



FOREST PRODUCTS COMMISSION

STATEMENT OF CORPORATE INTENT
2014-15



Forest Products Commission

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Agreement

The Statement of Corporate Intent 2014–15 (SCI) describes how the Forest Products Commission (FPC) intends to achieve its financial, industry, environmental and social objectives. This Statement complies with the requirements of the *Forest Products Act 2000* and represents an agreement between the Minister for Forestry and the FPC regarding the level of performance expected from the Commission over the twelve month period ending 30 June 2015.

The Statement of Corporate Intent is consistent with the Strategic Development Plan which details a five-year view of the Commission's planning.

In accordance with the *Forest Products Act 2000* and with the Treasurer's concurrence, the Minister for Forestry and the Commission agree to this Statement of Corporate Intent.

When unforeseen circumstances arise, the document may be amended by agreement of both parties. The respective parties agree to collaborate when addressing significant issues.



Hon Mia Davies MLA
Minister for Forestry



Robert Fisher AM, JP
Chairman
Forest Products Commission

Overview

Introduction

The forest industry has played a significant role in Western Australia's development since the 1870s. It provided timber for the majority of Western Australia's early infrastructure requirements. Currently, the forest industry contributes more than \$1 billion¹ annually to the State's economy and provides Western Australian consumers with sustainable, carbon-friendly timber products for building construction, cabinetry and carpentry, furniture and flooring, and paper manufacture. Currently there are more than 3,400² people directly employed by the forest industry, as well as many more working in the construction and manufacturing sectors. Compared to alternative products such as steel, plastics or aluminium, timber is truly sustainable and plays a positive role in reducing the State's greenhouse gas emissions.

The Forest Products Commission (FPC) is a statutory authority established by the Western Australian Government in November 2000. The FPC plays a crucial role in ensuring that our native and plantation forest resources are managed sustainably. Independent certification against internationally recognised standards assures consumers that Western Australian timber products come from responsibly managed sources and that the environmental values and social services of our forests are maintained for present and future generations.

The timber harvested from State-owned forests and plantations provides approximately 70 per cent of the State's solid timber requirements and 50 per cent of the State's panel board requirements. It generates revenue for the Government, and provides regional employment opportunities. Australia imports more than \$6 billion³ worth of forest products annually to meet local demand. The source of these imported products is often difficult to determine and could potentially come from unsustainable or illegal forest operations. It is far better in terms of environmental, social and community outcomes to use timber from our responsibly managed forests as opposed to potentially exploiting forests from developing countries.

The FPC is governed by the *Forest Products Act 2000* which outlines the functions and principles under which the FPC must operate in the performance of its duties. These include:

- Ensuring the long term viability of the forest products industry;
- Application of the principles of ecologically sustainable forest management related to indigenous forest products located on State land;
- Industry development to support the longer term interests of the forest industry and Western Australia; and
- Endeavouring to generate a profit from forest products for the State of Western Australia.

To ensure we adhere to these principles, the FPC employs forest management practices consistent with the principles of ecologically sustainable forest management as described in the *Conservation and Land Management Act 1984* and regulated through the Forest Management Plan 2014–2023 (FMP 2014–2023).

This Statement of Corporate Intent addresses issues of significance for the forest industry that will ensure that it continues to contribute to Western Australia's social and economic wellbeing.

1 Schirmer, J. 2008. *Forestry, Jobs and Spending: Forest Industry Employment in Western Australia*. CRC for Forestry, Hobart.

2 Dare, M. and Schirmer, J. 2012. *Western Australia Forest Industry Survey unpublished data*. CRC for Forestry, Hobart.

3 ABARES Commonwealth Department of Agriculture, (March and June quarter 2013) *Australian forest and wood products statistics*.

Vision

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

Mission

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

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

Values

The FPC operates responsibly, ethically and sustainably. Our products and services provide renewable resources.

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

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

Sustainable forest management

We are committed to the principles of sustainable forest management. It is our aim to ensure that future generations are endowed with a healthy, productive and valuable forest estate.

Our commitment to continuous improvement and management planning are integral to our everyday operations and activities. The FPC's continual improvement of its sustainable forest management system is recognised through certification by internationally recognised standards for sustainable forest management. All FPC operations are certified to the international standard for Environmental Management Systems ISO 14001 (EMS).

Our business

The Forest Products Commission (FPC) continues to consolidate its financial position with business operations based on sound commercial principles.

Three distinct businesses operate within the FPC: South West Native Forests, Plantations and Sandalwood as detailed below. While they share similar goals, each business segment has different operating conditions and markets. Each segment endeavours to operate at a profit, and identify and respond to market opportunities in a manner that ensures long term business growth while achieving the State's environmental outcomes.

1. South West Native Forests

Native forest harvesting and regeneration is managed in accordance with the FMP 2014–2023. The new FMP 2014–2023 which commenced on 1 January 2014, was prepared by the Conservation Commission Western Australia (Conservation Commission) and reviewed by the Environmental Protection Authority (EPA). Under the new FMP 2014–2023, 62 per cent of the native forest estate is in conservation and other reserves. The remaining 38 per cent is all regrowth forest and available for harvest.

The FMP 2014–2023 specifies the available native timber harvest volumes and strict environmental procedures associated with harvesting and regeneration. The annual sustainable yields for first and second grade sawlogs are:

- Jarrah: 132,000 cubic metres (172,000 tonnes); and
- Karri: 59,000 cubic metres (73,000 tonnes).

The primary native forest species utilised by the forest industries in the South West of Western Australia are jarrah (*Eucalyptus marginata*) and karri (*Eucalyptus diversicolor*). A small quantity of marri (*Corymbia calophylla*) is also produced. The timbers produced from these species have unique properties that are valued in applications such as furniture, flooring, decking, joinery and high quality paper.

The native forest sector is a major economic driver in regional communities with flow-on employment and social benefits. The native hardwood industry employs more than 1,052⁴ workers, most of whom are located in the South West.

Western Australia has 24 hardwood sawmills. The four largest native forest sawmills are located in the South West region of the State and each process between 15,000 to 50,000 cubic metres of sawlogs per annum, accounting for almost 65 per cent of the total available sawlog volume under the FMP 2014–2023.

The FPC will continue to work with the Department of Parks and Wildlife and industry stakeholders to ensure that the timber resource available under the FMP 2014–2023 can support a viable native timber industry.

2. Plantations

The FPC manages a plantation estate of approximately 108,000 hectares (ha) comprising of radiata pine (*Pinus radiata*), maritime pine (*Pinus pinaster*), eucalypts (various species) and sandalwood (*Santalum spicatum*). The plantation estate is located over a broad geographic area. Of the estate, approximately 83,000 hectares of softwood plantations supply more than 800,000 tonnes annually of log and chip products to domestic and international markets.

The softwood plantation sector employs more than 700⁵ workers. The primary products produced from the commercial plantation estate are pine sawlog, laminated veneer lumber logs and industrial wood logs. Three main processing plants — a sawmill, laminated veneer lumber (LVL) plant and particleboard plant — generate 72 per cent of the FPC's revenue from plantation operations. The supply of pine resource to all three major processing plants is under *State Agreement Acts* with terms of up to 25 years, the last of which expires in 2032.

The supply of softwood is vital for the domestic building industry. The FPC will continue to develop strategies to ensure an ongoing and sustainable softwood industry in Western Australia.

4 2012. Social and Economic Impact Assessment on the Potential Impacts of Implementation of the Draft Forest Management Plan 2014–2023. URS, Perth and includes the FPC estimates of silvicultural contracting, nursery and seed supply.

5 Adapted from Dare, M. and Schirmer, J. 2012. Western Australia Forest Industry Survey unpublished data. CRC for Forestry, Hobart.

3. Sandalwood

Sandalwood (*Santalum spicatum*) is a small native tree which occurs throughout southern Western Australia, predominantly in the Wheatbelt and Rangelands. Sandalwood harvesting is governed by the *Forest Products Act 2000*, *Sandalwood Act 1929*, *Wildlife Conservation Act 1950* and *Sandalwood Limitation Order 1996*.

The FPC's sandalwood business generates annual revenue of approximately \$20 million and employs more than 200 people, many of whom are based throughout regional Western Australia.

Sandalwood harvested by the FPC is sold into domestic and international markets with a significant proportion of high grade sandalwood used in Western Australia for oil distillation.

The extracted oil is exported to perfumery, cosmetic and pharmaceutical markets. Sandalwood not sold to the domestic oil market is exported as value-added powders and logs into the Asian market, where it is used in religious and cultural products.

The FPC has developed a new sandalwood seeder, which in 2014 will sow ten tonnes of seed in 700 kilometres of rip lines to re-establish wild sandalwood amongst shrubland of the Western Australian rangelands. This regeneration, along with germination monitoring is planned to continue on an annual basis.

4. Industry development

Demand for engineered wood products as a substitute for structural timber and other products has been increasing. Cost-effective and carbon-friendly wood products in building applications are a potential driver of growth in engineered wood markets where they can substitute for steel, concrete and aluminium.

The private sector has expressed interest in developing bioenergy and biofuel production facilities based on woody biomass feedstock and are seeking access to low grade wood resources.

New investment and greater resource utilisation will provide the FPC and industry with a range of benefits resulting from improved forest management practices, increasing efficiencies and increased regional employment.

5. Community service obligations

The FPC undertakes a variety of non-commercial community service obligations for which it does not receive government funding. These obligations include industry development, marketing, forest education and policy development.

The FPC makes a significant contribution to the State's fire-fighting capability with one third of its staff participating in DPaW's bushfire response. In 2012–13 fire-fighting services cost the FPC approximately \$330,000.

Summary of goals, strategic objectives and planned achievements for 2014-15

In alignment with the *Forest Products Act 2000* and the Government's goals and forest policies, the FPC has developed the following goals, five year strategic objectives and 2014-15 major planned achievements.

GOVERNMENT GOAL

Social and environmental responsibility – Ensuring that economic activity is managed in a socially and environmentally responsible manner for the long term benefit of the State.

FPC STRATEGIC GOAL 1 – Ensure that the environmental outcomes of harvesting and regeneration of the State's plantation and native forest resources are managed to meet legislative requirements and relevant environmental standards.

Strategic objectives	2014–15 Major planned achievements
1.1 Ensure all harvested areas are effectively regenerated.	<ul style="list-style-type: none"> • Full compliance with all of the regulations detailed within the FMP 2014–2023 and the requirements of its international certifications associated with native forest management, regeneration and post-harvest silviculture. • Increase efforts to reduce the level of crop tree damage from native forest harvesting operations and minimise soil disturbance during harvesting operations. • All second rotation plantation sites on Crown land are replanted following harvest, with the exception of the Swan Coast. • Continue to monitor the efficiency and effectiveness of its sandalwood silviculture and revegetation program.
1.2 Minimise the impact of wildfire.	<ul style="list-style-type: none"> • Regularly review operational procedures for harvesting contractors to ensure they are aligned with best practice.
1.3 Minimise the environmental impact of machine operations in forest estates.	<ul style="list-style-type: none"> • Routinely review existing procedures to ensure that road alignments are surveyed for the presence of significant biodiversity values and that these values are not compromised during road construction.
1.4 Restrict the spread of pests, weeds and pathogens.	<ul style="list-style-type: none"> • Ensure that plantation health surveillance programs provide regular monitoring of tree health allowing FPC's forest managers to make appropriate strategic decisions in managing risks.
1.5 Reduce reliance on chemical use in forest estates and restrict the spread of chemicals into waterways and non-target areas.	<ul style="list-style-type: none"> • Commitment to only using approved chemicals to achieve critical forest management outcomes and continue to ensure stringent monitoring procedures are in place to detect any movement of chemicals at operational sites and the nursery.

GOVERNMENT GOAL	
Financial and economic responsibility – Responsibly managing the State’s finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector.	
Regional focus – Greater focus on service delivery, infrastructure investment and economic development to improve the overall quality of life in remote and regional areas.	
FPC STRATEGIC GOAL 2 – Facilitate a viable forest industry to deliver social and economic benefits to the people of Western Australia.	
Strategic objectives	2014–15 Major planned achievements
2.1 Work with stakeholders to develop and implement long term forest industry strategies.	<ul style="list-style-type: none"> Continue to partner with a broad range of industry and other stakeholders to develop and implement long term industry strategies for South West native forests, softwood plantations and sandalwood.
2.2 Support innovation through the development of new markets and processing technologies.	<ul style="list-style-type: none"> Continue to work with industry and interested companies to identify new manufacturing opportunities to increase the commercial utilisation of low value products.
2.3 Manage supply chains to support efficient, internationally competitive forest industries.	<ul style="list-style-type: none"> Continue to improve governance and regulatory framework arrangements with DPaW and the Conservation Commission to produce an improved planning and approval process and ensure that compliance is maintained at an appropriate level.
	<ul style="list-style-type: none"> Continue current program to roll out a range of information technology solutions that will introduce new efficiencies to administrative and operational functions within the agency.
	<ul style="list-style-type: none"> Ensure the timely completion of the current native timber sale process and harvest and haul tender process and that the right industry structure is in place to promote a viable industry into the future.
2.4 Continue to work with appropriate authorities to eliminate the illegal harvesting of sandalwood.	<ul style="list-style-type: none"> Continue to work with DPaW and the Commonwealth Department of Agriculture, Fisheries and Forestry (DAFF) to formalise a cooperative agreement to control the movement of sandalwood within and from Australia.
2.5 Effectively promote the social and economic benefits of the forest industry through strengthened stakeholder engagement and new partnerships.	<ul style="list-style-type: none"> Fully implement new stakeholder management guidelines in 2014–15 in response to changing internal and external environments.
	<ul style="list-style-type: none"> Maintain a strong focus on international accreditation for its environmental management practices throughout the term of the current FMP 2014–2023.
	<ul style="list-style-type: none"> Ensure continued support and collaboration in expanding the scope and application of FORESTCHECK across regions allocated to harvesting activities.

GOVERNMENT GOAL

Results-based service delivery – Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.

Regional focus – Greater focus on service delivery, infrastructure investment and economic development to improve the overall quality of life in remote and regional areas.

FPC STRATEGIC GOAL 3 – Ensure the efficient, effective and safe delivery of core business outcomes.

Strategic objectives	2014–15 Major planned achievements
<p>3.1 Ensure compliance with legislative requirements in administration, management and governance to improve efficiency and commercial performance.</p>	<ul style="list-style-type: none"> • In 2014–15 the FPC will continue working to replace legacy systems, reduce data disparity between systems, and improve the availability of business intelligence. • This will also include establishing systems and procedures for infield data capture and real time reporting. • Ensure that key work programs aimed at reviewing the agency’s core corporate governance and planning systems are maintained and continually improved. • Continue to improve human resource, corporate accounting and reporting systems to address future corporate governance reporting requirements.
<p>3.2 Implement initiatives in the Strategic Occupational Safety and Health plan 2014-2017.</p>	<ul style="list-style-type: none"> • Ensure safety and health strategies are continually improved to develop the FPC’s safety culture and awareness through consultation, communication and training. • Continue to drive improvements to safety management through the implementation of a new corporate human resources system that has a fully integrated safety incident reporting and evaluation module. This will include introducing strategies to progress compliance with AS/NZS 4801, Occupational Health and Safety Management Systems.
<p>3.3 Improve the productive capacity of native forests and plantations.</p>	<ul style="list-style-type: none"> • Ensure the continued refinement of plantation silvicultural strategies in order to maximise potential yield growth in plantations while maintaining timber quality. Inherent in this will be the need to find markets for thinning residue. • The fertiliser program will be reviewed to ensure that growth responses are optimised within budget constraints. The FPC will extend its program of nutrient sampling to include first thinning operations and to ensure that any potential second rotation decline through lack of nutrients is identified and avoided. • Continue the genetic deployment program for <i>Pinus radiata</i> targeting improved families for specific environmental conditions in Western Australia. • Develop utilisation assessment indicators that are applicable across different forest types to enable more proactive forest management.

3.4 Implement initiatives in the Workforce and Diversity plan 2014–2019.	<ul style="list-style-type: none"> From 2014 the FPC will make every endeavour to ensure this new performance management system is effectively rolled out at all levels within the agency.
3.5 Continue to build strong and positive relationships with customers and contractors.	<ul style="list-style-type: none"> Commence other initiatives listed for action in 2014 within the Workforce and Diversity Plan 2014–2019. This includes a new management information system, policies, procedures and new organisational development activities. Continue to fully utilise the new management system in 2014–15 to improve communications and foster ongoing strong and positive stakeholder relationships.

Stakeholder engagement

Engagement of stakeholders is an integral part of the FPC's operations and is embedded in its core values. Stakeholders are those people and organisations who can influence FPC's outcomes, have an interest in, or are affected by the FPC's activities. In particular, the FPC acknowledges that engagement with Aboriginal people is essential for protecting their rights and values.

Effective stakeholder management assists the FPC to achieve an environmentally sustainable, renewable and commercially viable forest products industry. It is also essential to ensure stakeholders' needs and interests are consistently, transparently and meaningfully considered in FPC's activities and to ensure the success of ongoing operations.

FPC has grouped its stakeholders into the following categories:

- Contractors
- Customers
- Community groups
- Aboriginal organisations
- Industry organisations
- Government
- Research institutions
- Media
- Suppliers

Financials

For 2014–15 FPC is targeting an operating profit of \$5.6 million and paying a dividend of \$2.1 million to Government.

Table 1: Financial statement and business targets

Economic assumptions	2014–15 Forecast
Timber demand	
Native forest ('000 tonnes)	717
Plantation ('000 m ³)	903
Sandalwood ('000 tonnes)	2.2
Forest regeneration	
Native forest harvested areas (ha)	7,900
Plantation second rotation establishment (ha)	1,400
Sandalwood seedlings (tonnes of seed)	10
Other	
FTEs	154
\$/US exchange rate	0.90
Financial outcomes (\$ million)	
Timber revenues	122.9
Operating profit	5.6
Net profit / (loss) after tax	1.3
Closing cash balance	17.7
Dividends paid	2.1
Performance indicators (%)	
Return on assets (NPAT / total assets)	0.3%
Return on equity	0.4%
Operating profit to timber revenues	4.6%

Basis of financial forecasts

The financial forecasts contained in Appendix 1 are based on the following assumptions and conditions:

General

- Indexation has not been applied except for known indexation adjustments that will occur.
- Volumes over the forecast period are estimated based on known and reasonably predictable customer demand.
- Forecast sales revenue is determined by a range of factors including customer demand, market information and broad economic indicators. It is assumed that for native forests and plantations, customer demand will remain relatively steady over the forward estimates period and is estimated at contracted levels. Sandalwood sales revenues are impacted by the strength of the Australian dollar.

- The forecast for expenditure reflects the business plan to deliver the projected sales. Expenditure relative to revenues will be controlled to ensure that the FPC is profitable and financially sustainable over the long term. Direct forest management expenses (DFME) are relatively controllable by the FPC with costs secured by way of contracts for service. The forecast for employee expenses assumes maintaining the same level of FTE across the forward estimate period (154 FTEs). The FPC will generate increased revenue in future years while maintaining its existing employee structure and cost base.
- The FPC/DPaW commercial relationship is maintained at an annual expenditure of approximately \$9.6 million. No increases or savings have been estimated pending the outcome of the current Treasury review of DPaW charges. The forward estimates, however, do include a reduction in payment to DPaW compared to 2013–14 as a result of the FPC moving to a new service delivery for finance and human resource services from 31 December 2014.
- Investment in second rotation pine establishment will continue in 2014–15 and beyond, with the FPC continuing to fund the cost after Treasury contributions cease at the end of 2013–14.
- In January 2010, the Government determined that the FPC should focus on its core business of native timber, mature plantations and sandalwood and divest its non-core sharefarm plantations. Two attempts to sell non-core plantations in 2011 were unsuccessful. The FPC continues to review options for this estate and forecasts ongoing annual costs of \$2.8 million. This includes maintenance (pruning, thinning and spraying); annuity payments to landowners and staff costs associated with the sharefarm activities.
- The FPC Nursery and Seed Centre plays a crucial role in supplying superior pine seedlings through its breeding program supported by the Southern Tree Breeding Association.

South West Native Forests

- The FPC will sell sawlog volumes available under the FMP 2014–2023. The FPC's focus over the forward estimate period is to fully utilise the available resource and drive growth in sales for uncommitted residue timbers.
- Customer pricing arrangements are based on both a schedule of rates and pricing driven by region, age, size and quality of timber.

Plantations

- There is sufficient resource available to meet the forecasted demand for 2014–15 in the plantations sector, sourced from the FPC's pine estates.
- The benefits from thinning and clear fell operations are necessary for the maximum salvage of areas impacted by drought and fire.
- Customer pricing arrangements are based on contractual terms.

Sandalwood

- Sandalwood sales will remain at 2,200 tonnes for 2014–15.
- The exchange rate assumption for sandalwood sales has been set at \$0.898 for 2014–15 to reflect Treasury forecasts.

Pricing arrangements

Pricing arrangements are determined by a variety of factors including requirements under Section 59 of the *Act* which prescribes the costs that are to be factored into a price for forest products.

Dividend policy

Dividends are calculated at 65 per cent of adjusted profit, i.e. net profit after tax adjusted for non-cash items of biological asset valuation, onerous contracts revaluation and non-operational revenues and expenditures. From 1 July 2015 the dividend calculation will include the impact of FPC's investment in second rotation plantation establishment. Dividends approved by the Board are payable in the following financial year (normally in the December quarter).

Asset investments

The FPC's asset investment program is comprised of second rotation plantation establishment and a capital equipment replacement/upgrade program. The asset investment program for 2014–15 consists of:

- \$0.5 million for an ongoing program to update information technology and other equipment that supports the delivery of the FPC's services;
- \$0.4 million for replacement forest planning and management system;
- \$0.5 million for replacement finance and human resource system; and
- \$4.6 million for second rotation pine establishment.

Expenditure on forestry roads and bridges is funded from the recurrent budget and is undertaken in conjunction with harvesting operations.

The FPC will fund its asset investment in 2014–15 from operational cash flows and cash reserves.

Table 2 highlights the asset investment program across the forward estimates period:

Table 2: Asset investment program

Asset investment program	2014–15 Estimated expenditure \$'000s
Computers, plant and equipment	513
Forest Planning and Management System	353
Finance and human resource system	450
Second rotation establishment	4,634
Total	5,950
Funded by:	
Internal funds and balances	5,950
Government equity contribution	-
Total funding	5,950

The following table highlights the hectares to be established from the second rotation establishment program:

Table 3: Second rotation establishment (hectares)

	2014-15
Hectares	1,400

Accounting policy

The FPC's financial statements are prepared in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

The *Financial Management Act 2006* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Details of the FPC's significant accounting policies can be found in the 'Notes to the financial statements' in the 2012–13 Annual Report.

Performance reporting

The Commissioners are appointed under Section 6 of the *Act* and receive monthly business reports on the performance of the FPC.

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

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

The FPC has an additional reporting responsibility to the Department of Treasury. The FPC submits quarterly reports on its budget and the progress of the financial and organisational restructure.

Appendix 1 – Financial statements

Profit and loss statement

The financial statements included in this appendix represent the approved financial parameters, as included in the Department of Treasury's Strategic Information Management System (SIMS).

Forecast summary (\$m)	2014–15 Forecast
Revenue:	
- Harvest revenues	122.9
- Production and delivery expenses	(70.7)
Gross profit	52.3
Other revenues	0.9
Less:	
- Direct forest management expenses	(12.2)
- Employee expenses	(19.9)
- DPaW expenses	(10.1)
- Fixed expenses	(7.9)
- Interest (expense) / revenue	0.6
Profit before capitalisation and other items	3.6
Capitalisation	2.9
Other	(0.9)
Operating profit	5.6
Biological asset decrease	(3.7)
Tax benefit (expense)	(0.6)
Net profit (loss) after tax (NPAT)	1.3

Cash flow statement

Forecast summary (\$m)	2014-15 Forecast
Net cash flow from:	
Operating activities	2.2
Investing activities	
- Plantation establishment	(4.6)
- Other capital works	(1.3)
Financing activities	
- Interest revenue	0.6
Other	
- Dividends	(2.1)
- Tax	-
Total cash for period	(5.3)
Opening cash balance	23.0
Closing cash balance	17.7

Balance sheet

Forecast summary (\$m)	2014-15 Forecast
Assets:	
Current assets	45.4
Other non-current	11.4
Plant property and equipment	21.4
Biological resource assets	319.4
Total assets	397.7
Liabilities:	
Current liabilities	18.3
Provisions	5.8
Contracted obligations	37.4
Total liabilities	61.4
Net assets	336.3
Equity	336.3
Total liabilities and equity	397.7

Appendix 2 – Table of acronyms

Acronym	Definition
AFS	Australian Forestry Standard provides comprehensive regulations in relation to forest management practices.
DAFF	Department of Agriculture, Fisheries and Forestry (Commonwealth)
DAFWA	Department of Agriculture and Food Western Australia
DFME	Direct forest management expenses
DPaW	Department of Parks and Wildlife
EMS	Environmental Management System conforms to international standard ISO 14001 and is structured around 17 elements that are grouped under the continuous improvement cycle of five basic management actions.
FMP 2014–2023	Forest Management Plan guides the forest management practices and sets out the broad strategies, performance indicators and measurable outcomes for forest management of Western Australia state forests over a ten-year period.
FTE	Full Time Equivalent in relation to employee numbers.
FSC	Forest Stewardship Council
ha	Hectares of land
ICT	Information Communication and Technology
LOIS	Logging Operations Information System is responsible for invoicing customers and paying contractors for timber harvesting.
LVL	Laminated veneer lumber is a high-value engineered wood product made from plantation pine timber.
m ³	Cubic metres
NPAT	Net profit after taxation
SIMS	Strategic Information Management System managed by Western Australian Department of Treasury.

