FOREST PRODUCTS COMMISSION

FPC | ANNUAL REPORT 2010/11

Forest Products Commission
WESTERN AUSTRALIA

1838-5362 (print)

1838-5370 (online)

Copyright Officer
Forest Products Commission
Locked Bag 888
PERTH BUSINESS CENTRE WA 6849
AUSTRALIA

Telephone: +61 8 9363 4600
Internet: www.fpc.wa.gov.au
Email: info@fpc.wa.gov.au

Statement of compliance

For year ended 30 June 2011
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 2011.

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

23 September 2011

Karen Gadsby
Member of Accountable Authority

23 September 2011

From the Chairman

After a very difficult time in 2009/10, the Forest Products Commission has had a year of significant change to consolidate its operational and financial position during the 2010/11 year.

An organisational restructure has facilitated a much tighter focus on the agency's core business activities of native timber, pine plantations and sandalwood. FPC has commenced the process of exiting part of the sharefarm estate and the fee-for-service activities which are no longer part of core business functions.

The 2010/11 year has seen a considerable improvement in FPC's financial situation with a $2.3 million increase in operating surplus. In particular, total operating expenditure fell by $5.0 million from the previous year, reflecting the continued good work of staff in consolidating the operating and financial position rendered possible through the restructure.

While we made an operating profit of $5 million for the year, the reported result is a $13 million loss. This is predominantly due to the impact of drought on the estimated value of the plantation forest. In addition, tax losses have been written off to comply with current accounting principles.

Over the past six months, some areas of the plantation estate have revealed the impacts of drought stress caused by a lack of rainfall. This is particularly evident in the northern plantation estate, where the FPC is monitoring the extent of the damage and working with its customers to salvage the affected resource.

Forest industries in Western Australia contribute significantly to the State's economic development and regional employment. Although the closure of the Deanmill operation by Gunns Ltd has caused some difficulty for FPC and its contractors, other jarrah processors have made new investments and requested additional volumes of sawlog. Sales of plantation products are strong despite the impact of a high Australian dollar and the effects of other macro-economic factors on the manufacturing sector.

A strong demand for native sandalwood continues to provide good returns. The FPC has continued its investment in a native sandalwood regeneration program as part of our commitment to the sustainability of this industry.

In March, Ms Eva Skira resigned as Chair of the FPC after five years on the Board. I would like to thank Eva for her significant contribution, initially as a Commissioner, but more recently as Chair. Eva has guided the agency through an extremely difficult phase over a 20-month period and leaves the organisation in a more sustainable position, one which will allow it to consolidate and continue its management of the timber industry in a sound and viable manner.

I have taken over as Chair of the Board and Ms Karen Gadsby has replaced me as Deputy Chair. Mr Rob Delane joined the Board in November and brings with him extensive experience in Landcare, crop agronomy, research and development, primary production issues and public sector management.

I would like to thank the Commissioners for their support and contribution during what has been a difficult but constructive year. I would also like to thank FPC staff and Executive for their support and willing involvement in managing the major changes which occurred during the year.

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

Michael Gurry

Chairman

Executive summary

The 2010/11 year has been one of significant change for the Forest Products Commission (FPC). It saw the implementation of the decisions to restructure and refocus the organisation on core business.

The restructure of FPC commenced in August, resulting in a reduction in staff numbers from 195 full time equivalents (FTEs) to 147 at 30 June. The reduction in FTEs has been predominately in support services and sharefarming where FPC is exiting part of the sharefarm estate.

The three core business areas of native forests, sandalwood and pine plantations have been restructured to give a greater focus on achieving FPC's business outcomes. The key outcomes are financial viability while ensuring environmental and industry development objectives are met. Although this restructure has been a significant disruption, it is now largely completed, allowing the organisation to consolidate and focus on business outcomes and facilitate industry development.

In June, FPC relocated its offices from Rivervale to Kensington where it is being hosted by the Department of Agriculture and Food (DAFWA). This move will result in significant savings through reduced rental and service costs. There is also potential to further reduce costs through shared service arrangements with DAFWA.

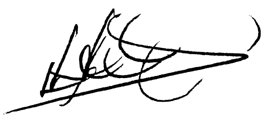
The 2010/11 year has had its challenges. The native timber industry has seen the closure of the Deanmill plant operated by Gunns Ltd, resulting in uncertainty about future operations at that site. However, there continues to be strong demand from processors for jarrah sawlogs. The prospects for the development of new industries continue to be explored, and this year saw an extensive trial of native forest regrowth logs sent to India for peeling and plywood manufacture.

Native forest operations in Western Australia are controlled by a Forest Management Plan (FMP) which provides for the sustainable management of timber resource. As the current FMP expires in 2013, FPC is working collaboratively with other State government agencies to ensure the sustainable management of the State's natural timbers for a further 10 years.

In the pine plantation industry, customer demand remains strong. Timber sales and profit have exceeded predictions. However, the initial impact of drought stress that began to emerge in March has resulted in some tree deaths, requiring salvage operations. The drought stress is a consequence of record low rainfall, coupled with high temperatures over a three year period from 2008 to 2010. While northern plantations are the worst affected, the full impact is not yet known.

The sandalwood industry continues to be stable and strong with good returns from international markets continuing. FPC has implemented a regeneration program for sandalwood to ensure the sustainability of the industry. Plantation Indian sandalwood at Kununurra has been harvested to assess its commercial potential, with results providing some promise.

While 2010/11 has been a difficult year with substantial change, it has been achieved in a relatively smooth and efficient manner. This has been due to the professionalism of FPC staff, and their competence and effectiveness in implementing the measures required to restructure the agency. The major changes have been completed and the organisation is now in a position to focus on ensuring the long term sustainability of the industry.



David Hartley

Acting General Manager

Contents

Statement of compliance 1
From the Chairman 2
Executive summary 3

Section 1 – Agency overview 7

Operational structure 8
Enabling legislation 8
Responsible Minister 8
Vision 8
Mission 8
Objectives 8
Performance management framework 9
Organisational chart 9
Other key legislation impacting on the Forest Products Commission's activities 10
Commissioners 11
Board meetings 13
Board committees 13
Appointment of Commissioners 13
Board remuneration 13
Disclosure of interests 13
Senior management 14
Regional development and employment 16
Our people 16
Staff numbers and locations as at 30 June 2011 16
Organisational restructure 16
Staff development 17
Occupational safety and health 17
Occupational safety and health performance 17
Code of conduct 18

Section 2: Agency performance 19
Report on operations 20
South-west forests 20
Mature plantations 20
Sandalwood 21
Significant issues impacting the agency 22
Environmental review 23
Forest management 23
Environmental incidents 23
Compliance with Forest Management Plan 2004-2013 23
Australian Forestry Standard 24
Commitment to sustainability 24
Certification of key performance indicators 25
Key performance indicators 26
Ratio of earnings before interest and tax to total assets (return on total assets) 26
Earnings before interest and tax 27
Total payments to Government – dividend and taxes 28
Stumpage revenue 29
Plantation log production consistent with contracted supply to industry 30
Silvicultural cost per managed hectare of native forest 31
Plantation management cost per hectare 32
Quantity of native forest hardwood harvested compared with sustainable yields and targets 33
Quantity of 'greenwood' sandalwood harvested compared with sustainable yield 35
Proportion of sandalwood harvested 36
Area of plantation established against target 37
Area of native forest regenerated 38

Section 3 – Disclosures and legal compliance 39

Independent audit opinion 40

Financial statements 42

Certification of financial statements 42

Statement of comprehensive income 43

Statement of financial position 44

Statement of changes in equity 45

Statement of cash flows 46

Index of notes to the financial statements 47

Notes to the financial statements 50

Compliance with relevant written laws 104

Governance disclosures 105

Contracts with Senior Officers 105

Insurance premiums paid to indemnify members of the Board 105

Other legal requirements 106

Advertising and marketing expenditure 106

Compliance with Public Sector Standards and Ethical Codes 106

Recordkeeping plans 106

Freedom of Information Act 106

Financial administration 106

Ministerial directives 106

Section 4 – Appendices 107

Appendix 1 - Trends in the area of native forest harvested (hectares) 108

Appendix 2 - Area of coniferous (pine) plantations as at 31 December 2010 109

Appendix 3 - Area of broadleaved (eucalypt) plantations as at 31 December 2010 (hectares) 110

Appendix 4 - Area of sandalwood plantations (hectares) as at 31 December 2010 111

Appendix 5 - Log production from Crown land and private property 112

Appendix 6 - Native forest sawlog production 2009/2010 113

Appendix 7 - Native forest chiplog production 113

Appendix 8 - Native forest fuelwood production 114

Appendix 9 - Sandalwood production from Crown land 114

Contact details 115

1

Agency overview

Operational structure

The functions of the FPC are specified in the *Forest Products Act 2000* and cover a broad array of activities. The core business of FPC is the sustainable management and commercial harvesting of the State's timber assets. The timber resources include native and plantation timber species which are located in the south-west of Western Australia and the rangelands.

The scope of FPC's activities includes industry development such as the facilitation of private sector investment to support the longer term interests of the timber industry and the future timber needs for Western Australia. FPC also has a responsibility to generate a profit from the forest products it harvests, ensure the long-term viability of the forest products industry and apply ecologically sustainable forest management principles in the native forest sector.

Enabling legislation

The Forest Products Commission was established on 16 November 2000 under the *Forest Products Act 2000*.

The Commission is bound by the following legislation:

- *Forest Products Act 2000* and;
- sections of the *Forest Management Regulations 1993*.

Responsible Minister

The Hon Terry Redman MLA, Minister for Forestry.

Vision

To be a leader in our State's environmentally-sustainable and commercially-viable forest products industry while providing economic and social benefits to the people of Western Australia.

Mission

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

- the sustainable harvesting of the State's plantation and native forest resources;
- promoting innovation and value adding for timber resources; and
- achieving appropriate returns to the State for the use of publicly-owned, Commission-managed plantations and native forest resources.

Objectives

The charter of the Forest Products Commission (FPC) encompasses both commercial and non-commercial objectives. Since it was established in 2000, FPC has attempted to achieve a balance between the profitability of FPC and the viability of the broader timber industry. In 2010/11, FPC underwent a major organisational and financial restructure. This resulted in a realignment of its objectives to focus on the commercial aspects of its business. There has been a consolidation of FPC's commercial forestry business and a focus on the management and harvesting Western Australia's State owned timber assets.

The key objectives of FPC are to ensure that the:

- business units are profitable, viable and sustainable; and
- State's timber assets are administered in accordance with ecologically sustainable forest management principles.

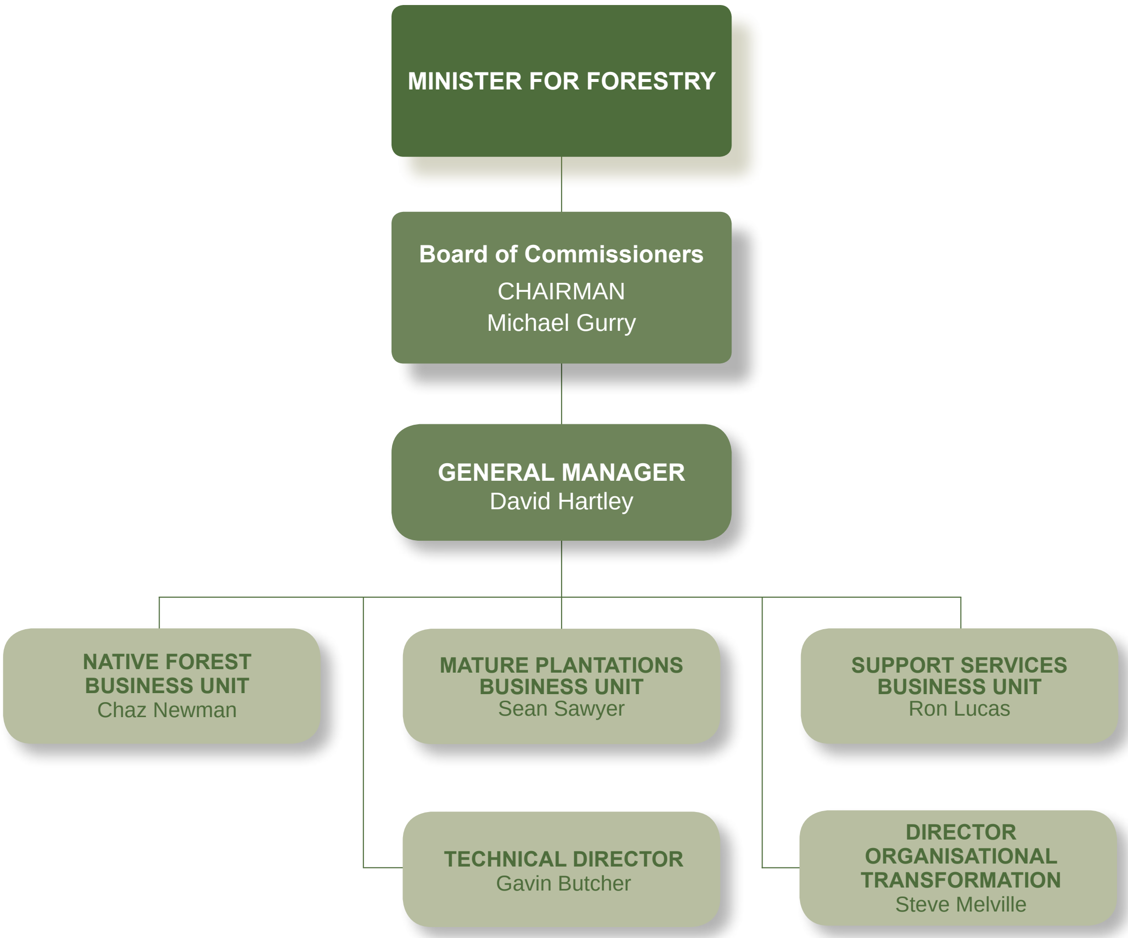
Performance management framework

The Commission's operational targets are specified in the Statement of Corporate Intent.

Delivery of products and revenue from log sales are tracked through the Commission's financial systems and reported to executive and Commissioners on a monthly basis. Annual and half-yearly reports are provided to Treasury and Parliament in accordance with its legislated requirements.

The Commission also operates and maintains management systems for environmental, operational and safety performance and which are accredited under the Australian Forestry Standard and ISO14001.

Organisational chart



Other key legislation impacting on the Forest Products Commission's activities

In the performance of its functions, the FPC complies with the following relevant written laws:

- *Auditor General Act 2006;*
- *Contaminated Sites Act 2003;*
- *Disability Services Act 1993;*
- *Equal Opportunity Act 1984;*
- *Financial Management Act 2006;*
- *Freedom of Information Act 1992;*
- *Industrial Relations Act 1979;*
- *Minimum Conditions of Employment Act 1993;*
- *Occupational Safety and Health Act 1984;*
- *Public Sector Management Act 1994;*
- *Salaries and Allowances Act 1975;*
- *State Records Act 2000*; and
- *State Supply Commission Act 1991*.

Commissioners

The seven-member Board of Commissioners is responsible to the Minister for Forestry and is the governing body of the FPC. The Commission is operating with five members and has two vacant positions.

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 Foundation Housing Limited and Reignite Pty Ltd. In addition, he is a non-executive Director and Chair of Audit for Joyce Corporation Ltd.

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

Commissioner from 11 August 2009. Deputy Chair from 8 March 2011. 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 a non-executive director of Talisman Mining Limited; Community First International Ltd and Landgate; and she chairs their respective Audit and Risk management committees. Ms Gadsby has previously held directorships with Perth Home Care services, GMHBA (Vic), Western Health (Vic) and AMES.

Ms Zelinda Bafile LLB, FAICD, FCIS, SF Fin.

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

Ms Bafile has practised as a lawyer for almost 30 years and as a former Executive at Home Building Society Ltd, 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 the Water Corporation, 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.

Ms Eva Skira MBA, BA (Hons), FAICD, SF Fin, FAIM.

Chair from 1 July 2009. Deputy Chair from 16 November 2007 – 30 June 2009. Resigned 8 March 2011.

Ms Skira has experience in banking, stockbroking and financial markets. She has served as non-executive director for a number of government, business and not-for-profit organisations across a range of industries.

Board meetings

The Commissioners met 11 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	10	11	Appointed Chairman on 8 March 2011
Ms Karen Gadsby	11	11	Appointed Deputy Chair on 8 March 2011
Ms Zelinda Bafile	10	11	Commissioner throughout the financial year
Dr Bob Smith	9	11	Commissioner throughout the financial year
Mr Rob Delane	5	6	Commissioner from 22 November 2010
Ms Eva Skira	7	7	Resigned as Chair on 8 March 2011

Board committees

Audit and Risk committee

Ms Karen Gadsby (Chair)

Ms Zelinda Bafile

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 Commission. Commissioners are eligible for reappointment.

Board remuneration

Remuneration, travelling 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.

Senior management

Meetings of the senior management team are held weekly and are attended by the General Manager, Technical Director, Director Organisational Transformation, Native Forest Manager, Mature Plantations Manager and Support Services Manager.

David Hartley

Acting General Manager

Mr Hartley's background is in agriculture and economics where he has more than 30 years experience. After commencing his career in New South Wales, Mr Hartley worked for the Western Australian Department of Agriculture for 11 years as Executive Director, Natural Resource Management which also included seven years as the Commissioner for Soil and Land Conservation. Prior to joining the Forest Products Commission, Mr Hartley was Executive Director for the Murray-Darling Basin Authority, advising on the development of a whole-of-basin plan for the sustainable management of natural resources.

Gavin Butcher BScFor

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.

Steve Melville BBus, FCPA, MAICD

Director Organisational Transformation

Mr Melville joined the Commission in 2004. He has acquired comprehensive financial, marketing and management experience in the government and private energy sectors. His focus has been in strategic planning, financial management and analysis and implementing major IT systems. Mr Melville holds a Bachelor of Business degree and is a Fellow of CPA Australia. He is also a director of the Police and Nurses Credit Society Ltd.

Ron Lucas, BBus CPA

Support Services Manager

Mr Lucas was appointed to the Commission in June 2011. Prior to joining the Commission, 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 Commission and has extensive experience in corporate services and financial management through his employment in senior management roles in the Tourism, Transport, Information Technology, Agriculture and Not for Profit sectors. Mr Lucas is a Certified Practising Accountant member of the Australian Society of Certified Accountants.

Chaz Newman

Native Forest Manager

Commencing his forestry career in 1990, Mr Newman has over 20 years experience in native forest and plantation operation management. Prior to commencing with FPC, Mr Newman worked for the Department of Conservation and Land Management in the areas of bluegum and pine plantation establishment as well as native forest timber production. Mr Newman also holds Diplomas in Forests and Forest Products as well as a Diploma in Management.

Sean Sawyer

Mature Plantations Manager

Mr Sawyer commenced his career in the forest industry in 1968 with the Forest Department. For the past 15 years Mr Sawyer has held management roles in private and government organisations. In 1999, Mr Sawyer rejoined the State Government and managed the Softwood Business Unit for the Department of Conservation and Land Management before transitioning into the role of managing plantations operations for the FPC.

Regional development and employment

1

Our people

The Commission has 147 employees who work collaboratively 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 2011

Location	By employment type		Total	Casual employees	Gender breakdown	
	Full-time salaried staff	Part-time salaried staff			Male	Female
Albany	10	0	10	0	7	3
Bunbury	17	1	18	0	11	7
Carnarvon	1	0	1	0	1	0
Collie	4	0	4	1	2	3
Esperance	3	0	3	0	3	0
Gnangara	8	1	9	0	7	2
Harvey	18	3	21	1	16	6
Kalgoorlie	3	0	3	0	3	0
Kensington	37	7	44	0	20	24
Manjimup	13	1	14	3	11	6
West Manjimup	9	2	11	44	18	37
Nannup	9	0	9	2	7	4
Totals	132	15	147	51	106	92

Organisational restructure

In August 2010, the Commission undertook a major organisational restructure to focus on its core businesses and withdraw from its fee for service activities. The revised business model has resulted in changes to the staffing configuration within each of the business units.

Severance packages were offered to staff and 30 members of staff have accepted a redundancy and are no longer employed at the Commission. The People and Development Branch case managed displaced employees by identifying appropriate positions for secondments and retraining staff to improve their suitability for alternate positions.

Staff development

In 2010/11, FPC's training program centred around the formal recognition of the competencies and skills of staff. Four years ago, the Commission developed an Operational Training Framework to align job-related competencies for each operational position to the national training package at Certificate III, IV and Diploma levels. This was supported by the implementation of a skills recognition program for operations staff. In 2010, 54 staff members had their skills recognised in being awarded a Certificate III, IV or Diploma in Forestry.

An additional 27 staff were awarded a Certificate III or Certificate IV in Business, 12 staff were awarded a Certificate IV in Front Line Management, 25 staff were awarded a Diploma of Business, 11 staff were awarded a Certificate IV in Training and Assessment and one staff member was awarded a Certificate in Conservation and Land Management.

Occupational safety and health

The Commission's *Occupational Safety and Health Policy* requires employees to be cognisant of, and practise, safety and health management. The policy covers all areas of the Commission's activities and encourages employees to operate in a responsible manner. FPC endeavours to provide a workplace that is safe, healthy and harassment free.

Appropriate Workplace Behaviour training and awareness is provided to new employees as part of the induction program. The Commission has established formal networks of Peer Supporters and Grievance Officers to assist in managing any workplace issues which may arise.

Safety and health policy guidelines and standards are available to staff on the Commission's intranet.

Occupational safety and health performance

Indicator*	Target*	2009/10	2010/11	Target achieved
Number of fatalities	0	0	0	Yes
Lost time injury/disease (LTI/D) incidence rate	0 or 10% reduction	1.79	2.04	No
Lost time injury severity rate	0 or 10% improvement	0	0	Yes
Percentage of injured workers returned to work within 28 weeks	Report actual %	100%	100%	Yes
Percentage of managers trained in occupational safety, health and injury management responsibilities	Greater than or equal to 50%	> 50%	> 80%	Yes

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

A new Occupational Safety and Heath Management Framework, based on *AS/NZS 4801 - Occupational Health and Safety Management Systems*, is comprised of six key elements:

- management commitment;
- planning;
- consultation;
- training;
- hazard management; and
- injury management.

The framework was implemented by December 2010. The new framework has been integrated into the current standards and systems employed by the Commission.

Code of conduct

The Commission 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.

2

Agency performance

Report on operations

The Commission operates in a dynamic environment. The timber industry has been operating in a difficult environment as a result of domestic and global market forces. Issues such as timber availability, consumer preference, customer demand and the shift to plantation-based raw material have had an impact on FPC's performance.

The Commission has continued to work with industry, the community and other government agencies to ensure that there is a long term future for the forest products industry.

The Commission's core business is to deliver forest products under existing timber supply contracts to local industries in accordance with the regulatory guidelines. The Commission is constantly seeking to establish new markets for native forest and plantation residue material to strengthen its profitability.

Highlights

- Successfully marketed 102,000 m^3 jarrah 1st and 2nd grade sawlogs.
- Successfully marketed the allowable harvest of karri 1st and 2nd grade sawlog.
- Achieved 100% of the karri residue chip sales target.
- Increased the sale of jarrah residue from Alcoa mine clearing operations.
- 1,434 hectares of jarrah forest and 404 hectares of karri forest were regenerated.
- New markets have been developed for blackbutt bole sawlog.
- New markets have been developed for mallet timber.
- Achieved 100% of production targets for domestic sales of sandalwood.
- Implemented a sandalwood seeding operation.

South-west forests

The south-west forest operations supply jarrah, karri and marri timber to sawmills throughout the south-west of Western Australia. The south-west forests business units operates in accordance with the *Forest Management Plan 2004-2013* (FMP) to ensure the sustainable management of Western Australia's native timber resource which requires harvested areas to be regenerated.

The sawmilling industry is continuing to restructure due to difficult market conditions. The Gunns sawmill at Deanmill closed in early 2011 and has announced its withdrawal from the Western Australian sawmilling industry.

Over the past year, FPC provided a trial shipment of low-grade jarrah and karri logs to India to assess their suitability for use in plywood and veneer products.

The Advanced Timber Concepts Research Centre, a joint venture project between FPC and the University of Western Australia, was concluded at the end of 2010. This was a successful partnership to research new techniques to improve the utilisation of short-length jarrah and additional uses for regrowth karri.

Mature plantations

The Mature Plantations Business Unit is responsible for the growing, harvesting and sale of the established pine plantations from Wanneroo to Albany. The mature 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 who have State Agreements to ensure security of supply over the long term.

Sales of industrial wood have been strong during the first three quarters of the financial year mainly due to an increase in demand from international markets, however, sales have begun to moderate as a result of the increased value of the Australian dollar. The strong demand for industrial wood has facilitated the reduction in the backlog of unthinned plantations.

The Forest Estate Modelling program continues to provide the FPC with improved data on the pine plantation resource. The first phase of the evaluation of the Wespine supply volumes is almost complete. The data provides FPC with the ability to identify the optimal combination of log products to harvest and allow maximum value recovery whilst satisfying customer requirements.

FPC has been reducing the backlog in second rotation plantings. There is currently 2,000 hectares that is being prepared for planting. This will assist FPC in meeting its long term log supply commitments.

Sandalwood

Western Australia native sandalwood is a highly sought after product in the domestic and international marketplace. Sandalwood oil that is extracted from the wood is a highly desirable product and forms the basis of some of world's finest perfumes and therapeutic products. Western Australia native sandalwood is also popular for use in incense sticks and in aromatherapy.

Native sandalwood is harvested from the rangelands of Western Australia. FPC maximises the resource by using all parts of the sandalwood tree. Sandalwood products are being extracted from previously unused sandalwood bark. Greater utilisation of the resource has enabled FPC to recover additional sandalwood product in 2010/11.

FPC's research into sandalwood regeneration has led to a significant transformation in silvicultural practices for sandalwood. FPC has implemented a sandalwood seeding system (Operation Woylie) to substantially increase the rate of sandalwood seed germination and establishment in the State's rangelands.

FPC has made its first substantial sale of Western Australia sandalwood into the Japanese market. FPC has expanded its product range to include 'Status Trees'. These are whole sandalwood trees that are debarked and sold in tree form and maximise the value of the sandalwood tree.

Significant issues impacting the agency

The global demand for timber resources continues to grow. The benefits of timber as a renewable and sustainable resource will ensure that there is a long-term demand for the resource. Domestically, the demand for timber is driven by the construction industry in Western Australia. This sector has remained buoyant despite the downturn in the international economy and levels of demand will continue to increase in the future. These positive signs need to be balanced against the effects of the strong Australian dollar and competition from timber from the eastern states and overseas. The end use markets for timber products are evolving with changing customer preferences and product substitution. The prospect of a national carbon market has positive implications for native and plantation forestry in Western Australia, however, the delays in establishing a carbon market creates further uncertainty for the timber industry.

The timber industry is dynamic and continues to evolve over time. The difficulties facing the industry have contributed to a rationalisation of the sector and ongoing challenges for the hardwood timber industry. In October 2010, a major customer announced its intention to cease native timber operations in Western Australia. This may have flow-on effects for other customers.

The policy parameters have created some difficulties for the industry. The native timber industry operates subject to the *Forest Management Plan* (FMP). The current FMP expires in December 2013 and this has created uncertainty around timber supply. It has been problematic for the industry to make a long term investment where supply cannot be guaranteed. The successful renegotiation of the FMP will be critical to providing long term resource security and facilitate new investment in the sector.

Environmental review

Forest management

The Commission ensures that forest products are grown, harvested and managed in an environmentally sustainable manner. In addition to complying with legislative requirements, the potential environmental impacts of all Commission activities are assessed and control measures to mitigate risk are implemented.

In setting objectives and implementing strategies to achieve its vision and in accordance with State and national standards, the Commission applies the principles of sustainable forest management in all operational activities.

The Commission has maintained comprehensive environmental management systems that are compatible with internationally recognised standards including a continuous improvement approach, monitoring and audit system, regular reviews of environmental performance and an effective reporting system.

Environmental incidents

An integral aspect of the environmental management system (EMS) is continuous improvement. Where environmental incidents or audit findings arise, they are dealt with through the Commission'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. A summary of the critical level incident for the Commission in 2010/11 is outlined below.

The 'critical' incident involved extensive tree death and decline throughout large areas of plantations in the Swan coast area and extending down to the Harvey coast. This has been a result of record low rainfall levels over the past three years and a reduction in water table levels.

In response to this incident, salvage operations are currently being conducted to recover merchantable timber before it deteriorates. An interagency task force has been created to focus on environmental issues relating to the drought and to recommend changes to forest management where appropriate.

Compliance with Forest Management Plan 2004-2013

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

In late 2010, the EPA released its report and recommendations on the *Forest Management Plan 2004-2013*. The mid-term audit of performance report was completed by the Conservation Commission of Western Australia in late 2008 and canvassed some issues in relation to the *Forest Management Plan 2004-2013*. There was an identified need for improved governance arrangements between the Conservation Commission, Department of Environment and Conservation and the Forest Products Commission.

These matters will be addressed during the negotiations for a revised Forest Management Plan due in 2014.

The Commission 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

To further validate sustainable forest management and substantiate continuous improvement practices, the Commission has acquired Australian Forestry Standard (AFS) certification for its native timber and plantation operations in Western Australia.

The criteria demands that 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. AFS certification now applies to the entire forest area available for timber harvesting under the *Forest Management Plan 2004-13* with the exception of areas covered by active mining tenements.

Commitment to sustainability

The Commission provides leadership in the development and maintenance of sustainable land use systems. In particular, the Commission provides environmental stewardship for its native forest and plantation operations and undertaken within an accredited EMS/AFS which applies to the whole organisation.

The procurement of goods and services to support the Commission's activities takes into account its commitment to sustainability. The Commission relies heavily on contractors for establishing, maintaining and harvesting operations. All contractors are required to observe and comply with the EMS. Field officers are responsible for ensuring compliance by contractors.

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 2011.

Michael Gurry
Chairman of Accountable Authority

23 September 2011

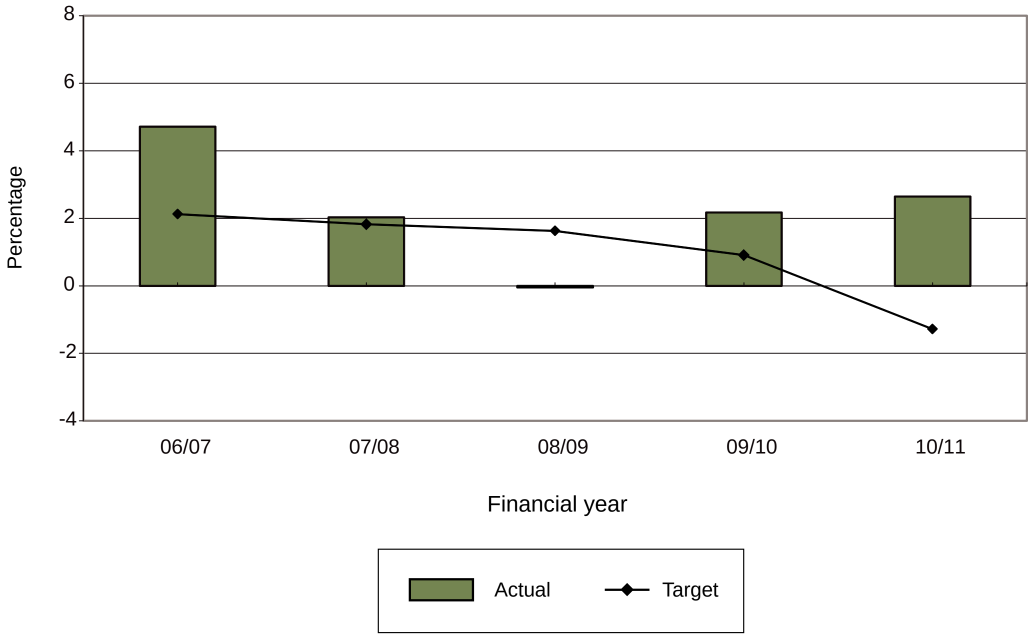
Karen Gadsby
Member of Accountable Authority

23 September 2011

Key performance indicators

The Commission measures its effectiveness and efficiency through key performance Indicators, detailed below.

Ratio of earnings before interest and tax to total assets (return on total assets) ☑

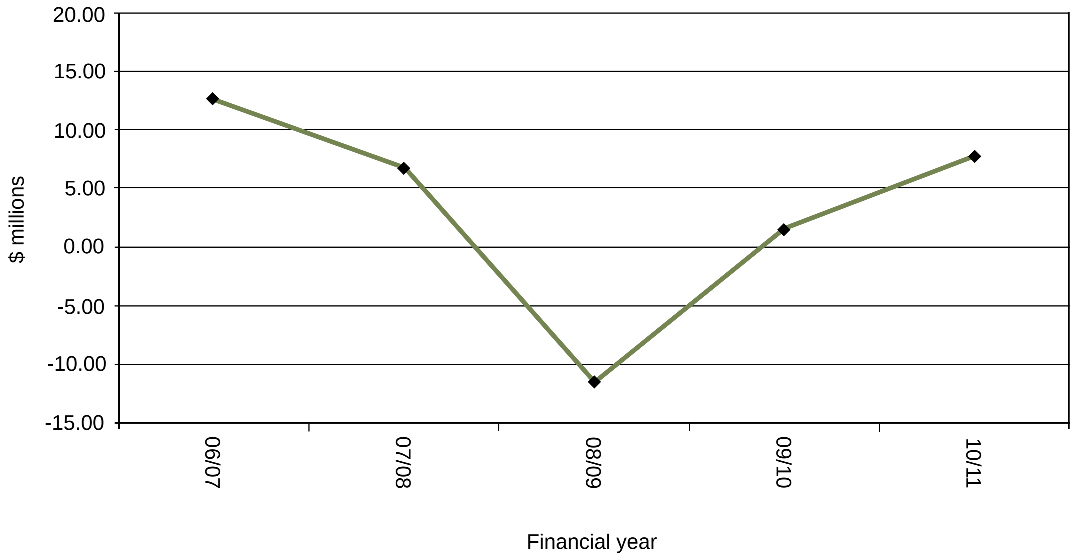


This indicator measures the financial efficiency of the Commission's operations expressed as the percentage return on total assets.

Return on total assets has improved from 2.2% in 2009/10 to 2.6% in 2010/11 and reflects the combination of a, Cabinet approved, restructure program and continued cost management on a lower asset base.

☑ Audited key performance indicator

Earnings before interest and tax* ☑

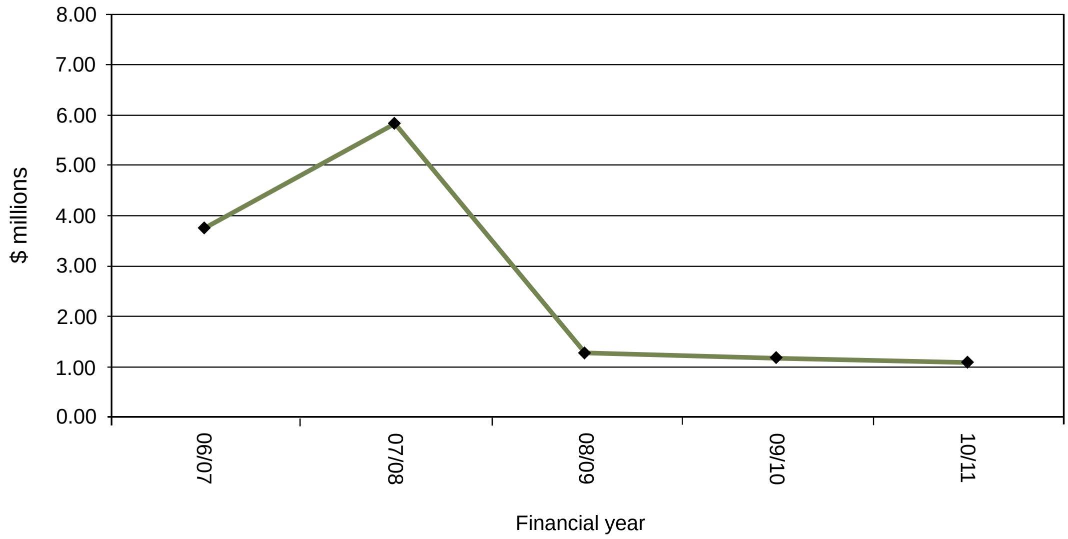


* Earnings calculated on profit and loss before income tax less change in natural resource assets, onerous contracts, commonwealth grants & contributions, adjustments in doubtful debts and change in provision for native forest regeneration.

Normalised earnings before interest and tax for the 2010/11 year increased $6.3million (2009/10) to $7.8 million reflecting the, Cabinet approved, restructure program and continued cost management.

☑ Audited key performance

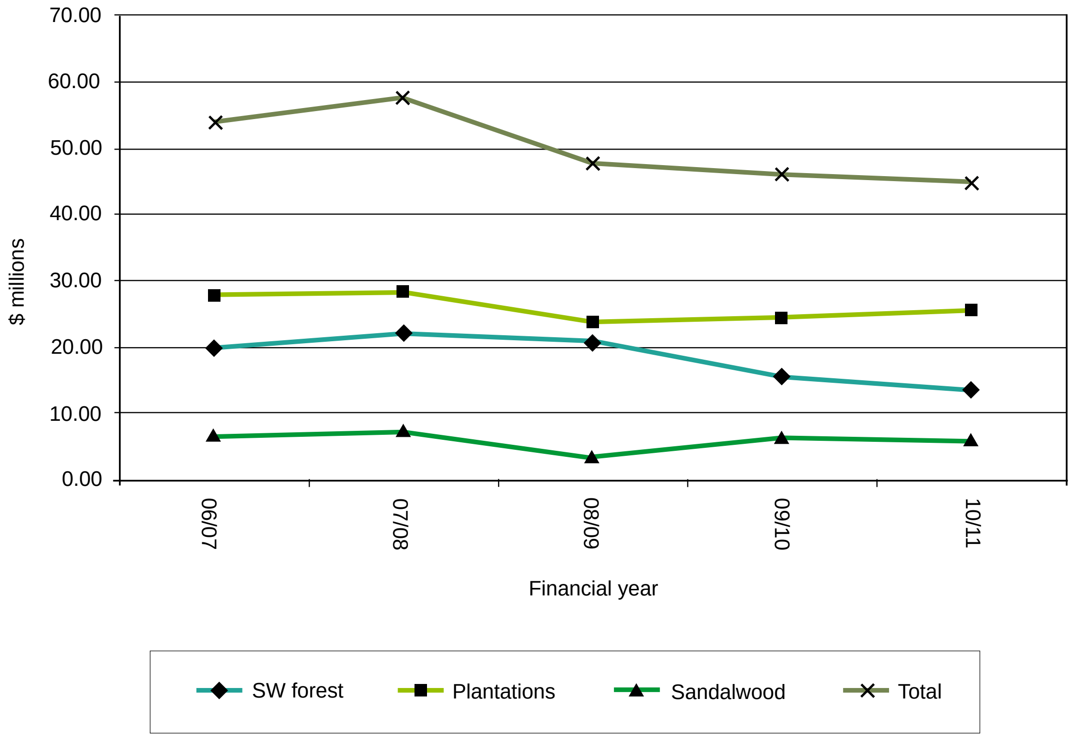
Total payments to Government – dividend and taxes ☑



This measure highlights the direct financial return to the Government in the form of dividends and taxes. The Commission paid tax of $1.0 million in 2010/11 ($1.2 million 2009/10) however, no dividend was paid during the year.

☑ Audited key performance indicator

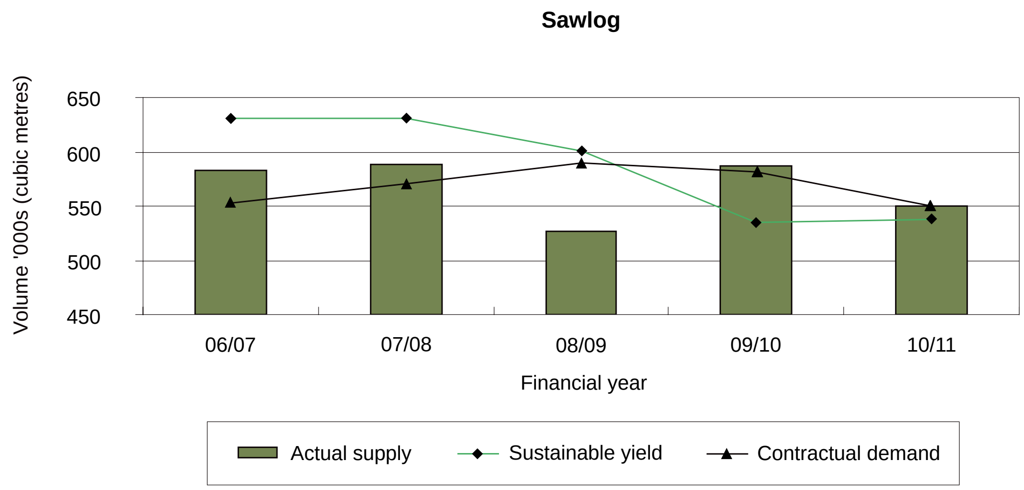
Stumpage revenue ☑



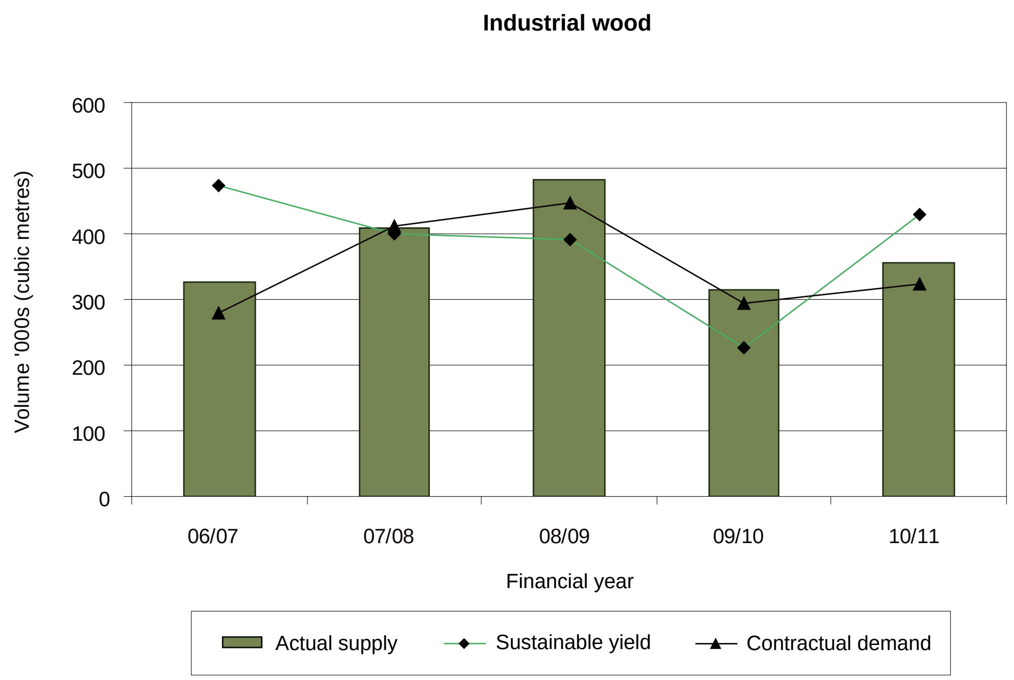
Total stumpage revenue in 2010/11 declined from $46.0 million in 2009/10 to $44.8 million in 2010/11. This equates to $1.2 million or 2.6% and is largely due to difficult trading conditions in the South West forest operating segment. However, this was offset by an increase in Industrial Wood stumpage in Mature Plantations and a steady result in Arid forests.

☑ Audited key performance indicator

Plantation log production consistent with contracted supply to industry ☑



The contractual demand for sawlog is the total volume the Commission is required to supply under contract to its customers. Actual Sawlog production and delivery in 2010/11 met customer orders but fell short against contractual demand.

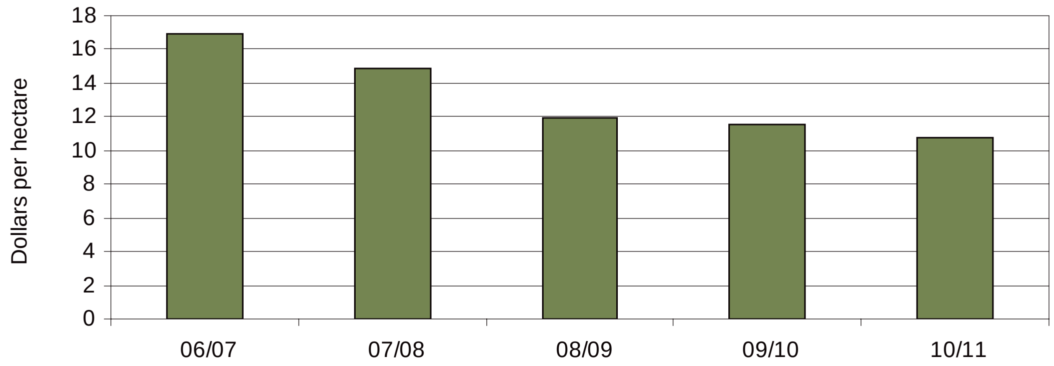


The contractual demand for industrial wood represents the year budget for likely customer orders. Actual supply of Industrial wood during 2010/11 exceeded budget estimates and 2009/10 actual as new markets for chips were advanced.

☑ Audited key performance indicator

Silvicultural cost per managed hectare of native forest ☑

The Commission has access to a total State forest estate of approximately 850,000 hectares and is responsible, with other agencies, for the management of that forest following harvest. This indicator measures the cost efficiency of the Commissions silvicultural activities in the post-harvest management of the forest in each period.

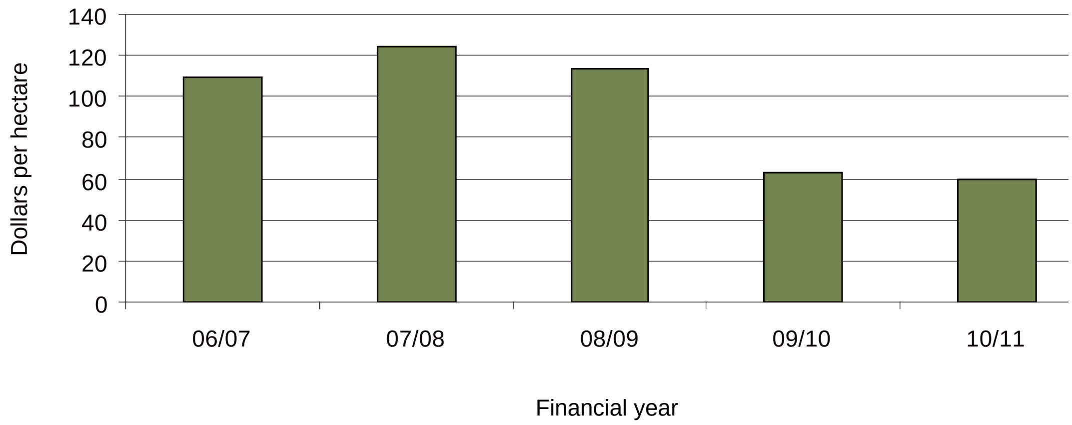


The cost per hectare managed is broadly consistent with 2009/10 levels reflecting continued cost management in silvicultural expenditures.

☑ Audited key performance indicator

Plantation management cost per hectare ☑

This indicator demonstrates the Commission's cost-efficiency in managing the various plantations for which it is responsible.



The cost per hectare managed is broadly consistent with 2009/10 levels reflecting continued cost management in silvicultural expenditures.

☑ Audited key performance indicator

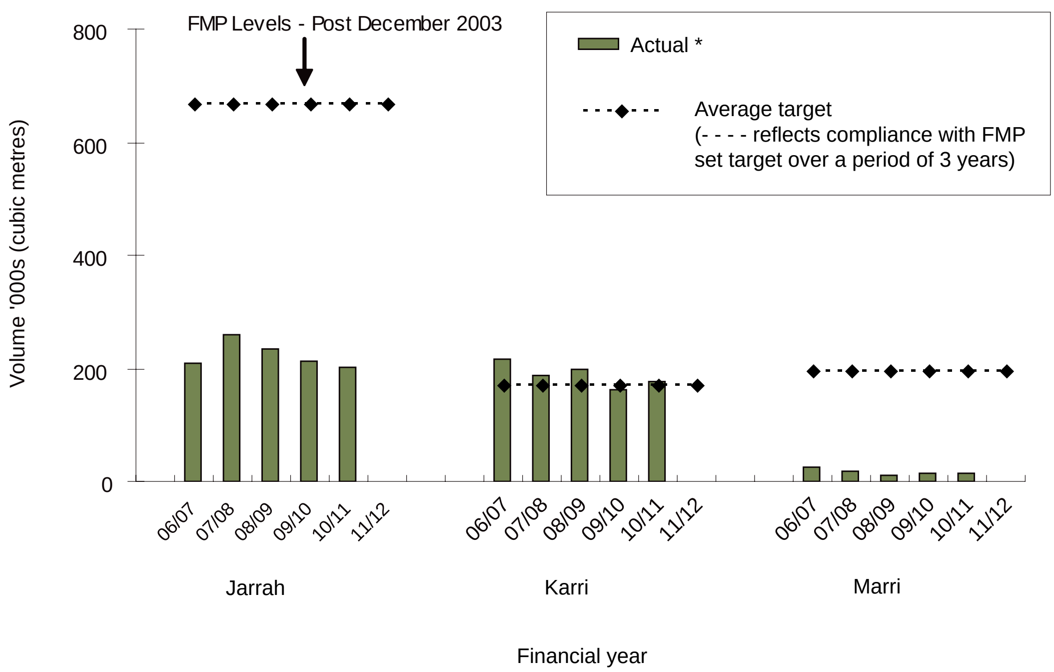
Quantity of native forest hardwood harvested compared with sustainable yields and targets ☑

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 sustainable yield of bole volume (including first and second grade sawlogs) for jarrah and karri is 665,000 m³ and 171,000 m³ respectively. For all marri bole logs the total is 196,000 m³.

Total bole-volume log timber harvest



The target is the average allowable harvest over the 10 years of the Forest Management Plan (FMP).

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

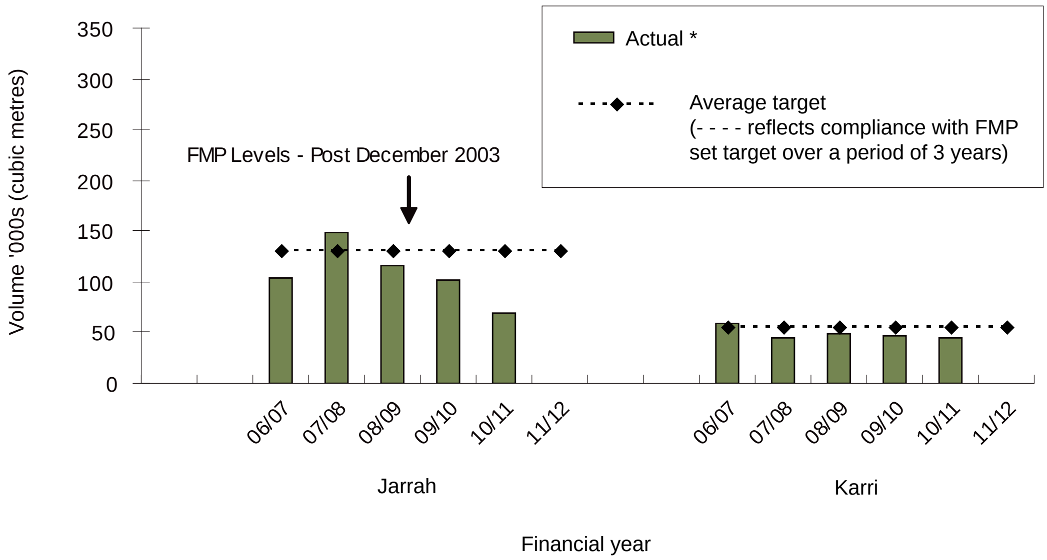
The karri harvest was consistent with the allowable average sustainable yield level of bole volume under the FMP due to the inclusion of non-bole material (crown logs) and an expanded programme of first thinning of karri regrowth stands in accordance with actions under 16.1 in the FMP.

☑ Audited key performance indicator

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 m³ and 54,000 m³ respectively. (Marri sawlogs are part of the 196,000 m³ identified for marri bole logs).

Hardwood sawlog timber harvest



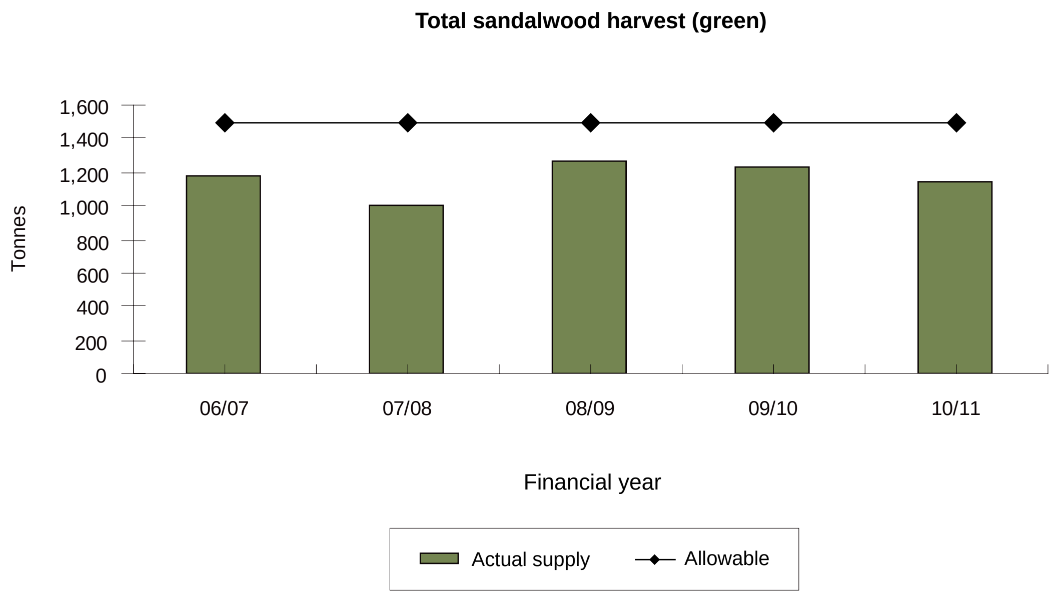
Note: The target is the average allowable harvest over the 10 years of the FMP.

The average annual level of sawlogs harvest is consistent with the allowable quantities in the FMP. The quantity of jarrah sawlogs harvested in 2010/11 was below the allowable cut reflecting reduced customer demand for sawlog during the year.

☑ Audited key performance indicator

Quantity of 'greenwood' sandalwood harvested compared with sustainable yield ☑

The annual sustainable level of harvest for green sandalwood is set in accordance with relevant legislation and ISO 14001. (In addition to the sustainable green sandalwood harvest, dead wood is also harvested)



The graph shows the actual harvested green sandalwood based on green sandalwood quantities harvested compared with the permissible green harvest level of 1,500 tonnes per annum.

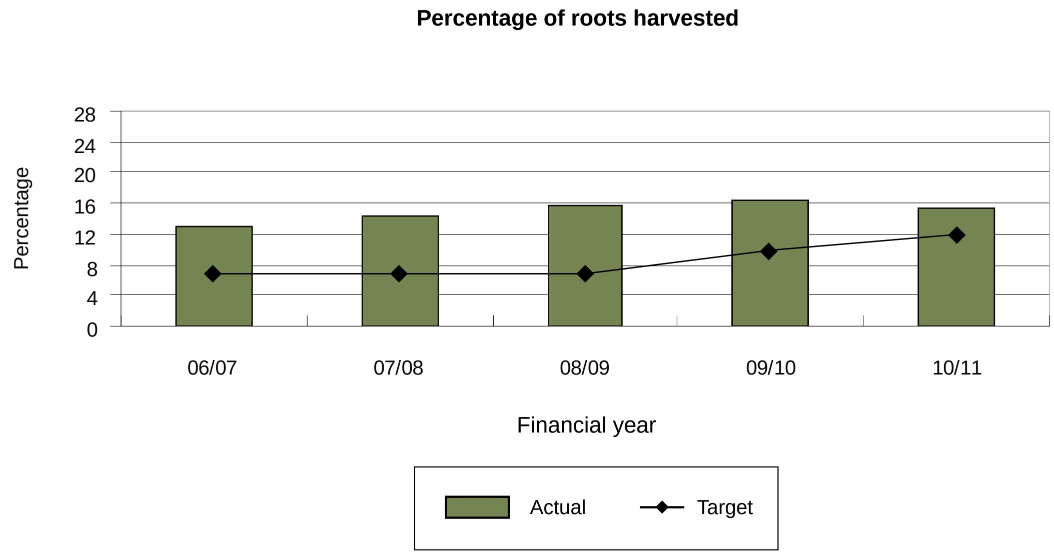
Note, Forest Products Commission's allocation is 1,350 tonnes per annum with a further 150 tonnes per annum allocated by the Department of Environment and Conservation to other authorities.

The total green harvested volume for 2010/11 was 1,139 tonnes (1,239 for 2009/10). In addition, harvested volumes included; dead wood 867 tonnes, roots 207 tonnes, and 3rd-grade green wood 320 tonnes.

☑ Audited key performance indicator

Proportion of sandalwood harvested

The Commission has an internal minimum target percentage of total sandalwood harvest from the roots of the trees.



Area of plantation established against target ☑

Plantation establishment straddles the financial year, therefore areas of establishment reported in this Annual Report are those established during winter 2010.

	Second and thrid rotation pine species (ha)	First rotation pine species (ha)	Eucalypt species (ha)	Sandalwood (ha)	Total (ha)
Target	600	0	0	0	600
Area established	636	0	0	0	636

☑ Audited key performance indicator

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 2010 calendar year.

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

Jarrah regeneration

The area of jarrah forest harvested for regeneration was 1,434 (2010:4,462) hectares, excluding areas cleared for mining or utilities such as roads and power lines.

Treatments to achieve regeneration were completed for 235 (2010:1,404) hectares. Regeneration was lower than previous years as harvested areas scheduled for mining activities were higher.

Karri regeneration

The area of karri forest clear-felled or partially harvested was 404 (2010:744) hectares. A total of 1,212 (2010: 921) hectares was thinned.

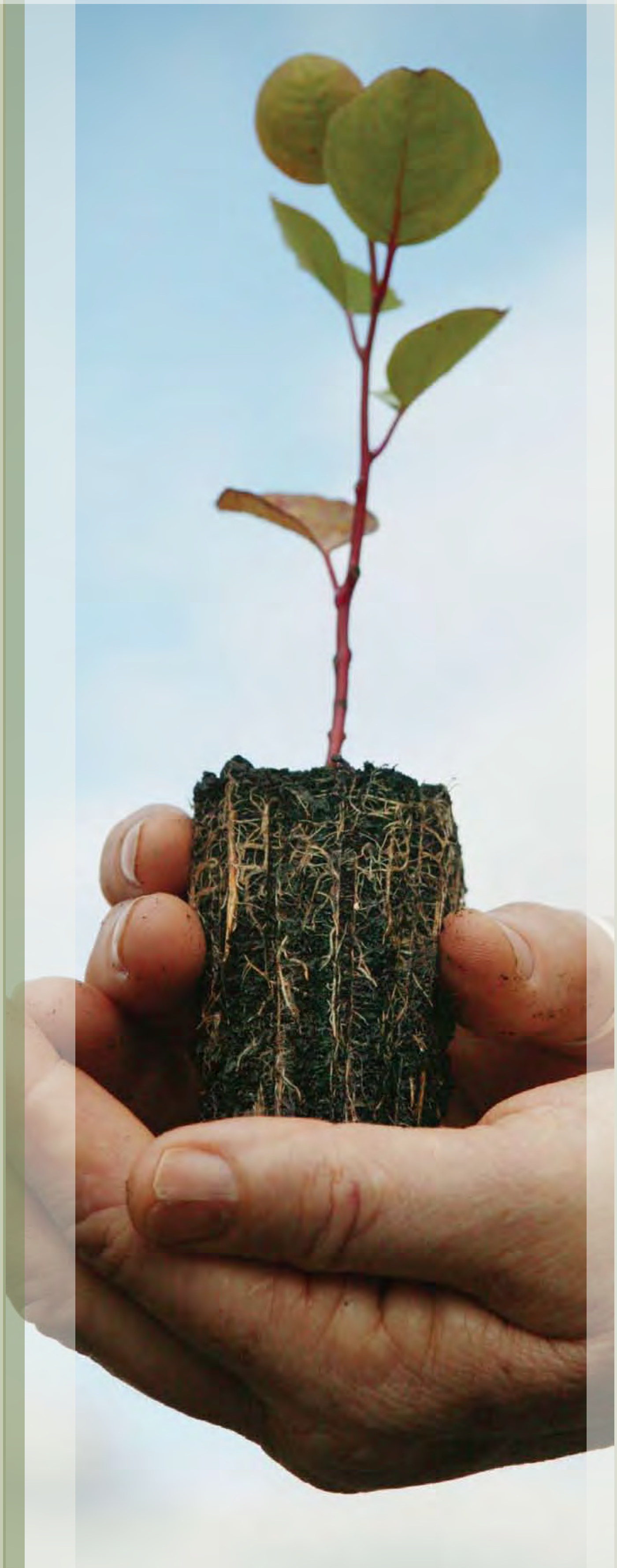
Regeneration was completed on 556 (2010: 607) hectares which was harvested in either the current or previous years.

Wandoo regeneration

There was no wandoo forest harvested for regeneration, or thinned.

3

Disclosures and legal compliance



Independent audit opinion

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 2011, 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 2011 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.

4th Floor Dumas House 2 Havelock Street West Perth 6005 Western Australia Tel: 08 9222 7500 Fax: 08 9322 5664

Forest Products Commission

Report on Controls
I have audited the controls exercised by the Forest Products Commission. The Commission is responsible for ensuring that adequate control is maintained over the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

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

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.

Report on the Key Performance Indicators
I have audited the key performance indicators of the Forest Products Commission. 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.

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 Standards.

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 2011.

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

COLIN MURPHY
AUDITOR GENERAL
27 September 2011

Page 2 of 2

Financial statements

Certification of financial statements

For the year ended 30 June 2011

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 2011 and the financial position as at 30 June 2011.

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.

Greg Dowsett
Chief Finance Officer

23 September 2011

Karen Gadsby
Member of Accountable Authority

23 September 2011

Michael Gurry
Chairman of Accountable Authority

23 September 2011

Statement of comprehensive income

For the year ended 30 June 2011

	Note	2011 $000	2010 $000
Income			
Revenue			
Sales	7.1	105,415	103,694
Commonwealth grants and contributions	8.0	2,436	5,507
Interest revenue	9.0	1,600	1,731
Other revenue	10.0	2,275	3,599
Gains			
Gains on disposal of non-current assets		68	6
Total income		**111,794**	**114,537**
Expenses			
Cost of sales	7.2	60,154	59,600
Employee benefits expense	11.0	17,932	20,682
Supplies and services	12.0	18,414	21,371
Depreciation and amortisation expense	13.0	1,264	1,427
Finance costs	14.0	6,058	5,869
Accommodation expenses	15.0	1,267	1,278
Loss on disposal of non-current assets		-	152
Other expenses	16.0	1,691	1,464
Total expenses		**106,780**	**111,843**
Profit before change in natural resource assets valuation, onerous contracts and grants and subsidies from State government		5,014	2,694
Natural resource asset decrement	17.0	(17,736)	(14,536)
Onerous Contracts	18.0	(2,552)	(13,856)
Loss before Grants and subsidies from State Government		(15,274)	(25,698)
Grants and Subsidies from State Government	19.0	1,095	1,542
Loss before income tax equivalent benefit		**(14,179)**	**(24,156)**
Income tax equivalent expense	43.0	391	12,115
Loss after income tax equivalent benefit		**(13,788)**	**(12,041)**
Loss for the year		**(13,788)**	**(12,041)**
Other comprehensive income			
Changes in asset revaluation surplus	34.2	816	(226)
Changes in cashflow hedge reserve	34.2	304	(253)
Income tax on items of other comprehensive income	34.2	(336)	144
Total other comprehensive income / (loss)		**784**	**(335)**
Total comprehensive loss for the year		**(13,004)**	**(12,376)**

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

Statement of financial position

As at 30 June 2011

	Note	2011 $000	2010 $000
Assets			
Current assets			
Cash and cash equivalents	36.1	17,244	25,795
Inventories	20.0	4,646	5,668
Receivables	21.0	22,994	23,018
Natural resource assets	26.0	41,532	41,986
Other current assets	22.0	585	447
Total current assets		**87,001**	**96,914**
Non-current assets			
Receivables	21.0	13,296	14,662
Property, plant and equipment	23.0	30,005	29,260
Deferred tax assets	43.0	7,334	8,217
Natural resource assets	26.0	287,745	297,575
Intangible assets	24.0	6,757	6,490
Total non-current assets		**345,137**	**356,204**
Total assets		**432,138**	**453,118**
Liabilities			
Current liabilities			
Payables	28.0	15,985	21,012
Borrowings	29.0	8,342	8,277
Current tax liabilities	43.0	5,855	6,793
Provisions	32.0	2,839	3,685
Employee benefits	30.0	3,045	3,947
Deferred revenue	33.0	388	1,178
Total current liabilities		**36,454**	**44,892**
Non-current liabilities			
Payables	28.0	22,984	21,313
Borrowings	29.0	74,465	79,269
Employee benefits	30.0	1,520	1,914
Provisions	32.0	711	1,270
Deferred revenue	33.0	35,756	35,392
Total non-current liabilities		**135,436**	**139,158**
Total liabilities		**171,890**	**184,050**
Net assets		**260,248**	**269,068**
Equity	34.0		
Contributed equity		260,195	256,011
Reserves		8,402	7,618
Retained earnings		(8,349)	5,439
Total equity		**260,248**	**269,068**

* 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 2011

	Note	Contributed equity	Reserves	Retained earnings	Total equity
		$000	$000	$000	$000
Balance at 1 July 2009		**254,741**	**7,953**	**10,453**	**273,147**
Total comprehensive income for the year	34.0	-	(335)	(11,267)	(11,602)
Change of accounting policy					
Statement of comprehensive income		-	-	(774)	(774)
Statement of financial position		-	-	7,027	7,027
Transactions with owners in their capacity as owners:					
Other contributions by owners	34.1	1,270	-	-	1,270
Balance at 30 June 2010		**256,011**	**7,618**	**5,439**	**269,068**
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)
Transactions with owners in their capacity as owners:					
Other contributions by owners	34.1	4,184	-	-	4,184
Closing balance at 30 June 2011		**260,195**	**8,402**	**(8,349)**	**260,248**

* 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 2011

	Note	2011 $000	2010 $000
Cash flows from operating activities			
Receipts			
Sale of goods and services		117,404	109,409
Commonwealth grants & contributions		-	1,211
Interest received		1,600	1,731
Other receipts		1,974	4,398
Payments			
Employee benefits		(19,326)	(21,577)
Supplies and services		(23,160)	(21,747)
Forest management expenditure		(74,421)	(65,661)
Finance costs		(4,786)	(4,699)
Net cash provided by operating activities	36.2	**(715)**	**3,065**
Cash flows from investing activities			
Receipts			
Proceeds from sale of non-current physical assets		70	8
Proceeds from investing activities		650	16,750
Payments			
Purchase of non-current physical assets		(113)	(110)
Purchase of investments			
Investment in new plantations		(7,643)	(18,318)
Investment in joint venture		(81)	(325)
Net cash provided by investing activities		**(7,117)**	**(1,995)**
Cashflows from financing activities			
Receipts			
Proceeds from borrowings		3,538	1,367
Payments			
Repayment of borrowings		(8,277)	(4,821)
Net cash used in financing activities		**(4,739)**	**(3,454)**
Cash flows from State Government			
Other grants and subsidies		3,950	1,542
State contribution (Peel B)		70	1,270
Net cash provided by State Government		**4,020**	**2,812**
Net increase / (decrease) in cash and cash equivalents		(8,551)	428
Cash and cash equivalents at the beginning of year		25,795	25,367
Cash and cash equivalents at the end of year	36.1	**17,244**	**25,795**

* 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 2011

1.0 Australian Accounting Standards

2.0 Summary of significant accounting policies

- 2.01 General statement
- 2.02 Basis of preparation
- 2.03 Reporting entity
- 2.04 Contributed equity
- 2.05 Income
- 2.06 Income tax
- 2.07 Property, plant and equipment, and infrastructure
- 2.08 Intangible assets
- 2.09 Impairment of assets
- 2.10 Leases
- 2.11 Financial Instruments
- 2.12 Cash and cash equivalents
- 2.13 Accrued salaries
- 2.14 Inventories
- 2.15 Receivables
- 2.16 Investments and other financial assets
- 2.17 Natural resource assets
- 2.18 Payables
- 2.19 Borrowings
- 2.20 Provisions
- 2.21 Superannuation expense
- 2.22 Resources received free of charge or for nominal cost
- 2.23 Jointly controlled operations
- 2.24 Comparative figures

3.0 Other policies

- 3.01 Segment reporting
- 3.02 Foreign currency translation, derivative financial instrument and hedge accounting

4.0 Key Sources of estimation uncertainty

- 4.01 Long service leave
- 4.02 Natural resource assets

5.0 Disclosure of changes in accounting policy and estimates

6.0 Future impact of Australian Accounting Standards not yet operative

7.0 Trading Profit

- 7.1 Sales
- 7.2 Cost of sales

8.0 Commonwealth grants and contributions

9.0 Interest revenue

10.0 Other revenue

11.0 Employee benefits expense

12.0 Supplies and services

13.0 Depreciation and amortisation expense

14.0 Finance costs

15.0 Accommodation expenses

16.0 Other expenses

17.0 Natural resource asset decrement

18.0 Onerous Contracts

19.0 Grants and Subsidies from State Government

20.0 Inventories

21.0 Receivables

22.0 Other assets

23.0 Property, plant and equipment
- 23.1 Land and buildings
- 23.2 Plant, equipment and vehicles
- 23.3 Carbon Asset
- 23.4 Reconciliations

24.0 Intangible assets
- 24.1 Carbon Rights
- 24.2 Software

25.0 Investment in Joint Venture

26.0 Natural resource assets
- 26.1 Hectares under management

27.0 Natural resource assets risk analysis
- 27.1 Discount rates
- 27.2 Sensitivity analysis
- 27.3 Cash flows
- 27.4 Insurance

28.0 Payables

29.0 Borrowings

30.0 Employee benefits

31.0 Gold State Superannuation Scheme
- 31.1 Scheme information

32.0 Provisions

33.0 Deferred revenue

34.0 Equity
- 34.1 Contributed equity
- 34.2 Reserves
- 34.3 Retained Earnings

35.0 Change of Accounting Policy

36.0 Notes to the Statement of Cash Flows

- 36.1 Reconciliation of cash
- 36.2 Reconciliation of profit from ordinary activities after income tax
- 36.3 Borrowing facilities

37.0 Resources provided free of charge

38.0 Commitments

- 38.1 Lease commitments
- 38.2 Guarantees and undertakings

39.0 Contingent liabilities and contingent assets

40.0 Events occurring after the end of the reporting period

41.0 Explanatory statement

- 41.1 Significant variances between estimate and actual for 2011
- 41.2 Significant variances between actual results for 2010 and 2011

42.0 Financial instruments

- 42.1 Credit Risk, Liquidity Risk and Interest Rate Risk Exposure
- 42.2 Forward foreign exchange contracts
- 42.3 Sensitivity Analysis
- 42.4 Credit risk concentrations
- 42.5 Funds held in trust
- 42.6 Fair values

43.0 Taxation

44.0 Remuneration of members of the Accountable Authority and Senior Officers

- 44.1 Remuneration of members of the Accountable Authority
- 44.2 Remuneration of Senior Officers

45.0 Related bodies

46.0 Affiliated bodies

47.0 Remuneration of auditor

48.0 Supplementary financial information

- 48.1 Write-offs
- 48.2 Losses through theft, defaults and other causes
- 48.3 Gifts of public property

49.0 Schedule of income and expenses by service

50.0 Additional information

Notes to the financial statements

1.0 Australian Accounting Standards

General

The Commission's financial statements for the year ended 30 June 2011 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. No Australian Accounting Standards that have been issued or amended but not operative have been early adopted by the Commission for the annual reporting period ended 30 June 2011.

2.0 Summary of significant accounting policies

2.01 General statement

The financial statements constitute a general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board 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 are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

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 and the entities listed at note 45 Related bodies.

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, as these 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.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the end of the reporting period, the nature of, and amounts pertaining to, those undischarged conditions are disclosed in the notes.

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 WA 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.

Land is not depreciated.

Carbon Assets are depreciated on a units of production basis.

2.08 Intangible assets

Carbon Rights

The acquisition of Carbon rights are capitalised and recorded at cost less accumulated amortisation and accumulated impairment losses.

Carbon rights are amortised on a units of production basis, as determined on the quantity of carbon credits transferred.

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.

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 recoverability 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 the 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 36 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 Natural resource assets

Natural resource assets are stated at fair value less estimated point-of-sale costs and costs necessary to get the assets to market. A gain or loss on valuation is recognised in the Statement of Comprehensive Income.

Fair value of Natural resource 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.

The Commission's valuations of Natural resource 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.

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

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 at fair value, as they are generally settled within 30 days.

2.19 Borrowings

All loans payable are initially recognised at cost, being the fair value of 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 not expected to be settled within 12 months after 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 laibility as the Commission does not have an unconditional right to the defer settlement of the liability for at least 12 months after the reporting period.

Long service leave

The liability for long service 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.

Long service leave not expected to be settled within 12 months after 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 reporting period. 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 Scheme 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 GESB 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 be recognising the assets it controls and the liabilities 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 retranslated 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 affect 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 forecasted 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.

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 Authorities long service leave provision include expected future salary rates, salary inflation, 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 Natural resource assets

The valuation of Natural resource 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.

Included in the 2011 valuation is an estimate as to the effect of the exceptional climatic event in Western Australia. As the event continues, this will further impact the value of the Natural resource asset. However the full impact of this will not be known for several years. Accordingly there is a risk of further material adjustment to the carrying amounts of the Natural resource assets.

Calculations performed in assessing the value of the Natural resource 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 2010 that impacted on the Commission:

Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
AASB 2009-13	*Amendments to Australian Accounting Standards arising from Interpretation 19 (AASB 1)*
AASB 2010-1	*Amendments to Australian Accounting Standards - Limited Exemption from Comparative AASB7 Disclosures for First-time Adopters (AASB 1 & AASB 7).*
AASB 2010-3	*Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139)*

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 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 Interpretations 10 & 12]* The amendment to AASB 7 requires modification to the disclosure of categories of financial assets. The Commission does not expect any financial impact when the Standard is first applied. The disclosure of categories of financial assets in the notes will change.	1 January 2013
AASB 2009-12	*Amendments to Australian Accounting Standards (AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052)* This Standard introduces a number of terminology changes. There is no financial impact on the Commission resulting from the application of this revised Standard.	1 January 2011
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. The Standard does not have any financial impact on the Commission. However it may affect disclosures in the financial statements of the Commission if the reduced disclosure requirements apply. DTF has not yet determined the application or the potential impact of the new Standard for agencies.	1 July 2013

AASB 2010-2	*Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* This Standard makes amendments to many Australian Accounting Standards, including interpretations, to introduce reduced disclosure requirements into these pronouncements for application by certain types of entities. The Standard does not have any financial impact on the Commission. However this Standard may reduce note disclosures in the financial statements of the Commission. DTF has not yet determined the application or the potential impact of the amendments to these Standards for agencies.	1 July 2013
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 Interpretaions 112, 115, 127, 132 & 1042) (October 2010)* This Standard introduces a number of terminology changes as well as minor presentation changes to the notes to the Financial Statements. There is no financial impact on the Commission resulting from the application of this revised standard.	1 July 2011
AASB 2010-6	*Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets (AASB 1 & AASB 7)* This standard makes amendments to Australian Accounting Standards, introducing additional presentation and disclosure requirements for Financial Assets. The Standard makes amendments to Australian Accounting Standards, introducing additional presentation and disclosure requirements for Financial Assets. The Standard is not expected to have any financial impact on the Commission. DTF has not yet determined the application or the potential impact of the amendments to these Standards for agencies.	1 July 2011

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 on 6 December 2010 and the Commission is currently determining the impact of the Standard. DTF has not yet determined the application or the potential impact of the Standard for agencies.	1 July 2011
IFRS 11	*Joint Arrangements* Replaces IAS 31 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.	1 January 2013
IFRS 12	*Disclosure of Involvement with Other Entities* Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.	1 January 2013
IFRS 13	*Fair Value Measurement* Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS is the result of joint efforts by the IASB and FASB to develop a converged fair value framework. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.	1 January 2013

		2011 $000	2010 $000
7.0	**Trading Profit**		
	7.1 Sales		
	Harvesting operations	54,584	53,871
	Recovery of harvesting costs	50,172	49,421
	Plant Propagation Center Revenue	659	402
	Total Sales	105,415	103,694
	7.1 Cost of sales		
	Harvesting Costs	(55,910)	(53,642)
	Roading Maintenance and Construction	(3,222)	(2,840)
	Write Down of Inventory to Net Realisable Value	(1,022)	(3,118)
	Cost of Goods Sold	(60,154)	(59,600)
	Trading Profit	**45,261**	**44,094**

8.0	**Commonwealth grants and contributions**		
	Recognition of Commonwealth Government contribution to National Action Plan for Salinity and Water Quality	2,436	5,507
		2,436	**5,507**
9.0	**Interest revenue**		
	Interest Revenue	1,600	1,731
		1,600	**1,731**
10.0	**Other revenue**		
	Contracts and Other	47	794
	Revenue from Cost Recovery Operations	2,228	2,805
		2,275	**3,599**
11.0	**Employee benefits expense**		
	Wages and Salary	13,116	14,494
	Fringe Benefits Tax	26	94
	Leave Expense	1,975	2,712
	Superannuation	1,437	1,740
	Payroll Tax	1,047	1,167
	Workers Compensation Insurance	252	491
	Superannuation - defined benefit plans (Note 31)	79	(16)
		17,932	**20,682**

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

		2011 $000	2010 $000
12.0	**Supplies and services**		
	Travel	287	377
	Write-down of UWA Joint Venture	160	331
	Sundry Supplies and Services	1,082	244
	Operating Lease	2,219	2,474
	Other Services	96	114
	Legal Fees and Consultants	190	1,129
	DEC Service Level Agreements	9,231	9,200
	Materials	823	769
	Forest Management Expenses	2,501	4,551
	Fire Salvage and Remedial Works	1,512	1,764
	Repairs and Maintenance	290	380
	Vehicle Expenses	23	38
		18,414	**21,371**
13.0	**Depreciation and amortisation expense**		
	Plant, equipment, vehicles, office equipment and nursery infrastructure	872	1,025
	Buildings	392	402
		1,264	**1,427**
14.0	**Finance costs**		
	Interest on WA Treasury Corporation loans	5,343	5,598
	Foreign Exchange Loss	715	271
		6,058	**5,869**
15.0	**Accommodation expenses**		
	Lease rentals and travel accommodation	1,043	1,069
	Other Property	224	209
		1,267	**1,278**
16.0	**Other expenses**		
	Audit fees	220	176
	Increase in allowance for doubtful debts	490	62
	Telephone, Postage, Communications	888	1,054
	Other Administration Costs	93	172
		1,691	**1,464**

		2011	2010
		$000	$000
17.0	**Natural resource asset decrease**		
	Revaluation decrease	(17,736)	(14,536)
		(17,736)	**(14,536)**
	Reconciliation of decrease on revaluations to Movement of Natural resource assets		
	Gross Movement on Natural resource assets	(10,284)	(31,363)
	Movement in annuity liabilities	(1,979)	4,711
	Onerous contracts expense	-	13,856
	Impairment of New plantations	(5,473)	(1,740)
		(17,736)	**(14,536)**
18.0	**Onerous Contracts**		
	Annuity obligations associated with immature share farms considered onerous	(2,552)	(13,856)
		(2,552)	(13,856)
19.0	**Grants and Subsidies from State Government**		
	Grants and Subsidies from State Government	1,095	1,542
		1,095	**1,542**
20.0	**Inventories**		
	Current		
	Inventories held for resale at cost[1]:		
	- Plant Propagation Centre	2,477	2,709
	- Sandalwood	1,053	1,537
	- Timber on forest landings	1,116	1,422
		4,646	**5,668**

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

		2011 $000	2010 $000
21.0	**Receivables**		
	Current		
	Treasury Funds Receivable	1,366	1,287
	Trade and other receivables	24,884	25,146
	Allowance for doubtful debts	(3,256)	(3,415)
		22,994	**23,018**
	Reconciliation of change in the allowance for impairment of receivables		
	Balance at start of year	(3,415)	(3,398)
	Amounts written off during the year	-	45
	Doubtful debts expense recognised in the Statement of Comprehensive Income	159	(62)
	Balance at end of year	**(3,256)**	**(3,415)**
	Non Current		
	Treasury Funds Receivable	**13,296**	**14,662**

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

The National Action Plan supports the Wood Processing (WESFI) Agreement Act 2000 as well as the National Action Plan for Salinity and Water Quality.

The National Action Plan has been funded by loans from the Western Australian Treasury Corporation, State and Commonwealth Government contributions and internal funding.

Please note that Treasury Funds Receivable is affected by events subsequent to the reporting period (see note 40 below).

		2011 $000	2010 $000
22.0	**Other assets**		
	Current		
	Prepayments	83	82
	Hedge Contract	157	-
	Accrued Revenue	345	365
		585	**447**

23.0 Property, plant and equipment	2011 $000	2010 $000
23.1 Land and buildings		
Freehold land at fair value[1]	11,963	11,229
	11,963	11,229
Buildings at fair value	7,869	7,869
Accumulated depreciation	(2,318)	(1,929)
	5,551	5,940
Total land and buildings	**17,514**	**17,169**

[1] Commission owned land was revalued as at 1 July 2010 in accordance with an independent valuation by the Western Australian Land Information Authority (Valuation Services).

23.2 Plant, equipment and vehicles		
Nursery infrastructure at fair value at 30 June 2005	12,138	12,138
Accumulated depreciation	(7,787)	(7,503)
Nursery infrastructure	4,351	4,635
Plant, equipment and vehicles at cost	4,088	4,165
Accumulated depreciation	(3,516)	(3,337)
	572	828
Office equipment at cost	1,956	2,052
Accumulated depreciation	(1,554)	(1,440)
	402	612
Total plant, equipment and vehicles	**5,325**	**6,075**

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

23.2 Carbon Asset		
The cost of plantation establishment for carbon sequestration	7,166	6,016
	7,166	**6,016**
Total Property, plant and equipment	**30,005**	**29,260**

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 infr'cture	Plant equipment and vehicles	Office equipment	Total
	$000	$000	$000	$000	$000	$000	$000
Cost							
Balance at 1 July 2009	-	11,503	8,058	12,138	4,220	2,662	38,581
Additions	6,016	-	-	-	44	72	6,132
Disposals	-	-	(189)	-	(99)	(682)	(970)
Revaluation decrease	-	(274)	-	-	-	-	(274)
Balance at 30 June 2010	6,016	11,229	7,869	12,138	4,165	2,052	43,469
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
Depreciation and impairment losses							
Balance at 1 July 2009	-	-	(1,596)	(7,218)	(3,033)	(1,743)	(13,590)
Depreciation	-	-	(523)	(285)	(404)	(215)	(1,427)
Disposal	-	-	190	-	100	518	808
Balance at 30 June 2010	-	-	(1,929)	(7,503)	(3,337)	(1,440)	(14,209)
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)
Carrying Amounts							
At 1 July 2009	-	11,503	6,462	4,920	1,187	919	24,991
At 30 June 2010	6,016	11,229	5,940	4,635	828	612	29,260
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

24.0 Intangible assets

	2011 $000	2010 $000
24.1 Carbon Rights	6,756	6,490
	6,756	**6,490**
24.2 Software		
Software - cost	357	372
Software - accumulated amortisation	(356)	(372)
	1	**-**
Total Intangible assets	**6,757**	**6,490**

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 2009	372
Additions from external sources	6,490
Balance at 30 June 2010	6,862
Balance at 1 July 2010	6,862
Additions from external sources	266
Disposals	(15)
Balance at 30 June 2011	7,113
Amortisation and impairment losses	
Balance at 1 July 2009	(372)
Amortisation of software costs	-
Balance at 30 June 2010	(372)
Balance at 1 July 2010	(372)
Disposals	16
Balance at 30 June 2011	(356)
Carrying Amounts	
At 1 July 2009	-
At 30 June 2010	6,490
At 1 July 2010	6,490
At 30 June 2011	6,757

25.0 Investment in Joint Venture

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

Entity:	Principal activity:	Reporting date:	Ownership	
			2011	2010
UWA/FPC Joint Venture	Timber research and product development	31 December	50%	50%

The joint venture manages 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.

	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)

	2010 $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:	364	(103)	(52)	12	-	12	6

	2011 $000	2010 $000
Share of joint venture profit before income tax	(2)	6
Share of joint venture net profit accounted for using the equity method	(2)	6

	2011 $000	2010 $000
Reconciliation of movement in investment in joint venture:		
Balance at 1 July	-	-
Contributions to joint venture	162	325
Share of net assets equity accounted	(2)	6
Investment in joint venture before adjustments:	160	331
Adjustments:		
Write down of investment in joint venture to net recoverable amount	**(160)**	**(331)**
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 (2010 $325,000).

At 30 June 2011 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.

		2011 $000	2010 $000
26.0	**Natural resource assets**		
	Current		
	Natural resource assets at valuation		
	Native Forest		
	Native forest standing timber	14,690	13,837
	Sandalwood standing timber	4,296	5,232
	Native forest Natural resource assets at valuation	18,986	19,069
	Plantations		
	Plantations Natural resource assets at valuation	22,546	22,917
	Total Natural resource assets at valuation current	**41,532**	**41,986**
	Non-Current		
	Natural resource assets at valuation		
	Native Forest		
	Native forest standing timber	104,519	94,972
	Sandalwood standing timber	44,589	44,807
	Native forest Natural resource assets at valuation	149,108	139,779
	Plantations		
	Mature standing timbers[1]	131,532	148,864
	Immature standing timbers[2]	7,105	8,932
	Plantations Natural resource assets at valuation	138,637	157,796
	Total Natural resource assets at valuation non-current	**287,745**	**297,575**
	Total Natural resource assets at valuation	**329,277**	**339,561**
	The Plantations estate is represented by:		
	Commission plantations standing timber	138,876	171,781
	Share farm standing timber	22,307	8,932
	Total Plantations Natural resource assets at valuation	161,183	180,713

[1]Includes the previously Termed Reforestation program in 2009

[2]Termed Afforestation program in 2009

26.1 Hectares under management	Hectares under management	
	2011	2010
Plantations		
Mature plantations	75,320	73,712
Immature plantations	31,736	32,176
Total plantation hectares under management	107,056	105,888

Hectares under management have been realigned to match the new categorisation of planation asset.

27.0 Natural resource assets risk analysis

27.1 Discount rates

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

	2011	2010
30 year discount rate	12.20%	11.90%
50 year discount rate	12.40%	12.00%

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 2011.

27.2 Sensitivity analysis

The value of Natural resource 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:

			2011	2010
			$000 Increase/ (decrease)	$000 Increase/ (decrease)
Discount rate:	+ 300 bpts	Total Natural resource assets at valuation	(52,382)	(71,389)
	- 300 bpts	Total Natural resource assets at valuation	78,400	139,368
Future prices:	+ 3%	Total Natural resource assets at valuation	11,367	7,168
	- 3%	Total Natural resource assets at valuation	(11,301)	(5,433)
Future costs:	+ 3%	Total Natural resource assets at valuation	(2,948)	(1,988)
	- 3%	Total Natural resource assets at valuation	2,948	3,722

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 Natural resource assets.

		2011 $000	2010 $000
28.0	**Payables**		
	Current		
	Trade payables	2,446	4,823
	GST payable	76	29
	Payroll tax accrual	61	85
	Accrued logging costs	2,659	2,693
	Other accruals	7,042	9,723
	Accrued interest	1,266	1,289
	Accrued salaries and wages	258	332
	Land annuity obligations	2,177	1,889
	Hedge Contract	-	149
		15,985	**21,012**
	Non-Current		
	Land annuity obligations	22,984	21,313
		22,984	**21,313**

29.0 Borrowings

	2011 $000	2010 $000
Current		
Western Australian Treasury Corporation loans	8,342	8,277
Total current	**8,342**	**8,277**
Non-Current		
Western Australian Treasury Corporation loans	74,465	79,269
Total non-current	**74,465**	**79,269**
Total interest bearing borrowings	**82,807**	**87,546**

Refer Financial Instruments Note 42.1 for interest rate analysis.

Please note that Borrowings are affected by events subsequent to the reporting period (see note 40 below).

30.0 Employee benefits

	2011 $000	2010 $000
Current		
Compensated absences - Annual leave	1,636	2,135
Compensated absences - Long service leave	1,409	1,812
	3,045	**3,947**
Non-current		
Compensated Absences - Long service leave	1,387	1,832
Provision for unfunded superannuation liability	133	82
	1,520	**1,914**

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.

	2011	2010
31.0 Gold State Superannuation Scheme	$000	$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-11**	**30-Jun-10**
(Gold State Super)		
Present value of defined benefit obligations at the beginning of the year	82	136
(+) Interest costs	4	7
(+) Actuarial losses / (gains)	79	(16)
(-) Benefits paid	(31)	(45)
Present value of defined benefit obligations at the end of the year	**134**	**82**

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-11**	**30-Jun-10**
Fair value of Scheme Assets at the beginning of the year:	-	-
(+) Employee contributions	31	45
(-) Benefits paid	(31)	(45)
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-11**	**30-Jun-10**
Defined Benefit Obligation	133	82
Net Liability	**133**	**82**

Expense recognised in the Statement of Comprehensive Income:

Financial year ending	**30-Jun-11**	**30-Jun-10**
Interest cost	4	7
Actuarial loss / (gain)	79	(16)
Superannuation expense / (income)	**83**	**(9)**

Gold State	2011 $000	2010 $000

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-11**	**30-Jun-10**
(Gold State Super)		
Discount rate (active members)	5.28%	5.48%
Discount rate (pensioners)	5.28%	5.48%
Expected salary increase rate	4.50%	4.50%
Expected pension increase rate	2.50%	2.50%

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-11**	**30-Jun-10**	**30-Jun-09**	**30-Jun-08**	**30-Jun-07**
(Gold State Super)					
Present value of defined benefit obligation	134	82	136	106	144
Fair value of Scheme assets	-	-	-	-	-
Deficit in Scheme	134	82	136	106	144
Experience adjustments (gain)/ loss - Scheme liabilities	77	(15)	9	(57)	(36)

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-12**
(Gold State Super)	**$000**
Expected employer contributions	3

32.0 Provisions

	Note:	2011 $000	2010 $000
Current			
Provision for regeneration of Native Forest	a	2,005	2,530
Unearned revenue	b	834	1,155
		2,839	**3,685**
Non-Current			
Provision for regeneration of Native Forest	a	711	1,270
		711	**1,270**

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.

Net movement in provisions		
Opening balance at 1 July 2010	4,955	14,747
Provisions utilised		
Regeneration	1,029	1,132
	1,029	**1,132**
Provisions reversed		
Regeneration	55	1,735
Deferred rental	-	7,080
Deferred income	321	-
	376	**8,815**
Provisions raised		
Deferred income	-	155
	-	**155**
Closing balance at 30 June 2011	**3,550**	**4,955**

33.0 Deferred revenue

Current		
National Action Plan for Salinity Revenues	388	1,178
	388	**1,178**
Non-Current		
Forward Sold Carbon Sequestration Certificates	21,127	20,477
National Action Plan for Salinity Revenues	4,212	5,856
Forward Sold Log Supply	10,417	9,059
	35,756	**35,392**

	2011	2010
	$000	$000

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.

34.1 Contributed equity

	2011 $000	2010 $000
Balance at the start of the year	256,011	254,741
Restructure costs	4,114	-
Sale of Peel 'B' Baldivis	70	1,270
Balance at the end of year	**260,195**	**256,011**

34.2 Reserves

	2011 $000	2010 $000
Asset Revaluation Surplus		
Balance at start of year	7,722	7,880
Net land revaluation increase (decrease):	816	(226)
Income tax	(245)	68
Balance at end of year	**8,293**	**7,722**

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

	2011 $000	2010 $000
Cashflow Hedge Reserve		
Balance at start of year	(104)	73
Net movement in reserve	304	(253)
Income tax	(91)	76
	109	**(104)**
Reserves total	**8,402**	**7,618**

34.3 Retained Earnings

	2011 $000	2010 $000
Balance at the start of the year	5,439	10,453
Result for the year	(13,788)	(5,014)
Dividend paid	-	-
Balance at end of year	**(8,349)**	**5,439**

35.0 Change of Accounting Policy

(a) Change of accounting policy

The Commission reviewed the capitalisation policy associated with the cost of establishing second rotation plantations. Accordingly previously expensed costs are now capitalised and are subject to the significant accounting policy detailed under note 2.17 Natural Resource Assets .

Per the AASB Framework the cost of establishing second rotation plantations reflects costs of a capital nature. Consequently this impacts of the determination of operating profit as well as the value of the immature plantation asset.

The prior year impact of adopting this policy have been adjusted against the 2009/2010 comparative.

(b) Re-statement of prior year balances

During the current financial year the Forest Products Commission has restated comparative figures as follows:

	30-Jun-10	Adjustment	30 June 2010 (restated)
Account	$000	$000	$000
Statement of Comprehensive Income			
Supplies and services[1]	(24,679)	3,308	(21,371)
Natural Resource Asset Valuation decrement[2]	(10,122)	(4,414)	(14,536)
Loss before income tax equivalent expense	(23,050)	(1,106)	(24,156)
Income Tax equivalent expense[3]	11,783	332	12,115
Loss after Tax equivalent expense	(11,267)	(774)	(12,041)
Statement of Financial Position			
Assets			
Deferred tax asset[4]	10,896	(2,679)	8,217
Natural resource assets[5]	288,643	8,932	297,575
Total non-current assets	349,951	6,253	356,204
Total assets	446,865	6,253	453,118
Net assets	262,815	6,253	269,068
Equity			
Retained earnings	(814)	6,253	5,439
Total equity	262,815	6,253	269,068

[1] Capitalisation of the 2009/2010 cost of second rotation establishment

[2] Natural Resource Asset Revaluation decrement from the 2007/2008 cost of second rotation establishment

[3] Tax impact from [1] & [2] above

[4] Impact on change of accounting policy on deferred tax asset

[5] Impact on natural resource assets from 2008/2009 and 2009/2010 cost of second rotation establishment

36.0 Notes to the Statement of Cash Flows

36.1 Reconciliation of cash

	2011 $000	2010 $000
Petty Cash	4	4
Commonwealth Bank - Cash Management Account	15,228	22,774
Commonwealth Bank - USD Bank Account	2,012	3,017
	17,244	**25,795**

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

	2011 $000	2010 $000
Profit from ordinary activities after income tax	(13,788)	(12,041)
Non-cash items:		
Depreciation and amortisation expense	1,264	1,427
Movement in provision for doubtful debts	(159)	17
Revaluation of land and buildings	-	-
Change in fair value of Natural resource assets	(17,736)	(11,225)
Grants and subsidies from State Government	(3,950)	(1,542)
Decrease / (increase) in assets:		
Current inventories	1,022	3,118
Current receivables	(467)	(10,686)
Other current assets	316	(19,866)
Write down of investment in joint venture	160	331
Other assets	35,216	69,333
Increase/(decrease) in liabilities:		
Payables	(5,027)	2,799
Employee benefits	(1,296)	(884)
Unearned revenue and deferred income	747	223
Other liabilities	3,921	(16,259)
Movement in tax balances	(938)	(1,680)
Net cash provided by operating activities	**(715)**	**3,065**

36.3 Borrowing facilities

	2011 $000	2010 $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	3,538
WA Treasury Corporation - Portfolio Lending Arrangement	79,269	84,008
	92,557	**97,296**
Facilities in use as at reporting date:		
Credit cards	78	81
Short term lending facility with WATC	3,538	3,538
WA Treasury Corporation - Portfolio Lending Arrangement	79,269	84,008
	82,885	**87,627**
Available facilities not in use as at reporting date:		
Credit cards	672	669
Bank overdraft facility	9,000	9,000
	9,672	**9,669**

37.0 Resources provided free of charge

Department of Treasury and Finance - Building Management and Works	13	-
	13	**-**

38.0 Commitments

The commitments below are inclusive of GST where relevant.

38.1 Lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, are payable as follows:		
Within 1 year	347	780
Later than 1 year and not later than 5 years	1,163	582
Later than 5 years	514	-
	2,024	**1,362**
Non-cancellable operating leases	**2,024**	**1,362**

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.

38.2 Guarantees and undertakings

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

39.0 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.

b) Subsequent to reporting date, a writ has been lodged with the Supreme Court in Western Australia. The plaintiffs are seeking damages ranging from $2.2 million to $3.27 million plus interest and costs. The outcome is uncertain and the Commission is vigorously defending its position.

c) Subsequent to balance date the Commission has become aware of legal advice with respect to the Commission’s powers under the Forest Products Act for the organisation to have entered into a contract with another government agency. The financial implications, if any, at this point in time are unknown.

Contingent assets

During 2008/2009 the Forest Products Commission experienced bushfires which impacted the plantation estate in the Yanchep and Bridgetown regions. No value has been attributed to the net compensation benefit that may flow to the Commission as a result of these fires.

40.0 Events occurring after the end of the reporting period

In 2010/11, the Government gave approval for a financial restructure of the Commission. Since balance date, Treasury has implemented a replacement of the Commission's borrowings of $82.8 million with equity. Treasury funds receivable to the Commission of $14.6 million will be included in the arrangement and offset against equity.

41.0 Explanatory statement

This statement provides details of significant variations between estimates and actuals results for 2011 and between the actual results for 2011 and 2010. Significant variations are considered to be those greater than 10% or $5 million.

41.1 Significant variances between estimate and actual for 2011	2011 Actual	2011 Estimate[1]	Variance from Estimate	Explanation:
	$000	$000	$000	
Expenses				
Employee benefits expense	17,932	21,354	3,422	a
Finance costs	6,058	4,825	(1,233)	b

Explanation:

a The Commission progressed the Cabinet approved restructure program during 2010/11 financial year which delivered savings on the budget estimate.

b The strengthening USD/AUD exchange rate during 2010/11 increased financing costs against the budget estimate.

[1]Estimates are sourced from the 2010/11 budget

41.2 Significant variances between actual results for 2011 and 2010.	2011	2011	Variance	Explanation:
	$000	$000	$000	
Income				
Commonwealth grants and contributions	2,436	5,507	(3,071)	a
Other revenue	2,275	3,599	(1,324)	b
Expense				
Supplies and services	18,414	21,371	(2,957)	c
Employee benefits expense	17,932	20,682	(2,750)	d
Decrease from revaluations	(17,736)	(14,536)	(3,200)	e

Explanation:

a The recognition of revenue received for the National Action Plan for Salinity (see note 33.0) is lower than 2009/10 amount reflecting the reduced level of infill activity undertaken in 2010/11 financial year.

b Other income is lower compared to 2009/10 due to a combination of a decrease in the recovery of costs incurred in European House Borer control and a decrease in Insurance proceeds received in 2010/11.

c The reduction on last year is primarily the reduced expenditure in legal fees, consultants and forest management expenses offset by an increase in sundry supply and service expenditure.

d The Commission progressed the Cabinet approved restructure program during 2010/11 financial year resulting in a 14% reduction in Employee benefits expense.

e The 2010/11 decrease from revaluation reflects impairments to the immature estate, an estimate as to the impact of the exceptional climatic events together with other variations in valuation assumptions concerning the future. Refer to note 4.02 Key Sources of estimation uncertainty, Natural resource assets.

42.0 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 42.1 '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 42.4.

For financial assets that are either past due or impaired, refer to Note 42.4.

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 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 42.2

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 2011 is USD 2.161 million (2010: USD 2.572 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:

	2011	2010
	$000	$000
Financial Assets		
Cash and cash equivalents	17,244	25,795
Loans and receivables:		
Trade Receivables	36,290	37,680
	53,534	63,475
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade payables	13,808	19,123
Land annuity obligations	25,161	23,202
Interest Bearing Borrowings	82,807	87,546
Forward Exchange Contracts	3,789	5,025
	125,565	134,896

42.1 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 $33.752 million (2010 : $32.893 million).

Please note both Borrowings and Treasury Funds receivable are affected by events subsequent to the reporting period (see note 40 above).

	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	36.1	5.05%	15,228	15,228	-	-	-
Commonwealth Bank USD Account	36.1		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	42.4		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			3,946	3,946	-	-	-
			65,015	**51,719**	**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**

	2010						
	$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	36.1	3.63%	22,774	22,774	-	-	-
Commonwealth Bank USD Account	36.1		3,017	3,017	-	-	-
Treasury Funds Receivable	21.0		15,949	1,212	1,286	4,358	9,093
Trade Receivables	21.0		25,146	25,146	-	-	-
Provision for Doubtful Debts	21.0		(3,415)	(3,415)			
Collateral security held - cash	42.4		1,758	1,758	-	-	-
Collateral security held - non cash			4,948	4,948			
Total credit exposure - Trade Receivables			28,437	28,437	-	-	-
Foreign Exchange Contracts			4,876	4,876	-	-	-
			75,053	**60,316**	**1,286**	**4,358**	**9,093**
Financial liabilities							
Trade Payables	28.0		4,823	4,823	-	-	-
WA Treasury Corporations (long term loan variable)	29.0	5.66%	84,008	4,739	4,804	14,816	59,649
WA Treasury Corporations (short term loan fixed)	29.0	5.03%	3,538	3,538	-	-	-
Land Annuities Payable			32,893	1,920	3,670	5,405	21,898
			125,262	**15,020**	**8,474**	**20,221**	**81,547**

42.2 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 2011	Revalued buy amount 30 June 2011 $'000	Variance currency	Variance amount $'000
USD	30-Sep-11	2,001	1.0095	AUD	1,983	-0.011654	1.062246	AUD	1,884	AUD	99
USD	30-Dec-11	2,001	1.0197	AUD	1,963	-0.023497	1.050403	AUD	1,905	AUD	58
		4,002			**3,946**				**3,789**		**157**

42.3 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.

	2011				
	Carrying amount $000	-1% change		+1% change	
		Profit $000	Equity $000	Profit $000	Equity $000
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	-10% change		+10% change	
		Profit $000	Equity $000	Profit $000	Equity $000
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: 1 AUD = 1.0739					

	2010				
	Carrying amount $000	-1% change		+1% change	
		Profit $000	Equity $000	Profit $000	Equity $000
Interest rate sensitivity analysis					
Financial Assets					
Cash and cash equivalents	25,791	(159)	(159)	181	181
Financial Liabilities					
WA Treasury Interest bearing loans and borrowings	87,546	613	613	(613)	(613)
Land Annuities Payable	23,202	(1,446)	(1,446)	1,257	1,257

	2010				
	Carrying amount $000	-10% change		+10% change	
		Profit $000	Equity $000	Profit $000	Equity $000
Currency sensitivity analysis					
Financial Assets					
USD Bank Account	3,017	235	235	(192)	(192)
USD rate used in this analysis was the spot rate as at 30 June 2010 - AUD1 = USD .8523					

42.4 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 2011, the value of deposits and securities was less than overdue accounts by $2.670 million (deposits and securities was less than overdue accounts by $2.958 million at 30 June 2010).

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:

	2011 Number of customers	2011 Value overdue[1]: $000	2011 Impairment: $000	2010 Number of customers	2010 Value overdue[1]: $000	2010 Impairment: $000
1 to 30	34	3,901	-	41	3,149	-
31 to 60	21	1,213	483	24	1,345	369
Greater than 60	42	5,095	2,773	46	5,170	3,046
All overdue accounts	62	10,209	3,256	67	9,664	3,415

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

The likelihood of recovery as at 30 June 2011 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

	2011	2010
Forest Product Manufacture/Supply	14,662	15,949
State Government	21,628	21,731
	36,290	37,680

42.5 Funds held in trust

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

	2011	2010
Opening balance	1,758	1,782
Receipts	765	237
Payments	(534)	(261)
Closing balance	1,989	1,758

[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.

42.6 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.

The Commission's long and short term borrowings are valued as per the accounting policy in note 2. The Commission's borrowings of $82.807 million ($87.546 million at 30 June 2010) from the Western Australian Treasury Corporation (WATC) have been assessed by the WATC to have a net fair value of $84.073 million ($90.203 million at 30 June 2010) as at 30 June 2011. The net fair value of a financial liability is the amount at which the liability could be settled in a current transaction after allowing for the premium required if debt is settled prior to the due date.

The net fair value of other assets and liabilities is considered to approximate their carrying value.

43.0 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:

	2011	2010
(Loss) from ordinary activities before Income tax	(14,179)	(24,156)
Income tax calculated at 30% of operating (loss)	(4,254)	(7,247)
Reversal of net deferred asset	7,543	-
Underprovided / (overprovided) in prior periods	(3,680)	(4,868)
	(391)	(12,115)
Current tax expense		
Current year	(938)	(1,349)
	(938)	(1,349)
Deferred tax expense		
Relating to origination and reversal of temporary differences	547	(10,766)
	(391)	(12,115)
Total income tax expense in the Statement of Comprehensive Income	(391)	(12,115)

Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
	$000	$000	$000	$000	$000	$000
Receivables	(977)	(1,024)	-	-	(977)	(1,024)
Inventories	(614)	(1,053)	-	-	(614)	(1,053)
Land	(61)	(37)	1,693	1,449	1,632	1,412
Buildings	(188)	(156)	1,602	1,602	1,414	1,446
Nursery infrastructure	(1,090)	(1,148)	259	259	(831)	(889)
Plant, equipment and vehicles	(102)	(116)	-	-	(102)	(116)
Investment in Joint Venture	-	(162)	-	-	-	(162)
Natural resource assets	(4,451)	(4,930)	20,225	23,311	15,774	18,381
Employee provisions	(1,369)	(1,758)	-	-	(1,369)	(1,758)
Share farm annuities	(8,083)	(8,708)	-	-	(8,083)	(8,708)
Auditing fees provision	(45)	1	-	-	(45)	1
Deferred rental provision	-	-	-	-	-	-
Restoration provision	(816)	(1,141)	-	-	(816)	(1,141)
Deferred income	(7,335)	(5,048)	-	-	(7,335)	(5,048)
Incentive payments provision	(7,548)	(6,961)	-	-	(7,548)	(6,961)
Hedge Contract	-	-	47	(44)	47	(44)
Tax value of loss carry-forwards recognised	(6,024)	(2,553)	-	-	(6,024)	(2,553)
Unrecognised net deferred asset	31,369	-	(23,826)	-	7,543	-
Net tax (assets) / liabilities	**(7,334)**	**(34,794)**	**-**	**26,577**	**(7,334)**	**(8,217)**

Movement in temporary differences during the year

	Balance 1 July 09	Recognised in income	Recognised in equity	Balance 30 June 10	Balance 1 July 10	Recognised in income	Recognised in equity	Balance 30 June 11
	$000	$000	$000	$000	$000	$000	$000	$000
Receivables	(1,019)	(5)	-	(1,024)	(1,024)	47	-	(977)
Inventories	430	(1,483)	-	(1,053)	(1,053)	439	-	(614)
Land	1,452	(40)	-	1,412	1,412	220	-	1,632
Buildings	1,329	117	-	1,446	1,446	(32)	-	1,414
Nursery infrastructure	(421)	(468)	-	(889)	(889)	58	-	(831)
Plant, equipment and vehicles	(62)	(54)	-	(116)	(116)	14	-	(102)
Investment in Joint Venture	(216)	54	-	(162)	(162)	162	-	-
Natural resource assets	24,266	(8,896)	3,011	18,381	18,381	(2,607)	-	15,774
Employee provisions	(2,024)	266	-	(1,758)	(1,758)	389	-	(1,369)
Share farm annuities	(6,882)	(1,826)	-	(8,708)	(8,708)	625	-	(8,083)
Auditing fees provision	(29)	30	-	1	1	(46)	-	(45)
Provision for embedded derivatives	-	-	-	-	-	-	-	-
Deferred rental provision	(1,971)	1,971	-	-	-	-	-	-
Restoration provision	(2,000)	859	-	(1,141)	(1,141)	325	-	(816)
Deferred income	(24)	(5,024)	-	(5,048)	(5,048)	(2,287)	-	(7,335)
Incentive payments provision	(8,374)	1,413	-	(6,961)	(6,961)	(587)	-	(7,548)
Reserves	100	(1)	(143)	(44)	(44)	(245)	336	47
Tax value of loss carry-forwards recognised	(4,874)	2,321	-	(2,553)	(2,553)	(3,471)	-	(6,024)
Unrecognised tax losses	-	-	-	-	-	7,543	-	7,543
	(319)	**(10,766)**	**2,868**	**(8,217)**	**(8,217)**	**547**	**336**	**(7,334)**

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	
	2011	2010	2011	2010
	$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	-	-	-	-
Natural resource assets	(4,451)	-	20,225	-
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	(6,024)	-	-	-
Net tax (assets) / liabilities	**(31,369)**	**-**	**23,826**	**-**

Provision for taxation

Opening	6,793	8,142
Provision raised / (reversed)	(938)	(1,349)
Tax Paid	-	-
Closing	5,855	6,793

44.0 Remuneration of members of the Accountable Authority and Senior Officers

44.1 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:

	2011 $000	2010 $000
$		
0 - 10,000	-	2
20,000 - 30,000	3	3
30,000 - 40,000	2	1
60,000 - 70,000		1
	5	6
Total remuneration of Members of the Accountable Authority for the financial period was	**135,565**	**167,966**
Remuneration of Members of the Accountable Authority was comprised of:		
Short-term employee benefits	124,260	153,176
Allowances	335	1,004
Post employment benefits (defined contribution funds)	10,970	13,786
	135,565	167,966

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

44.2 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:

	2011 $000	2010 $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	1
180,001 - 190,000	1	
230,001 - 240,000		1
	5	5

	2011 $000	2010 $000
Total remuneration of Senior Officers for the financial period was	**713,286**	**738,263**

Remuneration of Senior Officers was comprised of:

	2011 $000	2010 $000
Short-term employee benefits	635,150	635,424
Allowances	26,869	73,283
Post employment benefits	51,267	29,556
	713,286	**738,263**

45.0 Related bodies

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

46.0 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 has one affiliated body - a joint venture arrangement with the University of Western Australia, refer note 25.

The joint venture manages 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.

47.0 Remuneration of auditor

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

	2011 $000	2010 $000
Auditing the accounts, financial statements and performance indicators	150	100
Provision for remuneration of auditor		
Opening balance	100	98
Payments made during the period	(142)	(171)
Amounts provided during the period	192	173
Closing balance	**150**	**100**

48.0 Supplementary financial information

	2011 $000	2010 $000
48.1 Write-offs		
Debtors	32	45
Total	**32**	**45**
48.2 Losses through theft, defaults and other causes	-	-
48.3 Gifts of public property	-	-

49.0 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 and 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

	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)	(8,363)	704	-	(17,932)
External Segment Expenses	(27,631)	(11,961)	(2,357)	(1,758)	(40,322)	(5,702)	6,941	2,299	(80,491)
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)**
Natural Resource Asset Valuation									
Decrease	10,400	(1,154)	-	(1,671)	(25,311)	-	-	-	(17,736)
Onerous Contracts	-	-	-	(2,552)	-	-	-	-	(2,552)
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
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**

	2010								
	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	36,162	15,825	786	6,074	51,904	1,335	-	-	112,086
Inter-Segment Sales	-	-	3,992	-	-	-	-	(3,992)	-
Total Revenue	**36,162**	**15,825**	**4,778**	**6,074**	**51,904**	**1,335**	**-**	**(3,992)**	**112,086**
Expenses									
Employee Expenses	(3,373)	(643)	(2,667)	(3,516)	(1,992)	(9,834)	1,343	-	(20,682)
External Segment Expenses	(24,918)	(11,461)	(4,481)	(14,956)	(42,746)	(3,704)	16,975	3,992	(81,299)
Interest	-	-	-	(3,522)	(2,347)	-	-	-	(5,869)
Total Expenses	**(28,291)**	**(12,104)**	**(7,148)**	**(21,994)**	**(47,085)**	**(13,538)**	**18,318**	**3,992**	**(107,850)**
Natural Resource Asset Valuation Decrease	2,914	13,368	-	(26,458)	(4,360)	-	-	-	(14,536)
Onerous Contracts	-	-	-	(13,856)	-	-	-	-	(13,856)
Loss before Tax	**10,785**	**17,089**	**(2,370)**	**(56,234)**	**459**	**(12,203)**	**18,318**	**-**	**(24,156)**
Allocation of Income Tax	(3,236)	(5,127)	711	16,870	(138)	3,035	-	-	12,115
Loss for the year	**7,549**	**11,962**	**(1,659)**	**(39,364)**	**321**	**(9,168)**	**18,318**	**-**	**(12,041)**
Total Segment Assets	**112,150**	**51,922**	**8,404**	**13,776**	**183,272**	**83,594**	**-**	**-**	**453,118**
Total Segment Liabilities	**3,800**	**-**	**447**	**39,478**	**18,405**	**121,920**	**-**	**-**	**184,050**

50.0 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.

Compliance with relevant written laws

The Commission must comply with a number of written laws.

In financial administration, the Commission has complied with the requirements of the *Financial Management Act 2006* and other relevant written law.

The Commission has exercised controls which provide reasonable assurance that the receipt and expenditure of moneys and the acquisition and disposal of public property and the incurring of liabilities, have been in accordance with legislative provisions.

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

Michael Gurry
Chairman

23 September 2011

David Hartley
Acting General Manager

23 September 2011

Governance disclosures

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 Forest Products Commission.

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 2010/11 was $20,091.

Other legal requirements

Advertising and marketing expenditure

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

- Total expenditure for 2010/11 was $24,500.
- 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	$24,500	AdCorp Australia Limited Sensis	$18,000 $6,500

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.

Recordkeeping plans

The Commission 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.

Freedom of Information Act

The Commission complies with the requirements of the Freedom of Information Act and maintains its own 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 Commission'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.

Financial administration

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

Ministerial directives

No Ministerial directives were received during the financial year.

4

Appendices

Appendix 1 - 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

* 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 2 - Area of coniferous (pine) plantations as at 31 December 2010

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	Sgarefarm	Pinus radiata	Other pine	
Pre1970	328		26		4,403		48				4,805
1970	38				1,069		19				1,126
1971	139				684						823
1972	234				513						746
1973	56		18		475		3				551
1974	270				274		0				545
1975	282				1,177						1,459
1976	173		5		1,099		1				1,278
1977	241		30		843						1,114
1978	466				195						661
1979	336		18		34						388
1980	648				625						1,273
1981	967		93		724		12				1,795
1982	1,264		137		428		5				1,834
1983	1,224		36		531		66				1,856
1984	1,818		3		498		9				2,328
1985	1,714	25	4		479		2				2,223
1986	892	168			417						1,477
1987	668	586	150		560		0				1,963
1988	428	1,100	120	1	115						1,764
1989	549	358	407	23	22		22				1,380
1990	231	596	233				16				1,076
1991	58	910	507	0	4		17				1,496
1992	11	1,576	474				328				2,388
1993	8	673	1,014		134	5	303				2,138
1994	144	396	516				387				1,443
1995	63	95	923		7	278	136				1,503
1996	35	9	1,046		162	506	31				1,790
1997	64	2	996			1,177	166	11		17	2,431
1998	16	75	79		3	1,485				307	1,965
1999	28	111	771	1	6	2,110	197	39	19	342	3,624
2000	5	123	907		30	3,803	13	3	5	275	5,164
2001		1	831			3,004			1	328	4,164
2002	38	177	607		3	613				210	1,648
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				2,630
2010			559	66			11				636
Total	**13,618**	**8,187**	**20,382**	**149**	**16,118**	**20,508**	**2,135**	**52**	**26**	**2,498**	**83,673**

Appendix 3 - Area of broadleaved (eucalypt) plantations as at 31 December 2010 (hectares)

Year	Commission Owned				Commission Managed	Total
	Eucalyptus globulus		Other eucalypts		Eucalyptus globulus	
	State	Sharefarms	State	Sharefarms	State	
Pre1988	7		6,367	1		6,375
1988		3	5			8
1989		36				36
1990	26		24	23		73
1991	0		36			36
1992	6	184				190
1993		62				62
1994	3					3
1995	12		1			13
1996		4		3		7
1997	19		1	9		29
1998	24	20	2	8		53
1999		1	10	1		12
2000		56	2	1		60
2001		44		32		76
2002		27		466		493
2003	13	16	27	269		325
2004		172	139	519		829
2005	4		36	184		224
2006			16	980		996
2007	3		16	1,151	135	1,305
2008	1		0	620		622
2009	3	24	4	6,835		6,867
2010				15		15
Total	**122**	**650**	**6,686**	**11,116**	**135**	**18,709**

Appendix 4 - Area of sandalwood plantations (hectares) as at 31 December 2010

Year	Commission Owned		Commission Managed	Total
	State	Sharefarms	Sharefarms	
1932	0			0
1997		2		2
1998		2	19	21
2000		24		24
2001		46		46
2002		93	11	105
2003	3	60	22	85
2004	36	136	4	176
2005	39	174		213
2006	22	508	1	530
2007	46	1,536		1,582
2008	1	2,697		2,697
2009	1	637		638
Total	**148**	**5,914**	**57**	**6,119**

Appendix 5 - Log production from Crown land and private property

Product type	Crown land		Private property		Total	
	m³	tonnes	m³	tonnes	m³	tonnes
Sawlog timber						
Jarrah	94,051	122,924	-	-	94,051	122,924
Karri	48,022	59,547	-	-	48,022	59,547
Marri	13,103	16,249	-	-	13,103	16,249
Blackbutt	1,743	2,274	-	-	1,743	2,274
Wandoo	94	124	-	-	94	124
Sheoak	457	457	-	-	457	457
Other	6	8	-	-	6	8
Total native forest sawlogs	157,476	201,583	-	-	157,476	201,583
Yellow Stringybark	621	817	-	-	621	817
Brown Mallet	3	4	-	-	3	4
			-	-	0	0
Total plantation hardwood sawlogs	624	821	-	-	624	821
Pinaster	161,068	161,068	-	-	161,068	161,068
Radiata	376,299	376,299	18,270	18,270	394,569	394,569
Plantation softwood sawlogs and veneer logs	537,367	537,367	18,270	18,270	555,637	555,637
Total sawlogs	695,467	739,771	18,270	18,270	713,737	758,041
Other log material						
Native forests						
Chiplogs	138,788	165,087	-	-	138,788	165,087
Firewood/charcoal logs	153,851	179,117	-	-	153,851	179,117
Sandalwood	2,583	2,583	-	-	2,583	2,583
other *	3,471	4,296	-	-	3,471	4,296
Sub-total native forest other	298,693	351,083	-	-	298,693	351,083
Plantation hardwood						
Chiplogs**	5,616	6,571	-	-	5,616	6,571
Firewood/charcoal logs	486	486	-	-	486	486
other *	25	29	-	-	25	29
Sub-total hardwood plantation other	6,127	7,086	0	0	6,127	7,086
Plantation softwood						
Industrial wood	290,365	293,003	46,418	46,440	336,783	339,443
Woodchips	6,309	6,309	-	-	6,309	6,309
Other	14,838	14,838	4,887	4,887	19,725	19,725
Pine rounds	13,265	13,265	-	-	13,265	13,265
Sub-total plantation softwood other	324,777	327,415	51,305	51,327	376,082	378,742
Total other material	629,597	685,584	51,305	51,327	680,902	736,911
Total log timber	**1,325,064**	**1,425,355**	**69,575**	**69,597**	**1,394,639**	**1,494,952**

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 6 - Native forest sawlog production in 2010/2011

Species	High quality sawlogs m³	1st & 2nd grade sawlogs m³	Bole sawlogs m³	Other sawlogs m³	Total m³
Jarrah	599	34,722	49,303	9,427	94,051
Karri	12	45,155	0	2,855	48,022
Marri	482	0	0	12,621	13,103
Other species	284	9	1,577	430	2,300
Total	**1,377**	**79,886**	**50,880**	**25,333**	**157,476**

Species	tonnes	tonnes	tonnes	tonnes	tonnes
Jarrah	742	45,658	64,834	11,690	122,924
Karri	15	55,992	0	3,540	59,547
Marri	598	0	0	15,651	16,249
Other species	345	12	2,075	431	2,863
Total	**1,700**	**101,662**	**66,909**	**31,312**	**201,583**

Includes logs from Crown land sold under Minor Production contracts.

Appendix 7 - Native forest chiplog production

Species	Crown land 2008/09		Crown land 2009/10		Crown land 2010/11	
	(m³)	(tonnes)	(m³)	(tonnes)	(m³)	(tonnes)
Marri	5,349	6,627	1,977	2,435	2,310	2,865
Karri	147,459	174,892	113,891	136,133	128,511	152,901
Other	14,997	17,547	5,332	6,238	7,967	9,321
Total	**167,805**	**199,066**	**121,200**	**144,806**	**138,788**	**165,087**

Appendix 8 - Native forest fuelwood production

Product type	2008/09 (tonnes)	2009/10 (tonnes)	2010/11 (tonnes)
Firewood logs	67,366	62,087	61,353
Charcoal logs	91,188	67,643	117,764
Total	**158,554**	**129,730**	**179,117**

Appendix 9 - Sandalwood production from Crown land

Product type	2008/09 (tonnes)	2009/10 (tonnes)	2010/11 (tonnes)
Green (excl. roots & 3rd grade)	1,261	1,239	1,139
Roots	232	242	207
3rd grade green	249	304	320
Dead	599	786	867
Bark	-	-	50
Total	**2,341**	**2,571**	**2,583**

4

Appendices

Contact details

Head Office

Level 1, D Block
3 Baron-Hay Court
Kensington WA 6151

Postal address:
Locked Bag 888
PERTH BC WA 6849

Phone: (08) 9363 4600
Facsimile: (08) 9363 4601
Internet: www.fpc.wa.gov.au
Email: info@fpc.wa.gov.au

Albany
88-90 Stead Road
Albany WA 6330
Phone: (08) 9845 5630
Facsimile: (08) 9847 4155

Bunbury
Robertson Drive
East Bunbury WA 6230
PO Box 236
Bunbury WA 6231
Phone: (08) 9725 5288
Facsimile: (08) 9725 5270

Carnarvon
Lot 292 South River and Research Roads
Carnarvon WA 6701
PO Box 522
Carnarvon WA 6701
Phone: (08) 9941 9430
Facsimile: (08) 9941 9431

Collie
20 Throssell Street
Collie WA 6225
Phone: (08) 9735 1000
Facsimile: (08) 9734 5649

Esperance
Lot 617 Harbour Road
Esperance WA 6450
PO Box 1955
Esperance WA 6450
Phone: (08) 9071 7255
Facsimile: (08) 9071 7299

Gnangara
695 Gnangara Road
Lexia WA 6065
Phone: (08) 9302 7488
Facsimile: (08) 9302 7499

Harvey
64 Weir Road
Harvey WA 6220
PO Box 499
Harvey WA 6220
Phone: (08) 9782 4444
Facsimile: (08) 9729 2499

Kalgoorlie
55 Macdonald Street
Kalgoorlie WA 6430
PO Box 10484
Kalgoorlie WA 6433
Phone: (08) 9088 6030
Facsimile: (08) 9091 5540

Manjimup
Brain Street
Manjimup WA 6258
Locked Bag 6
Manjimup WA 6258
Phone: (08) 9777 0988
Facsimile: (08) 9777 2233

Nannup
Warren Road
Nannup WA 6275
Phone: (08) 9756 3788
Facsimile: (08) 9756 1499

West Manjimup
Burnside Road
Manjimup WA 6258
Locked Bag 6
Manjimup WA 6258
Phone: (08) 9772 0377
Facsimile: (08) 9772 1211

This page has be intentionally left blank.

www.fpc.wa.gov.au

3677RV-Oct2011