105,414**
	7.2 Cost of sales		
	Harvesting Costs	(60,071)	(55,910)
	Roading Maintenance and Construction	(3,605)	(3,222)
	Write Down of Inventory to Net Realisable Value	(379)	(1,022)
	Cost of Goods Sold	(64,055)	(60,154)
	Trading Profit	**44,029**	**45,261**
8.0	**Commonwealth grants and contributions**		
	Recognition of Commonwealth Government contribution to National Action Plan for Salinity and Water Quality	152	2,436
		152	**2,436**
9.0	**Interest revenue**		
	Interest Revenue	1,059	1,600
		1,059	**1,600**
10.0	**Other revenue**		
	Contracts and Other	352	47
	Fire Settlement Claim[1]	4,877	-
	Revenue from Cost Recovery Operations[2]	1,774	2,228
		7,003	**2,275**

[1] An insurance payment was received from Western Power following a fire in a Balingup plantation.

[2] Revenue from cost recovery operations is due mainly to services to Department of Environment and Conservation for fire support and the Department of Agriculture and Food for services associated with pest control. Expenses associated with these contributions are included in expenses from ordinary activities.

		2012 $000	2011 $000
11.0	**Employee benefits expense**		
	Wages and Salary	11,716	13,116
	Fringe Benefits Tax	32	26
	Leave Expense	2,184	1,975
	Superannuation	1,142	1,437
	Payroll Tax	710	1,047
	Superannuation - defined benefit plans (Note 31)	109	79
		15,892	**17,680**

The employment on-costs liability is included at note 30 Employee benefits

		2012 $000	2011 $000
12.0	**Supplies and services**		
	Travel	298	287
	Write-down of UWA Joint Venture	-	160
	Sundry Supplies and Services	1,006	1,082
	Operating Lease	1,982	2,219
	Other Services	157	96
	Legal Fees and Consultants	266	190
	DEC Service Level Agreements	7,900	9,231
	Materials	615	823
	Forest Management Expenses	5,617	2,501
	Fire Salvage and Remedial Works	2,178	1,512
	Repairs and Maintenance	356	290
	Vehicle Expenses	26	23
		20,400	**18,414**
13.0	**Depreciation and amortisation expense**		
	Plant, equipment, vehicles, office equipment and nursery infrastructure	657	872
	Buildings	392	392
		1,050	**1,264**
14.0	**Finance costs**		
	Interest on WA Treasury Corporation loans	1,961	5,343
	Foreign Exchange (Gain) / Loss	(97)	715
		1,864	**6,058**
15.0	**Accommodation expenses**		
	Lease rentals and accommodation	682	1,043
	Other Property	169	224
		851	**1,267**
16.0	**Other expenses**		
	Audit fees	198	220
	Increase / (Decrease) in allowance for doubtful debts	(1,661)	490
	Telephone, Postage, Communications	744	888
	Workers Compensation Insurance	502	252
	Other Administration Costs	259	93
		42	**1,943**

		2012 $000	2011 $000
17.0	**Biological asset decrease**		
	Revaluation decrease	(2,228)	(17,736)
		(2,228)	**(17,736)**
	Reconciliation of decrease on revaluations to Movement of Biological assets		
	Gross Movement on Biological assets	3,788	(10,284)
	Movement in annuity liabilities	(1,293)	(1,979)
	Impairment of New plantations	(4,723)	(5,473)
		(2,228)	**(17,736)**
18.0	**Onerous Contracts**		
	Annuity obligations associated with immature share farms considered onerous	2,480	(2,552)
		2,480	(2,552)
19.0	**Grants and Subsidies from State Government**		
	Grants and Subsidies from State Government	-	1,095
		-	**1,095**
20.0	**Inventories**		
	Current		
	Inventories held for resale at cost[1]:		
	- Plant Propagation Centre	1,261	2,477
	- Sandalwood	1,825	1,053
	- Timber on forest landings	1,179	1,116
		4,266	**4,646**

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

		2012	2011
		$000	$000
21.0	**Receivables**		
	Current		
	Treasury Funds Receivable	-	1,366
	Trade and other receivables	22,546	24,884
	Allowance for doubtful debts	(1,594)	(3,256)
		20,952	**22,994**
	Reconciliation of change in the allowance for impairment of receivables		
	Balance at start of year	(3,256)	(3,415)
	Amounts written off during the year	331	-
	Doubtful debts expense recognised in the Statement of Comprehensive Income	1,331	159
	Balance at end of year	**(1,594)**	**(3,256)**
	Non Current		
	Treasury Funds Receivable	**-**	**13,296**

Treasury Funds Receivable were funds receivable from WA State Treasury in relation to the National Action Plan.

		2012	2011
22.0	**Other assets**		
	Current		
	Prepayments	83	83
	Derivative asset	72	157
	Accrued Revenue	15	345
		170	**585**

		2012 $000	2011 $000
23.0	**Property, plant and equipment**		
	23.1 Land and buildings		
	Freehold land at fair value[1]	11,281	11,963
		11,281	11,963
	Buildings at fair value	7,889	7,869
	Accumulated depreciation	(2,711)	(2,318)
		5,177	5,551
	Total land and buildings	**16,459**	**17,514**

[1] Commission owned land was revalued as at 1 July 2011 in accordance with an independent valuation by the Western Australian Land Information Authority (Valuation Services). The valuations were performed during the year ended 30 June 2012 and recognised at 30 June 2012. The fair value of all land and buildings has been determined by reference to recent market transactions.

	2012 $000	2011 $000
23.2 Plant, equipment and vehicles		
Nursery infrastructure at fair value at 30 June 2005	12,138	12,138
Accumulated depreciation	(8,073)	(7,787)
Nursery infrastructure	4,065	4,351
Plant, equipment and vehicles at cost	4,118	4,088
Accumulated depreciation	(3,696)	(3,516)
	422	572
Office equipment at cost	1,912	1,956
Accumulated depreciation	(1,573)	(1,554)
	339	402
Total plant, equipment and vehicles	**4,826**	**5,325**

Nursery infrastructure was revalued at 30 June 2005 on a 'written down replacement value' basis by independent valuers McGarry Associates Pty Ltd.

	2012 $000	2011 $000
23.3 Carbon Asset		
The cost of plantation establishment for carbon sequestration	7,849	7,166
Derecognition	(7,849)	-
	-	**7,166**
Total Property, plant and equipment	**21,285**	**30,005**

23.4 Reconciliations

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

	Carbon Asset	Freehold land	Buildings	Nursery infrastructure	Plant equipment and vehicles	Office equipment	Total
	$000	$000	$000	$000	$000	$000	$000
Cost							
Balance at 1 July 2010	6,016	11,229	7,869	12,138	4,165	2,052	43,469
Additions	1,150	-	-	-	45	71	1,266
Disposals	-	-	-	-	(122)	(167)	(289)
Revaluation decrease	-	734	-	-	-	-	734
Balance at 30 June 2011	7,166	11,963	7,869	12,138	4,088	1,956	45,180
Balance at 1 July 2011	7,166	11,963	7,869	12,138	4,088	1,956	45,180
Additions	683	-	20	-	73	92	868
Disposals	-	-	-	-	(43)	(136)	(179)
Revaluation decrease	-	(682)	-	-	-	-	(682)
Balance at 30 June 2012	7,849	11,281	7,889	12,138	4,118	1,912	45,188
Depreciation and impairment losses							
Balance at 1 July 2010	-	-	(1,929)	(7,503)	(3,337)	(1,440)	(14,209)
Depreciation	-	-	(389)	(284)	(304)	(287)	(1,264)
Disposal	-	-	-	-	125	173	298
Balance at 30 June 2011	-	-	(2,318)	(7,787)	(3,516)	(1,554)	(15,175)
Balance at 1 July 2011	-	-	(2,318)	(7,787)	(3,516)	(1,554)	(15,175)
Depreciation	-	-	(393)	(286)	(223)	(148)	(1,050)
Derecognition	(7,849)	-	-	-	-	-	(7,849)
Disposal	-	-	-	-	43	129	171
Balance at 30 June 2012	(7,849)	-	(2,711)	(8,073)	(3,696)	(1,573)	(23,903)
Carrying Amounts							
At 1 July 2010	6,016	11,229	5,940	4,635	828	612	29,260
At 30 June 2011	7,166	11,963	5,551	4,351	572	402	30,005
At 1 July 2011	7,166	11,963	5,551	4,351	572	402	30,005
At 30 June 2012	-	11,281	5,177	4,065	422	339	21,285

24.0 Intangible assets

	2012 $000	2011 $000
24.1 Carbon rights		
Carbon rights at cost	6,805	6,756
Derecognition	(6,805)	-
	-	**6,756**
24.2 Software		
Software - cost	348	357
Software - accumulated amortisation	(348)	(356)
	-	**1**
Total Intangible assets	**-**	**6,757**

Reconciliation

Reconciliations of the carrying amounts of intangible assets at the beginning and end of the financial period are set out below.

	Intangible assets $000
Cost	
Balance at 1 July 2010	6,862
Additions from external sources	266
Disposals	(15)
Balance at 30 June 2011	7,113
Balance at 1 July 2011	7,113
Additions from external sources	49
Disposals	(9)
Balance at 30 June 2012	7,153
Amortisation and impairment losses	
Balance at 1 July 2010	(372)
Amortisation of software costs	-
Disposals	16
Balance at 30 June 2011	(356)
Balance at 1 July 2011	(356)
Derecognition	(6,805)
Disposals	8
Balance at 30 June 2012	(7,153)
Carrying Amounts	
At 1 July 2010	6,490
At 30 June 2011	6,757
At 1 July 2011	6,757
At 30 June 2012	-

25.0 Investment in Joint Venture

The Commission has the following investment in a joint venture operation, accounted for using the equity method:

Entity:	Principal activity:	Reporting date:	Ownership:	
UWA/FPC Joint Venture	Timber research and product development	31 December	2012	2011
			0%	50%

The joint venture managed the operations of a timber research program and associated facilities located within the Faculty of Architecture, Landscape and Visual Arts (ALVA) at the University of Western Australia (UWA). It was intended that the Joint Venture would provide opportunities for collaborative research, sharing of facilities and enhanced use of the ALVA premises and amenities. The joint venture concluded in December 2010.

	2012 $000						
	Revenue (100%)	Profit/ (loss) (100%)	Commission's share of profit / (loss)	Total assets (100%)	Total liabilities (100%)	Net assets reported by JV (100%)	Share of JV net assets equity accounted
UWA/FPC Joint Venture:	-	-	-		-	-	-

	2011 $000						
	Revenue (100%)	Profit/ (loss) (100%)	Commission's share of profit / (loss)	Total assets (100%)	Total liabilities (100%)	Net assets reported by JV (100%)	Share of JV net assets equity accounted
UWA/FPC Joint Venture:	222	(17)	(9)		5	(5)	(3)

	2012 $000	2011 $000
Share of joint venture profit before income tax	-	(2)
Share of joint venture net profit accounted for using the equity method	-	(2)

	2012 $000	2011 $000
Reconciliation of movement in investment in joint venture:		
Balance at 1 July	-	-
Contributions to joint venture	-	162
Share of net assets equity accounted	-	(2)
Investment in joint venture before adjustments:	-	160
Adjustments:		
Write down of investment in joint venture to net recoverable amount	-	**(160)**
Investment in joint venture at 30 June	-	-

Commitments:

The Commission, at the reporting date, has no contractual liability to fund the UWA/FPC Joint Venture for operating expenses and capital equipment (2011 $0).

At 30 June 2012 the Commission has no share of liabilities or contingent liabilities associated with its investment in the UWA/FPC Joint Venture, other than as disclosed above.

Note:

Under the Joint Venture Agreement with UWA, UWA has responsibility for preparation of the joint venture financial statements.

UWA's financial year ends on 31 December. The Commission is able to obtain interim financial statements for equity accounting purposes.

26.0 Biological assets	2012 $000	2011 $000
Current		
Biological assets at valuation		
Native Forest		
Native forest standing timber	11,483	14,690
Sandalwood standing timber	4,354	4,296
Native forest Biological assets at valuation	15,837	18,986
Plantations		
Plantations Biological assets at valuation	10,411	22,546
Total Biological assets at valuation current	**26,248**	**41,532**
Non-Current		
Biological assets at valuation		
Native Forest		
Native forest standing timber	109,752	104,519
Sandalwood standing timber	49,793	44,589
Native forest Biological assets at valuation	159,545	149,108
Plantations		
Mature standing timbers	138,766	131,532
Immature standing timbers	8,506	7,105
Plantations Biological assets at valuation	147,272	138,637
Total Biological assets at valuation non-current	**306,817**	**287,745**
Total Biological assets at valuation	**333,065**	**329,277**
The Plantations estate is represented by:		
Commission plantations standing timber	137,718	138,876
Share farm standing timber	19,965	22,307
Total Plantations Biological assets at valuation	157,683	161,183
Reconciliation of changes in the carrying amount of biological assets at the beginning and the end of the year		
Carrying amount at start of year	329,277	339,561
Gain / (Loss) from changes in fair value	1,092	(10,442)
Add purchases (annuities contra)	-	1,680
Add 2R capitalisation	4,723	3,787
less 2R impairment	(3,311)	(3,307)
Other (additional land annuities capitalised)	1,293	1,979
Other (removal of capitalised crop share liability)	(8)	(3,981)
Carrying amount at end of year	**333,065**	**329,277**

26.1 Hectares under management

	Hectares under management	
	2012	2011
Plantations		
Mature plantations	74,314	75,320
Immature plantations	34,369	31,736
Total plantation hectares under management	108,683	107,056

27.0 Biological assets risk analysis

27.1 Discount rates

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

	2012	2011
30 year discount rate	10.00%	12.20%
50 year discount rate	10.60%	12.40%

The discount rate, which is real and pre-tax, is based on the Commission's weighted average cost of capital (WACC). The WA Treasury Corporation provided an update of the Commission's WACC as at 30 June 2012.

27.2 Sensitivity analysis

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

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

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

			2012	2011
			$000 Increase/ (decrease)	$000 Increase/ (decrease)
Discount rate:	+ 300 bpts	Total Biological assets at valuation	(59,447)	(52,382)
	- 300 bpts	Total Biological assets at valuation	92,082	78,400
Future prices:	+ 3%	Total Biological assets at valuation	23,438	11,367
	- 3%	Total Biological assets at valuation	(23,438)	(11,301)
Future costs:	+ 3%	Total Biological assets at valuation	(13,902)	(2,948)
	- 3%	Total Biological assets at valuation	13,902	2,948

27.3 Cash flows

(a) Cash flows are real and pre tax.

(b) Inflation is expected to continue at the current rate.

(c) Where revenues/costs are expected to increase or decrease other than in line with inflation, the nominal increase/decrease is included in cash flows.

(d) Cash flows are discounted to balance date from their expected date of occurrence at rates set out under 27.1 above.

(e) Cash flows are expected to occur over the following periods:

Category	*Years*
Native forest standing timber	50
Standing sandalwood	50
Plantations standing timber	30

27.4 Insurance

The Commission does not insure its Biological assets.

		2012	2011
28.0	**Payables**	$000	$000
	Current		
	Trade payables	5,615	2,446
	GST payable	(598)	76
	Payroll tax accrual	60	61
	Accrued logging costs	2,971	2,659
	Other accruals	4,588	7,042
	Accrued interest	-	1,266
	Accrued salaries and wages	348	258
	Land annuity obligations	2,200	2,177
	Hedge Contract	-	-
		15,184	**15,985**
	Non-Current		
	Land annuity obligations	19,330	22,984
		19,330	**22,984**

29.0 Borrowings

	2012 $000	2011 $000
Current		
Western Australian Treasury Corporation loans	-	8,342
Total current	**-**	**8,342**
Non-Current		
Western Australian Treasury Corporation loans	-	74,465
Total non-current	**-**	**74,465**
Total interest bearing borrowings	**-**	**82,807**

Refer Financial Instruments Note 41.1 for interest rate analysis.

30.0 Employee benefits

	2012 $000	2011 $000
Current		
Compensated absences - Annual leave	1,435	1,636
Compensated absences - Long service leave	1,690	1,409
	3,124	**3,045**
Non-current		
Compensated Absences - Long service leave	1,240	1,387
Provision for unfunded superannuation liability	235	133
	1,475	**1,520**

The Commission has a provision for the unfunded liability associated with those employees who are currently members of Gold State Superannuation Scheme. Refer Note 31 below.

31.0 Gold State Superannuation Scheme	2012 $000	2011 $000

31.1 Scheme information

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 following disclosures are in respect of the employer-financed benefits only.

Reconciliation of the Present Value of the Defined Benefit Obligation

Financial year ending	**30-Jun-12**	**30-Jun-11**
(Gold State Super)		
Present value of defined benefit obligations at the beginning of the year	134	82
(+) Interest costs	7	4
(+) Actuarial losses / (gains)	109	79
(-) Benefits paid	(15)	(31)
Present value of defined benefit obligations at the end of the year	**235**	**134**

These defined benefit obligations are wholly unfunded, as there are no Assets. The Commission contributes as required to meet benefits paid.

Reconciliation of the Fair Value of Scheme Assets:

Financial year ending	**30-Jun-12**	**30-Jun-11**
Fair value of Scheme Assets at the beginning of the year:	-	-
(+) Employee contributions	15	31
(-) Benefits paid	(15)	(31)
Fair value of Scheme Assets at the end of the year	-	-

Reconciliation of the Assets and Liabilities recognised in the Statement of Financial Position:

Financial year ending	**30-Jun-12**	**30-Jun-11**
Defined Benefit Obligation	235	133
Net Liability	**235**	**133**

Expense recognised in the Statement of Comprehensive Income:

Financial year ending	**30-Jun-12**	**30-Jun-11**
Interest cost	7	4
Actuarial loss / (gain)	109	79
Superannuation expense / (income)	**116**	**83**

	2012	2011
	$000	$000

31.1 Scheme information (continued)

Gold State

Scheme Assets

There are no assets in Gold State Super for current employees to support benefits.
Hence there are:

~ No fair value of Scheme Assets

~ No asset allocation of Scheme Assets

~ No assets used by the employer

~ No expected return of Scheme Assets

~ No actual return on Scheme Assets

Principal Actuarial Assumptions Used:

Financial year ending	**30-Jun-12**	**30-Jun-11**
(Gold State Super)		
Discount rate (active members)	2.84%	5.28%
Expected salary increase rate	5.50%	4.50%

The discount rate is based on the 10 year Government bond rate at the relevant date. The decrement rates used (e.g. mortality and retirement rates), are based in those used at the last actuarial valuation for the Schemes.

Historical Information:

Financial year ending	**30-Jun-12**	**30-Jun-11**	**30-Jun-10**	**30-Jun-09**	**30-Jun-08**
(Gold State Super)					
Present value of defined benefit obligation	235	134	82	136	106
Fair value of Scheme assets	-	-	-	-	-
Deficit in Scheme	235	134	82	136	106
Experience adjustments (gain)/ loss - Scheme liabilities	18	77	(15)	9	(57)

The experience adjustment for Scheme liabilities represents the actuarial loss (gain) due to a change in the liabilities arising from the Scheme's experience (e.g. membership movements, unit entitlements) and excludes the effects of changes in assumptions (e.g. movements in bond rates).

Expected contributions:	**30-Jun-13**
(Gold State Super)	**$000**
Expected employer contributions	5

32.0 Provisions

	Note:	2012 $000	2011 $000
Current			
Provision for regeneration of Native Forest	a	1,661	2,005
Unearned revenue	b	436	834
		2,097	**2,839**
Non-Current			
Provision for regeneration of Native Forest	a	1,680	711
		1,680	**711**

Explanations:

a The Commission has an obligation under the Forest Management Plan (2004 to 2013) to ensure that Re-growth Native Forest harvested are restored.

b Unearned Revenue received by the FPC for the delivery of forestry services to be delivered in the future.

	2012 $000	2011 $000
Net movement in provisions		
Opening balance at 1 July 2011	3,550	4,955
Provisions utilised		
Regeneration	560	1,029
	560	**1,029**
Provisions reversed		
Regeneration	-	55
Deferred income	398	321
	398	**376**
Provisions raised		
Regeneration	1,185	-
	1,185	**-**
Closing balance at 30 June 2012	**3,777**	**3,550**

33.0 Deferred revenue

	2012 $000	2011 $000
Current		
National Action Plan for Salinity Revenues	388	388
Contractual obligations	258	-
	646	**388**
Non-Current		
Contractual Obligations/Forward Sold Carbon Sequestration Certificates	6,882	21,127
National Action Plan for Salinity Revenues	4,060	4,212
Forward Sold Log Supply	11,830	10,417
	22,772	**35,756**

34.0 Equity

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

	2012 $000	2011 $000
34.1 Contributed equity		
Balance at the start of the year	260,195	256,011
Restructure costs	71,587	4,114
Sale of Peel 'B' Baldivis	-	70
Balance at the end of year	**331,782**	**260,195**
34.2 Reserves		
Asset Revaluation Surplus		
Balance at start of year	8,293	7,722
Net land revaluation increase (decrease):	(597)	816
Income tax	179	(245)
Balance at end of year	**7,875**	**8,293**

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

	2012 $000	2011 $000
Cashflow Hedge Reserve		
Balance at start of year	109	(104)
Net movement in reserve	(84)	304
Income tax	25	(91)
	50	**109**

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

	2012 $000	2011 $000
Reserves total	**7,926**	**8,402**
34.3 Retained Earnings		
Balance at the start of year	(8,349)	5,439
Result for the year	12,921	(13,788)
Dividend paid	(1,500)	-
Balance at end of year	**3,072**	**(8,349)**

35.0 Notes to the Statement of Cash Flows

	2012 $000	2011 $000
35.1 Reconciliation of cash		
Petty Cash	4	4
Commonwealth Bank - Cash Management Account	18,422	15,228
Commonwealth Bank - USD Bank Account	3,707	2,012
	22,132	**17,244**

35.2 Reconciliation of profit from ordinary activities after income tax to net cash flows provided by operating activities:

	2012 $000	2011 $000
Profit from ordinary activities after income tax	12,921	(13,788)
Non-cash items:		
Depreciation and amortisation expense	1,050	1,264
Movement in provision for doubtful debts	(1,662)	(159)
Revaluation of land and buildings	-	-
Change in fair value of Biological assets	2,228	17,736
Grants and subsidies from State Government	-	(3,950)
Decrease / (increase) in assets:		
Current inventories	380	1,022
Current receivables	3,704	(467)
Other current assets	15,699	316
Write down of investment in joint venture	-	160
Other assets	12,219	(256)
Increase/(decrease) in liabilities:		
Payables	(801)	(5,027)
Employee benefits	34	(1,296)
Unearned revenue and deferred income	13,124	747
Other liabilities	(40,666)	3,921
Movement in tax balances	(5,855)	(938)
Net cash provided by operating activities	**12,375**	**(715)**

35.3 Borrowing facilities

	2012 $000	2011 $000
The Commission had access to the following lines of credit as at reporting date:		
Credit cards	750	750
Bank overdraft facility	9,000	9,000
Short term lending facility with WATC	-	3,538
WA Treasury Corporation - Portfolio Lending Arrangement	-	79,269
	9,750	**92,557**
Facilities in use as at reporting date:		
Credit cards	80	78
Short term lending facility with WATC	-	3,538
WA Treasury Corporation - Portfolio Lending Arrangement	-	79,269
	80	**82,885**
Available facilities not in use as at reporting date:		
Credit cards	670	672
Bank overdraft facility	9,000	9,000
	9,670	**9,672**

36.0 Resources provided free of charge

	2012 $000	2011 $000
Department of Treasury and Finance - Building Management and Works	5	13
	5	**13**

37.0 Commitments

The commitments below are inclusive of GST where relevant.

37.1 Lease commitments

	2012 $000	2011 $000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, are payable as follows:		
Within 1 year	290	347
Later than 1 year and not later than 5 years	1,000	1,163
Later than 5 years	1,018	514
	2,308	**2,024**
Non-cancellable operating leases	**2,308**	**2,024**

These commitments are inclusive of GST.

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

37.2 Guarantees and undertakings

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

38.0 Contingent liabilities and contingent assets

Contingent liabilities

a) The Commission 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 Commission is therefore unable to determine a reliable estimate of the amount of any potential obligation that may arise in the future.

The Commission is undertaking further feasibility studies and inventory 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.

39.0 Events occurring after the end of the reporting period

A contract restructure of a carbon agreement with another Government Agency has resulted in the derecognition of carbon assets and an offsetting liability previously valued at $14.5 million as at 30 June 2012. Refer notes 23.3 and 24.1.

40.0 Explanatory statement

This statement provides details of significant variations between estimates and actuals results for 2012 and between the actual results for 2012 and 2011. Significant variations are considered to be those greater than 10% or $5 million.

40.1 Significant variances between estimate and actual for 2012

	2012 Actual	2012 Estimate[1]	Variance from Estimate	Explanation:
	$000	$000	$000	
Income				
Revenue from the sale of goods and services	108,084	100,720	7,364	a
Commonwealth grants and contributions	152	1,500	(1,348)	b
Interest revenue	1,059	85	974	c
Other revenue	7,003	-	7,003	d
Expenses				
Cost of sales	64,055	57,750	6,305	e
Supplies and services	20,400	23,778	(3,378)	f
Finance costs	1,864	-	(1,864)	g
Depreciation expense	1,050	1,320	(270)	h

Explanation:

a Following the closure of Gunns Ltd and the opening of AusWest, the FPC posted better than expected sales results during the 2011/12 financial year. Estimates were initially based on lowered sales with the closure of Gunns.

b The FPC continues to reduce its reliance on Commonwealth grants and contributions, resulting in the low result for the year.

c Increased revenues combined with lowered expenditure and insurance proceeds resulted in better than expected cash balances for the FPC. In addition, the FPC has recovered nearly $2m in overdue debt during the financial year, which also improved the cash position for the Commission. Altogether, this has returned a better than expected interest revenue to the Commission.

d Other revenue is comprised of cost recovery operations due mainly to services to Department of Environment and Conservation for fire support and the Department of Agriculture and Food for services associated with pest control, as well as the receipt of insurance funds for fire.

e The cost of sales increased in proportion to the increased activity level, per the revenue variance (a).

f Lower than anticipated services by the Department of Environment and Conservation combined with reduced fertiliser and administrative costs.

g The final interest payments to Treasury for outstanding loans were finalised at the beginning of the year.

h Lower depreciation expense is reflected in a combination of lower than budgeted capital expenditure and items of plant and equipment reaching the end of useful lives.

[1] Estimates are sourced from the 2011/12 budget.

40.2 Significant variances between actual results for 2012 and 2011.

	2012	2011	Variance	Explanation:
	$000	$000	$000	
Income				
Commonwealth grants and contributions	152	2,436	(2,284)	a
Interest revenue	1,059	1,600	(541)	b
Other revenue	7,003	2,275	4,728	c
Expenses				
Depreciation and amortisation	1,050	1,264	(214)	d
Finance costs	1,864	6,058	(4,194)	e
Accommodation expenses	851	1,267	(416)	f
Other expenses	42	1,943	(1,901)	g
Decrease from revaluations	(2,228)	(17,736)	15,508	h

Explanation:

a The recognition of revenue received for the National Action Plan for Salinity (see note 33.0) is lower than 2010/11, reflecting the reduced level of infill activity undertaken in 2011/12 financial year.

b Closing cash balance at the end of the 2009/10 financial year, combined with higher interest rates contributed to the higher interest revenue in 2010/11 compared to 2011/12.

c Other revenue is higher compared to 2010/11 due to Insurance proceeds received in 2011/12 for a fire at a Balingup plantation.

d Lower depreciation expense is reflected in a combination of lower than budgeted capital expenditure and items of plant and equipment reaching the end of useful lives.

e The Commission negotiated a financial restructure with Treasury, resulting in reduced debt payment costs.

f The Commission has now completed relocation of it's head office from Rivervale to Kensington, resulting in significant cost savings.

g A fall in other expenses has largely resulted from the drop in the provision for doubtful debts expense.

h The 2011/12 biological asset valuation decrease is as a result of a combination of changes in timber volume, timber prices, production costs (including management, marketing & selling costs) and changes in the WACC rate (refer Note 2.17).

41.0 Financial instruments

(a) Financial risk management objectives and policies

Financial instruments held by the Commission are cash and cash equivalents, trade and other receivables, trade and other payables, loans from WA Treasury, forward exchange contracts for hedging and embedded derivatives. The Commission has limited exposure to financial risks. The Commission's overall risk management program focuses on managing the risks identified below.

Credit Risk

Credit risk arises when there is the possibility of the Commission's receivables defaulting on their contractual obligations resulting in financial loss to the Commission. The maximum exposure to credit risk at the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment, as shown in the table at 41.1 'Financial instruments disclosures' and note 21 "Receivables'. The Commission has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Commission's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

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

Provision for impairment of financial assets is calculated based on past experience, and current and expected changes in client credit ratings. Factors such as customer credit risk, security and the prevailing economic conditions are considered during this process. The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provision for impairment, as shown in note 41.4.

For financial assets that are either past due or impaired, refer to Note 41.4.

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

Liquidity risk

Liquidity risk arises when the Commission is unable to meet its financial obligations as they fall due. The Commission's is exposed to liquidity risk through its trading in the normal course of business. The Commission's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, loans and finance leases. The Commission has appropriate procedures to manage cash flows by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Commission's income or the value of its holdings of financial instruments. The Commission's policy in regard to managing foreign exchange risks through the use of financial exchange contracts is dealt with in Note 41.2.

The Commission's exposure to market risk for changes in interest rates relate primarily to the long-term debt obligations. The Commission's borrowings are all obtained through the Western Australian Treasury Corporation (WATC) and are at fixed rates with varying maturities. The risk is managed by WATC through portfolio diversification and variation in maturity dates.

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

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

Currency risk

The Commission 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 Commission hedges 75 percent of its estimated foreign currency exposure in respect of forecasted sales over the following 18 months. In addition, the Commission hedges at least 75 percent of all trade receivables denominated in a foreign currency. The Commission uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

The Commission also holds a US$ commercial bank account which exposes the Commission to foreign currency risk. The balance of this account at 30 June 2012 is USD 3.778 million (2011: USD 2.161 million).

Interest rate risk

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

Categories of Financial Instruments

In addition to cash and bank overdraft, the carrying amounts of each of the following categories of financial assets and financial liabilities at balance sheet date are:

	2012	2011
	$000	$000
Financial Assets		
Cash and cash equivalents	22,132	17,244
Loans and receivables:		
Trade Receivables	20,952	36,290
	43,085	53,534
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade payables	12,984	13,808
Land annuity obligations	21,530	25,161
Interest Bearing Borrowings	-	82,807
Forward Exchange Contracts	72	157
	34,587	121,933

41.1 Credit Risk, Liquidity Risk and Interest Rate Risk Exposure

The following table details the exposure to liquidity risk and interest rate risk as at the balance date. The Commission's maximum exposure to credit risk at the balance sheet date is the contractual cash flows in the following table. Except for Land Annuities Payable and deferred rental, the contractual cash flows is the carrying amount as at balance sheet date. The carrying amount of land annuity payments is $32.297 million (2011 : $33.752 million).

	2012						
	$000						
	Note	Effective Interest Rate %	Total	0 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Financial assets							
Commonwealth Bank Cash Management Account	35.1	4.27%	18,422	18,422	-	-	-
Commonwealth Bank USD Account	35.1		3,707	3,707	-	-	-
Treasury Funds Receivable	21.0		-	-	-	-	-
Trade Receivables	21.0		22,546	22,546	-	-	-
Provision for Doubtful Debts	21.0		(1,594)	(1,594)			
Collateral security held - cash	41.4		2,384	2,384	-	-	-
Collateral security held - non cash			5,550	5,550			
Total credit exposure - Trade Receivables			28,886	28,886	-	-	-
Foreign Exchange Contracts	22.0		72	72	-	-	-
			51,086	**51,068**	**-**	**-**	**-**
Financial liabilities							
Trade Payables	28.0		5,615	5,615			
WA Treasury Corporations (long term loan variable)	29.0		-	-	-	-	-
WA Treasury Corporations (short term loan fixed)	29.0		-	-	-	-	-
Land Annuities Payable			32,297	2,257	2,257	6,651	21,133
			37,912	**7,872**	**2,257**	**6,651**	**21,133**

	2011						
	$000						
	Note	Effective Interest Rate %	Total	0 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Financial assets							
Commonwealth Bank Cash Management Account	35.1	5.05%	15,228	15,228	-	-	-
Commonwealth Bank USD Account	35.1		2,012	2,012	-	-	-
Treasury Funds Receivable	21.0		14,662	1,366	1,451	4,917	6,928
Trade Receivables	21.0		24,884	24,884	-	-	-
Provision for Doubtful Debts	21.0		(3,256)	(3,256)			
Collateral security held - cash	41.4		1,989	1,989	-	-	-
Collateral security held - non cash			5,550	5,550			
Total credit exposure - Trade Receivables			29,167	29,167	-	-	-
Foreign Exchange Contracts	22.0		157	157	-	-	-
			61,226	**47,930**	**1,451**	**4,917**	**6,928**
Financial liabilities							
Trade Payables	28.0		2,446	2,446	-	-	-
WA Treasury Corporations (long term loan variable)	29.0	5.55%	79,269	4,820	4,887	15,078	54,484
WA Treasury Corporations (short term loan fixed)	29.0	4.89%	3,538	3,538	-	-	-
Land Annuities Payable			33,752	2,189	2,183	6,471	22,908
			119,005	**12,993**	**7,070**	**21,549**	**77,392**

41.2 Forward foreign exchange contracts

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

The table below represents the forward foreign exchange contracts entered into with the West Australian Treasury Corporation.

Sell currency	Value date	USD sell amount $000	Historic forward rate	Buy currency	Buy amount $'000	Current forward points	Current forward rate	Revalued buy currency 30 June 2012	Revalued buy amount 30 June 2012 $'000	Variance currency	Variance amount $'000
USD	28-Sep-12	2,239	1.0179	AUD	2,199	0.007987	1.027087	AUD	2,180	AUD	19
USD	31-Dec-12	2,239	0.9879	AUD	2,266	-0.015674	1.003426	AUD	2,231	AUD	35
		4,478			**4,465**				**4,411**		**54**

41.3 Sensitivity Analysis

The following table represents a summary of the interest rate, currency and other sensitivities of the Commissions financial assets and liabilities at the balance date on the surplus for the period and equity for a 1% change in rates. It is assumed the rates are held constant throughout the reporting period.

	2012				
	Carrying amount $000	-1% change		+1% change	
		Profit $000's	Equity $000's	Profit $000's	Equity $000's
Interest rate sensitivity analysis					
Financial Assets					
Cash and cash equivalents	22,128	(129)	(129)	155	155
Financial Liabilities					
WA Treasury Interest bearing loans and borrowings		-	-	-	-
Land Annuities Payable	21,530	(2,617)	(2,617)	87	87

	2012				
	Carrying amount $000's	-10% change		+10% change	
		Profit $000's	Equity $000's	Profit $000's	Equity $000's
Currency sensitivity analysis					
Financial Assets					
USD Bank Account	3,707	288	288	(236)	(236)
USD rate used in this analysis was the spot rate as at 30 June 2012: 1 AUD = 1.0191					

	2011				
	Carrying amount $000's	-1% change		+1% change	
		Profit $000's	Equity $000's	Profit $000's	Equity $000's
Interest rate sensitivity analysis					
Financial Assets					
Cash and cash equivalents	17,240	(107)	(107)	121	121
Financial Liabilities					
WA Treasury Interest bearing loans and borrowings	82,807	580	580	(580)	(580)
Land Annuities Payable	25,161	(75)	(75)	2,629	2,629

	2011				
	Carrying amount $000's	-10% change		+10% change	
		Profit $000's	Equity $000's	Profit $000's	Equity $000's
Currency sensitivity analysis					
Financial Assets					
USD Bank Account	2,012	156	156	(128)	(128)
USD rate used in this analysis was the spot rate as at 30 June 2011 - AUD = USD 1.0739					

41.4 Credit risk concentrations

Accounts receivable consists largely of timber debtors, for which deposits and securities equivalent to an average of six weeks' deliveries are required to be lodged in favour of the Commission under timber contracts of sale. These deposits and securities are held in trust until the expiry or default of contracts. As at 30 June 2012, the value of deposits and securities was less than overdue accounts by **$1.884** million (deposits and securities was less than overdue accounts by $2.670 million at 30 June 2011).

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

The Commission's credit risk exposure at 30 June is illustrated by the aged debtors table below:

	2012 Number of customers	2012 Value over-due[1]: $000	2012 Impairment: $000	2011 Number of customers	2011 Value overdue[1]: $000	2011 Impair-ment: $000
1 to 30	34	3,661	-	34	3,901	-
31 to 60	14	1,339	835	21	1,213	483
Greater than 60	34	3,309	759	42	5,095	2,773
All overdue accounts	53	8,309	1,594	62	10,209	3,256

[1] Overdue beyond the Commission's agreed trading terms.

The likelihood of recovery as at 30 June 2012 was estimated and factored into the amounts provided for impairment of receivables (refer note 21). Where applicable, interest is charged under the terms of the customer's supply contract.

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

Maximum exposure to credit risk for trade receivables by type of Customer

	2012	2011
State Government	-	14,662
Forest Product Manufacture/Supply	20,952	21,628
	20,952	36,290

41.5 Funds held in trust

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

	2012	2011
Opening balance	1,989	1,758
Receipts	506	765
Payments	(111)	(534)
Closing balance	2,384	1,989

[1] Trust funds do not form part of the assets of the Commission, and are held in a separate trust fund established for that purpose. Interest accruing on these funds accumulate for the benefit of security providers.

41.6 Fair values

The carrying amount of financial assets and financial liabilities recorded in the financial statements are determined in accordance with the accounting policies in note 2.

42.0 Taxation

The prima facie income tax on pre-tax accounting profit reconciles to the income tax equivalent in the Statement of Comprehensive Income is as follows:

	2012	2011
Profit / (Loss) from ordinary activities before Income tax	12,403	(14,179)
Income tax calculated at 30% of operating profit / (loss)	3,721	(4,254)
Reversal of net deferred asset	(3,555)	7,543
Underprovided / (overprovided) in prior periods	(684)	(3,680)
	(518)	(391)
Current tax expense		
Current year	(839)	(938)
	(839)	(938)
Deferred tax expense		
Relating to origination and reversal of temporary differences	321	547
	(518)	(391)
Total income tax expense in the Statement of Comprehensive Income	(518)	(391)

Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
	$000	$000	$000	$000	$000	$000
Receivables	(478)	(977)	-	-	(478)	(977)
Inventories	(126)	(614)	-	-	(126)	(614)
Land	(87)	(61)	1,514	1,693	1,427	1,632
Buildings	(220)	(188)	1,602	1,602	1,382	1,414
Nursery infrastructure	(1,032)	(1,090)	259	259	(773)	(831)
Plant, equipment and vehicles	(122)	(102)	-	-	(122)	(102)
Investment in Joint Venture	-	-	-	-	-	-
Biological assets	(3,976)	(4,451)	21,363	20,225	17,387	15,774
Intangible asset	(2,041)	-	-	-	(2,041)	-
Employee provisions	(1,379)	(1,369)	-	-	(1,379)	(1,369)
Share farm annuities	(8,816)	(8,083)	-	-	(8,816)	(8,083)
Auditing fees provision	(45)	(45)	-	-	(45)	(45)
Deferred rental provision	-	-	-	-	-	-
Restoration provision	(1,003)	(816)	-	-	(1,003)	(816)
Deferred income	(5,368)	(7,335)	-	-	(5,368)	(7,335)
Incentive payments provision	(6,459)	(7,548)	-	-	(6,459)	(7,548)
Hedge Contract	-	-	22	47	22	47
Tax value of loss carry-forwards recognised	(4,813)	(6,024)	-	-	(4,813)	(6,024)
Unrecognised net deferred asset	3,988	31,369	-	(23,826)	3,988	7,543
Net tax (assets) / liabilities	**(31,978)**	**(7,334)**	**24,760**	**-**	**(7,218)**	**(7,334)**

Movement in temporary differences during the year

	Balance 1 July 10	Recognised in income	Recognised in equity	Balance 30 June 11	Balance 1 July 11	Recognised in income	Recognised in equity	Balance 30 June 12
	$000	$000	$000	$000	$000	$000	$000	$000
Receivables	(1,024)	47	-	(977)	(977)	499	-	(478)
Inventories	(1,053)	439	-	(614)	(614)	488	-	(126)
Land	1,412	220	-	1,632	1,632	(205)	-	1,427
Buildings	1,446	(32)	-	1,414	1,414	(32)	-	1,382
Nursery infrastructure	(889)	58	-	(831)	(831)	58	-	(773)
Plant, equipment and vehicles	(116)	14	-	(102)	(102)	(20)	-	(122)
Investment in Joint Venture	(162)	162	-	-	-	-	-	-
Biological assets	18,381	(2,607)	-	15,774	15,774	1,613	-	17,387
Intangible asset	-	-	-	-	-	(2,041)	-	(2,041)
Employee provisions	(1,758)	389	-	(1,369)	(1,369)	(10)	-	(1,379)
Share farm annuities	(8,708)	625	-	(8,083)	(8,083)	(733)	-	(8,816)
Auditing fees provision	1	(46)	-	(45)	(45)	-	-	(45)
Provision for embedded derivatives	-	-	-	-	-	-	-	-
Deferred rental provision	-	-	-	-	-	-	-	-
Restoration provision	(1,141)	325	-	(816)	(816)	(187)	-	(1,003)
Deferred income	(5,048)	(2,287)	-	(7,335)	(7,335)	1,967	-	(5,368)
Incentive payments provision	(6,961)	(587)	-	(7,548)	(7,548)	1,089	-	(6,459)
Reserves	(44)	(245)	336	47	47	180	(205)	22
Tax value of loss carry-forwards recognised	(2,553)	(3,471)	-	(6,024)	(6,024)	1,211	-	(4,813)
Unrecognised tax losses	-	7,543	-	7,543	7,543	(3,555)	-	3,988
	(8,217)	**547**	**336**	**(7,334)**	**(7,334)**	**321**	**(205)**	**(7,218)**

Unrecognised net deferred tax asset

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets and no deferred tax liabilities have been recognised are attributable to the following:

	Assets		Liabilities	
	2012	2011	2012	2011
	$000	$000	$000	$000
Receivables	-	(977)	-	-
Inventories	-	(614)	-	-
Land	-	(61)	-	1,693
Buildings	-	(188)	-	1,602
Nursery infrastructure	-	(1,091)	-	259
Plant, equipment and vehicles	-	(102)	-	-
Investment in Joint Venture	-	-	-	-
Biological assets	-	(4,451)	-	20,225
Intangible asset	(2,041)	-	-	-
Employee provisions	-	(1,369)	-	-
Share farm annuities	-	(8,083)	-	-
Auditing fees provision	-	(45)	-	-
Deferred rental provision	-	-	-	-
Restoration provision	-	(816)	-	-
Deferred income	-	-	-	-
Incentive payments provision	-	(7,548)	-	-
Hedge Contract	-	-	-	47
Tax value of loss carry-forwards recognised	(1,947)	(6,024)	-	-
Net tax (assets) / liabilities	**(3,988)**	**(31,369)**	**-**	**23,826**

Provision for taxation		
Opening	5,855	6,793
Provision raised / (reversed)	(839)	(938)
Tax Paid	(5,016)	-
Closing	-	5,855

43.0 Remuneration of members of the Accountable Authority and Senior Officers

43.1 Remuneration of members of the Accountable Authority

The number of Members of the Accountable Authority (Commissioners) whose total of fees, salaries, superannuation[1], travel and other benefits received, or which are due and receivable, for the financial year which fall within the following bands, is as follows:

	2012	2011
	$000	$000
$		
10,000 - 20,000	1	-
20,000 - 30,000	3	3
30,000 - 40,000	-	2
50,000 - 60,000	1	-
	5	5
Total remuneration of Members of the Accountable Authority for the financial period was	**140,660**	**135,565**
Remuneration of Members of the Accountable Authority was comprised of:		
Short-term employee benefits	129,311	124,260
Allowances	-	335
Post employment benefits (defined contribution funds)	11,349	10,970
	140,660	**135,565**

[1] No member of the Accountable Authority is a member of the Pension Scheme.

43.2 Remuneration of Senior Officers

The number of Senior Officers (Executive Managers) other than Members of the Accountable Authority, whose total of fees, salaries, superannuation and other benefits received, or which are due and receivable, for the financial year which fall within the following bands is as follows:

	2012	2011
$	$000	$000
10,000 - 80,000	1	-
80,001 - 100,000	-	1
130,001 - 140,000	1	1
140,001 - 150,000	1	1
150,001 - 160,000	-	1
160,001 - 170,000	1	-
180,001 - 190,000	-	1
240,001 - 250,000	1	-
	5	5

	2012 $000	2011 $000
43.2 Remuneration of Senior Officers (continued)		
Total remuneration of Senior Officers for the financial period was	**720,914**	**713,286**
Remuneration of Senior Officers was comprised of:		
Short-term employee benefits	618,345	635,150
Allowances	43,085	26,869
Post employment benefits	59,484	51,267
	720,914	**713,286**

44.0 Related bodies

The Commission has no related bodies as defined by TI 951 (3) to (4).

45.0 Affiliated bodies

An affiliated body is a body that is financially dependent on the Commission, but is not subject to operational control by the Commission.

The Commission had one affiliated body - a joint venture arrangement with the University of Western Australia, refer note 25.

The joint venture managed the operations of a timber research program and associated facilities located within the Faculty of Architecture, Landscape and Visual Arts (ALVA) at the University of Western Australia (UWA). It is intended that the Joint Venture will provide opportunities for collaborative research, sharing of facilities and enhanced use of the ALVA premises and amenities. Refer note 25 for details of financial transactions. The joint venture has now ceased, effective December 2010.

46.0 Remuneration of auditor

The total fees due and payable to the Office of the Auditor General for the financial period is as follows:

	2012 $000	2011 $000
Auditing the accounts, financial statements and performance indicators	161	142

47.0 Supplementary financial information

	2012 $000	2011 $000
47.1 Write-offs		
Debtors	301	142
Total	**301**	**32**
47.2 Losses through theft, defaults and other causes	-	-
47.3 Gifts of public property	-	-

48.0 Schedule of income and expenses by service

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

Main operating segments:

SouthWest Forest - Responsible for harvesting and regeneration activities associated with Native Forest other than Sandalwood.

Arid Forest - Responsible for harvesting and regeneration activities associated with Sandalwood and other arid timbers.

Plant Propagation Centre - Responsible for seed orchard production, collection of seed from the wild and production of seedlings to meet internal and external demand.

Sharefarms - This sector is responsible for maintenance of plantations in the low rainfall zone. The objective of this arm of the Commission is to maintain establishments that sustain and develop the timber industry; ameliorate salinity and address soil degradation.

Mature Plantations - Responsible for all harvesting, replanting and maintenance of the Commission's mature estate plantations.

New Plantations (Investment) - This sector is responsible for Establishment of plantations in the low rainfall zone. The objective of this arm of the Commission is to produce timber to sustain the timber industry, to ameliorate salinity and address soil degradation.

Support services:

Corporate & Support Services - This sector provides corporate management and business administration (human resources, contract administration and finance) support to the operating arms of the business as well as the Business Development activities of marketing, expert services in the exploration and analysis of business opportunities.

	2012								
	South West Forest	Arid Forest	Plant Propagation Centre	Sharefarms	Mature Plantations	Corporate & Support Services	Capitalisation	Eliminations	Total
	$000	$000	$000	$000	$000	$000	$000	$000	$000
Revenue									
External Segment Revenues	38,248	16,843	866	789	53,285	4,756	-	-	114,787
Inter-Segment Sales	-	-	1,518	-	-	-	-	(1,518)	-
Total Revenue	**38,248**	**16,843**	**2,384**	**789**	**53,285**	**4,756**	**-**	**(1,518)**	**114,787**
Expenses									
Employee Expenses	(3,251)	(705)	(1,554)	(1,211)	(2,485)	(6,687)	366	-	(15,527)
External Segment Expenses	(31,128)	(10,233)	(2,500)	(6,134)	(42,556)	555	5,233	1,518	(85,245)
Finance Charges	-	-	-	(1,119)	(745)	-	-	-	(1,864)
Total Expenses	**(34,379)**	**(10,938)**	**(4,054)**	**(8,464)**	**(45,786)**	**(6,132)**	**5,599**	**1,518**	**(102,636)**
Biological Asset Valuation Increase / Decrease	2,026	5,262	-	(9)	(9,507)	-	-	-	(2,228)
Onerous Contracts	-	-	-	2,480	-	-	-	-	2,480
Profit / (Loss) before Tax	**5,895**	**11,167**	**(1,670)**	**(5,204)**	**(2,008)**	**(1,376)**	**5,599**	**-**	**12,403**
Allocation of Income Tax	(1,769)	(3,350)	501	1,561	602	2,973	-	-	518
Profit / (Loss) for the year	**4,126**	**7,817**	**(1,169)**	**(3,643)**	**(1,406)**	**1,597**	**5,599**	**-**	**12,921**
Total Segment Assets	**123,669**	**56,039**	**5,562**	**6,743**	**159,554**	**57,521**	**-**	**-**	**409,088**
Total Segment Liabilities	**3,341**	**-**	**267**	**19,593**	**23,155**	**19,952**	**-**	**-**	**66,308**

	2011								
	South West Forest	Arid Forest	Plant Propagation Centre	Sharefarms	Mature Plantations	Corporate & Support Services	Capitalisation	Eliminations	Total
	$000	$000	$000	$000	$000	$000	$000	$000	$000
Revenue									
External Segment Revenues	35,014	15,880	1,411	2,772	54,425	1,088	-	-	110,590
Inter-Segment Sales	-	-	2,299	-	-	-	-	(2,299)	-
Total Revenue	**35,014**	**15,880**	**3,710**	**2,772**	**54,425**	**1,088**	**-**	**(2,299)**	**110,590**
Expenses									
Employee Expenses	(3,210)	(699)	(1,921)	(2,141)	(2,302)	(8,111)	704	-	(17,680)
External Segment Expenses	(27,631)	(11,961)	(2,357)	(1,758)	(40,322)	(5,954)	6,941	2,299	(80,743)
Finance Charges	-	-	-	(3,635)	(2,423)	-	-	-	(6,058)
Total Expenses	**(30,841)**	**(12,660)**	**(4,278)**	**(7,534)**	**(45,047)**	**(14,065)**	**7,645**	**2,299**	**(104,481)**
Biological Asset Valuation Increase / Decrease	10,400	(1,154)	-	(1,671)	(25,311)	-	-	-	(17,736)
Onerous Contracts	-	-	-	(2,552)	-	-	-	-	(2,552)
Profit / (Loss) before Tax	**14,573**	**2,066**	**(568)**	**(8,985)**	**(15,933)**	**(12,977)**	**7,645**	**-**	**(14,179)**
Allocation of Income Tax	(4,372)	(620)	170	2,696	4,780	(2,263)	-	-	391
Profit / (Loss) for the year	**10,201**	**1,446**	**(398)**	**(6,289)**	**(11,153)**	**(15,240)**	**7,645**	**-**	**(13,788)**
Total Segment Assets	**122,317**	**50,103**	**8,288**	**15,092**	**163,785**	**72,553**	**-**	**-**	**432,138**
Total Segment Liabilities	**2,716**	**-**	**267**	**37,386**	**21,742**	**109,779**	**-**	**-**	**171,890**

49.0 Additional information

Domicile and legal form:

The Forest Products Commission is a Government Trading Enterprise domiciled in Western Australia.

Principal office:

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

Operations and principal activities:

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

Parent entity:

Government of Western Australia.

5

Appendices

Rainbow Trail regrowth forest

Appendix 1

Key legislation impacting on the Forest Products Commission's activities

- *Agriculture and Related Resources Protection (European House Borer) Regulations 2006*
- *Auditor General Act 2006*
- *Biosecurity and Agriculture Management Act 2007*
- *Bush Fires Act 1954*
- *Conservation and Land Management Act 1984*
- *Control of Vehicles (Off-Road Areas) Act 1978*
- *Corruption and Crime Commission Act 2003*
- *Dangerous Goods Safety Act 2004*
- *Disability Services Act 1993*
- *Electoral Act 1907*
- *Electronic Transactions Act 2003*
- *Emergency Management Act 2005*
- *Environmental Protection Act 1986*
- *Equal Opportunity Act 1984*
- *Financial Management Act 2006*
- *Firearms Act 1973*
- *Freedom of Information Act 1992*
- *Government Employees Housing Act 1964*
- *Government Financial Responsibility Act 2000*
- *Health Act 1911*
- *Heritage of Western Australia Act 1990*
- *Industrial Relations Act 1979*
- *Land Administration Act 1997*
- *Minimum Conditions of Employment Act 1993*
- *Occupational Safety and Health Act 1984*
- *Public Interest Disclosure 2003*

- *Public Sector Management Act 1994*
- *Sandalwood Act 1929*
- *State Records Act 2000*
- *State Superannuation Act 2000*
- *State Supply Commission Act 1991*
- *Statutory Corporations (Liability of Directors) Act 1996*

Government Agreements Acts relevant to the Forest Products Commission

- *Wood Processing (WESFI) Agreement Act 2000*
- *Wood Processing (Wesbeam) Agreement Act 2002*
- *Dardanup Pine Log Sawmill Act 1992*
- *Silicon (Kemerton) Agreement Act 1987*
- *Bunbury Treefarm Project Agreement Act 1995*
- *Collie Hardwood Plantation Agreement Act 1995*
- *Tree Plantation Agreements Act 2003*

Appendix 2 - Trends in the area of native forest harvested (hectares)

Year	Jarrah forest	Mixed jarrah/karri forest	Jarrah/wandoo forest	Karri forest	
				Clearfelled or partially cut	Thinned
1976–77	32,320		1,170	2,610	
1977–78	26,020		740	4,450	
1978–79	25,540		530	2,710	
1979–80	25,150		860	2,110	60
1980–81	22,930		1,440	2,080	180
1981–82	24,680		610	2,180	320
1982–83	23,740		330	990	190
1983–84	21,540		580	1,490	260
1984–85	20,010		1,440	2,360	500
1985–86	22,640		650	1,590	340
1986	19,340		1,150	1,090	490
1987	17,180		1,380	1,310	700
1988	23,400		490	1,180	840
1989	15,130		200	1,510	910
1990	12,960		100	1,560	340
1991	10,910			1,920	230
1992	13,990		30	1,540	310
1993	14,250		40	1,630	80
1994	14,050		50	1,440	
1995	17,830		30	2,410	
1996	22,320		50	1,300	60
1997	18,240		60	1,870	60
1998	19,250		60	1,970	320
1999	14,200		50	1,890	360
2000	20,570		10	1,310	70
2001	15,130*			1,380	120
2002	12,870*		30	700	350
2003	8,520*			720	485
2004	8,860*			330	920
2005	6,220*		30	460	1,070
2006	8,425*	33	380	363	1,127
2007	7,189*	16	59	547	999
2008	6,583*	36	0	347	661
2009	8,993*	94	0	650	921
2010	4,522*	33	0	371	1,212
2011	6,149*	7	35	465	853

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

- Forests are regenerated according to the principles of ecologically sustainable forest management in the FMP 2004-2013.

Appendix 3- Area of coniferous (pine) plantations as at 31 December 2011

Year	Commission owned								Commission managed sharefarms		Total
	Pinus radiata				Other pine						
	1st rotation		Subsequent rotations		1st rotation		Subsequent rotations		1st rotation		
	State	Sharefarm	State	Sharefarm	State	Sharefarm	State	Sharefarm	Pinus radiata	Other pine	
Pre1970	328		26		3,866		48				4,268
1970	38				1,068		19				1,126
1971	139				450						589
1972	234				408						642
1973	56		18		474		3				550
1974	270				276		0				546
1975	236				1,177						1,412
1976	177		5		999		1				1,181
1977	143		30		841						1,014
1978	462				195						657
1979	172		18								190
1980	190				624						813
1981	785		93		724		12				1,614
1982	1,160		52		428		5				1,652
1983	1,223		36		531		66				1,856
1984	1,818		3		473		9				2,303
1985	1,713	25	4		476		2				2,220
1986	884	168			399						1,450
1987	668	586	150		522		0				1,925
1988	428	1,100	120	1	42						1,691
1989	549	358	407	23	22		22				1,380
1990	231	596	233				16				1,076
1991	58	910	507	0	4		17				1,497
1992	11	1,576	474				245				2,305
1993	8	673	1,014		133	5	238				2,072
1994	144	396	491				352				1,383
1995	63	95	923		7	277	136				1,502
1996	35	9	1,052		162	506	31				1,796
1997	64	2	1,000			1,182	166			17	2,430
1998	16	75	79		3	1,471			7	307	1,958
1999	28	111	772		6	2,111	197	39	19	342	3,625
2000	5	123	907		30	3,801	13	3	5	275	5,162
2001		1	831			3,004			1	328	4,164
2002	38	177	607		3	613				210	1,649
2003		560	920	25	0	826	69			313	2,712
2004	106		1,083		437	609	138			132	2,505
2005	12	26	1,237		120	418	83			238	2,134
2006	4	49	1,509		47	1,460				97	3,165
2007	56		1,402			2,489	49			241	4,237
2008	2	535	1,627	25	0	1,244					3,433
2009	2	35	2,097	9		482	6				2,629
2010			570	66			14				649
2011			2,060			5					2,065
Total	**12,556**	**8,187**	**22,361**	**148**	**14,949**	**20,502**	**1,955**	**42**	**33**	**2,498**	**83,231**

Appendix 4 - Area of broadleaved (eucalypt) plantations as at 31 December 2011 (hectares)

Year	Commission owned				Commission managed		Total
	Eucalyptus globulus		Other eucalypts		Eucalyptus globulus	Other Eucalypts	
	State	Sharefarms	State	Sharefarms	State	State	
Pre1988	7		6,470	1			6,479
1988		3	10				13
1989		36	2				37
1990	26		24	23			73
1991	0		36				36
1992	6	104					110
1993		41	6				47
1994	3		2				5
1995	12		1				13
1996		4	6	3			13
1997	19		1	9			29
1998	24	20	2	8			53
1999		1	10	1			12
2000		56	31	2			89
2001		44		32			76
2002		27	1	480		20	528
2003	13	16	27	282			338
2004		172	144	544			859
2005	4		36	241			281
2006			16	1,067			1,083
2007	3		16	1,151	135		1,305
2008	1		0	643			645
2009	3	24	4	6,836			6,867
2010	1		0	15			15
Total	**123**	**549**	**6,844**	**11,337**	**135**		**19,008**

Appendix 5 - Area of sandalwood plantations (hectares) as at 31 December 2011

Year	Commission owned		Commission managed	Total
	State	Sharefarms	Sharefarms	
1932	0.3			0.3
1997		2.4		2.4
1998		2.2	19.1	21.3
2000		23.6		23.6
2001		45.6		45.6
2002		93.5	11.2	104.7
2003	3.3	59.8	22.0	85.1
2004	35.8	135.7	4.2	175.7
2005	39.0	173.8		212.7
2006	21.9	507.7	0.8	530.4
2007	46.2	1,504.4		1,550.6
2008	0.6	2,556.1		2,556.7
2009	0.7	636.9		637.6
2010				
2011	2.1			2.1
Total	**149.9**	**5,741.7**	**57.3**	**5,948.8**

Appendix 6 - Log production from Crown land and private property

Product type	Crown land		Private property		Total	
	m^3	tonnes	m^3	tonnes	m^3	tonnes
Sawlog timber						
Jarrah	130,570	170,353	-	-	130,570	170,353
Karri	55,842	69,246	-	-	55,842	69,246
Marri	5,792	7,183	-	-	5,792	7,183
Blackbutt	703	922	-	-	703	922
Wandoo	158	208	-	-	158	208
Sheoak	1,512	1,512	-	-	1,512	1,512
Other	1	1	129	160	130	161
Total native forest sawlogs	194,578	249,425	129	160	194,707	249,585
Yellow Stringybark	150	197	-	-	150	197
Brown Mallet	205	244	-	-	205	244
			-	-	0	0
Total plantation hardwood sawlogs	355	441	-	-	355	441
Pinaster	120,115	120,115	376	376	120,491	120,491
Radiata	337,246	337,246	21,280	21,280	358,526	358,526
Plantation softwood sawlogs & veneer logs	457,361	457,361	21,656	21,656	479,017	479,017
Total sawlogs	652,294	707,227	21,785	21,816	674,079	729,043
Other log material						
Native forests						
Chiplogs	119,827	142,694	-	-	119,827	142,694
Firewood/charcoal logs	170,300	200,140	-	-	170,300	200,140
Sandalwood	2,533	2,533	-	-	2,533	2,533
other *	7,295	9,018	-	-	7,295	9,018
Sub-total native forest other	299,955	354,385	-	-	299,955	354,385
Plantation hardwood						
Chiplogs**	-	-	-	-	-	-
Firewood/charcoal logs	1,128	1,154	-	-	1,128	1,154
other *	-	-	6	8	6	8
Sub-total hardwood plantation other	1,128	1,154	6	8	1,134	1,162
Plantation softwood						
Industrial wood	255,122	256,928	9,523	9,539	264,645	266,467
Woodchips	81,156	81,277	-	-	81,156	81,277
Other	42,136	42,136	-	-	42,136	42,136
Pine rounds	3,494	3,494	-	-	3,494	3,494
Sub-total plantation softwood other	381,908	383,835	9,523	9,539	391,432	393,374
Total other material	682,991	739,374	9,529	9,547	692,520	748,921
Total log timber	**1,335,285**	**1,446,601**	**31,314**	**31,363**	**1,366,599**	**1,477,964**

Includes logs from Crown land sold under Minor Production contracts.

* Includes poles, bridge timbers, burls, chopping logs, mining timber, craftwood, pegging logs & fencing material.

** Includes woodchips.

Appendix 7 - Native forest sawlog production 2011–12

Species	High quality sawlogs m³	1st & 2nd grade sawlogs m³	Bole sawlogs m³	Other sawlogs m³	Total m³
Jarrah	841	41,693	71,000	17,036	130,570
Karri	18	48,693	0	7,131	55,842
Marri	324	0	0	5,468	5,792
Other species	68	0	818	1,617	2,503
Total	**1,251**	**90,386**	**71,818**	**31,252**	**194,707**

Species	tonnes	tonnes	tonnes	tonnes	tonnes
Jarrah	1,042	54,825	93,362	21,124	170,353
Karri	22	60,381	0	8,843	69,246
Marri	402	0	0	6,781	7,183
Other species	79	0	1,076	1,648	2,803
Total	**1,545**	**115,206**	**94,438**	**38,396**	**249,585**

Includes logs from Crown land sold under Minor Production contracts.

Appendix 8 - Native forest chiplog production

Species	Crown land 2009–10		Crown land 2010–11		Crown land 2011–12	
	(m³)	(tonnes)	(m³)	(tonnes)	(m³)	(tonnes)
Marri	1,977	2,435	2,310	2,865	1,151	1,427
Karri	113,891	136,133	128,511	152,901	114,338	136,192
Other	5,332	6,238	7,967	9,321	4,338	5,075
Total	**121,200**	**144,806**	**138,788**	**165,087**	**119,827**	**142,694**

Appendix 9 - Native forest fuelwood production

Product type	2009–10 (tonnes)	2010–11 (tonnes)	2011–12 (tonnes)
Firewood logs	62,087	61,353	54,762
Charcoal logs	67,643	117,764	145,378
Total	**129,730**	**179,177**	**200,140**

Appendix 10 - Sandalwood production by the FPC from Crown land

Product type	2009–10 (tonnes)	2010–11 (tonnes)	2011–12 (tonnes)
Green (excl. roots & 3rd grade)	1,239	1,139	997
Roots	242	207	182
3rd grade green	304	320	293
Dead	786	867	1061
Bark	-	50	-
Total	**2,571**	**2,583**	**2,533**

Note: Branch wood and 56 per cent of the roots are additional to the volume 'of green wood licenced to the Forest Products Commission (1,350 tonnes).

Glossary

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

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