

04/05 annual report

Forest
Products
Commission



contents

- 4 CHAIRMAN'S REPORT
- 5 GENERAL MANAGER'S REVIEW
- 6 BUSINESS PROFILE
- 8 VISION, MISSION, VALUES
- 9 OBJECTIVES
- 12 KEY ACHIEVEMENTS
- 13 MAJOR PLANNED ACHIEVEMENTS
- 14 ORGANISATIONAL STRUCTURE

- 15 ENVIRONMENTAL REVIEW
 - 16 Environmental policy
 - 17 Environmental management
 - 18 Environmental services
 - 20 Sustainable forestry
 - 26 Energy management
 - 27 Waste paper recycling

- 28 SOCIAL REVIEW
 - 29 Regional development and employment
 - 31 Promotion and consultation
 - 32 Community education
 - 34 Our people

- 37 CORPORATE GOVERNANCE
 - 38 Commissioners and committees
 - 41 Executive
 - 42 Legislative requirements
 - 45 Certification and compliance

- 49 ECONOMIC REVIEW
 - 50 Financial performance
 - 52 Financial overview
 - 53 Economic performance indicators

- 64 FINANCIAL REVIEW
 - 65 Certification of financial statements
 - 66 Auditor General's Report on the Financial Statements
 - 67 Statement of financial performance
 - 68 Statement of financial position
 - 69 Statement of cash flows
 - 70 Notes to the financial statements

- 114 APPENDICES
- 122 GLOSSARY
- 123 ACRONYMS
- 124 CONTACTING THE COMMISSION

Forest Products Commission
Head Office: Level 1,
117 Great Eastern Highway,
Rivervale WA 6103
Locked bag 888,
Perth Business Centre WA 6849
Phone: (08) 9475 8888
Facsimile: (08) 9475 8899
Email: info@fpc.wa.gov.au

See page 124 for list of Forest
Products Commission offices.

For a copy of the full report visit
www.fpc.wa.gov.au

Or contact the Forest Products
Commission on (08) 9475 8888.



CERTIFIED
ENVIRONMENTAL
MANAGEMENT SYSTEM
— ISO 14001 —

Certification No. 8289
Certified 11 July 2001
Operations Division

TO THE HON KIM CHANCE MLC
MINISTER FOR AGRICULTURE, FORESTRY AND FISHERIES

In accordance with Section 66 of the *Financial Administration and Audit Act*, I hereby submit
for your information and presentation to Parliament, the Annual Report of the Forest Products
Commission Western Australia for the year ended 30 June 2005.



Murray Jorgensen

Chairman, Forest Products Commission Western Australia

Chairman's Report

The year 2004/05 has been challenging for the Forest Products Commission in a number of ways, but we take pride in the way that the developing agency has been able to deal with these challenges.

The Commission's revenue for the year was below target, a result of a number of factors, including limited access to native forest during winter and spring, market and harvesting conditions in plantations as well as market and production conditions for sandalwood. During the year, the Commission incurred the bulk of the development costs associated with establishing new plantation directions and associated investment. These factors have been managed and a small operating profit returned for the year. However, the Commission overall is reporting a loss once provisions for potential liabilities associated with South West forest restructuring are included.

The Commission has responded to these challenges through the efforts of its staff and harvesting contractors, and with the help of its valued customers, and we acknowledge all of these efforts.

The year has also been one of change and development within the 'board' of Commissioners. Mr John Castrilli, one of the Commissioners first appointed in November 2000, resigned in order to run for State Parliament. During his term of nearly four years, Mr Castrilli provided strong guidance, particularly in financial management, during the establishment of the Commission.

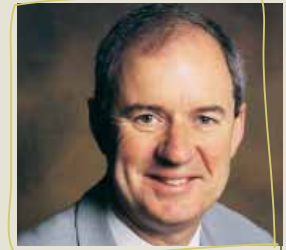
Prior to Mr Castrilli's departure, the Commission undertook a review of its internal governance, including the roles of the board and range of skills needed to fulfil these roles. In line with this review, and with the Minister's support, Ms Kellie Benda was appointed by the Governor to replace Mr Castrilli. Ms Benda brings valuable experience in corporate finance and risk management. As Chairman, I thank all members of the Commission and our Executive Officer for their contribution during the year and in particular their efforts in developing the new governance framework which will guide the operations of the Commission well into the future.

In carrying out its functions, the Commission has a difficult task balancing the commercial objectives of a government trading enterprise with the environmental and social objectives and aspirations of forestry in Western Australia. The year 2006 will be an important period to evaluate and clarify this balance. The Commission will look forward to working with the Minister for Forestry in his review of the *Forest Products Act 2000* which is due during the next calendar year.

Finally, I acknowledge the work of the General Manager, his executive team and all the staff of the Commission for their professional commitment to making forestry one of the most sustainable and environmentally friendly resource industries. Their dedication and efforts are regularly over and above the call of duty.



Murray Jorgensen
CHAIRMAN



General Manager's Review



The Forest Products Commission has, during the last four and a half years, stabilised its business directions around value adding and regional employment from native forest resources (both in the State's South West and arid regions) and in the development of plantations to meet the future timber needs of the State. These plantations will also address environmental issues in watertable rise and climate change.

The year 2004 marked the first year of operation of the new Forest Management Plan, and a period of significant adjustment for the timber industry and for the Commission. Limitations on access to native forest during winter and spring affected achievement of log delivery and revenue targets this year. Planning and approval mechanisms have been reviewed by agencies during the year, giving confidence that delivery targets will be achievable in the coming year.

It was also a year of change in pine plantations, with increasing demand for timber for Wespine and for Wesbeam's new laminated veneer lumber plant. However, shortfalls in harvesting capacity due to wildfires and extreme weather, delays in plant commissioning and inability to fulfil projected volumes by major softwood customers impacted the sale of softwoods. Improved arrangements will be implemented during the new financial year.

It was particularly significant for the Commission when agreement was reached to provide forestry services on a fee-for-service basis with the Commonwealth Bank of Australia. Commonwealth Securities' (CommSec) Premium Plantations '05 project is made more significant in that it is the first private plantation project aimed at growing eucalypt sawlogs - with the potential to create more local jobs and value adding from a high value sawn timber product.

This and the Commission's ongoing plantation projects span a region from Esperance on the south coast to Moora in the Mid-West. During 2004/05 our staff documented comprehensive plans for tree farming and industry development in different geographic areas of this huge region. The plans seek to align industry development with the environmental needs and the climatic and biological capacity of each region. These plans have formed a useful basis for consultation with local and State Government agencies, catchment groups, landowners and industry.

This time of change and planning for the future has been challenging for staff of the Commission who have continued to work extremely hard to achieve results. Thank you to all Commission staff as well as the contractors and customers who have supported the Commission throughout the year.

A handwritten signature in black ink that reads "Paul Biggs". The signature is written in a cursive, flowing style.

Dr Paul Biggs
GENERAL MANAGER

Business profile

The Forest Products Commission Western Australia, was established in 2000 as a State Government Trading Enterprise responsible for managing the State's forest resources in the best possible way to maximise social, environmental and economic outcomes. The Commission:

- harvests and sells logs and forest products from State-owned native forests;
- harvests and sells logs and forest products from State-owned plantations;
- regenerates (re-plants) State-owned native and plantation forests;
- manages trees on farms in cooperation with land owners;
- provides advisory and plantation management services to plantation investors;
- identifies new sources of funding to encourage plantations in low to mid-rainfall areas;
- identifies new and better ways to grow and harvest forests and to maximise the value of all forest products;
- provides strategic advice to Government regarding forestry in Western Australia; and
- works with industry to find high-value uses for Western Australian timbers that create more jobs.

The Commission manages more than 260 contracts (including State Agreements) for works and services contracts and for the sale of forest products. These contracts have an approximate life value of \$2.2 billion.

This is a reduction on previous years due to the rationalisation and subsequent reduction of contracts in the native forest sector. The figure excludes contracts with landowners for sharefarming and minor contracts under \$10,000.

The seven-member Commission reports to the Minister for Agriculture and Forestry.

Our customers

Our customers encompass a diverse group of local and overseas businesses, contractors, farmers, government agencies, regional communities and the broader public.

The Commission produced and sold 1,416,666 tonnes of softwood and hardwood log timber to these customers during the year. It also established and managed plantations for a range of investors.

The plantation industry is now the Commission's largest customer and includes Wesbeam's laminated veneer lumber (LVL) plant, the Wespine sawmill, laminate particleboard and medium density fibreboard plants and Pinetec's sawmill. Output from this industry now provides the bulk of Western Australia's construction timber and panels for cabinet and furniture work.

The Commission supplies about 15 small to medium-sized sawmills and a number of craftwood-scale customers with native timber sawlogs, which are now used predominantly for high value timber. Native hardwood sawmills supply sawn timber for value-adding by furniture, flooring and joinery businesses. Some mills are fully integrated with on-site flooring and furniture manufacturing. Manufactured products are then sold to the local, interstate and international markets creating local employment.

Low grade, or residue timbers, supply local industries for domestic and industrial firewood (charcoal) as well as overseas buyers of softwood logs and woodchips for pulp and paper making. The Commission continually seeks local markets for these resources.

WA sandalwood is sold to a combination of local and overseas buyers - the largest buyer being Mount Romance Australia, which produces oil at its facilities near Albany.

Values and Objectives

Vision

To be a leader in achieving an environmentally sustainable and commercially viable forest products industry providing economic and social benefits to the people of Western Australia.

Mission

To contribute to Western Australia's economic and regional growth by:

- developing the sustainable use of the State's plantation and native forest resources;
- promoting innovation and local value adding for these resources; and
- achieving appropriate returns to the State for the use of publicly owned and Forest Product Commission-managed plantation and native forest resources.

Values

Achievement

We will deliver good service.

Innovation

We will be creative and innovative in meeting our objectives.

Leadership

We will provide leadership to assist in the development and restructure of the timber industry.

Customer Focus

We will understand and meet our customers' needs.

Environmental Responsibility

We will adhere to sustainable management in accordance with the Commission's Management of the Environment Policy.

Accountability

We will adhere to processes that are understood and measured.

Integrity

We will act honestly and ethically in accordance with the Commission's Code of Conduct.

Objectives

The *Forest Products Act 2000* establishes two objectives:

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

and also defines the principle that the Commission must try to ensure that a profit that is consistent with planned targets is made from forestry activities whilst ensuring that these two objectives are met.

These broad objectives, and the principle relating to profit, have been further developed to provide clear goals, strategies, objectives and performance targets. They have also been aligned to be consistent with the Government's forest policies.

Plantations

Goal:

To develop the Commission's tree farm and plantation business providing forest products and environmental services at scales relevant to market opportunities and environmental needs.

NEW TREE FARMS AND PLANTATIONS

Objectives:

- For each cell, a tree farm estate of a scale that will support a competitive processing industry in the quickest feasible timeframe.
- Maximised contribution to water table control and biodiversity enhancement consistent with regional Natural Resource Management (NRM) strategies.

MATURE PLANTATION ESTATE

Objectives:

- Maximised log production and financial return from the plantation estate in both the short and long-term.
- A secure plantation estate in both the short and long-term, compatible with other land use objectives.
- An increase in private investment in pine plantations.

Native Forests

Goal:

To develop the Commission's native forest products business to produce timber for the high value manufacturing industry in Western Australia.

SOUTH-WEST FORESTS

Objectives:

- A viable and sustainable industry based on downstream processing.
- A Commission business providing timber to industry in a profitable manner matched to the resource available.
- Maximum utilisation and value adding of all timber harvested.

WESTERN AUSTRALIAN SANDALWOOD

Objectives:

- Consolidation and expansion of existing and new markets to provide stability and diversity, increased profits and appropriate levels of local value adding.
- Maintenance of sustainability.
- Expansion of the resource.

DESERT TIMBERS

The focus is on evaluation, leading to industry development.

Objectives:

- An industry processing 5,000 to 10,000 tonnes of log material for high value niche markets.
- Operations able to deliver forest products from woodland areas at a competitive price.

TROPICAL TIMBERS

Work to date has centred on research and industry development into Indian sandalwood, its host plantings and the potential for timber crops such as teak.

Objectives:

- Foster development of a tropical timber industry.

Overarching and Support Services

Goal:

Provide the necessary infrastructure and services to support goals of plantations and native forests operations.

PLANT PROPAGATION CENTRE

The Plant Propagation Centre encompasses the Commission's nursery, seed centre and genetic deployment unit.

Objectives:

- Reliable and competitive supply of seeds and seedlings (including cuttings, emblings, clones) to meet Commission and external market needs;
- Quality, genetically superior seeds and seedlings;
- Products matching market opportunities; and
- Maximum utilisation of plant propagation assets.

COMMUNITY SERVICE

As the lead agency within Government on forest industry issues, the Commission is required to assist with and service community and industry policy and development functions. Although no Community Service Obligation (CSO) funding has been received from Treasury, this expenditure is not considered to be associated with income producing activities.

Objectives:

- Efficient provision of policy advice to Government from all parts of the native forest timber industry.
- Coordinated action across the breadth of the native forest sector.

Corporate and Support Services

Corporate and Support Services include financial, business analysis, business development, information technology and human resource services across the whole agency. The strategies for this support area are:

- Provision of quality financial and management accounting services, business operations services, information technology and human resource systems appropriate and responsive to the Commission's business.
- Efficient and effective use of in-house and external service providers.
- Efficient and effective procurement and contract management service
- Structured and effective Cultural Development Program.
- Implementation of a recycling and waste management program.
- Adoption of the Government's Energy Management Policy.

Key achievements 2004/05

Major milestones in the year were:

- Western Australia joined the National Action Plan for Salinity and Water Quality enabling an injection of \$316 million of joint State and Federal Government funding into Natural Resource Management, with \$64 million available for the Strategic Tree Farming project.
- A milestone in new business development was reached when negotiations were finalised with a major investor, Commonwealth Securities (CommSec), for the Premium Plantations Project 2005 which will see eucalyptus plantations established and managed by the Commission on a sub-contracting fee-for-service basis.
- A newly commissioned laminated veneer lumber plant at Neerabup will be supplied with 4.12 million cubic metres of softwood logs by the Commission over the next 26 years. Targeted harvesting from the Gngangara mound pine plantation will help control water table levels in a supply catchment.
- The Commission established 1,178 hectares of new pine plantations and re-established 1,391 hectares (second rotation). In addition 739 hectares of new hardwood plantation was established along with 80 hectares sandalwood (*Santalum spicatum*).
- The area of native forest harvested for regeneration was 5,130 hectares. Treatments to achieve regeneration were completed for 2,130 hectares.
- A Joint Venture Agreement was developed between the Commission and the University of Western Australia (Faculty of Architecture, Landscape and Visual Arts) to carry out timber technology research.
- A Balanced Scorecard, the *FPC Infotree*, was introduced to measure, manage and report on operational and strategic performance.

Major planned achievements for 2005/06

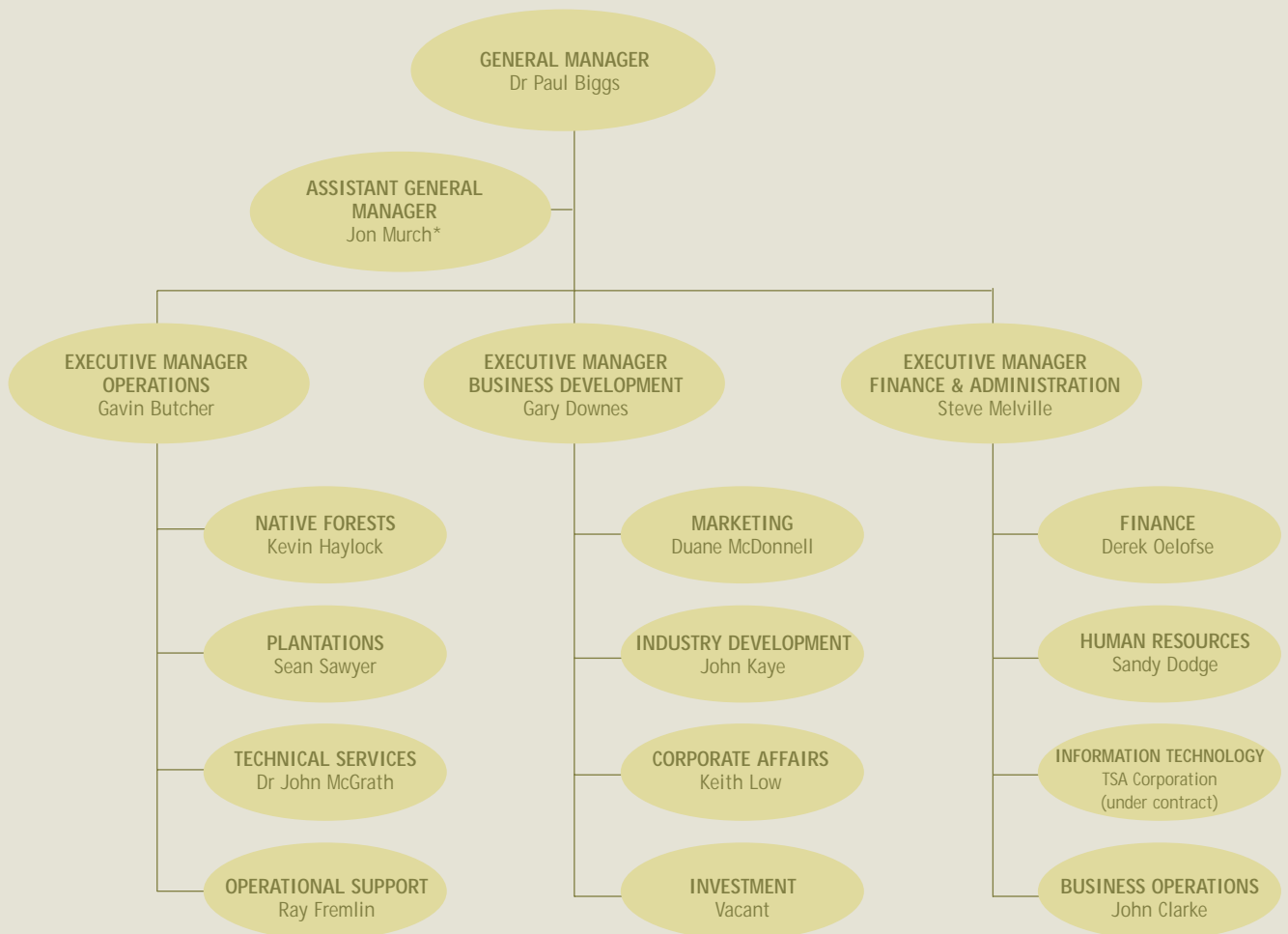
The year 2005/06 is expected to be a year of significant movement in the tree farming industry, linked both to market trends in the global economy, and to domestic strategies for natural resource management.

The new Forest Management Plan 2004-2013 provides stability in the restructured native timber and furniture industry. With this background, the major achievements planned for 2005/06 are:

- Secure major increases in external investment for tree farm projects aligned with regional NRM strategies.
- Finalise and implement regional plantation plans in consultation with communities, stakeholders and industry.
- Work towards implementation of the Australian Forestry Standard.
- Continue to enhance the Commission's Triple Bottom Line reporting system to measure, monitor and report on the Commission's social, environmental and economic performance.
- Complete the introduction of Australian equivalent International Financial Reporting Standards (AIFRS).

Organisational structure

Following a comprehensive review in 2004, the structure of the senior management group was consolidated this year and further positions finalised.



* Jon Murch retired July 2005 and this position was abolished.



environmental review

- 16 Environmental policy
- 17 Environmental management
- 17 Environmental incidents
- 18 Environmental services
- 18 Water-table management
- 19 Carbon sequestration
- 19 Renewable energy
- 20 Sustainable forestry
- 22 Harvesting levels
- 23 Regeneration
- 26 Energy management

Environmental Review

Vision

To support an environmentally sustainable and commercially viable forest products industry providing economic and social benefits to the people of Western Australia.

Policy

In setting objectives and implementing strategies to achieve its vision the Commission, in conjunction with other relevant authorities and private land owners, will:

- Apply the principle of sustainable forest management in all native forest operational activities in accordance with appropriate State and national standards;
- Apply the principle of sustainable plantation management, including contributing to global carbon cycles, in accordance with appropriate State and national standards;
- Seek opportunities where plantations can be used as a tool for the enhancement of the environment by abating environmental problems;
- Provide opportunities for producing renewable energy sources;
- Participate in activities that contribute to regional natural resource management;
- Comply with all relevant laws, regulations and other external and internal prescribed requirements in management operations;
- Implement and maintain comprehensive environmental management systems, compatible with internationally recognised standards, that include a continuous improvement approach, a monitoring and audit system, regular reviews of environmental performance and an effective reporting system;
- Identify the environmental impacts of operations and set objectives and standards to keep potentially significant impacts to acceptable levels, including the prevention of pollution, minimising waste and reducing energy consumption;
- Clearly define environmental responsibilities and train staff and contractors in good environmental management practices; and
- Communicate with internal and external stakeholders on environmental issues and performance.

Environmental Review cont'd

Environmental management

The Commission's focus in relation to environmental outcomes is to ensure that products are grown, extracted and managed in an environmentally sustainable manner.

In July 2004 the Commission's Operations Division successfully underwent recertification after three years under EMS ISO 14001:1996. The Commission is currently moving towards certification to the new standard EMS ISO 14001:2004 in the next financial year.

Environmental incidents

Quarterly Management Reviews and bi-annual internal and external audits are conducted to ensure the Commission is effectively implementing the environmental management system. Environmental incidences play an important role in identifying areas for continuous improvement.

The most significant incidents were identified by operational staff and through independent audits and are outlined in the following section. The percentage closure of all incident reports indicates if the corrective and preventative action has been completed within specified time periods, and includes low, medium and high level incidences.

Plantations

The most significant event in Plantations was the severe wildfire damage to Commission resources at the Beraking, Carinyah and Greystone plantations. The potential environmental problems were addressed through the successful implementation of a recovery emergency plan that minimised erosion and sedimentation. The fires through Greenbushes in 2003 continue to pose challenges to site preparation for re-establishment. This resulted in higher than expected problems on a private property with uncharacteristic siltation of streams and loss of top soil. Stabilisation of the site is occurring with the implementation of erosion control methods. Preventative action has been put in place to ensure soils are stabilised with pasture over the next 12 months before site preparation occurs on other sites.

Planting failures of maritime pines (*Pinus pinaster*) in the Mid-West area are occurring over a number of sites of different ages. A series of studies to understand the role of both climatic and site characteristics in determining the pattern of tree deaths has commenced. This work will result in a revision of both the site selection guidelines and silvicultural management of plantings in this region

Closure of incident reports within specified time frames was 72 per cent for Mature Plantations and 74 per cent for New Plantations.

Native forests

There have been no significant incidents in Arid Forests while South West Forests had one major incident in relation to the size of regeneration release areas. This is currently being investigated to determine if the areas are greater than the specified limit or have been incorrectly classified during the mapping process. Minor but more frequent breaches of management boundaries are being investigated with a view to improving training and management systems.

Closure of incident reports within specified time frames was 91 per cent for South West Forests and 82 per cent for Arid Forests.

Environmental Review cont'd

Plant propagation

The Nursery and Seed Technologies experienced a significantly reduced maritime pine germination rate (37 per cent when expected germination rate is 70 per cent). A quality management system is being introduced to enable future incidences to more accurately identify potential causes.

Closure of incident reports within specified time frames was 98 per cent

Executive

A number of significant findings were identified internally and during external EMS audits. These included the need to improve emergency planning, training related to identified environmental competencies, conducting inductions for new staff and failure to respond to audit findings within specified timeframes. Committees and work groups were established to address the concerns related to emergency planning, training and inductions. All areas of significance have been addressed, however, work in the areas of training related to environmental competencies is continuing.

Closure of incident reports within specified time frames was 75 per cent.

Environmental services

A project has started to monitor the influence of our *Infinintree™* integrated tree crops in the low to medium rainfall zone on soil water stores and groundwater levels. Bore fields have been designed to monitor groundwater levels on two properties purchased by the Commission in 2003/04. The program will track the impact of plantations and integrated tree plantings on water tables in these areas to demonstrate the benefits of revegetation in ameliorating dry-land salinity. These installations will demonstrate the effectiveness of trees in reducing groundwater at the local level. Monitoring of soil water under maritime pine plantings on a range of farmland plantings shows substantial depletion of soil water stores relative to adjacent farmland.

Water table management of the Gngangara mound

The continued sequence of dry years has increased the pressure on the State's surface and ground water resources. Ground water levels have declined across the Gngangara area. Both the extended dry period and extraction of water for private and public use are likely major contributors to the decline in the groundwater levels. The removal of the 21,500 hectares of pine plantations of Gngangara, Pinjar and Yancheop may assist in addressing this decline. The removal of the plantation may be expedited in the Gngangara area as a result of the discovery of European House Borer infestations in the Gngangara plantation.

Since January 2003 the plantation harvesting strategy has been based on the need to optimise the water recharge whilst meeting our commitments to supply a new laminated veneer lumber (LVL) plant under the *Wood Processing (Wesbeam) Agreement Act 2002*.

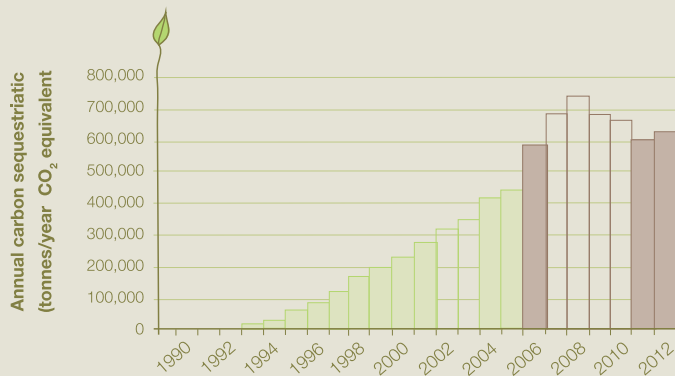
The work by the Gngangara vegetation technical team made up of representatives from Water Corporation, Department of Environment, CSIRO, Edith Cowan University and the Commission, to investigate the gaps in knowledge on water recharge rates is nearing completion and will provide further information on the role of the plantations and other vegetation in the management of the water resources of the Gngangara mound.

Infinintree™ is a registered trademark of the Forest Products Commission Western Australia.

The outcomes of this work will assist in the management of the environment by providing options for maximising water recharge, as well as optimising the level of timber resource to meet contractual commitments.

Carbon sequestration

The considerable research undertaken by the Commission to develop best practice techniques for sampling and estimating carbon sequestration in farm plantations and forecasting future carbon sequestration was utilised in projects which aim to attract investors seeking to develop carbon sink projects. Both the independent and joint research programs, as a member of the Co-operative Research Centre for Greenhouse Accounting, are ongoing. A major initiative in this area in the past year has been the commencement of a project to utilise the extensive growth data from an array of plantation silvicultural experiments to calibrate growth and carbon sequestration models under Western Australian conditions. This project has been fully funded by the Cooperative Research Centre for Greenhouse Accounting.



Estimated annual carbon sequestration in Commission-owned plantations established 1990-2004 and model projections of future carbon sequestration in those plantations.

The role of revegetation in Natural Resource Management

The use of tree crops for water table control, erosion control and biodiversity enhancement is gaining acceptance with joint State and Commonwealth funding of a one year Priority Project for Strategic Tree Farming in 2004/05. In addition, substantial revegetation programs have been included in Regional Catchment Strategic Plans and Investment Plans.

Renewable energy

As part of the Commission's objective to provide opportunities for developing renewable energy resources, two successful applicants for a Request for Proposal conducted trials to develop a business plan for biomass energy plants which use pine harvest residues.

Environmental Review cont'd

Sustainable forestry

The Commission is committed to delivering a sustainable forest products industry in Western Australia which integrates the principles of environmental protection, social advancement and economic prosperity. We will be a recognised provider of environmental services and benefits which include: watertable/salinity control; carbon sequestration; biodiversity enhancement and erosion control/farm enhancement.

Tree breeding program

The tree breeding program has concentrated on identifying genotypes among the maritime pine (*Pinus pinaster*) breeding population that will provide improved apical dominance and drought tolerance. *Pinus brutia*, a species with demonstrated tolerance to arid conditions, is the subject of investigation, as are hybrids between maritime pine and *P. brutia* and between the different provenances of maritime pine.

The radiata pine (*Pinus radiata*) breeding program aims to identify genotypes with drought tolerance while maintaining a focus on growth rate and form. The intention is to develop clonal plantations by deploying the best genetic material through vegetative propagation techniques.

Although the involvement of the Commission in blue gum (*Eucalyptus globulus*) plantations has decreased, the breeding program for this species has been maintained. Both Australian and overseas companies have shown an interest in the Commission's Western Blue Gum® breeding program and it is anticipated that collaborative projects will emerge from this interest.

The tree breeding section also manages breeding programs for Sydney blue gum (*Eucalyptus saligna*), sandalwood (*Santalum album*) and sugar gum (*Eucalyptus cladocalyx*), along with other tree species that have potential for environmental amelioration and commercial exploitation.

Environmental Review cont'd

QUANTITY OF NATIVE FOREST HARDWOOD LOG TIMBER HARVESTED¹ COMPARED TO SUSTAINABLE LEVELS AND TARGETS

The sustainable level is the average quantity of timber available for harvest each year, which can be continued in the long term; the 'sustainable yield level'.

Forest areas available for timber harvesting are measured using specifically designed inventory plots to determine the quantity of timber available and the rate at which it is growing.

Based on an analysis of this information by the Department of Conservation and Land Management, the estimated sustainable yield level of annual volumes of jarrah, karri and marri is determined for the term of the Forest Management Plan.

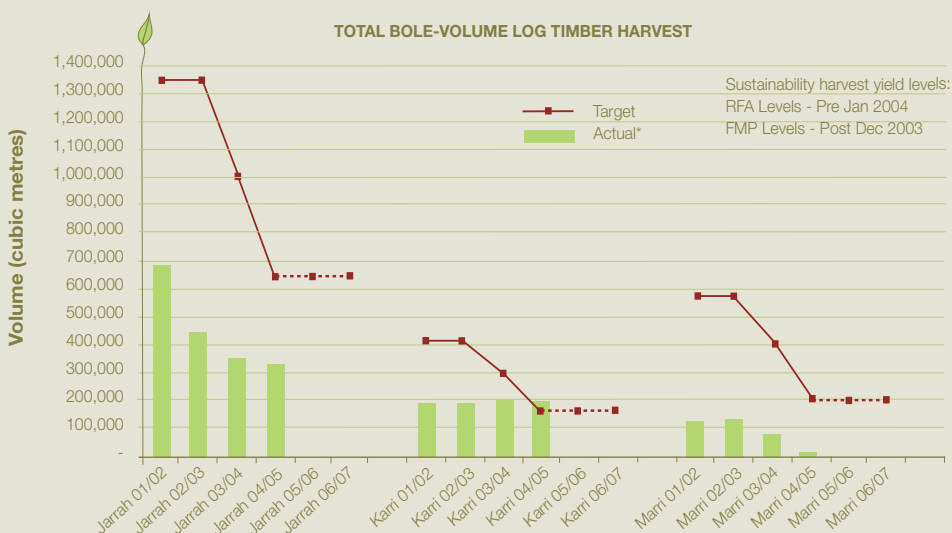
The current 2004/05 financial year is the first 12-month period under the new Forest Management Plan which commenced on 1 January 2004 for a 10-year period, through to 2013.

Harvest volumes cannot exceed a three-year average of the annual sustainable yield levels, as set out below.

Maximum annual sustainable harvest yield levels

Bole volume for jarrah, karri and marri - 1994 to 2013:

- (i) For the period 1994 to 2003 the annual sustainable yield level of total bole volume for jarrah, karri and marri was 1,360,000 m³, 417,000 m³ and 559,000 m³ respectively and,
- (ii) For the period 2004 to 2013 the annual sustainable yield level of bole volume (including first and second grade sawlogs) for jarrah and karri is 665,000 m³ and 171,000 m³ respectively and for all marri bole logs 196,000 m³.



Note: * Actual includes non-bole volume

The 2004 targets are an aggregation of harvest activity of the last six months under the 1999 Regional Forest Agreement and the first six months of the Forest Management Plan 2004/13.

Audited key performance indicator

Environmental Review cont'd

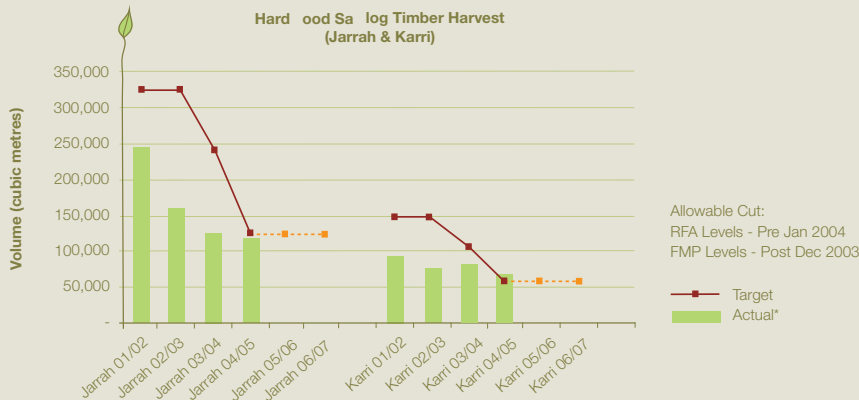
2004/05 harvesting activity:

Actual quantities of total bole volume harvest of native forest hardwood log timber for the period July 2004 to June 2005 for jarrah were 217,773 m³, for karri was 200,919 m³ and marri 8,651 m³.

The annual yield of logs for 2004 were within the maximum volumes stipulated in the Forest Management Plan (FMP) except for karri bole logs other than first and second grade sawlogs. The FMP provides for 117,000 m³ to be produced whereas the actual produced was approximately 124,000 m³. At this stage there is no clear method of differentiating between the quantity of 'other bole' volumes and the quantity produced from the crown of the tree. The FMP indicates that non bole logs (crown logs) can add up to an additional 10 per cent of the gross bole volume. In accordance with the FMP, the Commission has expanded its program of first thinning in regrowth karri to promote future sawlog growth and stand management. This does not affect the sustained sawlog yields but makes additional bole volume available.

First and second grade sawlogs - 1994 to 2013:

- (i) For the period 1994 to 2003 the annual sustainable yield level of first and second grade sawlogs for jarrah, karri and marri, as modified by the 1999 Regional Forest Agreement and Government policy, was 324,000 m³, 149,000 m³ and 78,000 m³ respectively.
- (ii) For the period 2004 to 2013 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 included in the 196,000m³ identified for marri bole logs.



Note: * Actual includes non-bole volume

The 2004 targets are an aggregation of harvest activity of the last six months under the 1999 Regional Forest Agreement and the first six months of the Forest Management Plan 2004/13.

2004/05 harvesting activity:

Actual quantities of first and second grade jarrah sawlogs harvested from July 2004 to June 2005 were 121,954 m³, karri sawlogs 60,144 m³ and marri sawlogs 4,812 m³.

Although the Karri first and second grade sawlog harvest exceeded the sustainable yield level under the Forest Management Plan over the 12 months of the 2004/05 financial year, the Forest Management Plan allows for the annual actual levels to be averaged over three years and measured against sustainable harvest levels. Harvest levels will be managed to ensure the sustainable harvest levels are not exceeded over the three-year period.

AREA OF NATIVE FOREST HARDWOOD REGENERATED 

Regeneration treatments applied in any one year may include parts of areas harvested over a number of preceding years. On an annual basis the area regenerated may fluctuate above or below the area harvested due to unsuitable field conditions.

MEASURE: THE AREA OF NATIVE FOREST HARDWOOD REGENERATED COMPARED WITH THE AREA HARVESTED FOR REGENERATION.

The figures reported cover the 2004 calendar year and are compared to the 2003 calendar year.

The area of native forest harvested for regeneration was 5,130 hectares (2003, 5,825 hectares). All areas were proposed for follow-up silvicultural treatments.

Treatments to achieve regeneration were completed for 2,130 hectares (2003, 2,995 hectares) from this or the previous year's cutting.

PERCENTAGE OF KARRI REGENERATED *

During the 2004/05 season, 1347.9 hectares of karri seedlings were planted, and of the total only 7.4 hectares required in-fill during the 2005/06 season. This represents a 99.5 per cent regeneration achievement against a target of 98 per cent.

* SCI indicator

 Audited key performance indicator

Environmental Review cont'd

HARVEST OF 'GREENWOOD' SANDALWOOD WILL BE MAINTAINED AT A SUSTAINABLE LEVEL ✓

Quantity of 'greenwood' sandalwood harvested.

The annual sustainable level of harvest for green sandalwood is set in accordance with relevant legislation and managed via the Commission's Environmental Management System [ISO14001]. In addition to the sustainable green sandalwood harvest, deadwood is also harvested.

Measure:

Green sandalwood quantities harvested comply with permissible green harvest level of 1,500 tonnes per annum ✓



The above graph does not include roots extracted, as root volume does not form part of the sustainable limit.

The harvested quantities were: green 1,131.3 tonnes; dead 626.2 tonnes and roots 198.7 tonnes which demonstrates the Commission's endeavour to maximise resource utilisation.

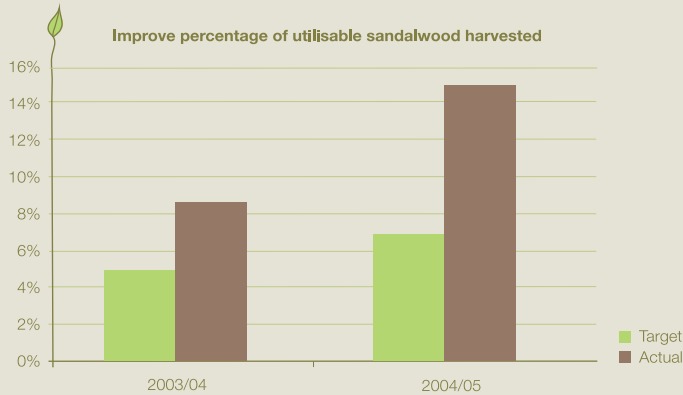
Percentage of sandalwood roots and butts as a percentage of green sandalwood harvested *

To improve the percentage of utilisable sandalwood harvested, the SCI target was increased from five per cent in 2003/04 to seven per cent in 2004/05, based on the good recovery achieved in the 2003/04 financial year. Due to new harvesting techniques, the increased target was exceeded with the actual achieved for 2004/05 being 14.9%.

* SCI indicator

✓ Audited key performance indicator

Environmental Review cont'd



Western Australian Sandalwood *

The Commission is continuing to work in collaboration with Murdoch University on the relationship between the woylie and sandalwood regeneration. Field trials indicate higher levels of regeneration are now occurring than previously recorded. Seventy eight inspections were conducted in the financial year covering 15 harvesting contractors and confirming that the silvicultural prescription (sowing of sandalwood seed) has been complied with and that each contractor has adequate seed supplies.

Compliance with Forest Management Plan

The Commission reports annually on the compliance of its staff and contractors with the provisions of the Forest Management Plan (FMP) and subsidiary management guideline documents.

In the year ending 31 December 2004, FMP reporting through our Environmental Management System showed overall compliance was of a high standard, with 39 incidents recorded, mostly of a minor nature with low environmental consequences. Several minor incursions across demarcated harvest cell boundaries into the informal reserve system associated with native forest harvesting coupes were also recorded.

One issue of concern to the Commission was our inability to maintain native forest sawlog supply to customers due to FMP constraints on harvesting operations under wet soil conditions. Maintenance of supply was aided by a drier than average winter in 2004, even so the highly prescriptive nature of the FMP Appendix 6 proved to be overly restrictive and adaptive management trials demonstrated a capacity to harvest without exceeding soil disturbance thresholds.

The full compliance report can be reviewed on the Commission's website at www.fpc.wa.gov.au

* SCI indicator

✓ Audited key performance indicator

Environmental Review cont'd

Australian Forestry Standard

The Commission is undertaking consultation to assess support from clients before it starts a program to achieve certification under the Australian Forestry Standard. An assessment is expected to be made in the coming financial year.

Sustainability Action Plan

The Sustainability Action Plan prepared by the Commission was delivered to the Department of Premier and Cabinet on 29 December 2004. The priority commitments and proposed timeframe for achievements have been incorporated into the Commission's Strategic Development Plan.

Energy management

The Commission has committed to an energy management program under the Energy Smart Government Policy. Being a Government Trading Enterprise, the Commission is a voluntary subscriber to the program that requires government agencies to reduce their stationary energy consumption by 12 per cent over the period 2001/02 to 2006/07. The energy reduction target for the 2004/05 financial year is two per cent - providing a total energy reduction target of eight per cent since 2001/02.

Table 1

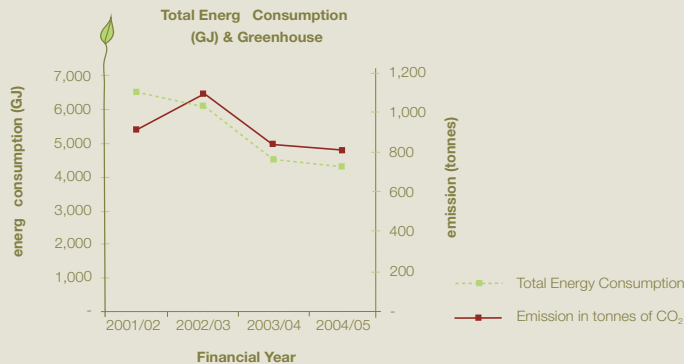
Energy Smart Government Program	2001/02	2002/03 Actual	2003/04 Actual	2004/05 Actual
Energy	Energy Consumption (GJ)			
•1 Electricity	2,839	3,682	2,841	2,998
•2 Natural Gas	2,330	736	2	26
•3 LPG	825	916	691	485
•4 Industrial Diesel	472	704	708	475
Total Energy Consumption	6,467	6,038	4,242	3983
Total Energy Cost	\$173,032	\$171,084	\$159,385	\$158,249
Greenhouse Gas	Emission in tonnes of CO₂			
Emissions	930	1,114	841	821

Table 2

Performance Indicators by End Use category				
1) Office buildings - tenant services				
•1 MJ/person/annum	9,322	8,880	9,888	10,300
•2 MJ/m ² /annum	269	283	377	398
2) Office buildings - combined services				
•1 MJ/person/annum	5,355	5,760	6,683	6,707
•2 MJ/m ² /annum	540	475	210	220

Note: Tenant offices include Rivervale, Kalgoorlie and Gnangara offices.
Combined service offices include Harvey, Manjimup, Nannup, Bunbury and Collie offices.

Environmental Review cont'd



The Commission has achieved a total reduction in energy consumption of 38 per cent compared with the baseline data set in 2001/02.

Explanation of variances for the 2004/05 financial year

The overall reduction in energy consumption over the 2004/05 financial year can be attributed to the Manjimup Nursery effecting a reduction in LPG and industrial diesel consumption.

However there was an increase in electricity consumption in the Manjimup Nursery/Seed Centre and the Rivervale office.

Commission's Energy Management Policy

The Commission has implemented an Energy Management Policy, which aims to:

- Reduce dependence on fossil fuels by reducing energy use;
- Reduce expenditure on energy by investing in cost effective plant and equipment; and
- Reduce pollution, particularly carbon dioxide emissions, by sourcing energy that is low in greenhouse emissions.

An Energy Management Team has been established to implement the policy and to develop an energy management program, to communicate energy awareness to all staff and to promote energy management initiatives. Staff are also encouraged to identify energy saving ideas.

The Commission is to undertake an energy audit of its Rivervale office premises in order to initiate its energy management program. This audit will be funded by a grant from the Sustainable Energy Development Office (SEDO) under the Energy Smart Government policy.

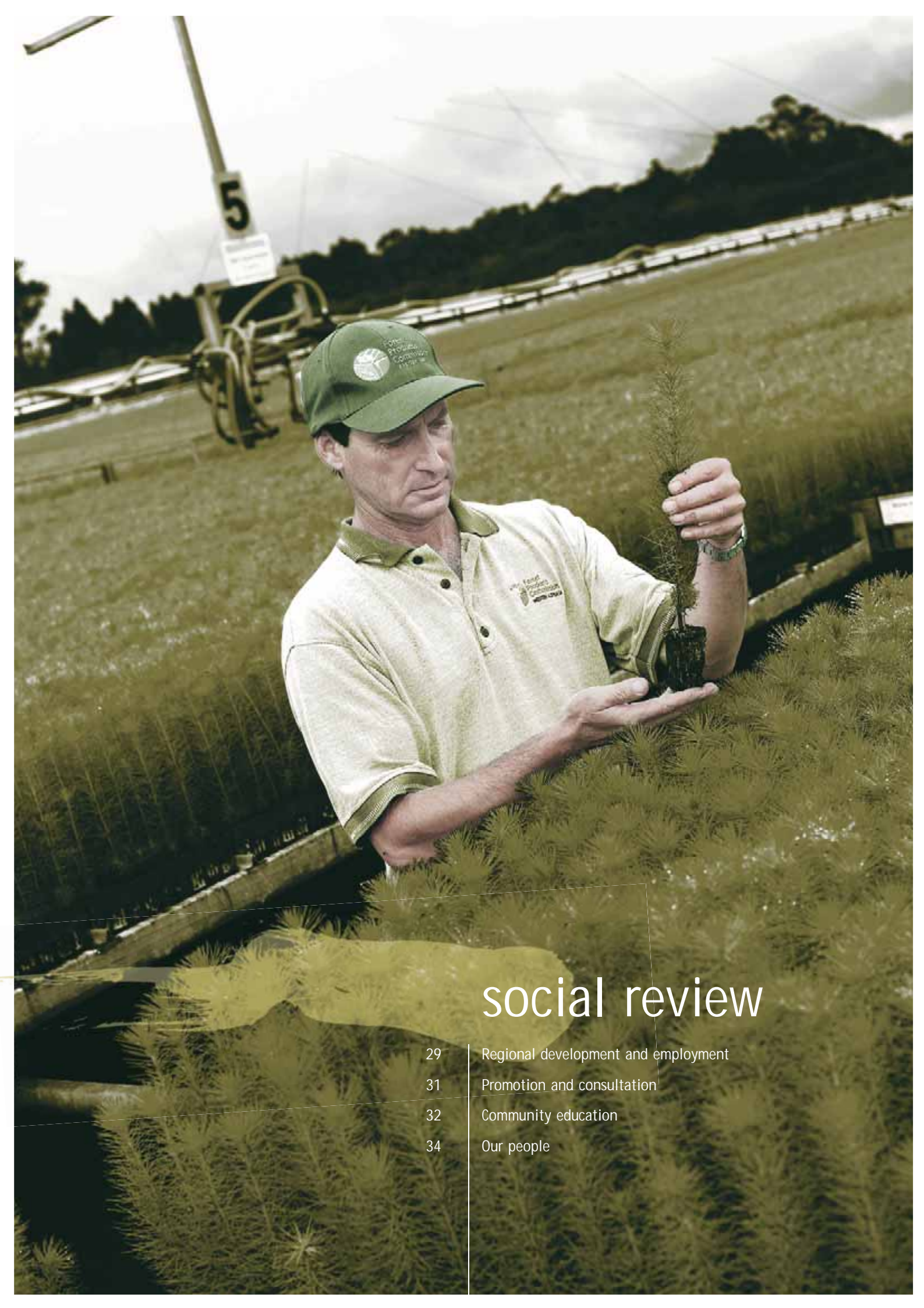
Waste paper recycling initiatives

Staff are encouraged to recycle paper and the Commission uses accredited contractors for paper recycling.

For the year 2004/05, the Commission provided approximately 4,600 kilograms of paper to be recycled under the State Government's waste paper recycling program.

The Commission has implemented a Recycling and Waste Management Policy and established a management team to implement the policy and to develop and promote recycling and waste management procedures.

The Commission's Manjimup nursery fully recycles all waste from planting trays and packaging and the Mid-West Sharefarms at Ngarara are recycling cardboard boxes and plastic box liners at the rate of approximately 30 cubic metres per annum in conjunction with a commercial recycler.



social review

- 29 Regional development and employment
- 31 Promotion and consultation
- 32 Community education
- 34 Our people

Social Review

The Commission is working to ensure that Western Australians benefit from a range of positive social outcomes as well as the financial returns of forest products. As we establish further plantations, regional WA will see enhanced employment opportunities, industry development and improved infrastructure.

We are committed to ongoing consultation and engagement with stakeholders, including communities and the forest industry. As we maximise returns from plantation products we consider value-adding opportunities and the long-term sustainable management of our timbers.

In keeping with our responsibility to our people and the broader community, we regularly review opportunities for development of staff in areas such as occupational health and safety, leadership and development.

Regional development and employment

This year we continued to expand the State's resource of plantation timbers in regional areas to bring economic, social and environmental benefits to Western Australians.

Following several years of consultation and negotiation, Western Australia joined the National Action Plan for Salinity and Water Quality (NAP) enabling an injection of \$316 million of joint State and Federal Government funding into Natural Resource Management, with \$64 million available for the Strategic Tree Farming project. Most of the funding will be delivered through the Regional Catchment Councils which have developed strategic plans outlining priorities for the management of natural resources in the regions. The Commonwealth Government allocated priority funding of \$5.9 million directly to Strategic Tree Farming (Infinitree) for 2004/05, with the remaining \$58 million to be distributed over three planting seasons.

Industry and community consultation has taken place to ratify regional Tree Farming and Industry Development Plans which leverage employment opportunities in four major areas: Mid-West and Perth region (maritime pine); Esperance (maritime pine); Central South West (eucalypt sawlogs) and South West (radiata pine). The plans provide a framework for funding secured through the NAP and the State's commercial operations.

The Commission's propagation nursery produced approximately 9.3 million seedlings during the year. It is anticipated that production will significantly increase in the next financial year with the commencement of the Premium Plantations 2005 project and plantings flowing from the NAP. Significant investment has occurred to upgrade the growing system to maintain best practice at the nursery. A quality control system is being implemented and greater emphasis is being placed on research and development to improve nursery products.

Employment opportunities have been invigorated by substantial growth and developments at regional sawmilling companies. Whittakers Limited sawmill at Greenbushes has built a new small log line sawmill this year with new kilns and equipment that will add high value to the product and boost employment at the site. Pemberton's Auswest Timbers is completing new kilns, processing sheds and moulding equipment and plans to increase the quantity of value added sawn timber products. One of the highest employers in its area, Nannup Timber Products, has also improved its sawmilling recovery, kiln drying, dry timber storage and moulding operations.

Social Review cont'd

The Commission's timber supply contracts are awarded on the basis of a demonstrated value-added chain as well as a commitment to the ongoing enhancement of employment opportunities in South-West communities.

AREA OF PLANTATIONS ESTABLISHED

Plantation establishment straddles the financial year, therefore areas of establishment reported in this Annual Report are those established during the calendar year of 2004.

Areas established achieve a range of environmental, social and economic benefits and will supply the existing industry, develop resources in new areas for future regional economic benefits and provide multiple landcare protection purposes such as salinity amelioration, carbon sequestration and other biodiversity benefits.

	Second Rotation pine species (ha)	First Rotation pine species (ha)	Eucalypt species (ha)	Sandalwood (ha)	
Target	1,500	4,000	1,100	50	
Total Area established	1,391	1,178	739	80	
Note:	(1)	(2)	(3)	(4)	
Purpose	Sustain existing industry*	1,391	579	-	-
	Regional development*	-	599	739	80

Note: * Salinity, water quantity and landcare purpose is delivered concurrently with timber production

Areas established against targets:

Notes:

(1) Second rotation pines

Target: 1,500 hectares

- Re-establish all areas clearfelled and ready for replanting (1,391 hectares). Logistical and contractual issues led to a seven per cent shortfall on the target planting area.

(2) First rotation pines

Target: 4,000 hectares

- To sustain softwood resource in the Perth and Mid-West region, plantations are being established on farmland to replace areas to be clearfelled at Gnangara (approx. 23,000 hectares). Since 1995 a total of approximately 10,239 hectares have been established; and
- Final goal for various regional cells (Katanning, Esperance, Albany) are being resolved as part of detailed planning for a coordinated approach to tree farming in Western Australia. Gaining access to land through sharefarming has proven to be difficult. Alternative measures have been pursued by the Commission and are proving fruitful.

Audited key performance indicator

Social Review cont'd

(3) Eucalypt species

Target: 1,100 hectares

- Eucalypt sawlogs - This program is developing well. Agricultural product values are still competing strongly with tree planting options and therefore land availability for tree planting is at a premium.

(4) Sandalwood

Target: 50 hectares.

- The area planted was 80 hectares. This is a newly developing project with good prospects.

Promotion and consultation

The Commission is an active participant in the promotion of finished timber products. We proudly support numerous industry events and activities and are committed to educating the public about the uniqueness and value adding opportunities available with Western Australia's native forest and plantation timbers and finished products.

Furniture Industry

The Commission supports the enterprise and initiative of the Furnishing Industry Association of Australia, Western Australian branch (FIAA WA), as its furniture manufacturers continue to develop their leadership in design, manufacture and exporting.

The need for strong commercial relationships between sawmillers and local furniture manufacturers continues to take high priority and the Commission has played a role in assisting these relationships.

The Commission was again the 'Platinum' sponsor of the FIAA West Australian and Australian Furniture of the Year Awards in 2004. Just Jarrah continued to show excellence in design by winning the Best of the Best award with its Majestic dining suite.

Australian School of Fine Wood

The Forest Heritage Centre and the Australian School of Fine Wood in Dwellingup are supported by the Commission. The Centre offers education and training for the fine wood furniture industry, forest management and interpretation and sales of fine wood products.

The school has signed a Memorandum of Understanding with Curtin University to provide those students of the Australian School of Fine Wood with a continuing avenue of study, and Curtin with a cohort of international students for identified course programmes. The centre is planning new buildings and infrastructure to enhance its capabilities and attractiveness to wood workers and the tourism industry.

The Commission contributed to the salary and vehicle running expenses of the Centre's General Manager.

Timber Advisory Centre

The Timber Advisory Centre at the Home Base Building Expo at Subiaco is a valued alliance for the Commission as it offers information on timber use and projects and educates the broader public, architects, builders, designers and tradespeople.

Social Review cont'd

The Commission contributed \$20,000 towards its management, promotion and upkeep and is represented on the Centre's council. The Centre is due to be remodelled at the end of 2005 to reflect product and market changes.

Furniture manufacturing and exports

The Commission's Timber Technology and Industry Development branches continue to provide technical information on the characteristics and qualities of our timbers for application in newly designed and manufactured timber furniture for Australian and international markets.

In particular, work is being undertaken to demonstrate how to mill, kiln dry and process plantation-grown eucalypt hardwood sawlogs for joinery, furniture and flooring.

Allies in research

Considerable progress has been made towards the development of a Joint Venture Agreement between the Commission and UWA (Faculty of Architecture, Landscape and Visual Arts) to carry out timber technology research. The initial priority will be to undertake work turning short length low-grade jarrah into high value products, and research into karri targeted at new high value added products and markets for furniture, flooring and joinery. Future research will mainly focus on identification of new markets for hardwood and softwood timber with particular emphasis on design and manufacturing of furniture in Western Australia.

The Commission is a partner in the Cooperative Research Centre for Wood Innovations which is working on microwave technology and high value-adding of timber. Research into bending of timber continued, and staff are also involved in projects on timber preservation and drying as well as editing of reports.

Commission staff have participated in sawmilling trials of Western Australian plantation-grown timbers in association with ensis (formerly CSIRO Forestry and Forest Products).

Community education

The Commission has participated in the following events in an effort to further educate the broader community about its objectives, the State's timbers and the many value adding uses of our timber products:

- WA Farmers Federation annual conference;
- Wagin Woolarama;
- Working with Wood Show;
- WA on Show;
- Dowerin Field Day;
- Perth Royal Show;
- South West Horticultural and Forestry Expo;
- School of Wood end of year student exhibition;
- Agricultural shows at Mt Barker, Albany and Gingin; and
- numerous field days.

Social Review cont'd

The Commission responded to more than 500 enquiries on wood properties and timber use in the financial year. These enquiries include wood identification, botanical advice, movement of timber in service and other aspects relating to utilisation.

Community consultation

The Commission consulted a range of stakeholders in regard to its native and plantation harvesting plans. Stakeholder groups included the public, property owners, indigenous representatives, shires, parliamentary members, corporations, conservation groups, students and government agencies.

The Commission ensured prior notification was provided via media notices and direct mail when required. Detailed coupe maps, educational tours and follow-up contact was also provided by Commission staff on request.

Committee communication

The Commission joined representatives from industry, government and community on the Native Forest Products Ministerial Advisory Council and the Plantation Industry Ministerial Advisory Committee, which provides an important forum for communication on the development of the industry. A major activity for the Committee was the preparation of the draft State Strategy for Plantations and Farm Forestry.

The Commission also participated with the Private Forestry Development Committees (Trees South West, Timber 2020 and South East Forest Foundation) on matters of mutual interest, gave presentations at various strategic planning forums and regularly contributed to the local branch of Australian Forest Growers (the national private forestry body) and the WA Agroforestry Working Group.

Staff also met with regional Natural Resource Management Groups (the Northern Agricultural Catchments Council, Avon Catchments Council, South West Catchments Council and the South Coast Regional Initiative Planning Team) on their NRM Strategies and Investment Plans. At a State and national level the Commission participated in a range of NRM committees ranging from the peak State Natural Resource Management Council, the State and Commonwealth Joint Steering Committee, Senior Officers NRM Group, State Investment Committee and the Fast and Efficient Review Panel.

Social Review cont'd

Our people

The Commission has 67 employees working from the corporate headquarters in metropolitan Rivervale and 140 in 13 regional offices around the State. This represents an increase of five staff on the previous year and is mainly due to the recruitment drive for entry level field staff.

The Commission's employees are committed to working closely with industry in a dynamic environment that holds enormous potential for the entire Western Australian community.

As at 30 June 2005, staff numbers and their locations were:

	Full-time salaried staff	Part-time salaried staff	Wages employees	Total	Men	Women
Albany	15	-	-	15	12	3
Bunbury	18	3	-	21	13	8
Collie	9	2	-	11	6	5
Esperance	2	-	-	2	2	-
Gnangara	12	-	-	12	9	3
Harvey	20	3	-	23	16	7
Kalgoorlie	2	-	-	2	2	-
Katanning	4	-	-	4	4	-
Kununurra	1	-	-	1	1	-
Manjimup	17	-	-	17	15	2
West Manjimup Nursery	14	2	2	18	8	10
Nannup	12	-	-	12	10	2
Rivervale	62	5	-	67	36	31
Wanneroo	2	-	-	2	1	1
Total	190	15	2	207	135	72

All employees are committed to the Commission's values and act with integrity, professionalism and understanding. The Commission management seeks to develop the skills of its employees and build on the personal commitment of each member of the team with a targeted program of professional development.

The Commission has outsourced its human resource transactional functions to the People Services Branch of CALM under a Service Level Agreement. These arrangements are reviewed annually.

Recruitment

During 2003/04 the Commission identified the need to ensure access to a pool of entry level field staff with career aspirations in the forestry sector.

In 2004/05 the Commission continued to recruit entry level field staff from a pool of readily available forest officers for immediate deployment as a result of successful investment strategies or other strategic outcomes.

Training

The Commission has continued the development of a training program for entry level field staff. This program is intended to deliver courses designed to address the particular requirements of the Commission and its employees. In accordance with this, those Commission courses identified as having relevance are currently being reviewed in order to ensure that they meet the requirements for delivery by a Registered Training Organisation (RTO).

A Training and Development Committee has also been established to provide direction and coordination to the staff training effort within the Commission. The committee is adopting a two-phase approach to the development of training programs. Phase one will focus on operational and field-based staff, with phase two incorporating training programs for administrative and management staff. Work has commenced on phase one to develop a 'career pathway' for each category of operational and field-based staff.

Growth Development Leadership Program

During 2004/05 the Commission implemented the second Growth Development Leadership program, designed to provide staff and the organisation with an ongoing development and leadership program. The program, with an initial group of 17 participants, commenced in February 2005.

Participants nominated from across the Commission have been involved in the development of a number of projects selected for their input to the Commission's strategic objectives. These projects are due for completion in the latter half of 2005.

Occupational Safety and Health (OSH)

The Commission's forestry operations were audited by Worksafe WA in 2004/05 as part of a national worksafe project on forestry. Worksafe inspectors visited Commission-controlled harvesting operations including our pines and native forests in the South-West and sandalwood operations in the arid forests around Kalgoorlie. Worksafe was generally impressed with the priority that OSH has in our operations. A healthy partnership has developed between key commission staff and the Worksafe inspectors responsible for forestry. Worksafe will be releasing a report of this project for the Commission.

The Commission has and continues to play a key role in the revision of the Plantation and Hardwood Safety and Health Code which should be finalised before Christmas.

Major initiatives undertaken in 2004/05 included the drafting of the Commission's first Safety Management Systems Manual. Priority training of Safety and Health Representatives (SHREPS), a complete review of our Emergency Response Plans and obtaining legal advice and making necessary adjustments in regards to our duty of care requirements to our contractors. Ergonomics training was provided in several work centres.

There were two Lost Time Incidents (LTI), which resulted in a total of seven days lost, and 16 Minor Treatment Incidents (MTI) in 2004/05. The LTI's were an eye injury and occupational overuse syndrome. These statistics demonstrate an improvement in our OSH performance for 2004/05.

Social Review cont'd

Disability Services Plan

The Commission continued to operate in accordance with its existing Disability Services Plan.

Equal Employment Opportunities

The Commission's yearly Equal Employment Opportunity Management Plan for the period ending 30 June 2005 reflected the following outcomes:

- Representation of women within the workforce has increased from 34.6 per cent to 38.6 per cent;
- Number of employees who are from indigenous backgrounds has decreased from 0.4 per cent to nil;
- Number of employees who have disabilities has increased from 0.9 per cent to 2.9 per cent;
- Number of employees from culturally diverse backgrounds has increased from 7.5 per cent to 15.9 per cent;

The Commission has continued to seek to create part-time employment opportunities for those staff with family responsibilities, and regionally based employment opportunities wherever possible.

Code of Conduct

The Commission complies with the Public Sector Code of Ethics and has its own Code of Conduct for employees, which has been in place since July 2001.

The Code of Conduct addresses issues including conflicts of interest, corruption, discipline, confidentiality, freedom of information, security of records, equal employment opportunities and diversity, disability services and grievance resolution.

Feedback opportunities are available through internal and external mechanisms and staff are regularly surveyed.

There was one complaint received under the Commission Code of Conduct and disciplinary action taken.

There were no reported breaches of the Public Sector Standards lodged against the Commission during 2004/05.



corporate governance

38	Commissioners and committees
41	Executive
42	Legislative requirements
45	Certification and compliance
45	Statement of Compliance with Public Sector Standards
46	Certification of Performance Indicators
47	Auditor General's Report on Performance Indicators
48	Statement of Compliance with Written Law

Corporate Governance

Commissioners and committees

This section outlines the main Corporate Governance practices that were in place throughout the financial year.

The development of a governance framework and a review of the 'board' were among the Commission's major achievements in corporate governance this year. The resignation of Commissioner John Castrilli led to the appointment of Kellie Benda, who brings sound experience in finance and risk management. The Commission undertook a review of its internal governance, including the roles of Board members and the range of skills needed. The new governance framework will guide the operations of the Commission well into the future.

The seven Commissioners are the governing body of the Forest Products Commission and are responsible to the Minister for Agriculture and Forestry. Under the *Forest Products Act 2000* the Commissioners, in the name of the Commission, are to perform the functions, determine the policies and control the affairs of the Commission.

The Commissioners are appointed by the Governor on the nomination of the Minister as having expertise relevant to the functions of the Commission



Murray Jorgensen OAM, Cent. Medal, JP - Chairman

Mr Jorgensen is the principal of a management and business consultancy for a wide range of commercial, State and Local Government agencies. He has extensive experience in Local Government, including five years as the Shire Clerk at the Shire of Manjimup and 10 years as the Chief Executive Officer of the Town of Albany. He was a Commissioner at the City of Cockburn between April 1999 and December 2000. He has been in a number of small businesses and consulted to many publicly listed companies. Mr Jorgensen is also Chairman of the Plantation Industry Ministerial Advisory Committee (PIMAC) and Chairman of the State's Integrated Fishing Advisory Council. He has been a member of the Forest Management Plan Steering Committee and the Fisheries Statutory Management Authority Advisory Committee.



Per Christensen PhD- Deputy Chairman

Dr Christensen is a forester and a consultant ecologist with broad and authoritative experience in forestry and fauna ecology in Western Australia. He has extensive experience at senior management level within State Government and currently sits on a number of committees, including the Shark Bay World Heritage Property Scientific Advisory Committee. Dr Christensen is the scientific adviser and member of the management committee of Project Eden, which aims to rid Shark Bay's Peron Peninsula of feral cats and foxes. Dr Christensen is also a member of the Blackwood Basin Group.



Sandy Breeze

Ms Breeze has been a business proprietor and manager in the furnishing industry since 1982. National Director of the Furnishing Industry Association of Australia (FIAA), she has been a councillor of the FIAA (WA) since 1990 and Vice President from 1999 to 2005. She has also been Chairperson of the Australian Furniture of the Year Awards since 1995.

Corporate Governance cont'd



Marilyn Clark-Murphy BA, MBus, PhD.

Dr Clark-Murphy is Associate Dean, Research and Higher Degrees and Head of the School of Accounting, Finance and Economics in the Faculty of Business and Law at Edith Cowan University. Prior to joining ECU she had a long career in industry and has broad experience in financial management and stockbroking. Dr Clark-Murphy has served as a board member of several government instrumentalities/agencies. She was a Commissioner to the City of Joondalup and City of Wanneroo from November 1997 to December 1999, overseeing the creation of two separate Local Government authorities, and member of the Metropolitan Cemeteries Board from 1994 to 2002.



Ray Curo

Mr Curo is self-employed as a cabinetmaker. He has extensive knowledge of the Western Australian hardwood timber industry through 25 years of bush work, roading, contract management, training and management of harvesting operations. He has extensive experience in land use conflict resolution. Mr Curo was Chairman of the Forest Industries Training Services between 1995 and 1997 and has been a Manjimup Shire Councilor since 1997.



Nick Oaks

Mr Oaks is a Councillor on the Bridgetown Greenbushes Shire. He is also a Board Member of the South West Development Commission and the Dwellingup Forest Heritage Centre. Mr Oaks is the Chairman of Trees South West, a Private Forestry Development Committee, and Chair of Forest & Forest Products Division of the WA Primary Industry Training Council.



Kellie Benda BA, LLB, M.App.Fin, ASIA, MAICD

Ms Benda is currently General Manager - Assets and Acquisitions for R.A.C. Ms Benda has 12 years experience as an investment banker and corporate finance adviser, working in Sydney and Perth. Prior to her finance career she practiced as a corporate solicitor. She is a former Head of Corporate Finance and Investment Banking and Board member of Perth stockbroker, DJ Carmichael & Co Pty Ltd. Ms Benda is a member of the Advisory Board to the Centre for Women and Business within the Graduate School of Management, University of Western Australia (UWA), a Councillor of the Methodist Ladies' College School Council and committee member of Youth Focus (a charity working to prevent youth suicide and self harm).

The Commissioners met 13 times during the year with all Commissioners attending 11 or more meetings.

Mr Murray Jorgensen 12

Dr Per Christensen 11

Ms Sandy Breeze 11

Ms Kellie Benda 6 (appointed on 16 November 2004)

Dr Marilyn Clark-Murphy 11

Mr Ray Curo 12

Mr Nick Oaks 13

*John Castrilli resigned on 27 July 2004

Committees

The Commissioners sit on a number of committees to evaluate and make recommendations on specific aspects of the business.

Audit and Risk Management Committee

Dr Marilyn Clark-Murphy - Chairperson

Mr Nick Oaks

Mr Ray Curo

Mr Murray Jorgensen

Internal Audit

Internal scrutiny is provided for by a strategic program of internal audits covering financial, operations and environmental assessment. These audits reviewed internal systems and management process against a range of state and national standards. The annual audit plan pursued its objective of continuous improvement which was prioritised under risk-based criteria.

The organisation is also subjected to a number of external audits for financial compliance and management. This included two external surveillance audits of the Environmental Management System. Successful outcomes in these audits are a requirement in order to maintain certification under the ISO 14001 standard.

The Department of Conservation and Land Management along with the Conservation Commission apply assessment of the various requirements of the Forest Management Plan and carried out three operation audits to that end.

The Office of the Auditor General also conducted two audits in this fiscal year.

Summary of individual audits applied.

Type of audit	Internal	External
Financial	7	2
Management	2	1
Environmental	6	4

Resource Utilisation Committee

Mr Ray Curo - Chairperson

Mr Nick Oaks

Dr Per Christensen

The Resource Utilisation Committee undertakes a performance review of procedures and specifications for log utilisation from the Commission-controlled harvesting operations.

Communications Committee

Ms Sandy Breeze - Chairperson

Mr Murray Jorgensen

Dr Per Christensen

The Communications Committee was formed to advise and make recommendations to the Commissioners on strategies requiring major budgetary expense or major change in emphasis or image for its approval before going ahead. The committee resumed meetings on 1 October 2004 to address governance review issues, and marketing and communication plans meetings. The committee disbanded on 4 February 2005 after completing work on a strategic communications plan.

Business Development Committee

Mr Murray Jorgensen
 Ms Kellie Benda
 Dr Per Christensen

The Business Development Committee was formed on 3 December 2004 to examine and evaluate business development scenarios that will establish viable farm estates within identified cells, enable sustainable development of regional timber processing industries and deliver significant regional environmental services.

The executive

Paul Biggs BScFor (Hons), PhD, MIFA MAICD, General Manager

Paul Biggs has led the Commission since its creation in November 2000. His previous background was in measurement and strategic planning for forestry with CALM, and greenhouse policy and forest policy within Ministerial offices. He is a member of the Institute of Foresters of Australia and the Australian Institute of Company Directors and will complete an Executive MBA during 2005.

Gavin Butcher BScFor, Executive Manager Operations

Gavin Butcher has a career spanning more than 20 years in plantation and native forest management and has particular strengths in the strategic, analytical and financial fields of forestry management. He holds a Bachelor of Science in Forestry and has also lectured part-time at Edith Cowan University. His previous position was Executive Manager Plantation Operations and prior to this was Plantations Group Manager with CALM.

Gary Downes BBus, FCPA, MAICD, Executive Manager Business Development

Gary Downes has occupied Executive positions for the past 17 years and has extensive experience working with Boards of Management in both the private and public sectors. Business development and strategic positioning of organisations have been a primary focus. He holds a Bachelor of Business degree, is a Fellow of the Australian Society of Certified Practising Accountants (CPA Australia) and a member of the Australian Institute of Company Directors.

Steve Melville BBus, FCPA, Executive Manager Finance and Administration

Steve Melville occupied financial, marketing and management roles in the government and private energy sector before joining the Commission in 2004. His strength is in strategic planning, financial analysis and implementation of major IT systems. His recent experience has been managing change in newly deregulated markets. He holds a Bachelor of Business degree, is a Fellow of CPA Australia and also director of a significant WA financial institution.

Jon Murch BScFor (Hons), Assistant General Manager

Jon Murch has been involved in the management of forest resources in Western Australia for nearly 30 years and has specialist experience in managing native forest and plantation contracts and the selling of timber products. Jon retired on 1 July 2005.

Balanced scorecard

In 2004 the Commission introduced a balanced scorecard to measure, manage and report on its strategic performance.

The Strategic Development Plan and Statement of Corporate Intent provide the base Key Performance Indicator measures in the system to have data captured and displayed in a balanced scorecard and performance management format.

The system will continuously evolve to meet the organisation's needs and strategic and operational focus with data being accessible across the organisation through the Commission's intranet.

Legislative requirements

Acts and Regulations

The Commission administers the following Act

- Forest Products Act 2000,

And parts of :

- Forest Management Regulations 1993

The Forest Products Act was amended in 2004 to provide for contracts for the sale of plantation products to be for terms up to 25 years and for the Commission to provide services related to plantation establishment and maintenance to investors on private land, on a "fee for service" basis. These provided a significant boost to the plantation industry and opened new opportunities for the Commission.

A fuller list of Acts and Regulations within which the Commission operates is available on the website www.fpc.wa.gov.au.

Statement of Corporate Intent

The Statement of Corporate Intent (SCI) sets out the Commission's scope of activities, objectives and performance targets for the financial year ahead and is consistent with the Strategic Development Plan (SDP). The SCI is tabled in Parliament after agreement with the Minister and the treasurer's concurrence. The 2004/05 SCI performance indicators are indicated with the symbol * and reported in the Annual Report.

Freedom of Information Act

The Commission complies with the requirements of the Freedom of Information Act and has its own Information Statement available on request from the public, via its Rivervale office. Documents and publications are available on request through the Corporate Affairs area.

Strategic Development Plan

The Strategic Development Plan outlines the Commission's five-year economic and financial objectives and is an internal document.

Publications

The following Forest Products Commission publications are available on request from the Commission or downloaded* from the web site at www.fpc.wa.gov.au

- Action Plan for Tree Farming in Western Australia*
- Adding Value to Forest products in WA*
- Annual Report*
- Forest Management Plan 2004-2013*
- Growing a Sustainable* Future
- Integrated tree farming*
- Introducing the Forest Products Commission*
- Manjimup Nursery seedling catalogue*
- Growing Sandalwood (*Santalum spicatum*) on Farmland in Western Australia
- Sandalwood Information Sheets
- Conserving Sandalwood (*Santalum spicatum*) in the Rangelands, Western Australia
- Estimating Returns on Plantation Grown Sandalwood (*Santalum spicatum*)
- Seed Technologies catalogue*
- Timber Industry Statement*
- WA Furniture Timber*

Information Management

The Commission's record keeping plan has an increasing strategic focus on the needs of document management. The Commission is committed to meeting its regulatory and best practice requirements, ensuring proper and adequate records are maintained.

During the year the focus was on the implementation of a new Records Management System which will assist the Commission in integrating all its offices into one system, ensuring uniformity and accountability.

Corporate Governance cont'd

The Commission has implemented the following activities to ensure staff are aware of their record keeping roles and responsibilities:

- Records Management Induction sessions, including presentation on the Record Keeping Plan;
- Ongoing interactive online Record Keeping Awareness Training package for all staff commencing with the Commission;
- The progressive roll-out of the new system to all offices, including the conversion of existing files into the new standardised system; and,
- Training staff in the new Records Management System, and making the system available to all staff.

Corruption Prevention

The General Manager files an annual return with the Corruption and Crime Commission on any matter involving suspected /substantiated serious misconduct.

Public Interest Disclosure

The Forest Products Commission has complied with the Public Interest Disclosure Act 2003 by nominating the Commission's Executive Officer as being responsible for receiving disclosures of public interest and undertaking the internal investigation.

STATEMENT OF COMPLIANCE WITH PUBLIC SECTOR STANDARDS

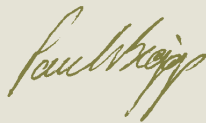
The Commission has adopted guidelines and processes supporting the public sector standards in human resource management. There were no reported breaches against any standard for the reporting period 2004/05.

The Commission has a series of outsourced service provider arrangements in place for the provision of human resource management services. Within this service provider environment, individual managers are responsible for ensuring compliance with the relevant policies and the Code of Conduct, while the service provider has responsibility to undertake a monitoring and advisory role. This includes monitoring all transactions for recruitment, selection and appointment, secondment, transfer, temporary deployment, performance management and grievance resolution to ensure current policy is adhered to. Commission staff are responsible for termination and disciplinary cases.

Policies and supporting procedures are accessible to all staff on-line via the Commission's intranet, as is the Code of Conduct.

Dr Paul Biggs


GENERAL MANAGER



26 August 2005

Corporate Governance cont'd

CERTIFICATION OF PERFORMANCE INDICATORS

We hereby certify that the performance indicators of the Forest Products Commission (marked with the following symbol "  ") are based on proper records, are relevant and appropriate for assisting users to assess the Commission's performance and fairly represent the performance of the Commission for the financial year ended 30 June 2005.



Murray Jorgensen

CHAIRMAN

26 August 2005



Dr Marilyn Clark-Murphy

COMMISSIONER

INDEPENDENT AUDIT OPINION

PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30 2005



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

**FOREST PRODUCTS COMMISSION
PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2005**

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of the Forest Products Commission (identified with the following symbol “☑”) are relevant and appropriate to help users assess the Commission’s performance and fairly represent the indicated performance for the year ended 30 June 2005.

Scope

The Commission’s Role

The Commission is responsible for developing and maintaining proper records and systems for preparing performance indicators.

The performance indicators consist of key indicators of effectiveness and efficiency.

Summary of my Role

As required by the Financial Administration and Audit Act 1985, I have independently audited the performance indicators to express an opinion on them. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the performance indicators is error free, nor does it examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the performance indicators.

Handwritten signature of D D R Pearson in black ink.

D D R PEARSON
AUDITOR GENERAL
11 November 2005

STATEMENT OF COMPLIANCE WITH WRITTEN LAW 2004/05

As a result of outcomes of the internal audit program it is their opinion that the Commission has complied with the requirement of the relevant written law during 2004/05. The relevant Acts and amendments to regulators are noted in this section of the annual report.



Murray Jorgensen

Chairman

26 August 2005



Dr Paul Biggs

General Manager



economic review

50	Economic achievements
50	Financial performance
52	Financial overview
53	Performance indicators

Economic Review

Economic achievements

The Commission works in partnership with industry, the community and other government agencies to establish a long-term, viable timber industry. This is achieved through the sound management of existing resources, actively pursuing future investment opportunities, and seeking new economic and policy mechanisms to support the industry in the longer term.

Our overall economic focus is to achieve sustained growth, profitability and longevity for the industry and the Commission.

New investment

Our expertise in commercial forestry attracted major investor CommSec which has contracted the Commission to establish and manage eucalypt plantations on a fee-for-service basis. A project team has been set up to manage the Premium Plantations Project '05 which will see Tasmanian blue gum and Sydney blue gum planted in 2006, with the scale of planting being finalised in October 2005.

LVL plant commissioned

Environmental and economic strategies are successfully combined in the newly commissioned laminated veneer lumber plant at Neerabup. The Commission will supply 4.12 million cubic metres of softwood logs to the plant over the next 26 years. Targeted harvesting from the Gngara mound pine plantation will help control water table levels in a supply catchment.

New sawmill in Collie

The Commission entered into a 20-year supply contract with Pinetec. Pinetec is relocating its sawmill from Bassendean to Collie. With the clearfelling of Gngara plantations, the relocation will allow the full utilisation of the sawlog resources in the South West. It is expected the new mill will be commissioned later in 2005.

Feature logs

A new tender process was announced for the purchase of feature grade and specialty timbers suitable for furniture manufacture and other high value end-users. Around 8,500 tonnes of logs were made available including jarrah, marri, WA blackbutt, WA sheoak, tuart and wandoo. The timber has to be used for local high-value manufacturing.

Financial Performance

The Commission's underlying operating financial performance for the 2004/05 financial year improved on previous years, however issues arising from the ongoing restructure of the native forest timber industry negatively impacted on the reported profit for the period.

The Commission's South West and Mature Plantations business segments made improvements to their operating performance during the year by close to \$2 million each, whereas the Arid Forest business segment made only a slight profit impacted by lower harvest activity and less profitable product mix. The operating surpluses generated by these business segments support the State's contribution to the

Economic Review cont'd

National Action Plan for Salinity and Water Quality through the Commission's Strategic Tree Farming initiative, Infinitree™.

Revenue from ordinary activities increased by \$4.2 million (4.3%) this financial year while expenses from ordinary activities increased by \$3.7 million (3.4%) contributing to a small profit from the underlying operations of the FPC.

The Commission's 2004/05 reported financial performance was negatively impacted by a provision for claims against the FPC arising from the restructure of the Native Forest industry following the implementation of the Government policy Protecting our Old Growth Forests. Provision of the amount in no way indicates that the Commission is liable for the claims. However, the Commission has elected to adopt a conservative approach pending assessment of the validity of the claims.

The Commission continues to work with Government to review and improve the financial structure supporting the business to provide greater certainty and consistency of returns to Government.

Economic Review cont'd

Financial overview

Financial performance:	2005	2004	2003	2002	2001
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue from ordinary activities (excluding movements in standing timber and in-forest infrastructure valuations)	102,454	98,229	101,659	114,439	84,461
Calculated as follows:					
Revenue from ordinary activities:	122,667	121,060	126,988	146,983	90,148
Less the following items included in revenue from ordinary activities:					
Revenue from natural resource assets and in-forest infrastructure valuations	20,213	22,831	25,329	22,339	5,687
Correction of prior year fundamental errors	-	-	-	10,205	-
Expenses from ordinary activities (excluding movements in standing timber and in-forest infrastructure valuations)	113,150	109,454	99,390	107,950	74,518
Calculated as follows:					
Expenses from ordinary activities:	135,986	112,430	106,866	131,514	90,500
Less:					
Expenses from standing timber and in-forest infrastructure valuations	22,836	2,976	7,476	23,564	15,982
Operating profit before interest and tax ¹	(4,722)	(5,564)	8,600	23,098	19,539
Profit/(loss) from ordinary activities (before tax and movements in natural resource asset valuations)	(10,696)	(11,225)	2,269	16,693	14,741
Financial performance including movements in natural resource assets valuations and fundamental errors:					
Profit before interest and tax	(7,345)	14,291	26,453	21,873	4,446
Profit/(loss) before tax	(13,319)	8,630	20,122	15,468	(352)
Profit/(loss) after tax	(8,920)	6,038	14,500	13,310	(2,415)
Summary of financial position:					
Assets:					
Current assets	27,731	21,448	28,095	31,462	25,531
Non-current assets	371,370	358,018	332,274	308,460	302,529
Total assets	399,101	379,466	360,369	339,922	328,060
Liabilities:					
Current liabilities	32,472	19,104	22,935	17,941	24,355
Non-current liabilities	111,334	100,232	83,287	82,195	78,958
Total liabilities	143,806	119,336	106,222	100,136	103,313
Net assets/total equity	255,295	260,130	254,147	239,786	224,747

¹ Operating profit before interest and tax is defined as profit/(loss) before interest, tax and movements in valuations of natural resource assets and in-forest infrastructure

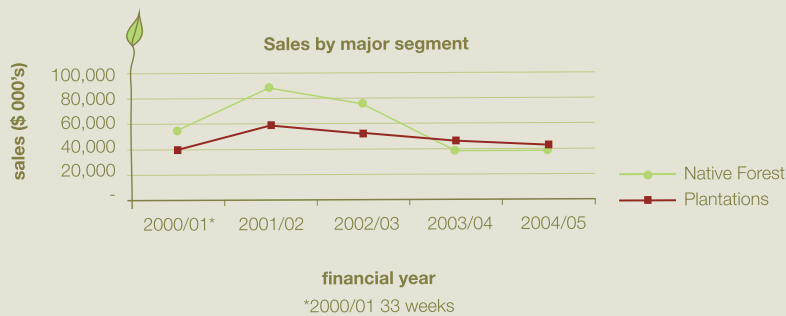
Performance indicators

RATIO OF PROFIT BEFORE INTEREST AND TAX TO TOTAL ASSETS (RETURN ON TOTAL ASSETS)



The ratio of Profit Before Interest and Tax to Total Assets excludes the effect of Standing Timber and in-forest infrastructure valuations.

The ratio is below target this financial year, as mentioned in the financial overview, due mainly to the need to provide for claims against the Commission by parties who were not satisfied with the quantum of grants provided by the Government under the Government's Business Exit scheme and who have consequently lodged claims against the Commission for loss of profits under their contracts of sale and/or harvest. Provision of this amount in no way indicates that the Commission is liable for the claims. However, the Commission has elected to adopt a conservative approach pending assessment of the validity of the claims. In addition, the Commission's mature plantations business segment was negatively impacted by shortfalls in harvesting capacity and delays by customers in commissioning new plant.



Sales of Native Forest timbers have continued in line with allowable harvest, this being the second year that the Commission has operated under the reduced harvest volumes provided for under the Forest Management Plan (2004/2013).

 Audited key performance indicator

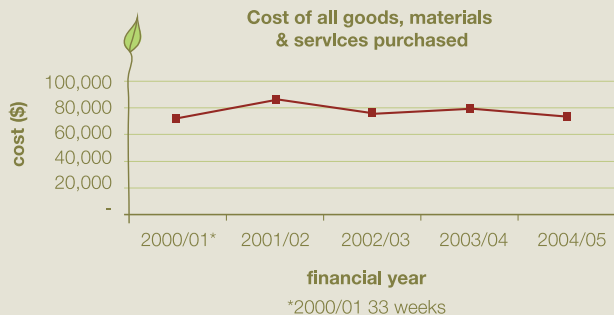
Economic Review cont'd

Sales from the Commission's Plantation Division has decreased as a result of the full-year effect of the reduction of *Eucalyptus globulus* (Tasmanian blue gum) 'fee for service' activities to Japanese and Korean owned plantation companies operating in the State's South-West.

An increase in revenues from the Plantation division remains a key strategic focus for the Commission; increases are projected in 2005/06 as the Wesbeam laminated veneer lumber plant completes its commissioning phase and commences full-scale production, as well as with increased 'fee for service' activities for Premium Plantations 05 and the National Action Plan for Salinity and Water Quality, a joint State and Commonwealth initiative.

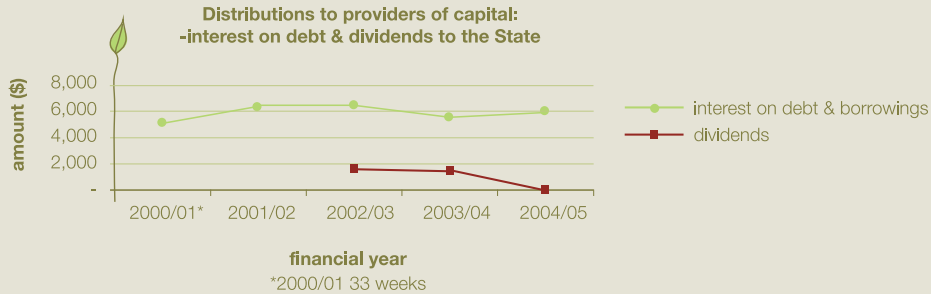


Export sales increased to 9.9% of total sales, an increase of 0.7% over the 2003/04 financial year. The Commission's strategy is to ensure a maximum amount of its products are utilised for value-adding purposes in the local market. Products (predominantly sandalwood) are exported either where there is insufficient demand in the local market or where returns to the State from export products significantly exceed returns to the State for local value-adding activities. Volumes of exported product versus volumes of product retained for local value-adding are decided only after submission to public tender.

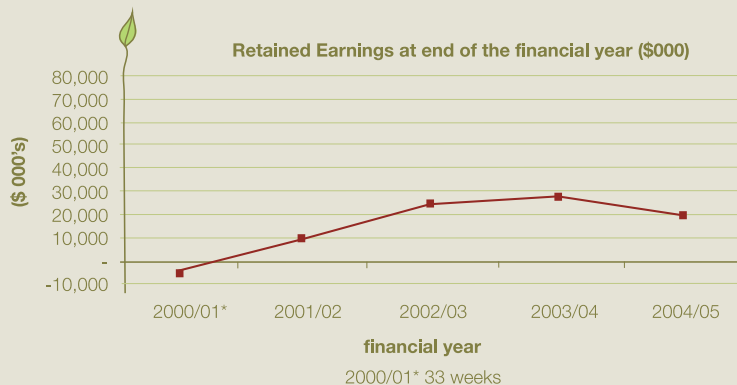


The Commission purchased approximately \$76 million of goods and services, principally in the State's South-West, in the 2004/05 financial year. The decrease of five per cent over the 2003/04 financial year is due mainly to a reduction in the cost of activities associated with the Commission's Plantation Division.

Economic Review cont'd



The Commission's capital has been provided through a combination of debt and equity. The Commission pays approximately \$6 million per annum in interest on its debt. No dividend was declared in the 2004/05 financial year due to insufficient cash from operations (refer cash flow statement). A primary driver of the poor operating cash from operations this financial year was the impact of a change in Government policy associated with the implementation of the FMP (2004/13) which allows deferred payment terms to qualifying customers. The impact of this dispensation was an increase in debtors of approximately \$2 million, with a corresponding decrease in operating cash flow. This is a once-off impact that will not impact operating cash in the future, except for interest incurred/forgone.

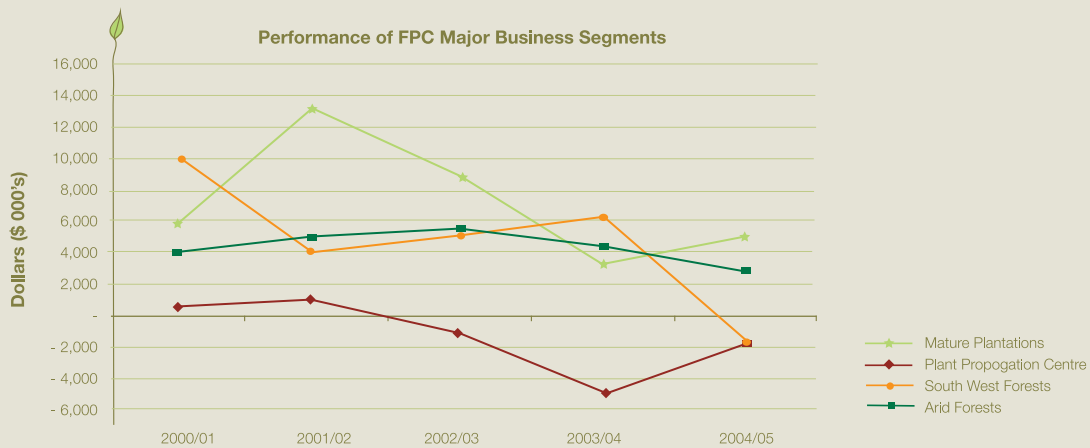


The decrease in retained earnings in 2004/05 is due mainly to the need to provide for claims against the Commission by parties who were not satisfied with the quantum of grants provided by the Government under the Government's Business Exit scheme and who have consequently lodged claims against the Commission for loss of profits under their contracts of sale and/harvest (refer note 3 to the Statement of Financial Performance and commentary in the Financial Overview).

Economic Review cont'd



The Commission paid \$0.5 million in taxes this financial year consisting principally of payroll tax. An Income Tax refund of \$0.3 million was received in the 2004/05 financial year due to an adjustment to the 2003/04 tax return for deferred income previously taxed in that financial year.



The South West Forest segment's performance this financial year was affected by the raising of a provision for claims against the Commission arising out of the Commission's inability to fulfill contractual commitments due to the impact of the Government's "Protecting our Old Growth Forests" policy. Except for the effect of this provision, the operating performance of the Division improved over 2003/04 by approximately \$2 million.

The Mature Plantations segment's performance improved this financial year after having declined over the last few years. Despite a \$1m decline in turnover, an improved margin delivered an additional \$1 million to the operating results, while savings in supplies and services and employee costs contributed an additional \$1m.

The performance of the Commission's Arid Forest segment continued to suffer the effects of a strengthening Australian Dollar as well as declining sales revenues from product mix. A project has been implemented in the 2005/06 financial year to address this situation, and the Commission will continue to hedge its exposure to fluctuations in exchange rates on forecast performance, although the overall strength of the Australian Dollar will continue to preclude the Division from realizing the level of profits that were previously enjoyed in a lower exchange rate environment.

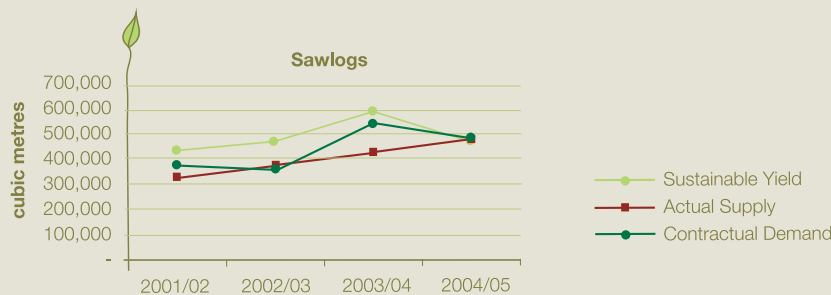
The Plant Propagation Centre, which was affected by the write-down of \$3.8m in infrastructure valuation in the 2003/04 financial year, continued to make a loss this financial year due to low volumes through the nursery. The Commission's recent service arrangements with Premium Plantations 05 and with the National Action Plan for Salinity and Water Quality will positively impact this segment in the 2005/06 financial year.

PLANTATION LOG PRODUCTION IS CONSISTENT WITH CONTRACTED LEVELS OF SUPPLY TO INDUSTRY ✓.

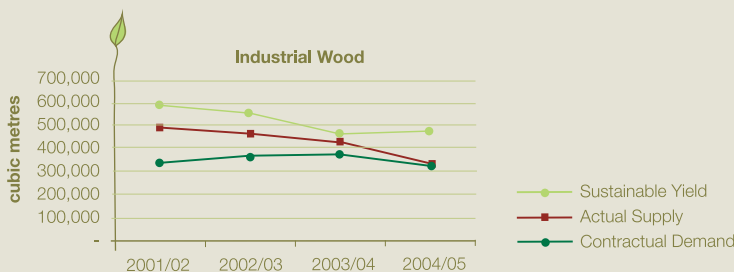
The contracted level is the quantity of timber of a particular specification that has been supplied under various contracts (including various State Agreements) in the current year consistent with achieving the planned long-term supply to industry. As the plantations mature, increasing quantities of logs become available and annual supply increases. Actual annual intake by industry will vary in accordance with the prevailing markets during that year.

Contractual supply levels indicate the current contractual commitments. Log production for each customer varies on an annual basis in accordance with the prevailing market conditions for their products.

Measure: A comparison between actual production levels compared to Commission's contractual commitments to supply.



Note, wildfires and consequently a backlog in second rotation establishment has slightly decreased the long term sustainable yield. Ninety nine per cent of contractual demand has been met.



Note the reduction in the sustainable yield in industrial wood is due to completion of harvesting of blue gum plantations.

✓ Audited key performance indicator.

Native forest operations

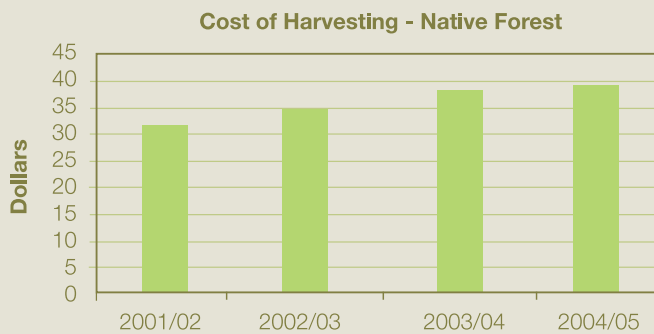
Native Forest Operations is responsible for the planning, harvesting and sale of forest products from re-growth indigenous forest on State-owned land. The output of this division is the harvesting of native forest hardwood and sandalwood.

Cost of harvesting - Native forest hardwood

The major elements of this cost relate to payments to contractors for harvesting and delivery, road construction and maintenance.

Measure: The cost per tonne harvested was \$39.07 (2003/04 \$38.63), an increase of 1.14 per cent per tonne ✓.

This increase reflects additional costs required to manage harvesting activity in accordance with the Forest Management Plan 2004/13.

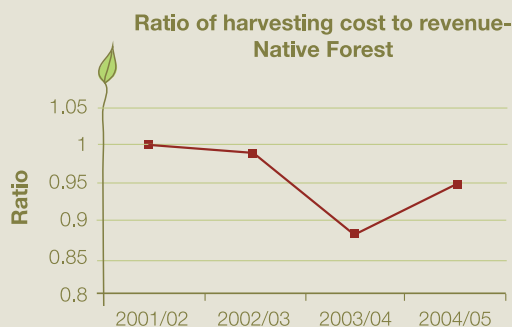


Ratio of Harvesting Cost to Revenue

Harvesting costs incurred in managing the harvesting, delivery and sales of native log timber compared with the related revenue generated.

Measure: The harvesting cost was \$23.9 million compared to revenue of \$23.8 million. The ratio was 1:1 (2003/04 1:0.90), an increase of 10 points (11 per cent) ✓.

Additional harvesting costs have been incurred over the last two years relating to the implementation of the Forest Management Plan. The bulk of the additional costs were necessary to meet the new soil management guidelines which included the cording of landings and snig tracks.



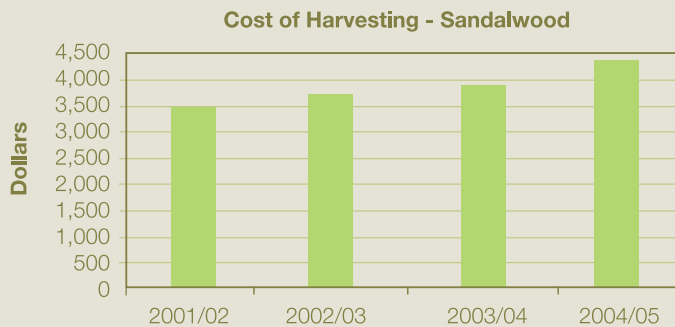
✓ Audited key performance indicator

Cost of harvesting - Sandalwood

The gross cost per tonne of harvesting sandalwood includes greenwood and deadwood. The major elements of this cost relate to payments to contractors for harvesting, delivery, regeneration and associated research.

Measure: The cost per tonne harvested was \$4,349 (2003/04 \$3,920), an increase of \$428 per tonne (11 per cent) ✓.

This increase reflects the effect of a decrease of 214 tonnes in harvesting volume and costs associated with value-adding. The additional cost of value-adding is recovered by increased sales revenue.

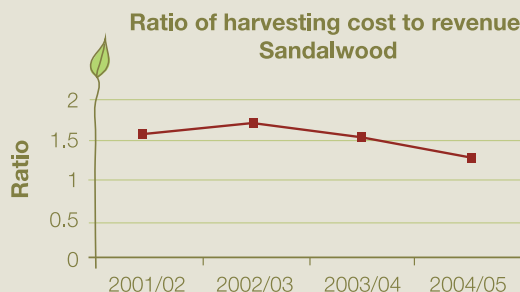


Ratio of management and harvesting cost to revenue - Sandalwood

The total combined cost of managing and harvesting sandalwood expressed as a ratio of the related revenue generated.

Measure: The management and harvesting cost was \$8.5 million compared with revenue of \$11.5 million. The ratio was 1.34 (2003/04 1.52), a decrease of 18 points (12 per cent) ✓.

This decrease reflects lower value product mix achieved 2004/05 and decrease in harvesting levels which led to higher fixed costs per unit produced.



✓ Audited key performance indicator

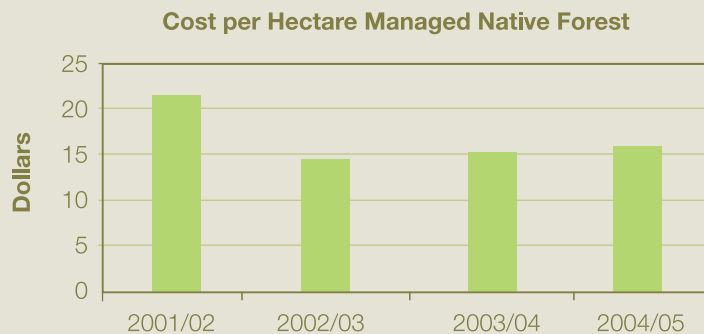
Economic Review cont'd

Silvicultural cost per hectare managed of native forest .

The Commission has access rights to a total State forest estate of 847,950 hectares (2003/04 848,380 hectares). The decrease from last year's figure is the result of minor changes from the final reserve boundaries adopted for the new national parks and the finalisation of some fauna habitat zones.

Measure: The cost per hectare managed was \$15.95 per hectare (2003/04 \$15.29 per hectare) an increase of four per cent .

The increase in cost per hectare managed reflects the compliance costs of the Forest Management Plan 2004/2013 and an increase in employee costs.



Plantation Operations

The Plantation Operations has three main operating arms:

- 1 Plantations section, which covers State-owned plantations;
- 2 Share farms section, which has the responsibility of share farming agreements with landowners; and
- 3 Plant Propagation section, which produces seedlings for internal needs as well as for external customers.

The functions of Plantation Operations are:

- (a) harvesting of all species of plantation timber; and
- (b) management of the Commission's plantations.

Cost of harvesting

Gross cost per tonne harvested for all species of plantation timber. The major elements of the costs comprise payments to contractors for harvesting, delivery, and roading.

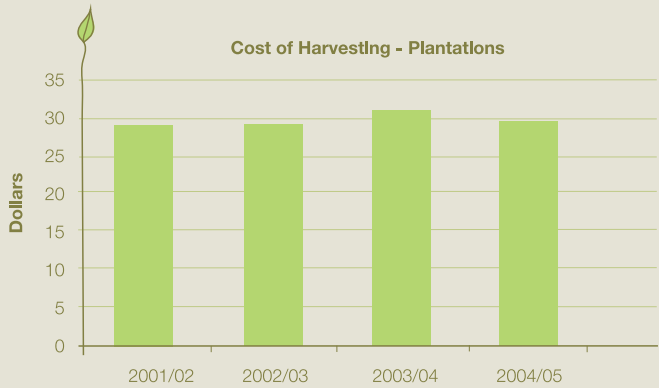
Measure:

The average cost per tonne harvested (all products) from 1 July 2004 to 30 June 2005 was \$29.65 (2003/04 \$31.27), a 5.2 per cent decrease .

The decrease is mainly due to changes in product mix (refer appendix 5).

Audited key performance indicator.

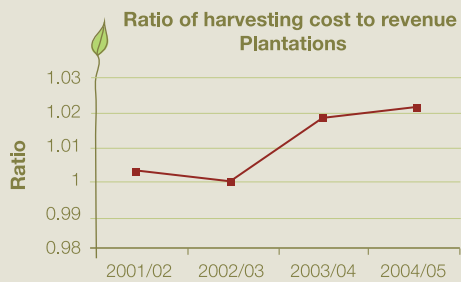
Economic Review cont'd



Ratio of harvesting costs to revenue

Harvesting costs incurred in managing the harvesting, delivery and sales of plantation log timber compared with the related revenue generated.

Measure: Harvesting costs were \$23.8 million compared to harvest revenue of \$24.3 million. The ratio therefore was 1.021:1, a marginal increase in recovery compared to 2003/04 ✓.



Operating cost per hectare managed

Measure: The average cost for the year ending 30 June 2005 was \$233.77 (2003/04 \$216.19), an increase of eight per cent per hectare managed ✓.

The unit cost increase reflects increased corporate activity focus on the plantation business segment as well as increased operational resources to service the plantation mature estate.



✓ Audited key performance indicator.

Economic Review cont'd

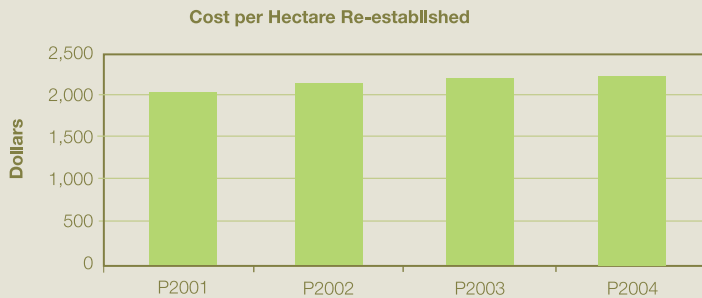
Cost per hectare re-established

The Commission planted 1,391 hectares of new plantations to the end of December 2004 (1,479 hectares to the end of December 2003).

The Afforestation program establishment areas for the 2004/05 financial period was 1,786 hectares (1,568 hectares in 2003/04) however, the direct costs associated with the afforestation program are capitalised and therefore do not form part of this measure.

Measure: The establishment cost was \$2,248 per hectare (2003/04 \$2,222 per hectare) an increase of 1.19 per cent ✓.

The increase in cost per hectare re-established reflects indexation of re-establishment planting contracts.



NOTE: this key performance indicator was changed in 2004/05 to reflect actual cost per 'planting year' (period from 1 October to 30 September each year). Comparative figures for this key performance indicator have been re-stated for all prior years.

EXTERNAL INVESTMENT*

The SCI target is 75 per cent of new investment funded externally by 2007. External investment funding of \$2.4 million (Premium Plantations), \$2.9 million from NAP and \$0.1 million from BP Australia was received to establish plantations across the South West.

The overall investment was \$7.54 million which equals an external investment factor of 71.5%.

PORTION OF AREA OF PLANTATION ESTATE PRIVATELY FUNDED*

The SCI target is to achieve 25 per cent of privately funded re-investment by 2005.

In 2003/04 the Commission entered into an arrangement with a customer for prepayment of stumpage at beneficial interest rates. The Commission therefore has access to these funds for plantation investment and enhancement. These arrangements will continue to 2015 at approximately \$1m per annum.

✓ Audited key performance indicator.

* SCI indicator

INDUSTRY DEVELOPMENT*

The Commission contributed to community and industry development through ministerial advisory committees, promotional events such as the Royal Show and wood shows and research and development such as Timber Technology Harvey and other timber industry promotions (including the development and role-out of Tree Farming and Industry development plans to community groups). These non-commercial activities are undertaken for the social, economic and regional development benefits for WA. A total of around \$1.2 million of salaries and direct expenditure was spent on these activities.

RESEARCH AND DEVELOPMENT*

The SCI target was that five per cent of investment be directed to research and development. This SCI is monitored against a target of five per cent of the agreed investment into new plantations. The current investment into plantations is \$7.19 m (not including land purchase) against an investment into research and development of \$2 million. This equals 28 per cent, significantly higher than the five per cent target.

* SCI indicator

A photograph of an older man with white hair, wearing a light blue button-down shirt, holding a black tray filled with several young green plants. He is standing in a greenhouse, with the structure and other plants visible in the background. A blue name tag is pinned to his shirt. The text 'financial review' is overlaid in white on a semi-transparent dark box.

financial review

65	Certification of financial statements
66	Auditor General's Report on the Financial Statements
67	Statement of financial performance
68	Statement of financial position
69	Statement of cash flows
70	Notes to the financial statements

Financial Review

CERTIFICATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements of the Forest Products Commission have been prepared in compliance with the provisions of the Financial Administration and Audit Act 1985, from proper accounts and records, to present fairly the financial transactions for the financial year ending 30 June 2005 and the financial position as at 30 June 2005.

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



Murray Jorgensen
Chairman



Dr Marilyn Clark-Murphy
Commissioner



Derek Oelofse
Principal Accounting Officer

26 August 2005

Financial Review

AUDITOR GENERAL'S REPORT ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

FOREST PRODUCTS COMMISSION FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Audit Opinion

In my opinion,

- (i) the controls exercised by the Forest Products Commission provide reasonable assurance that the receipt and expenditure of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of the Commission at 30 June 2005 and its financial performance and cash flows for the year ended on that date.

Scope

The Commission's Role

The Commission is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing the financial statements, and complying with the Financial Administration and Audit Act 1985 (the Act) and other relevant written law.

The financial statements consist of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and the Notes to the Financial Statements.

Summary of my Role

As required by the Act, I have independently audited the accounts and financial statements to express an opinion on the controls and financial statements. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the financial statements is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements.

A handwritten signature in black ink, appearing to read 'D D R Pearson'.

D D R PEARSON
AUDITOR GENERAL
11 November 2005

FOREST PRODUCTS COMMISSION
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 June 2005

	Note	2005 (\$'000)	2004 (\$'000)
REVENUE			
Revenues from ordinary activities			
<i>Revenue from operating activities</i>			
Revenue from natural resource assets	3.1	114,863	117,768
Revenue from commercial share farm operations	4	20	477
Grants & contributions from Commonwealth Government	5	2,040	12
Other revenue from ordinary activities	6	4,565	1,368
Grants and subsidies from State Government	7.1	1,100	1,300
<i>Revenue from non-operating activities</i>			
Other revenue from non-operating activities	6	79	135
Total revenue from ordinary activities		122,667	121,060
EXPENSES			
Expenses from ordinary activities			
Expenses from natural resource assets	3.2	76,754	63,378
Employee expenses	8	14,921	12,100
Other expenses from ordinary activities	9	33,355	23,939
Write off of assets	10	-	3,822
Depreciation	11	2,098	2,234
Borrowing costs	12	5,974	5,661
Administration	13	2,304	716
Accommodation expenses	14	580	580
Total expenses from ordinary activities		135,986	112,430
Profit from ordinary activities before income tax		(13,319)	8,630
Income tax	35	(4,399)	2,592
Net (loss)/profit		(8,920)	6,038
Non-owner transaction changes in equity			
Increase in asset revaluation reserve	27	2,200	25
Dividend Expense		-	(1,470)
Total changes in equity from non-owner related transactions		2,200	(1,445)
Total change in equity other than from transactions with WA State Government as owners	27	(6,720)	4,593

The statement of financial performance should be read in conjunction with the accompanying notes.

FOREST PRODUCTS COMMISSION
STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2005

	Note	2005 (\$'000)	2004 (\$'000)
Current Assets			
Cash assets	28.1	6,237	1,569
Receivables	17	14,314	10,824
Inventories	16	4,713	6,610
Other assets	18	2,467	2,445
Total Current Assets		27,731	21,448
Non - Current Assets			
Land and buildings	19.1	9,672	6,461
Plant, equipment and vehicles	19.2	6,263	6,713
Forest infrastructure	20	13,724	16,592
Natural resource assets	21	326,822	320,130
Deferred tax assets	35	14,891	8,122
Total Non - Current Assets		371,372	358,018
Total Assets		399,103	379,466
Current Liabilities			
Payables	22	3,998	3,590
Interest bearing liabilities	23	6,263	2,874
Provisions	24	3,889	3,035
Other creditors and accruals	25	18,322	9,605
Total Current Liabilities		32,472	19,104
Non - Current Liabilities			
Interest bearing liabilities	23	85,361	79,767
Provisions	24	1,260	1,045
Other creditors and accruals	25	5,045	2,431
Deferred tax liabilities	35	19,670	16,989
Total Non - Current Liabilities		111,336	100,232
Total Liabilities		143,808	119,336
NET ASSETS		255,295	260,130
Equity			
Contributed equity	26	233,584	231,699
Reserves	27	2,225	25
Retained profits	27	19,486	28,406
TOTAL EQUITY		255,295	260,130

The statement of financial position should be read in conjunction with the accompanying notes.

FOREST PRODUCTS COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 June 2005

	Note	2005 (\$'000)	2004 (\$'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations			
Sale of goods and services		89,022	97,555
Sale of goods and services - deferred income		1,242	-
Recoupable works		3,266	4,556
GST receipts on sales of goods and services		7,048	6,824
GST received from Taxation Authority		1,641	1,655
Other receipts		6,525	2,981
Total cash receipts in the course of operations		108,744	113,571
Cash payments in the course of operations			
Employee expenses		13,764	11,394
Supplies and services		27,636	26,558
Harvesting expenses		49,672	55,079
Recoupable works		3,266	5,206
GST payments on purchases		8,040	7,611
GST payments to Taxation Authority		198	116
Total cash payments in the course of operations		102,576	105,964
Interest received		79	42
Borrowing costs paid		(7,155)	(4,208)
Taxation - income tax refund / (paid)		312	(508)
Net cash provided by / (used in) operating activities	28.3	(596)	2,933
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current assets:			
~ Land & Buildings		(1,259)	(3,290)
~ Plant and equipment		(732)	(334)
~ Plantation Afforestation Programme investments		(6,349)	(4,431)
Net cash used in investing activities		(8,340)	(8,055)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(3,118)	(1,954)
Proceeds from borrowings		12,100	11,000
Net cash provided by / (used in) financing activities		8,982	9,046
CASH FLOWS FROM/(TO) GOVERNMENT & OTHER INSTITUTIONS			
Grants & Subsidies	7.1	1,100	1,300
Commonwealth grants and contributions	5	209	12
Commonwealth contribution to National Action Plan for Salinity and Water Quality		2,859	-
Repayment of Treasurer's liability	25	-	(1,436)
Land sale proceeds (Department of Conservation and Land Management)		654	-
Peel B land sale proceeds	28.2	1,270	1,289
Dividends Paid	27	(1,470)	(1,557)
Net cash provided by / (paid to) Government & other institutions		4,622	(392)
Net increase in cash		4,668	3,532
Cash on hand /(short-term borrowings) at the beginning of the financial year	28.1	1,569	(1,963)
Cash at the end of the financial year	28.1	6,237	1,569

The statement of cash flows should be read in conjunction with the accompanying notes

CONTENTS

- 1 Commission's mission and funding**
- 2 Significant accounting policies**
 - 2.01 Basis of preparation
 - 2.02 Revenue recognition
 - 2.03 Grants and other contributions revenue
 - 2.04 Agency share farming revenue and expenses
 - 2.05 Roads and bridges expenditure
 - 2.06 Research and development costs
 - 2.07 National Taxation Equivalent Regime (Income Tax)
 - 2.08 Income tax
 - 2.09 Goods and Services Tax
 - 2.10 Cash
 - 2.11 Foreign Currency
 - 2.12 Hedges
 - 2.13 Receivables
 - 2.14 Inventories
 - 2.15 Employee benefits
 - 2.16 Accrued logging costs
 - 2.17 Provisions
 - 2.18 Accrued salaries
 - 2.19 Payables
 - 2.20 Treasurer's liability
 - 2.21 Interest-bearing liabilities and borrowing costs
 - 2.22 Leases
 - 2.23 Onerous contracts
 - 2.24 Provision for dividend
 - 2.25 Acquisition of assets
 - 2.26 Depreciation of non-current assets
 - 2.27 Valuation of non-current assets
 - 2.28 Recognition of transferred assets and liabilities
 - 2.29 Segment reporting
 - 2.30 Comparative figures
 - 2.31 Fair value
 - 2.32 Rounding
 - 2.33 Use and revision of accounting estimates
- 3 Revenue and expenses from natural resource assets**
 - 3.1 Revenue from natural resource assets
 - 3.2 Expenses from natural resource operations
- 4 Revenue from commercial share farm operations**
- 5 Grants & contributions from Commonwealth Government**
- 6 Other revenue from ordinary activities**
- 7 Grants and subsidies**
 - 7.1 Grants and subsidies from State Government
 - 7.2 Grants and subsidies from State Government expenditure
- 8 Employee expenses**
- 9 Other expenses from ordinary activities**
- 10 Write-off of assets**
- 11 Depreciation**

- 12 Borrowing costs expense
- 13 Administration expenses
- 14 Accommodation expenses
- 15 Net loss on disposal of non-current assets
- 16 Inventories
- 17 Receivables
- 18 Other assets
- 19 Property, plant, equipment and vehicles
 - 19.1 Land and buildings
 - 19.2 Plant, equipment and vehicles
 - 19.3 Reconciliations
- 20 Forest infrastructure
- 21 Natural resource assets
 - 21.1 Source of valuation of natural resource assets
 - 21.2 Sensitivity analysis
 - 21.3 Change in estimate
- 22 Payables
- 23 Interest bearing liabilities
- 24 Provisions
- 25 Other creditors and accruals
- 26 Contributed equity
- 27 Reserves
- 28 Notes to the Statement of Cash Flows
 - 28.1 Reconciliation of cash
 - 28.2 Financing and investing activities
 - 28.3 Reconciliation of profit from ordinary activities after income tax to net cash flows provided by operating activities:
 - 28.4 Borrowing facilities
- 29 Resources provided free of charge
- 30 Commitments for expenditure
 - 30.1 Expenditure commitments
 - 30.2 Lease commitments
 - 30.3 Guarantees and undertakings
- 31 Contingent assets and liabilities
 - 31.1 Liabilities
 - 31.2 Assets
- 32 Events occurring after reporting date

33 Explanatory statement

- 33.1 Explanation of significant variations between current and prior year actual results
- 33.2 Comparison of 2004/05 actual results to estimated results

34 Financial instruments

- 34.1 Interest rate risk exposure
- 34.2 Forward foreign exchange contracts
- 34.3 Credit risk exposure
- 34.4 Fair values

35 Taxation

36 Provision for dividend

37 Remuneration of Members of the Accountable Authority and Senior Officers

38 Related/affiliated bodies

39 Remuneration of auditor

40 Funds held in trust

41 Supplementary information

- 41.1 Write-offs:
- 41.2 Losses through theft, defaults and other causes
- 41.3 Gifts of public property

42 Segment Information

43 Research and Development expenditure

- 43.1 Research and Development expenditure
- 43.2 Plantation Industry Ministerial Advisory Committee
- 43.3 Forestry Ministerial Advisory Committee (FMAC)

44 Advertising and communication expenditure

45 Impact of Adopting International Accounting Standards

46 Additional information

1 COMMISSION'S MISSION AND FUNDING

The Forest Products Commission (the Commission) is the Western Australian trading enterprise responsible for the allocation and sale of forest products from the State's native forests and from State owned and State managed plantations. The Commission is principally a self funded entity.

The Commission's mission is to contribute to Western Australian economic and regional growth by developing the sustainable use of the State's native and plantation timber resources, promoting local value adding for these resources and achieving appropriate returns to the State for the use of publicly-owned and Commission-managed timber resources.

The Commission came into existence on 16 November 2000 as a consequence of the *Forest Products Act 2000*, having previously existed as a division of the Western Australian Government's Department of Conservation and Land Management (CALM).

2 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been adopted in the preparation of the financial statements. These policies are consistent with those adopted in the previous financial period.

2.01 Basis of preparation

The financial statements constitute a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Statements of Accounting Concepts, other authoritative pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group (UIG) Consensus Views 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 Administration and Audit Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board and UIG Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector, together with the need for greater disclosure and also to satisfy accountability requirements.

If any such modification has a material or significant financial effect upon the reported results, details of that modification and where practicable the resulting financial effect, are disclosed in individual notes to these financial statements. No such modifications have been effected.

The statements have been prepared on the accrual basis of accounting using the historical cost convention, with the exception of certain non-current assets which subsequent to initial recognition, have been measured on the fair value basis in accordance with the option under AASB1041(5.1). Additions to non-current physical assets since valuation are stated at cost.

Forestry assets and inventories have been valued in accordance with AASB1037 *Self-Generating and Regenerating Assets* (SGARA).

2.02 Revenue recognition

The Commission recognises revenue when it is probable that the inflow or other enhancement or saving in outflows of future economic benefits has occurred and this inflow or other enhancement or savings in outflows can be measured reliably.

A revenue accrual is made for services supplied to share farming investors who are invoiced on a three monthly basis.

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax payable to the taxation authority.

Other revenues, such as proceeds from the sale of minor assets and miscellaneous revenues, are recognised when control of the goods has passed to the purchaser. Interest revenue is recognised when it accrues.

2.03 Grants and other contributions revenue

Grants, donations, gifts and other non-reciprocal contributions are recognised as revenue when the Commission obtains control over the assets comprising the contributions.

Contributions 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.

2.04 Agency share farming revenue and expenses

The Commission operates two types of share farm arrangements - as principal and as agent. Where the Commission operates as agent, revenues and expenses associated with the share farm arrangement are not recognised as revenues and expenses of the Commission, as these revenues and expenses do not comply with the recognition requirements of revenues and expenses set out in SAC4 "Definition and Recognition of the Elements of Financial Statements" prepared by the Public Sector Accounting Standards Board of the Australian Accounting Research Foundation and by the Australian Accounting Standards Board.

2.05 Roads and bridges expenditure

Forestry road and bridge expenditure is expensed as it is incurred, with the exception of road and bridge expenditure for the Commission's plantation estates, on land permanently accessible by the Commission, which is capitalised and written off over its estimated useful life.

2.06 Research and development costs

Research and development costs are charged against revenue in the Statement of Financial Performance as incurred. Research and development costs are not capitalised until there is clear evidence of a commercial application.

2.07 National Taxation Equivalent Regime (Income Tax)

Section 43 of the Forest Products Act 2000 makes the Commission liable for all duties, rates and taxes prescribed by law. Although the Commission is exempt from income tax under section 23(d) of the Income Tax Assessment Act, as a result of section 5 of the *State Enterprises (Commonwealth Tax Equivalents) Act 1996*, the Commission is subject to *National Tax Equivalent Regime (Income Tax)*. This in effect requires the Commission to account for income tax as if it were not exempt.

2.08 Income tax

The Commission adopts the liability method of tax-effect accounting, as a result of the effect of the National Tax Equivalent Regime. Income tax attributable to operating profit shown in the Statement of Financial Performance is based on the profit from ordinary activities adjusted for any permanent differences. The provision for deferred income tax liability and the future income tax benefit represent the effect of timing differences in the treatment of items for income taxation and accounting purposes.

Permanent differences are those differences between taxable income and operating profit before income tax which arise and will not reverse. Timing differences are those differences between taxable income and operating profit which arise as a result of the different periods in which items are deductible or assessable for income tax purposes. A future income tax benefit is an amount of income tax recoverable by the Commission in future reporting periods, whereas a deferred income tax liability is an amount of income tax to be settled in a future period.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt or if relating to tax losses, when realisation is virtually certain.

2.09 Goods and Services Tax

The Commission accounts for the Goods and Services Tax (GST) as required by UIG 31. This states that all revenues, expenses and assets must be recognised net of the amount of GST, except for receivables and payables which are stated inclusive of GST. The Commission accounts for GST on an accruals basis and accounts for the net amount of GST recoverable from or payable to the taxation authority as a part of receivables or payables in the Statement of Financial Position.

2.10 Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand, in banks and on short term deposit, net of bank overdrafts. Bank overdrafts are carried at the principal amount. Interest is expensed as it accrues.

2.11 Foreign Currency

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

A monetary item arising under a foreign currency contract outstanding at the reporting date where the exchange rate for the monetary item is fixed in the contract is translated at the exchange rate fixed in the contract.

Except for certain specific hedges, all resulting exchange differences arising on settlement or restatement are recognised as revenues and expenses for the financial year. Any gains or costs on entering a hedge are deferred and amortised over the life of the contract.

2.12 Hedges

Transactions are designated as a hedge of the anticipated specific sale of goods only when they are expected to reduce exposure to the risks being hedged, are designated prospectively so that it is clear when an anticipated transaction has or has not occurred and it is probable the anticipated transaction will occur as designated. Gains or losses on the hedge arising up to the date of the anticipated sale, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the anticipated transaction when the transaction has occurred as designated. Any gains or losses on the hedge transaction after that date are included in the statement of financial performance.

The net amounts receivable or payable under forward foreign exchange contracts and the associated deferred gains or losses are recorded on the statement of financial position from the date of inception of the hedge transaction. When recognised, the net receivables or payables are revalued using the foreign currency current at reporting date. The above is in accordance with AASB 1012 and UIG 33.

2.13 Receivables

Accounts receivable are recognised at the amounts receivable by the Commission, as they are due for settlement 30 days from the date of recognition.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

2.14 Inventories

Inventories have been valued at the lower of cost and net realisable value as per AASB1019. The cost of inventories is deemed to be the net market value immediately after it becomes non-living.

2.15 Employee benefits

Compensated Absences - Annual leave

This entitlement is recognised at current remuneration rates including on-costs and is measured at the amount unpaid at the reporting date in respect to employees' service up to that date.

Compensated Absences - Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provisions for employee benefits and is measured at the nominal amounts expected to be paid when the liability is settled. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the non-current provision for employee benefits and is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given, when assessing expected future payments, to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted to identify the estimated present value of future cash outflows.

Superannuation

Staff may contribute to the Pension Scheme, a defined benefits pension scheme (now closed to new members) or to the Gold State Superannuation Scheme, a defined benefit lump sum scheme now also closed to new members. All staff who do not contribute to either of these schemes become non-contributory members of the West State Superannuation Scheme, an accumulation fund complying with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*.

The liabilities for superannuation charges under the Gold State Superannuation Scheme and West State Superannuation Scheme are extinguished by fortnightly payments of employer contributions to the Government Employees Superannuation Board.

Accrued superannuation represents the Commission's liability at the end of year for employer superannuation contributions to the Government Employees Superannuation Board's Gold State Fund. The Commission receives fortnightly invoices in arrears.

Unfunded liabilities for the defined benefit superannuation scheme are provided for as at reporting date.

2.16 Accrued logging costs

Accrued Logging Costs represents the amount owing to harvesting and delivery contractors for timber delivered but not yet recorded in the Commission's Accounts Payable system.

2.17 Provisions

A provision is recognised when there is a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events and it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

2.18 Accrued salaries

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year, where the end of the last pay period for the financial year does not coincide with the end of the financial year.

2.19 Payables

Payables, including accruals not yet billed, are recognised in the accounts payable system when the Commission becomes obliged to make future payments as a result of a purchase of assets or services. Payables are generally settled within 30 days.

2.20 Treasurer's liability

The Treasurer's liability is in respect of a liability incurred in constructing the Manjimup Plant Propagation Centre. The amount was repaid over a four year period in equal instalments commencing June 2001. No interest was charged. The final payment was made in the 2003/04 financial year.

2.21 Interest-bearing liabilities and borrowing costs

Western Australian Treasury Corporation loans are recorded at an amount equal to the outstanding balances owing at the end of each reporting period. Borrowing costs associated with these loans have been recognised on an accruals basis. Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred with arrangement of borrowings. These are expensed as incurred.

Interest payments in respect of financial instruments classified as liabilities are included in borrowing costs.

2.22 Leases

The Commission has no finance leases.

The Commission has entered into a number of operating lease arrangements for land, buildings and motor vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Statement of Financial Performance over the lease term as this is representative of the pattern of benefits to be derived from the leased property.

2.23 Onerous contracts

A provision for onerous contracts is recognised after impairment losses on assets dedicated to the contract are recognised and when expected benefits are less than the unavoidable costs of meeting the contractual obligations. A provision is recognised to the extent that contractual obligations exceed unrecognised assets.

2.24 Provision for dividend

A provision for dividends payable is recognised in the reporting period in which the dividends are declared. *The Forest Products Act 2000* requires dividends to be paid within 6 months of the end of the financial year.

2.25 Acquisition of assets

The cost method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Assets acquired at no cost or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Assets costing less than \$1,000 are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

2.26 Depreciation of non-current assets

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

Depreciation is provided for on the straight line basis using rates which are reviewed annually. Useful lives for each class of depreciable asset are:

	2005	2004
Buildings	20 to 40 years	20 to 40 years
Computer equipment	4 years	4 years
Heavy fleet vehicles	5 years	5 years
Infrastructure	20 years	20 years
Motor vehicles	3 to 7 years	3 to 7 years
Office equipment	6 to 7 years	6 to 7 years
Office furniture	6 to 7 years	6 to 7 years
Plant and machinery	4 to 10 years	4 to 10 years
Software	4 years	4 years

2.27 Valuation of non-current assets

Natural resource assets

Natural resource assets have been valued in accordance with the Australian Accounting Standards Board's Accounting Standard 1037 (AASB1037) applicable to self-generating and regenerating assets.

Increments/decrements in natural resource assets values have been taken to account as revenue/expenses in the Statement of Financial Performance, as required by AASB1037.

Natural resource assets located on land vested in the Commission by way of the Forest Products Act 2000 or by way of share farm contracts are accounted for in accordance with the provisions of AASB 1037.

Non-commercial values inherent in natural resource assets are not accounted for in the calculation of net market values.

Forestry infrastructure

For in-forest infrastructure expenditure currently incurred, refer to accounting policy note on Roads and Bridges expenditure. Due to the absence of a practicable net market value for forestry infrastructure, forestry infrastructure in use at year-end is valued at written down replacement cost. Written down replacement cost is reassessed on an annual basis based on current replacement cost, estimated useful life and the age of the asset. This value is deducted from the net present value of the natural resource asset which it supports to allow for separate disclosure of self generating and non-self generating assets, as required by AASB 1037.

Nursery Infrastructure

Nursery Infrastructure was written down to its estimated future recoverable amount in the 2003/04 financial year.

The Commission has engaged a licensed quantity surveyor to value the individual assets comprising the Nursery Infrastructure asset. This valuation commenced in July 2005 and the results will be effected in the 2005/06 financial year.

Land and buildings

The Commission values land and buildings at fair value as per AASB 1041 (Revaluation of Non-Current Assets). Land is revalued every year and buildings are revalued every four years by the Department of Land Information (Valuation Services). Land and Buildings were revalued in the 2004/05 financial year.

2.28 Recognition of transferred assets and liabilities

Transfers between the West Australian State Government and the Commission are regarded as equity adjustments as per Urgent Issues Group Abstract 38 "Contributions by Owners Made to Wholly-Owned Public Sector Entities".

2.29 Segment reporting

Segment information is prepared in conformity with the accounting policies of the entity as set out under "Significant Accounting Policies" in these accounts, and the segment reporting Accounting Standard AASB 1005 "Segment Reporting".

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

2.30 Comparative figures

Certain comparative figures are, where appropriate, reclassified so as to be comparable with the figures presented in the current financial year.

2.31 Fair value

As defined by AASB 1041, fair value is regarded as the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arms length transaction.

2.32 Rounding

Amounts in the financial statements have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

2.33 Use and revision of accounting estimates

The preparation of the financial report requires the making of estimations and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

	2005	2005	2004	2004
	m ³	(\$'000)	m ³	(\$'000)
	harvested		harvested	

3 Revenue and expenses from natural resource assets

3.1 Revenue from natural resource assets

Revenue from commercial harvesting operations:

Native Forests:

- Harvesting operations¹
- Recovery of harvesting costs¹
- Inventory valuations
- Standing timber valuation adjustments
- Total Native Forest revenue

507,313	20,531	537,778	20,371
	30,092		29,309
	-		928
	20,213		22,831
	70,836		73,439
803,461	18,454	826,909	16,256
	24,279		26,514
	-		10
	942		936
	352		613
	44,027		44,329
	114,863		117,768

Plantations:

- Revenue from harvesting operations¹
- Recovery of harvesting costs¹
- Inventory valuations
- Plant Propagation Centre revenue
- Contributions to Afforestation Program
- Total Plantation revenue

Total revenues from natural resource assets

3.2 Expenses from natural resource operations

Native Forests:

- Native Forest harvesting costs¹
- Devaluation of forest infrastructure
- Write down of inventory to net realisable value
- Decrease in inventory valuation
- Total expenses from Native Forest natural resource operations

27,999	29,745
2,126	2,414
1,608	2,579
638	2,077
32,371	36,815
22,410	25,195
1,263	-
-	806
-	81
20,710	481
44,383	26,563
76,754	63,378

Plantations:

- Plantation harvesting costs¹
- Decrease in inventory valuation
- Write down of inventory to net realisable value
- Devaluation of forest infrastructure
- Standing timber valuation adjustments
- Total expenses from Plantations natural resource operations

Total expenses from natural resource operations

¹ refer to appendix 5 for log production statistics

	2005 (\$'000)	2004 (\$'000)
4 Revenue from commercial share farm operations		
Revenue from commercial share farm operations	20	477
	<u>20</u>	<u>477</u>
<p>Revenue from commercial share farm operations is comprised of management fees from the operation of share farm agency agreements. A revenue accrual is made for services supplied to share farming investors who are invoiced on a three monthly basis.</p> <p>The Commission's share farm agency agreements terminated in the 2003/04 financial year.</p>		
5 Grants & contributions from Commonwealth Government		
Commonwealth grant for RIRDC ¹ research	209	12
Commonwealth Government contribution to NAP ²	1,831	-
	<u>2,040</u>	<u>12</u>
<p>¹ Rural Industry Research and Development Corporation. ² National Action Plan for Salinity and Water Quality Except where these amounts are included in unearned revenue, expenses associated with these contributions are included in expenses from ordinary activities in the case of RIRDC and in the capitalised costs of the Afforestation Program for NAP (refer note 21).</p>		
6 Other revenue from ordinary activities		
Other revenues from operating activities		
Revenue from cost recovery operations ¹	4,565	1,368
Total other revenue from operating activities	<u>4,565</u>	<u>1,368</u>
<p>¹ Revenue from cost recovery operations increased this year primarily due to services to CALM for fire support and the Department of Agriculture for services associated with pest control. Expenses associated with these contributions are included in expenses from ordinary activities.</p>		
Other revenues from non-operating activities		
Treasurer's contribution to unfunded superannuation liability	-	86
Interest received	79	49
Total other revenue from non-operating activities	<u>79</u>	<u>135</u>
7 Grants and subsidies		
7.1 Grants and subsidies from State Government		
Community Service Obligations / Forest Enhancement Program	1,100	1,300
	<u>1,100</u>	<u>1,300</u>
7.2 Grants and subsidies from State Government expenditure		
Salaries, training, overheads, vehicle, operational materials and interest ¹ .	1,100	1,300
	<u>1,100</u>	<u>1,300</u>
<p>¹ These expenses are included in expenses from ordinary activities.</p>		

	2005	2004
	(\$'000)	(\$'000)
8 Employee expenses		
Wages and salaries	9,778	8,189
Superannuation (refer note 2.15)	1,291	964
Annual leave ¹	1,173	917
Other leave	498	486
Long service leave	1,057	533
Payroll tax	812	682
Workers' compensation	261	293
Fringe Benefits Tax	51	36
	<u>14,921</u>	<u>12,100</u>

¹ Increase due to salary rate increases, the effect of staff transferring to the Commission from the Department of Conservation and Land Management and an increase in leave owing at 30th June 2005 as compared to 30th June 2004.

This increase is currently being addressed via a program of active leave management to ensure leave entitlements decrease to acceptable levels over the next few years.

9 Other expenses from ordinary activities

Consultants, contractors and other expenses from ordinary activities:

- Management and other consultants	134	178
- Payments to other contractors and expenses from ordinary expenses	17,689	18,540
Provision for claim under arbitration ¹	10,000	-
Materials	2,369	2,416
Repairs and maintenance	164	128
Travel	530	536
Operating lease rentals	2,469	2,141
	<u>33,355</u>	<u>23,939</u>

¹ Provision for claim arising out of Government's 'Protecting Our Old Growth Forests' policy.

10 Write off of assets

Nursery infrastructure at cost	-	9,484
Accumulated depreciation	-	(1,658)
Net book value prior to write down	-	7,826
Write down	-	(3,822)
Residual value	-	4,004
		<u> </u>
Write off of assets	-	3,822
	-	<u>3,822</u>

During the 2003/04 financial year the Commission wrote down its Nursery infrastructure to reflect a level of production activity aligned with forestry activity projections. The written down value represents the estimated future recoverable amount as per AASB 1010.

The discount rate used was 9.48%

	2005 (\$'000)	2004 (\$'000)
11 Depreciation		
Plant, equipment, vehicles, office equipment and nursery infrastructure	1,085	1,224
Buildings	131	128
Forest infrastructure	882	882
	<u>2,098</u>	<u>2,234</u>
12 Borrowing costs expense		
Interest on WA Treasury Corporation loans	5,960	5,654
Interest on overdraft	14	7
	<u>5,974</u>	<u>5,661</u>
13 Administration expenses		
Telephone, postage, communications	423	419
Audit fees	89	45
Provision for doubtful debts	1,422	20
Bad debts written off	1	-
(Gain) / Loss on disposal of assets (note 15)	(6)	29
Asset revaluation movements:		
- Land ¹	-	63
- Buildings ¹	145	-
Other administration costs	230	140
	<u>2,304</u>	<u>716</u>
¹ Valuation adjustments arising from valuations by Department of Land Information (Valuation Services)		
14 Accommodation expenses		
Lease rentals and travel accommodation	430	452
Other property	150	128
	<u>580</u>	<u>580</u>
15 Net (profit)/loss on disposal of non-current assets		
(Profit)/loss on disposal:		
Office equipment	(6)	29
	<u>(6)</u>	<u>29</u>

	2005 (\$'000)	2004 (\$'000)
16 Inventories		
<i>Current</i>		
Inventories held for resale:		
- Plant Propagation Centre	2,572	3,623
- Sandalwood	1,684	2,322
- Timber on forest landings	407	541
- Timber technology stocks	50	124
	<u>4,713</u>	<u>6,610</u>
At cost ¹	4,713	6,610
At net realisable value	-	-
	<u>4,713</u>	<u>6,610</u>

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

The aggregate carrying amount of inventories recognised and included in the financial statements is as follows:

- Current	4,713	6,610
	<u>4,713</u>	<u>6,610</u>

17 Receivables

Trade debtors ¹	16,608	11,729
Provision for doubtful debts	(2,294)	(905)
	<u>14,314</u>	<u>10,824</u>

¹ Accounts receivable have increased mainly as a result of the implementation of Government policy associated with the Forest Management Plan 2004/2013 that allows deferred payment terms to qualifying customers.

18 Other assets

<i>Current</i>		
Prepayments	597	345
Performance Security Account - Plantations 2005 ¹	1,127	-
GST (payable)/refundable	(10)	440
Accrued revenue	753	1,660
	<u>2,467</u>	<u>2,445</u>

¹ Performance Security Account is funds held on trust, able to be drawn down against the delivery of future services.

	2005 (\$'000)	2004 (\$'000)
19 Property, plant, equipment and vehicles		
19.1 Land and buildings		
Freehold land at fair value ¹	5,597	4,274
	<u>5,597</u>	<u>4,274</u>
Buildings at valuation ²	4,604	2,625
Accumulated depreciation	(529)	(438)
	<u>4,075</u>	<u>2,187</u>
Total land and buildings	<u>9,672</u>	<u>6,461</u>
19.2 Plant, equipment and vehicles		
Nursery infrastructure at cost ¹	5,662	9,484
Write down of infrastructure (refer note 10)	-	(3,822)
Accumulated depreciation	(1,940)	(1,658)
	<u>3,722</u>	<u>4,004</u>
Plant, equipment and vehicles at cost	3,679	3,286
Accumulated depreciation	(1,743)	(1,232)
	<u>1,936</u>	<u>2,054</u>
Office equipment at cost	1,550	1,369
Accumulated depreciation	(945)	(714)
	<u>605</u>	<u>655</u>
Total plant, equipment and vehicles	<u>6,263</u>	<u>6,713</u>

¹ The Commission engaged a licensed quantity surveyor to value Nursery Infrastructure on a written down replacement cost basis, to comply with the provisions of TI 1106 *Transition to Australian Equivalents to International Financial Reporting Standards*. The valuation commenced in July 2005 and the results will be reported in the 2005/06 financial year.

19.3 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.

	2005					
	Freehold land	Buildings	Nursery infrastructure	Plant equipment and vehicles	Office equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at start of period	4,274	2,187	4,004	2,054	655	13,174
Transfers from CALM	-	-	-	-	4,004	2,054
Reclassifications	-	29	(1)	(28)	-	-
Additions	1,259	1,298		495	237	3,289
Disposals	-	(145)	-	(19)	(57)	(221)
Revaluation increment	64	837	-	-	-	901
Adjustments			1	6	1	8
Depreciation	-	(131)	(282)	(572)	(231)	(1,216)
Carrying amount at end of period	5,597	4,075	3,722	1,936	605	15,935

	2004					
	Freehold land	Buildings	Nursery infrastructure	Plant equipment and vehicles	Office equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at start of period	1,071	2,245	8,300	2,283	790	14,689
Transfers from CALM	-	35	-	33	33	101
Reclassifications	(13)			17	(3)	1
Additions	3,255	36	-	209	127	3,627
Disposals	-	-	-	(12)	(18)	(30)
Infrastructure written off	-	-	(3,822)	-	-	(3,822)
Revaluation Decrement	(39)	-	-	-	-	(39)
Depreciation	-	(129)	(474)	(476)	(274)	(1,353)
Carrying amount at end of period	4,274	2,187	4,004	2,054	655	13,174

	2005 (\$'000)	2004 (\$'000)
20 Forest infrastructure		
Native Forests	12,355	14,937
Plantations	1,369	1,655
	13,724	16,592

A reconciliation of the carrying amounts of forest infrastructure at the beginning and end of the financial period is set out below.

Carrying amount at the start of the period	16,592	19,969
Capitalised Amounts	137	-
Revaluation decrement	(2,123)	(2,495)
Depreciation	(882)	(882)
Carrying amount at the end of the period	13,724	16,592

Due to the absence of a practicable net market value for forestry infrastructure, the written down replacement cost of forestry infrastructure is deducted from the net present value of the natural resource assets as a whole, to facilitate separate disclosure of forest infrastructure.

Infrastructure is subject to valuation each year in accordance with the policy set out under Note 2.05.

21 Natural resource assets

Natural resource assets at valuation

Native Forest

	2005 Ha under Manage- ment ¹	2005 (\$'000)	2004 Ha under Manage- ment ¹	2004 (\$'000)
Native forest standing timber	n/a	105,231	n/a	72,464
Standing sandalwood	n/a	51,718	n/a	64,336
Native forest natural resource assets at valuation		156,949		136,800

Plantations

Plantations standing timber ¹	76,935	152,345	76,644	166,931
Plantations Reforestation program ¹	12,698	10,709	12,371	8,559
Plantations natural resource assets at valuation	89,633	163,054	89,015	175,490

Total natural resource assets at valuation

Natural resource assets at cost

Plantations

Plantations Afforestation program ²	3,914	6,819	2,414	7,840
Total natural resource assets at cost		6,819		7,840
Total natural resource assets at valuation and cost		326,822		320,130

¹ Area under management as at 31 December - refer appendix 2

² The Commission's Afforestation program, commenced in the 2002 planting year, is carried at cost due to the unreliability of estimated future cash-flows

A reconciliation of the carrying amounts of natural resource assets at the beginning and end of the financial period is set out below.

	2005 (\$'000)	2004 (\$'000)
Carrying amount at the start of the period	320,130	293,351
Additions at cost	7,189	4,431
Revaluation (decrements) / increments	(497)	22,348
Carrying amount at the end of the period	<u>326,822</u>	<u>320,130</u>

Discount rates:

The following (pre-tax, real) discount rates have been applied in the calculation of net market values:

Native Forest

Native forest standing timber	11.15%	9.25%
Standing sandalwood	9.90%	8.00%

Plantations

Plantations standing timber	9.90%	8.00%
Plantations Reforestation Program	11.65%	9.75%

Discount rates are based on the Commission's current weighted average cost of capital (pre-tax, real).

Details of the timber volumes data and the net present value calculations upon which these valuations are based, are contained in the Commission's working papers.

21.1 Source of valuation of natural resource assets

The net market value of the natural resource assets has been determined in accordance with a Commission's valuation.

21.2 Sensitivity analysis

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

			2005 (\$'000)	2004 (\$'000)
			Increase/ (decrease)	Increase/ (decrease)
Discount rate:	+ 3%	Total natural resource assets at valuation	(63,717)	(79,259)
	- 3%	Total natural resource assets at valuation	124,018	145,248
Future costs:	+ 3%	Total natural resource assets at valuation	(11,750)	(3,866)
	- 3%	Total natural resource assets at valuation	(2,015)	10,931
Future income:	+ 3%	Total natural resource assets at valuation	(8,360)	20,819
	- 3%	Total natural resource assets at valuation	(5,404)	(13,838)

21.3 Change in estimate

21.3.1 Reason for change in estimate

Valuation of the Commission's natural resource assets is an estimate of the net market value of the Commission's standing timber and standing timber harvest rights. There is ongoing debate within the Timber Industry on the most appropriate method of valuing standing timber and of the most appropriate elements of this valuation. Reviews and discussions undertaken by the Commission over the last year with industry and valuation experts have led to the Commission amending elements of the valuation of its natural resource assets, as discussed in 21.3.2 below. The quantification is detailed under 21.3.3 below.

21.3.2 Nature of change in estimate

Discount rates applied by the Commission have traditionally been based on the Commission's pre tax Weighted Average Cost of Capital (WACC) calculated using the Commission's effective tax rate. WACC rates have been revised this financial year to give effect to the corporate tax rate rather than the Commission's effective tax rate. Adjusting the discount rate in this way results in an increase in the discount rate.

Cash flows used to estimate the net present value of the Commission's natural resource assets have traditionally included an allocation of Corporate Overheads. Cash flows have been amended this financial year to exclude the allocation of Corporate Overheads.

Due to the uncertainties inherent in the estimation of cash flows associated with the Commission's Afforestation Program, the Afforestation Program is carried at cost (as per AASB 1037 Self Generating and Regenerating Assets 5.3.2. (d) (ii)). The Commission has revised the estimate of costs to be included in the Afforestation program valuation.

21.3.3 Effect of change in estimate

	2005 as reported (\$'000)	2005 prior to change in estimates (\$'000)	Increase/ (decrease) in natural resource valuation (\$'000)
<i>Natural resource assets at valuation</i>			
<i>Native Forest</i>			
Native forest standing timber	105,231	89,772	15,459
Standing sandalwood	51,718	65,027	(13,309)
Native forest natural resource assets at valuation	156,949	154,799	2,150
<i>Plantations</i>			
Plantations standing timber	152,345	188,187	(35,842)
Plantations Reforestation program	10,709	13,113	(2,404)
Plantations natural resource assets at valuation	163,054	201,300	(38,246)
Total natural resource assets at valuation	320,003	356,100	(36,097)
<i>Natural resource assets at cost</i>			
<i>Plantations</i>			
Plantations Afforestation program	6,819	15,030	(8,211)
Total natural resource assets at cost	6,819	15,030	(8,211)
Total natural resource assets at valuation and cost	326,822	371,129	(44,307)

	2005 (\$'000)	2004 (\$'000)
22 Payables		
<i>Current</i>		
Trade payables	3,998	3,590
	<u>3,998</u>	<u>3,590</u>
23 Interest bearing liabilities		
<i>Current</i>		
Western Australian Treasury Corporation loan	6,263	2,874
Total current	<u>6,263</u>	<u>2,874</u>
<i>Non-Current</i>		
Western Australian Treasury Corporation loan	85,361	79,767
Total non-current	<u>85,361</u>	<u>79,767</u>
Total interest bearing liabilities¹	<u>91,624</u>	<u>82,641</u>

¹ Refer note 34 for interest rate analysis.

	2005 (\$'000)	2004 (\$'000)
24 Provisions		
<i>Current</i>		
Compensated Absences - Annual leave	1,874	1,522
Compensated Absences - Long service leave	2,015	1,513
	3,889	3,035
<i>Non-current</i>		
Compensated Absences - Long service leave	1,153	1,045
Provision for unfunded superannuation liability ¹	107	-
	1,260	1,045
<i>Employee Benefits (refer note 2.15)</i>		
The aggregate employee benefit liability recognised and included in the financial statements is as follows:		
Provision for employee benefits:		
Current:		
- Provisions	3,889	3,035
- Accrued salaries and wages (refer note 25)	503	413
Non-current:		
- Provisions	1,153	1,045
- Provision for unfunded superannuation liability	107	-
	5,652	4,493

The Commission considers the carrying amount of employee benefits to approximate fair value - refer note 2.15.

¹ The Commission has a provision for the unfunded liability associated with those employees who are currently members of the Gold State Defined Benefits Superannuation scheme.

The disclosure requirements of paragraph 6.10 of AASB 1028, being the employer's share of the difference between employees' accrued superannuation benefits and the attributable net market value of plan assets has not been provided, as the appropriate disclosure is provided in whole of government reporting. The Government Employees Superannuation Board records do not recognise plan assets for a group of employees associated with one agency. Accordingly, deriving the information for the Commission is not practical.

	2005 (\$'000)	2004 (\$'000)
25 Other creditors and accruals		
<i>Current</i>		
Payroll tax accrual	93	60
Net hedge contract payable	8	80
Accruals:		
~ Accrued logging costs	2,600	1,979
~ Other accruals ¹	13,419	3,690
Accrued interest	17	1,198
Accrued salaries and wages	503	413
Provision for deferred liabilities	-	182
Provision for land acquisition payments ²	752	-
Unearned revenue ³		
~ Manjimup nursery	214	134
~ Southwest share farm project	245	399
Deferred Income - PSA	471	-
Statutory dividend	-	1,470
	18,322	9,605
Treasurer's liability for funding the construction of the Manjimup Plant Propagation Centre	-	1,436
Less: Repayment during the period	-	(1,436)
Total Treasurer's liability	-	-
<i>Non-Current</i>		
Unearned revenue		
~Plantation Establishment Deed ¹	3,060	2,000
Provision for incentive payments	88	-
Deferred Income - PSA	1,897	-
Provision for deferred liabilities	-	431
	5,045	2,431

¹ Includes provision for claims lodged against the Commission arising out of the Government's "protecting our old growth forests" policy.

² Provision for land acquisition payments deferred under Profit a Prendre agreements

³ Unearned revenue is attributable to cash having been received or risk having passed, while the service/product has not yet been invoiced - refer Note 2.02.

¹ Stumpage pre paid under the terms of the Plantation Establishment Deed between Laminex Group Limited and Forest Products Commission. Interest is accrued at a rate equivalent to the rate of return earned by the Commission on the Commission's mature plantation estate.

	2005 (\$'000)	2004 (\$'000)
26 Contributed equity		
Contribution by owners, the Western Australian State Government, represents amounts transferred on establishment of the Commission and net contributions since establishment.		
The following assets and liabilities have been contributed to equity:		
<i>Contributions since formation of the Commission</i>		
Assets transferred	615	101
Reappropriation from Consolidated Funds ¹	1,270	1,289
Total contribution by owners²	1,885	1,390
Reconciliation:		
Contribution by owners at the beginning of the financial period	231,699	230,309
Amounts contributed during the financial period	1,885	1,390
Contribution by owners at the end of the financial period	233,584	231,699
¹ Reappropriation from Consolidated Funds arising out of the sale of Peel 'B' Baldvis plantation land sale proceeds.		
² The amounts recorded above represent the fair value of assets and liabilities transferred from the Western Australian Government. The fair values of these assets and liabilities may have changed during the period to yield values accounted for at the financial period end. The amounts transferred have been treated as equity as per Urgent Issues Group (UIG) Abstract 38 - Contributions by Owners Made to Wholly-Owned Public Sector Entities - paragraph (7) (b) and (c).		
27 Reserves		
Asset Revaluation Reserve		
Opening balance	25	-
Net revaluation increments ¹ :		
Land	89	-
Buildings	2,111	25
Closing balance	2,225	25
Retained profits		
Opening balance	28,406	23,838
Net profit for the period	(8,920)	6,038
Provision for statutory dividend	-	(1,470)
Closing balance	19,486	28,406
Reconciliation of movement in reserves and retained profit:		
Opening balance	28,431	23,838
Movements in the period:		
Asset revaluation reserve	2,200	25
Retained profits	(8,920)	6,038
Provision for dividend	-	(1,470)
Total changes in equity other than from transactions with WA State Government as owners	(6,720)	4,593
Closing balance	21,711	28,431

¹ Revaluations as per Department of Land Information (Valuation Services) - refer note 2.27

	2005 (\$'000)	2004 (\$'000)
28 Notes to the Statement of Cash Flows		
28.1 Reconciliation of cash		
Cash assets:		
Petty Cash	4	4
Commonwealth Bank - Cash Management Account	3,240	326
Commonwealth Bank - USD Bank Account	1,965	1,239
Short term deposit ¹	1,028	-
	6,237	1,569
¹ Short term deposit with WA Treasury Corporation. Matures within 20 days. Refer Financial Instruments note, note 34 for interest.		
28.2 Financing and investing activities		
During the financial period assets and liabilities were either transferred or assumed - refer note 26.		
Assets acquired - non cash:		
Assets transferred	-	101
Other - cash:		
Peel B land sale proceeds	1,270	1,289
Equity contributed by owners	1,270	1,390
28.3 Reconciliation of profit from ordinary activities after income tax to net cash flows provided by operating activities:		
Profit from ordinary activities after income tax	(8,920)	6,038
<i>Non-cash items:</i>		
Depreciation expense	2,098	2,234
Doubtful debt expense	1,422	20
Amounts from Commonwealth grants and contributions	(209)	(12)
Disposal of non-current assets	6	(29)
Amounts for income tax	(4,399)	2,592
Revaluation of land and buildings	145	63
Revaluation of timber assets, land and infrastructure	1,780	(19,853)
Write down of Nursery Infrastructure	-	3,822
<i>Decrease / (increase) in assets:</i>		
Current inventories	1,897	4,845
Current receivables ¹	(4,879)	2,395
Other current assets	(1,105)	972
<i>Increase/(decrease) in liabilities:</i>		
Current payables	408	(1,094)
Provisions	1,069	502
Unearned Revenue - Wesfi Contract	1,060	2,000
Other liabilities	9,819	246
Grants and Subsidies from Government	(1,100)	(1,300)
Taxation refund / (paid)	312	(508)
Net cash provided by operating activities	(596)	2,933

¹ Australian Taxation Office amounts receivable/payable in respect of GST and amounts receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they are not cash transactions and do not form part of the Statement of Cash Flows.

	2005 (\$'000)	2004 (\$'000)
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28.4 Borrowing facilities

The Commission had access to the following lines of credit as at reporting date:

Credit cards	651	805
Bank overdraft facility ¹	8,000	8,000
Short term lending facility with WATC ¹	10,000	-
WA Treasury Corporation - Portfolio Lending Arrangement	91,624	85,441

¹ The combined overdraft and short term lending accessible to the Commission cannot exceed \$8 million (2004 \$8 million) at any one time; the limit approved by the Department of Treasury and Finance.

The facilities in use as at reporting date:

Credit cards	83	71
Bank overdraft facility	-	-
Short term lending facility with WATC	4,300	-
WA Treasury Corporation - Portfolio Lending Arrangement	91,624	82,641

Available facilities not in use as at reporting date:

Credit cards	568	734
Bank overdraft facility	2,300	8,000
Short term lending facility with WATC	5,700	-
WA Treasury Corporation - Portfolio Lending Arrangement	-	2,800

29 Resources provided free of charge

During the financial year and in the financial year to 30 June 2004, no resources were provided to other agencies free of charge for functions outside the normal operations of the Commission. Non-commercial activities and associated costs are disclosed under note 42.

30 Commitments for expenditure

30.1 Expenditure commitments

Expenditure commitments, being contracted expenditure additional to the amounts reported in the financial statements, are payable as follows:

Within 1 year	5,603	5,220
Later than 1 year and not later than 5 years	17,800	16,660
	<u>23,403</u>	<u>21,880</u>

In addition to other objectives, these commitments support the Wood Processing (WESFI) Agreement Act 2000 for the Plantations Afforestation program. These are to be funded by loans from the Western Australian Treasury Corporation. An amount of \$243k has been committed for the construction of office premises in the Esperance region in 2005/06.

30.2 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	2,170	1,663
Later than 1 year and not later than 5 years	6,219	5,934
Later than 5 years	14,872	15,671
	<u>23,262</u>	<u>23,267</u>

Non-cancellable operating leases	<u>23,262</u>	<u>23,267</u>
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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.

30.3 Guarantees and undertakings

The Commission has no guarantees and/or undertakings that have not been provided for in the Statement of Financial Position other than those disclosed in this note.

31 Contingent assets and liabilities

31.1 Liabilities

The Commission is of the opinion that provisions are not required for the following matters as it is either not probable that a future sacrifice of economic benefits will be required, or the amounts are not capable of reliable measurement.

Effect of damage control for pest eradication

The Commission is currently engaged in an assessment of various strategies to ensure the eradication of the European House Borer. This pest affects softwood timbers. Some proposed strategies currently being examined may involve early harvesting of plantations which may result in a material reduction in the value currently assigned to plantations and may favourably impact the short term operating performance of the Commission. It is anticipated that the task force assessing these strategies will finalise their proposals in the 2005/06 financial year.

Effect of plantation loss to drought:

The Commission's *pinus pinaster* plantations in the Mid West region (north of Gngangara) have suffered various degrees of drought damage, including deaths and/or stunted growth. The Commission is currently assessing the impact of this damage and the recoverability of affected timber. The outcome of this assessment may impact the valuation of the Commission's plantations by approximately \$4.4 million.

31.2 Assets

Under the Wood Processing (Wesbeam) Agreement Act 2002, Wesbeam has a commitment to spend not less than \$1m per annum (or such lesser amount as the Minister determines is reasonable in the circumstances) during the period 1 July 2009 to 30 June 2027 on planting trees suitable for the production of timber to be supplied to Wesbeam by the Commission during the period 2029 to 2054. Due to uncertainty surrounding the quantity, value and length of period of supply of timber by the Commission to Wesbeam under this clause of the Wesbeam Agreement, no value has been attributed to the net benefit that may flow to the Commission as a result of this commitment.

32 Events occurring after reporting date

There were no events that occurred after balance date, other than events for which the financial effects have already been brought to account, that will have a material effect on the Statement of Financial Position or Statement of Financial Performance as at 30 June 2005.

33 Explanatory statement

Explanations on any line item with a variance of greater than ten percent have been provided.

33.1 Explanation of significant variations between current and prior year actual results

	2005 (\$'000)	2004 (\$'000)	Variance %	Expla- nation:
Revenue and expenses from natural resource assets				
Revenue from natural resource assets				
- Native Forests revenue	70,836	73,439	(4%)	
- Plantations revenue	44,027	44,329	(1%)	
Total revenues from natural resource assets	114,863	117,768	(2%)	
Expenses from natural resource operations				
- Native Forests	32,371	36,815	(12%)	1
- Plantations	44,383	26,563	67%	2
Total expenses from natural resource operations	76,754	63,378	21%	

Statement of financial performance

REVENUE

Revenue from ordinary activities

Revenue from operating activities

	2005 (\$'000)	2004 (\$'000)	Variance %	Expla- nation:
Revenue from natural resource assets	114,863	117,768	(2%)	
Revenue from commercial share farm operations	20	477	(96%)	3
Grants & contributions from Commonwealth Government	2,040	12	16900%	4
Other revenue from ordinary activities	4,565	1,368	234%	5
Grants and subsidies from State Government	1,100	1,300	(15%)	6
<i>Revenue from non-operating activities</i>				
Other revenue from non-operating activities	79	135	(41%)	7
Total revenue from ordinary activities	122,667	121,060	1%	

EXPENSES

Expenses from ordinary activities

Expenses from natural resource assets	76,754	63,378	21%	
Employee expenses	14,921	12,100	23%	8
Other expenses from ordinary activities	33,355	23,939	39%	9
Write off of assets	-	3,822	(100%)	10
Depreciation	2,098	2,234	(6%)	
Borrowing costs	5,974	5,661	6%	
Administration	2,304	716	222%	11
Accommodation expenses	580	580		
Total expenses from ordinary activities	135,986	112,430	21%	

Profit from ordinary activities

before income tax	(13,319)	8,630	(254%)	
Income tax	(4,399)	2,592	(270%)	12
Net (loss)/profit	(8,920)	6,038	(248%)	

Explanation:

- 1 Reflects lower level of harvesting activity resulting from the Forest Management Plan (FMP) 2004-2013. The effects of the FMP impacted the 2003/04 financial year from 1 January 2004 onwards (6 month impact in 2003/04 financial year). Product mix and price increases offset potential impact on revenue (refer appendix 5 & 6).
- 2 Standing timber valuation decrease.
- 3 Reduction in level of share farming agency services.
- 4 Higher level of research activity funded by Commonwealth Government in 2004/05.
- 5 The increase in 2004/05 is due mainly to an increase of fire suppression services rendered to the Department of Conservation and Land Management and the recovery of contributions made to European House Borer eradication project.
- 6 Reduction is due to the Jarrah Enhancement Program funding program (\$230k) having finished in the 2003/04 financial year.
- 7 No longer receiving treasurer's contribution to unfunded superannuation liability.
- 8 Variance attributable to increase in leave liability, increase in staff numbers and increased fire suppression related overtime.
- 9 Increase due to increase in accruals and commitments in 2004/05
- 10 Decrease due to write-off of nursery infrastructure assets in 2003/04, not applicable to 2004/05.
- 11 Increase due to increase in provision for doubtful debts, valuation adjustments for land and buildings and increase in telephone, postage and communication costs.
- 12 Refer note 35 for details of Income Tax

33.2 Comparison of 2004/05 actual results to estimated results

Explanations for significant variations greater than ten percent between estimated and actual revenues and expenditures have been provided.

	2005 actual (\$'000)	2005 estimate (\$'000)	Variance %	Explanation:
Revenue and expenses from natural resource assets				
Revenue from natural resource assets				
- Native Forests revenue	70,836	46,685	52%	1
- Plantations revenue	44,027	44,387	(1%)	
Total revenues from natural resource assets	114,863	91,072	26%	
Expenses from natural resource operations				
- Native Forests	32,371	22,451	44%	2
- Plantations	44,383	22,387	98%	3
Total expenses from natural resource operations	76,754	44,838	71%	

Statement of financial performance

REVENUE

Revenues from ordinary activities

Revenue from operating activities

Revenue from natural resource assets	114,863	91,072	26%	
Revenue from commercial share farm operations	20	38	(47%)	4
Grants & contributions from Commonwealth Government	2,040	-	100%	5
Other revenue from ordinary activities	4,565	725	530%	6
Grants and subsidies from State Government	1,100	1,070	3%	
<i>Revenue from non-operating activities</i>				
Other revenue from non-operating activities	79	-	100%	7
Total revenue from ordinary activities	122,667	92,905	32%	

EXPENSES

Expenses from ordinary activities

Expenses from natural resource assets	76,754	44,838	71%	
Employee expenses	14,921	12,842	16%	8
Other expenses from ordinary activities	33,355	24,670	35%	9
Depreciation	2,098	1,760	19%	10
Borrowing costs	5,974	6,116	(2%)	
Administration	2,304	718	221%	11
Accommodation expenses	580	692	(16%)	12
Total expenses from ordinary activities	135,986	91,636	48%	

Profit from ordinary activities

before income tax	(13,319)	1,269	(1150%)	
Income tax	(4,399)	-	100%	13

Net (loss)/profit

	(8,920)	1,269	(803%)	
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Explanation:

- 1 Budget estimates do not include standing timber valuation adjustments. Actual is higher than estimate due to movement in standing timber valuations. Cost recovery revenue was higher than estimate, with the additional cost recovery revenue offset by additional expenses (refer to explanation 2 below).
- 2 Higher costs associated with natural resource assets activities offset by higher cost recovery revenue - refer cost recovery KPI
- 3 Budget estimates do not include standing timber valuation adjustments. Actual is higher than estimate due to movement in standing timber valuations.
- 4 This business activity has substantially ceased. Actual activity was lower than anticipated.
- 5 Contribution from Commonwealth to research activities were not factored into the estimates. Costs associated with these contributions are mainly employee expenses - refer explanation 8 below.
- 6 Increase associated mainly with cost recovery activities, not factored into the estimates. Costs associated with increase mainly included in employee expenses.
- 7 Interest received not included in estimates.
- 8 Actual results include \$1m increase in leave liabilities, overtime associated with fire suppression activities, and employee expenses recouped from Commonwealth Grants or under cost recovery operations (explanation 5 & 6 above).
- 9 Affected by a provision for claims against the organisation arising out of the implementation of the Government's *"protecting our old growth forests"* policy - refer note 9.
- 10 Increase in fixed assets (computers, software and heavy duty vehicles) and associated depreciation not factored into estimates.
- 11 Variance due mainly due to an increase in the provision for doubtful debts and write down of buildings arising from Valuation Services assessments.
- 12 Due mainly to savings related to the relocation of Timber Technology activities from Harvey to Perth, which occurred later than was provided for in the estimates.
- 13 Income tax variance relates to timing differences not budgeted for - refer note 35 for details.

34 Financial instruments

34.1 Interest rate risk exposure

The following table details the Commission's exposure to interest rate risk as at the reporting date.

	2005							
	USD Balance as at 30-Jun-05	Weighted Average Effective Interest Rate %	AUD Balance as at 30 June 05 \$000	Fixed Interest Rate - Maturity:			Non Interest Bearing \$000	Total \$000
				Less than 1 Year \$000	1 to 5 Years \$000	More than 5 Years \$000		
Financial Assets								
Commonwealth Bank Cash Management Account		5.34%	3,240				3,240	
Commonwealth Bank USD Account	1,501	1.41%	1,965				1,965	
WA Treasury Corporation - short term deposit		5.41%	1,028				1,028	
Performance Security deposit account		5.50%	1,127				1,127	
Receivables		-				14,314	14,314	
Accrued revenue		-				753	753	
	1,501		7,360	Nil	Nil	Nil	15,067	
Financial Liabilities								
Payables		-				3,998	3,998	
WA Treasury Corporations (long term loan)		6.32%		3,263	17,217	68,144	88,624	
WA Treasury Corporations (short term loan)		5.63%		3,000			3,000	
Deferred income - Wesfi State Agreement		0.71%	3,060				3,060	
Accrued interest		-				17	17	
	-		3,060	6,263	17,217	68,144	4,015	
							98,699	

	2004							
	USD Balance as at 30-Jun-04	Weighted Average Effective Interest Rate %	AUD Balance as at 30 June 04 \$000	Fixed Interest Rate - Maturity:			Non Interest Bearing \$000	Total \$000
				Less than 1 Year \$000	1 to 5 Years \$000	More than 5 Years \$000		
Financial Assets								
Commonwealth Bank Cash Management Account		4.94%	326				326	
Commonwealth Bank USD Account	854	0.04%	1,239				1,239	
Receivables - USD held in trust on behalf of FPC	202	0.04%	292				292	
Receivables		-				10,824	10,824	
Accrued revenue		-				1,660	1,660	
Financial Assets			1,857	-	-	-	12,484	
Financial Liabilities								
Payables		-				3,590	3,590	
WA Treasury Corporation		6.96%		2,874	15,352	64,415	82,641	
Deferred Income		3.78%	2,000				2,000	
Accrued Interest		-				1,198	1,198	
Financial Liabilities			2,000	2,874	15,352	64,415	4,788	
							89,429	

2005 (\$'000)	2004 (\$'000)
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Summary

Financial assets	22,427	14,341
Financial liabilities	98,699	89,429

34.2 Forward foreign exchange contracts

The Commission is exposed to the effects of foreign currency fluctuations by virtue of its export sales, principally of sandalwood. The majority of the transactions are negotiated in United States dollars (USD). The Commission has entered into forward foreign exchange contracts with the West Australian Treasury Corporation for 75% of its budgeted sandalwood 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.

value date	sell currency	sell amount \$000	forward rate	buy currency	buy amount \$000	current forward rate 30 June 05	revalued buy currency 30 June 05	revalued buy amount 30 June 05
29/7/05	USD	1,500	0.7668	AUD	1,956	0.7626	AUD	1,967
30/9/05	USD	1,557	0.7640	AUD	2,038	0.7599	AUD	2,049
30/12/05	USD	1,557	0.7601	AUD	2,048	0.7566	AUD	2,058
31/3/06	USD	1,557	0.7566	AUD	2,058	0.7535	AUD	2,066
30/6/06	USD	1,557	0.7532	AUD	2,067	0.7508	AUD	2,074
					<u>10,168</u>			<u>10,214</u>

34.3 Credit risk exposure

Accounts receivable largely consists of timber debtors, for which deposits and securities equivalent to an average of 6 weeks deliveries are required to be lodged in favour of the Commission under the supply of timber contracts of sale. These deposits and securities are held in trust until the expiry or default of contracts. As at 30 June 2005, the value of overdue accounts exceeded deposits and securities by \$1.4m (2004 \$1.7m).

In addition to securities, protection of the Commission's interest is provided in that forest produce is the property of the Crown until forest produce charges are paid. In the instance of default of payment, forest produce may be seized and disposed of under a statutory retention right.

The Commission's credit risk exposure at 30 June 2005 is illustrated by the aged debtors table below:

	2005 Number of customers	2005 Value overdue ¹ : (\$'000)	2004 Number of customers	2004 Value overdue ¹ : (\$'000)
1 to 30	25	1,825	14	525
31 to 60	11	1,505	13	668
Greater than 60	29	1,171	31	1,352
All overdue accounts	<u>65</u>	<u>4,502</u>	<u>58</u>	<u>2,545</u>

¹ Overdue beyond the Commission's agreed trading terms.

The likelihood of recovery as at 30 June 2005 was estimated and factored into the amounts provided for doubtful debts (refer note 17). Where applicable, interest is being charged under the terms of the customer's supply contract.

34.4 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 2.21. The Commission's borrowings of \$91.124m (2004 \$82.642m) from the Western Australian Treasury Corporation (WATC) have been assessed by the WATC to have a net fair value of \$91.84m (2004 \$85.158m) as at 30 June 2005. The Commission's short term borrowings of \$3m (2004 nil) from the WATC has been assessed by WATC to have a net fair value of \$3m. 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.

	2005 (\$'000)	2004 (\$'000)
35 Taxation		
The prima facie income tax on pre-tax accounting profit reconciles to the income tax equivalent in the statement of financial performance as follows:		
Profit from ordinary activities before Income Tax	(13,319)	8,630
Income tax calculated at 30% of operating profit	(3,996)	2,589
<i>Permanent differences: (refer Note 2.18)</i>		
Entertainment	4	3
Research and Development	(97)	-
Refund of income tax	(310)	-
Income tax attributable to profit from ordinary activities	<u>(4,399)</u>	<u>2,592</u>
Income tax comprises movements in:		
Provision for deferred tax expense	2,680	6,449
Future tax expense benefit	(6,769)	(3,857)
Refund of income tax	(310)	-
Total income tax	<u>(4,399)</u>	<u>2,592</u>
Deferred tax assets		
Future income tax benefit - timing differences	14,891	8,122
Reconciliation:		
Reconciliations of the carrying amounts of future income tax benefits at the beginning and end of the current financial period are set out below.		
Carrying amount at start of period	8,122	4,265
Amount arising during the period	6,769	3,857
Carrying amount at end of period	<u>14,891</u>	<u>8,122</u>
Deferred Tax Assets include an amount of \$2.4m due to tax losses of \$8m carried forward.		
Deferred tax liabilities		
Provision for deferred income tax liabilities	19,670	16,989
Reconciliation:		
Reconciliations of the carrying amounts of deferred income tax liabilities at the beginning and end of the current financial period are set out below.		
Carrying amount at start of period	16,990	10,541
Amount arising during the period	2,680	6,449
Carrying amount at end of period	<u>19,670</u>	<u>16,990</u>
Provision for income tax		
Provision for income tax at start of period	-	508
Income tax refund / (paid) in period	310	(508)
Income tax for the period	(4,399)	2,592
Effect of future income tax benefit arising in the period	6,769	3,857
Effect of provision for deferred income tax arising in the period	(2,680)	(6,449)
Provision for income tax at end of period	<u>-</u>	<u>-</u>

	2005 (\$'000)	2004 (\$'000)
36 Provision for dividend		
Provision for declared dividend ¹	-	1,470

¹ The dividend provision as at 30 June 2004 was paid to WA Treasury within time limit stipulated by part 6, Section 44.4(b) of the Forest Products Act 2000. The Commissioners are not recommending a dividend for the 2004/05 financial year due to insufficient cash generated from operating activities (refer note 28). This was attributable mainly to an increase in accounts receivable which has arisen as a result of a dispensation granted to eligible native forest customers arising out of the Government's 'protecting our old growth forest' policy.

37 Remuneration of Members of the Accountable Authority and Senior Officers

Remuneration of Members of the Accountable Authority

The number of Members of the Accountable Authority (Commissioners) whose total of fees, salaries, superannuation¹ and other benefits received, or which are due and receivable, for the financial year which fall within the following bands, is as follows:

\$		
5,000 - 10,000	-	-
10,000 - 20,000	1	6
20,000 - 30,000	4	-
30,000 - 40,000	-	-
40,000 - 50,000	1	-
50,000 - 60,000	1	1
	<u>7</u>	<u>7</u>
	<u>169</u>	<u>171</u>

The total remuneration of Members of the Accountable Authority for the financial period was:

¹ No Commissioner is a member of the Pension Scheme.

Remuneration of Senior Officers

The number of Senior Officers (members of the Commission's Corporate Executive), 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:

\$		
80,000 - 90,000	1	-
90,000 - 100,000	-	2
100,001 - 110,000	1	-
110,001 - 120,000	-	2
120,001 - 130,000	1	-
130,001 - 140,000	1	1
140,001 - 150,000	1	-
150,001 - 160,000	-	-
160,001 - 170,000	-	-
170,001 - 180,000	-	-
180,001 - 190,000	-	1
190,001 - 200,000	-	-
200,001 - 210,000	1	-
	<u>6</u>	<u>6</u>
	<u>805</u>	<u>735</u>

The total remuneration of Senior Officers for the financial period was:

38 Related/affiliated bodies

The Commission has no "related" or "affiliated" bodies as defined by TI 951 (3) to (6).

	2005	2004
	(\$'000)	(\$'000)

39 Remuneration of auditor

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

Auditing the accounts, financial statements and performance indicators	76	62
Provision for remuneration of auditor		
Opening Balance	62	64
Payments made during the period	(73)	(47)
Amounts provided during the period	87	45
Closing Balance	76	62

40 Funds held in trust

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

Opening Balance	872	874
Receipts	374	73
Payments	(184)	(75)
Closing Balance	1,062	872

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

41 Supplementary information

41.1 Write-offs:

Nursery infrastructure (refer note 10)	-	3,822
Inventory ¹	-	1,948
Debtors ²	31	457
Seedlings ³	-	427
Other	2	-
Total	33	6,654

¹ Inventory written down in the financial year due to the lack of a readily identifiable market.

² \$31k (2003/04 \$457k) of unrecoverable debt was written-off in the financial year and was fully provided for in the prior financial year. All requisite approvals as stipulated in the Treasury Instructions were complied with.

³ Seedlings disposed of during the financial period due to reduction in planting levels.

41.2 Losses through theft, defaults and other causes	8	-
41.3 Gifts of public property	3	2

42 Segment information

Segment Information has been disclosed by 'main business segment', based on the Commission's management reporting system.

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

Arid Forest - Responsible for all 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.

New Plantations - This sector is responsible for the establishment and maintenance of plantations in the low rainfall zone. This arm of the Commission's objective is not only aimed at producing timber to sustain the timber industry, but also to ameliorate salinity and address soil degradation.

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

Business Development - Provides marketing intelligence and expert services in the exploration and analysis of business opportunities and provides public relations and corporate affairs support services to the Commission.

Corporate & Support Services - This sector provides corporate management, business administration (contracts, finance) support and specialised services to the operating arms of the business.

Non-Commercial Revenue and Expenses - This segment isolates and quantifies the Commission's non-commercial activities such as those associated with delivery of services that in the Commission's opinion would not be undertaken were the Commission to be focused purely on generating commercial returns in line with similar enterprises in the private sector.

The Commission operates within one geographical segment (Western Australia).

	2004/2005								
	Southwest Forest	Arid Forest	Plant Propagation Centre	New Plantations	Mature Plantations	Business Development	Corporate & Support Services	Non-Commercial Revenue & Expenditure	Total
	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)
REVENUE	-	-	-	-	-	-	-	-	-
Revenue from ordinary activities	-	-	-	-	-	-	-	-	-
Revenue from natural resource assets	38,556	12,027	942	762	41,987		277		94,551
Revenue from commercial share farm operations				20					20
Internal sales transferred from Supplies & Services			2,768						2,768
Commonwealth grants & contributions			11	1,831			198		2,040
Other revenue from ordinary activities	604	42	222	743	55	20	2,823	56	4,565
Grants and subsidies from State Government						30		1,070	1,100
Other revenue from non-operating activities							79		79
Total revenue from ordinary activities	39,160	12,069	3,943	3,356	42,042	50	3,377	1,126	105,123
EXPENSES	-	-	-	-	-	-	-	-	-
Expenses from ordinary activities	-	-	-	-	-	-	-	-	-
Expenses from natural resource assets	23,014	7,159	1,222	118	22,232			74	53,819
Employee expenses	2,281	650	2,196	836	885	1,960	6,015	98	14,921
Other expenses from ordinary activities	13,936	1,362	1,340	2,077	9,624	1,240	6,406	138	36,123
Depreciation	735	18	556	113	274	11	277	114	2,098
Borrowing costs				1,342	3,562			1,070	5,974
Administration	698	16	182	9	536	52	773	38	2,304
Accommodation expenses	38	13	68	10	5	138	302	6	580
Total expenses from ordinary activities	40,702	9,218	5,564	4,505	37,118	3,401	13,773	1,538	115,819
Profit/loss before Business Development and Corporate & Support allocation	(1,542)	2,851	(1,621)	(1,149)	4,924	(3,351)	(10,396)	(412)	(10,696)
Business Development and Corporate & Support allocation¹	(4,265)	(1,403)	(953)	(3,384)	(3,742)	3,351	10,396		0
Profit/(loss) from ordinary activities before income tax equivalents and SGARA valuations	(5,807)	1,448	(2,574)	(4,533)	1,182	-	-	(412)	(10,696)
Revenue from SGARA valuations	32,831	(12,618)							20,213
Expenses from SGARA valuations	2,126			7,387	13,323				22,836
Net Revenue / (expenses) from SGARA valuations	30,705	(12,618)		(7,387)	(13,323)				(2,623)
Profit/(loss) from ordinary activities before income tax equivalents	24,898	(11,170)	(2,574)	(11,920)	(12,141)			(412)	(13,319)
Income tax							(4,399)		(4,399)
Profit/(loss) from ordinary activities after income tax equivalents	24,898	(11,170)	(2,574)	(11,920)	(12,141)		4,399	(412)	(8,920)

¹ Allocation based on Massachusetts Formula.

FOREST PRODUCTS COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 June 2005

	2004/2005								
	Southwest Forest (\$' 000)	Arid Forest (\$' 000)	Plant Propagation Centre (\$' 000)	New Plantations (\$' 000)	Mature Plantations (\$' 000)	Business Development (\$' 000)	Corporate & Support Services (\$' 000)	Non Commercial Revenue & Expenditure (\$' 000)	Total (\$' 000)
ASSETS									
Current Assets									
Cash Assets							6,237		6,237
Inventories	291	1,684	2,572		116			50	4,713
Receivables							14,314		14,314
Other Assets		256		423	655		1,133		2,467
	291	1,940	2,572	423	771		21,684	50	27,731
Non Current Assets									
Land and buildings	495		3,257	247	430		5,243		9,672
Plant, equipment and vehicles	221	59	4,736	286	200		761		6,263
Forest Infrastructure	12,355				1,369				13,724
Natural resource assets	105,231	51,718		17,528	152,345				326,822
Deferred tax assets	4,467				10,422				14,889
	122,769	51,777	7,993	18,061	164,766		6,004		371,370
Segment Assets	123,060	53,717	10,565	18,484	165,537			50	371,413
Unallocated Assets							27,688		27,688
Total Assets	123,060	53,717	10,565	18,484	165,537		27,688	50	399,101
LIABILITIES									
Current Liabilities									
Payables							3,998		3,998
Interest Bearing Liabilities				5,010				1,253	6,263
Tax Liabilities									
Provisions	1,460	98			2,331				3,889
Other creditors and accruals	11,960	694	214	2,659	2,576		219		18,322
	13,420	792	214	7,669	4,907		4,217	1,253	32,472
Non Current Liabilities									
Interest Bearing Liabilities				16,046	55,912			13,403	85,361
Provisions	384	50			719		107		1,260
Other creditors and accruals				1,985	3,060				5,045
Deferred tax liabilities	23,120				(3,452)				19,668
	23,504	50		18,031	56,239		107	13,403	111,334
Segment Liabilities	36,924	842	214	25,700	61,146			14,656	139,482
Unallocated Liabilities							4,324		4,324
Total Liabilities	36,924	842	214	25,700	61,146		4,324	14,656	143,806
Operating Return on total assets (excluding SGARA valuations)	(1.25%)	5.31%	(15.34%)	1.04%	5.13%				(1.18%)
Return on total assets (excluding SGARA valuations, after overhead allocations)	(4.72%)	2.70%	(24.36%)	(17.26%)	2.87%				(1.18%)

Segment information

Segment information has been disclosed by 'main business segment', based on the Commission's management reporting system.

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

Arid Forest - Responsible for all 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.

New Plantations - This sector is responsible for the establishment and maintenance of plantations in the low rainfall zone. This arm of the Commission's objective is not only aimed at producing timber to sustain the timber industry, but also to ameliorate salinity and address soil degradation.

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

Business Development - Provides marketing intelligence and expert services in the exploration and analysis of business opportunities and provides public relations and corporate affairs support services to the Commission.

Corporate & Support Services - This sector provides corporate management, business administration (contracts, finance) support and specialised services to the operating arms of the business.

Non-Commercial Revenue and Expenses - This segment isolates and quantifies the Commission's non-commercial activities such as those associated with delivery of services that in the Commission's opinion would not be undertaken were the Commission to be focused purely on generating commercial returns in line with similar enterprises in the private sector.

The Commission operates within one geographical segment (Western Australia).

	2003/2004								
	Southwest Forest	Arid Forest	Plant Propagation Centre	New Plantations	Mature Plantations	Business Development	Corporate & Support Services	Non Commercial Revenue & Expenditure	Total
	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)
REVENUE	-	-	-	-	-	-	-	-	-
Revenue from ordinary activities	-	-	-	-	-	-	-	-	-
Revenue from natural resource assets	37,345	12,894	937	661	42,964		82		94,883
Revenue from commercial share farm operations				477					477
Internal sales transferred from Supplies & Services			1,937						1,937
Commonwealth grants & contributions			12						12
Other revenue from ordinary activities	244		147	320	105		488	64	1,368
Grants and subsidies from State Government								1,300	1,300
Other revenue from non-operating activities							135		135
Total revenue from ordinary activities	37,589	12,894	3,033	1,458	43,069		705	1,364	100,112
EXPENSES	-	-	-	-	-	-	-	-	-
Expenses from ordinary activities	-	-	-	-	-	-	-	-	-
Expenses from natural resource assets	22,748	6,987		694	24,438		10		54,877
Employee expenses	2,120	589	1,946	625	1,049	812	4,289	670	12,100
Other expenses from ordinary activities	5,168	877	1,296	1,303	10,630	546	4,517	1,539	25,876
Write off of assets			3,822						3,822
Depreciation expense	731	16	748	102	270		248	119	2,234
Borrowing costs expense				903	3,688			1,070	5,661
Administration expenses	145	27	56	15	47	11	407	8	716
Accommodation expenses	19	34	56	12	8	3	430	18	580
Total expenses from ordinary activities	30,931	8,530	7,924	3,654	40,130	1,372	9,901	3,424	105,866
Profit/loss before Business Development and Corporate & Support allocation¹	6,658	4,364	(4,891)	(2,196)	2,939	(1,372)	(9,196)	(2,060)	(5,754)
Business Development and Corporate & Support allocation ¹	(3,202)	(1,283)	(732)	(1,992)	(3,359)	1,372	9,196		-
Profit/(loss) from ordinary activities before income tax equivalents and SGARA valuations	3,456	3,081	(5,623)	(4,188)	(420)			(2,060)	(5,754)
Revenue from SGARA valuations	7,240	15,894	(35)	6,193	(6,888)				22,404
Expenses from SGARA valuations	4,993	2,038	805		145	39			8,020
Net Revenue / (expenses) from SGARA valuations	2,247	13,856	(840)	6,193	(7,033)	(39)			14,384
Profit/(loss) from ordinary activities before income tax	5,703	16,937	(6,463)	2,005	(7,453)	(39)		(2,060)	8,630
Income tax							2,592		2,592
Profit/(loss) from ordinary activities after income tax equivalents	5,703	16,937	(6,463)	2,005	(7,453)	(39)	(2,592)	(2,060)	6,038

¹ Allocation based on Massachusetts Formula.

FOREST PRODUCTS COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 June 2005

	2003/2004								
	Southwest	Arid	Plant	New	Mature	Business	Corporate &	Non	Total
	Forest	Forest	Propagation	Plantations	Plantations	Development	Support	Commercial	
(\$' 000)	(\$' 000)	Centre (\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	Services (\$' 000)	Revenue & Expenditure (\$' 000)	(\$' 000)	
ASSETS	-	-					-	-	
Current Assets									
Cash Assets							1,569		1,569
Inventories	527	2,322	3,623		138				6,610
Receivables							10,824		10,824
Other Assets		1,393		267	234		551		2,445
	527	3,715	3,623	267	372		12,944		21,448
Non Current Assets									
Land and buildings	621		1,279	3,458	550			552	6,460
Plant, equipment and vehicles			4,004				2,709		6,713
Forest Infrastructure	14,937				1,655				16,592
Natural resource assets	72,464	64,336		16,399	166,931				320,130
Deferred tax assets	2,453				5,669				8,122
	90,475	64,336	5,283	19,857	174,805		2,709	552	358,017
Segment Assets	91,002	68,051	8,906	20,124	175,177			552	363,812
Unallocated Assets							15,653		15,653
Total Assets	91,002	68,051	8,906	20,124	175,177		15,653	552	379,465
LIABILITIES									
Current Liabilities									
Payables							3,590		3,590
Interest Bearing Liabilities				2,242				632	2,874
Provisions							3,035		3,035
Other creditors and accruals	1,708	539	134	399	5,092		1,732		9,604
	1,708	539	134	2,641	5,092		8,357		19,103
Non Current Liabilities									
Interest Bearing Liabilities				11,131	54,612			14,656	65,743
Provisions							1,045		1,045
Other creditors and accruals					2,000		431		2,431
Deferred tax liabilities	19,971				(2,982)				16,989
	19,971			11,131	53,630		1,476	14,656	86,208
Segment Liabilities	21,679	539	134	13,772	58,722			14,656	109,502
Unallocated Liabilities							9,833		9,833
Total Liabilities	21,679	539	134	13,772	58,722		9,833	14,656	119,335
Operating Return on total assets (excluding SGARA valuations)	7.32%	6.41%	(54.92%)	(6.43%)	3.78%				(0.02%)
Return on total assets (excluding SGARA valuations, after overhead allocations)	3.80%	4.53%	(63.14%)	(16.32%)	1.87%				(0.02%)

43 Research and Development Expenditure

43.1 Research and Development expenditure

Expenses associated with research and development are included in expenses from ordinary activities.

The Commission is a member of CRC Wood Innovations, CRC Greenhouse Accounting and CRC Plant Based Management of Dryland Salinity.

CRC for Wood Innovations is a Co-operative Research Centre for innovative wood manufacturing based at the University of Melbourne. The Commission is classed as a research provider along with Swinburne University of Technology, CSIRO Manufacturing and Infrastructure Technology and Queensland Department of Primary Industry and Fisheries. The Commission contributes \$100,000 cash each year and the value of in-kind contributions for 2004/05 was \$62,900.

CRC for Greenhouse Accounting is based in Canberra and undertakes research related to carbon sequestration. Carbon sequestration is a key component of the Commission's Infitree™ program encouraging investment in medium rainfall areas of WA. The Commission has both board and program management roles and receives research funding for a post doctoral fellow. The Commission contributes in-kind salary contributions of approximately \$114,000.

CRC for Plant Based Management of Dryland Salinity is based in Perth and undertakes research related to the development of new farming systems that will reduce recharge and hence salinity. Restoring catchment hydrology is a key component of the Commission's Infitree Program encouraging investment in medium rainfall areas of WA. The Commission is involved in several sub-programs of this CRC but receives no research funding. The Commission contributes in-kind salary contributions of approximately \$37,000

43.2 Plantation Industry Ministerial Advisory Committee (PIMAC)

Expenses associated with PIMAC are included in expenses from ordinary activities.

The Minister for Agriculture and Forestry established an advisory committee on 1 July 2002 from a wide range of industry and community groups to provide advice on matters affecting the plantation industry. Expenditure incurred relates to member travel, accommodation and fees in attending meetings, as well as costs for Forest Products Commission support staff.

43.3 Forestry Ministerial Advisory Committee (FMAC)

Expenses associated with FMAC are included in expenses from ordinary activities.

The Native Forest Products Ministerial Advisory Committee, with membership representing a range of forest industry stakeholders, meets bi-monthly to advise the Minister for Agriculture and Forestry in relation to native forests products and industry matters.

44 Advertising and communication expenditure

In accordance with S175 ZE of the Electoral Act 1907, the Commission incurred the following expenditure in advertising, market research, polling, direct marketing and media advertising:

Expenditure was incurred in the following areas:

Advertising expenditure:

Supplier:

Marketforce
 Marketforce Productions
 Media Decisions - TV
 Advertising
 Elite Publishing
 Perth Expo Hire
 Sundry other (less than \$1,600
 per supplier)
 Total

Service:

Infitree™
 Productions - Infitree™
 TV Advertising
 (Infitree™)
 FIAA (WA) Awards booklet - 2004 inside front cover
 Sales signage
 Various

2005 (\$' 000)	2004 (\$' 000)
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858	1,046
-----	-------

21	25
----	----

19	13
----	----

2005 \$	2004 \$
------------	------------

10	-
10	57
2	340
2	-
4	-
2	-
30	397

Consultancy:

Supplier:

Media Monitors WA Pty Ltd
 Total

Service:

Media monitoring, news clippings

19	17
19	17

49	414
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45 Impact of Adopting International Accounting Standards

The Commission is in the process of transitioning its accounting policies and financial reporting from Australian Accounting Standards (AGAAP) to Australian Equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006.

The Commission established a steering committee comprised of key accounting staff to assess the impact of the transition to AIFRS and to achieve compliance with AIFRS reporting for the financial year commencing 1 July 2005.

Assessment and planning phase

The assessment and planning phase generated a high level overview of the impacts of conversion to AIFRS on existing accounting and reporting policies and procedures, systems and processes, business structures and staff. This phase included:

- high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting AIFRS;
- assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes;
- evaluation of the implications for staff and
- preparation of a conversion plan for expected changes to accounting policies and systems, business processes and staff training.

The assessment and planning phases is completed as at 30 June 2005.

Design phase

The design phase formulated the changes required to existing accounting policies and procedures and systems and processes in order to transition to AIFRS. The design phase incorporated:

- formulation of revised accounting policies and procedures for compliance with AIFRS requirements;
- identification of potential financial impacts as at the transition date and for subsequent reporting periods prior to the adoption of AIFRS;
- development of revised AIFRS disclosures;
- formulation of accounting and business processes to support AIFRS reporting obligations;
- identification of required changes to financial reporting and business source systems and
- development of training programs for staff.

The design phase was complete as at 30 June 2005.

Implementation phase

The implementation phase includes implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff. It will enable the Commission to generate the required reconciliations and disclosures of AASB 1 *First Time Adoption of Australian Equivalents to International Reporting standards*. This phase was substantially complete as at 30 June 2005.

The Commission has been deemed as a "not for profit entity" under AIFRS by Treasurer's Instruction TI 1106.

The Commission prepared an opening balance sheet as at 1 July 2004 which has been reviewed by the Auditor General's Office.

Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the Commission's financial position, results of operations and cash flows in accordance with AIFRS. This note provides only a summary, therefore, further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AIFRS.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and the Commission's best estimate of the quantitative impact of the changes on equity and net profit. The actual effects of transition to AIFRS may differ from the estimates disclosed due to ongoing work being undertaken by the steering committee and potential amendments to AIFRS and UIG Interpretations.

The impact of the transition to AIFRS on retained earnings as at 1 July 2004 and 30 June 2005 is summarised in the table below:

	Explanation:	1-Jul-2004			30-Jun-2005		
		AGAAP	Difference	AIFRS	AGAAP	Difference	AIFRS
Current Assets							
Cash assets		1,569		1,569	6,237		6,237
Receivables		10,824		10,824	14,314		14,314
Inventories		6,610		6,610	4,713		4,713
Natural resource assets	1	-	22,423	22,423	-	34,906	34,906
Other assets		2,445		2,445	2,467		2,467
Total Current Assets		21,448	22,423	43,871	27,731	34,906	62,637
Non - Current Assets							
Land and buildings		6,461		6,461	9,672		9,672
Plant, equipment and vehicles	3,5	6,713	1,490	8,203	6,263	1,439	7,702
Intangible Assets	5		153	153		153	153
Forest infrastructure	1	16,592	(16,592)	-	13,724	(13,584)	140
Natural resource assets	1	320,130	(5,831)	314,299	326,822	(18,314)	308,508
Deferred tax assets		8,122	6,748	14,870	14,891	8,450	23,341
Total Non - Current Assets		358,018	(14,032)	343,986	371,372	(21,856)	349,516
Total Assets		379,466	8,391	387,857	399,103	13,050	412,153
Current Liabilities							
Payables		3,590		3,590	3,998		3,998
Interest bearing liabilities		2,874		2,874	6,263		6,263
Provisions	2,10	3,035	3,771	6,806	3,889	4,912	8,801
Other liabilities		9,605		9,605	18,322		18,322
Total Current Liabilities		19,104	3,771	22,875	32,472	4,912	37,384
Non - Current Liabilities							
Interest bearing liabilities		79,767		79,767	85,361		85,361
Provisions	2	1,045	15,073	16,118	1,260	19,497	20,757
Other liabilities		2,431		2,431	5,045		5,045
Deferred tax liabilities		16,989	1,147	18,136	19,670	2,328	21,998
Total Non - Current Liabilities		100,232	16,220	116,452	111,336	21,825	133,161
Total Liabilities		119,336	19,991	139,327	143,808	26,737	170,545
NET ASSETS		260,130	(11,600)	248,530	255,295	(13,687)	241,608
Equity							
Contributed equity		231,699		231,699	233,584		233,584
Reserves		25		25	2,225	600	2,825
Retained profits		28,406	(11,600)	16,806	19,486	(14,287)	5,199
TOTAL EQUITY		260,130	(11,600)	248,530	255,295	(13,687)	241,608

	Explanation:	30-Jun-05		
		AGAAP	Difference	AIFRS
REVENUE				
Revenues from ordinary activities				
<i>Revenue from operating activities</i>				
Revenue from natural resource assets		114,863		114,863
Revenue from commercial share farm operations		20		20
Grants & contributions from Commonwealth Government		2,040		2,040
Other revenue from ordinary activities		4,565		4,565
Grants and subsidies from State Government		1,100		1,100
<i>Revenue from non-operating activities</i>				
Other revenue from non-operating activities		79		79
Total revenue from ordinary activities		122,667		122,667
EXPENSES				
Expenses from ordinary activities				
Expenses from natural resource assets	1.2, 2.1, 2.2	76,754	1,969	78,723
Employee expenses		14,921		14,921
Supplies and services		33,355		33,355
Write off of assets				
Depreciation	1.2, 3	2,098	(596)	1,502
Borrowing costs		5,974		5,974
Administration		2,304	365	2,669
Accommodation expenses		580		580
Total expenses from ordinary activities		135,986	1,738	137,724
Profit from ordinary activities before income tax		(13,319)	(1,738)	(15,057)
Income tax	4	(4,399)	(521)	(4,920)
Net profit		(8,920)	(1,217)	(10,137)
Non-owner transaction changes in equity				
Increase in asset revaluation reserve	3	2,200	235	2,435
Total changes in equity from non-owner related transactions		2,200	235	2,435
Total change in equity other than from transactions with WA State Government as owners		(6,720)	(982)	(7,702)

Reconciliation of effect of conversion to AIFRS on Retained Earnings:

	Ref:	1-Jul-04	30-Jun-05
Retained earnings under AGAAP		28,406	19,486
Increase / (decrease) in retained earnings:			
Net effect on opening retained earnings		-	(11,600)
Dividend	2.3	1,470	(1,470)
Depreciation	1.2, 3	-	596
Revaluation increment - forest infrastructure	1.2	-	2,126
Revaluation decrement - land and buildings	6	-	(365)
Provisions:			
Restoration costs	2.1	(14,015)	1,012
Profit share liability	2.2	(6,299)	(5,107)
Impairment write down	3	1,643	-
Tax effect	4	5,601	521
Total current year effect		(11,600)	(2,687)
Retained earnings under AIFRS		16,806	5,199

Explanations:

1) The impact of adopting AASB 141 *Agriculture* is as follows:

1.1) Disclosure enhancement – split into current and non-current

AASB 141.43 requires separate disclosure of “immature” and “mature” biological assets. The conversion to AIFRS will include disclosure of the current portion of the valuation calculation as a current asset as opposed to the traditional disclosure of forestry assets as long-term assets only.

1.2) Separate disclosure of in-forest infrastructure

In forest infrastructure represents roads and bridges which the Commission needs to maintain in order to access timber. Under IFRS the separate disclosure of an estimate of the value of these roads and bridges is no longer required.

1.3) Under AASB 116 Property Plant and Equipment, revaluation decreases can no longer be netted off against revaluation increases for the same asset class. Asset revaluations have been brought to account on an individual asset by asset basis with revaluation decrements flowing through the statement of financial performance / income statement.

2) Under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* a provision is required

to be raised when an entity has a present obligation as a result of a past event and a reliable estimate can be made of the amount of the obligation.

2.1) Provision for Native Forest Restoration Costs

The Commission has an obligation under the Forest Management Plan (2004 to 2013) to ensure re-growth native forest harvested is restored after harvest.

The Commission has not traditionally placed a value on the obligation to restore native forest after harvest, as these costs relate to the establishment of the second rotation of native forest harvest rights, the value of which has not been included in the Commission's financial statements. Under AIFRS, the Commission is required to raise a provision for Native Forest restoration costs.

2.2) Separation of profit share liability

The Commission's biological assets include assets held under Profit a Prendre (PaP). A number of PaP include a profit share payment, akin to a deferred rental to the landowner. Traditionally the Commission has accounted for this by valuing only the net cash flows arising from the PaP. AASB 137 will require the Commission to separate the liability for the profit share from the value placed on the rights to access the timber.

Revenues will be required to be calculated at the full anticipated receivable revenues, as opposed to the net revenues after profit share as was previously the case in the Commission's forestry valuations.

2.3) Provision for dividend

Formal approval is required by the Minister before the Commission can pay a dividend to the Treasurer. This is usually obtained from the Minister in the financial year following the year of declaration and approval by the Commissioners.

Under AGAAP, AASB 1044 *Provisions, Contingent Assets & Contingent Liabilities*, a liability for a dividend can be recognised if is declared on or before reporting date. The Commissioner's declared a dividend in June 2004 and subsequently a provision for dividend liability was recognised. However, formal approval from the Minister was not obtained until the 2004/2005 financial year. Under AIFRS, AASB 110 Events after the Balance Sheet Date a provision for a dividend liability is not recognised if the dividend is still to be approved at the reporting date.

3) Under AASB1010 Recoverable amount of Non-current Assets, a non current asset must be written down to its recoverable amount when its carrying amount is greater than its recoverable amount. The Commission raised a provision per AASB 1010 in the 2003/04 financial year for Nursery Infrastructure. The AIFRS standard, AASB136 *Impairment of Assets*, applies only to “for profit” entities.

Due to the effect of TI 1106 issued in November 2004, which deems the Commission to be “not for profit” for AIFRS purposes, the Commission is required to reverse this provision and re-assess the value of the Nursery Infrastructure on a “written down replacement cost” basis.

4) Under AASB112 Income Taxes the Commission is required to use a balance sheet method for the assessment of deferred tax assets and liabilities. This results in the recognition of a deferred tax asset on the recognition of certain provisions.

5) Under AASB138 *Intangible Assets*, the Commission is required to disclose intangible assets separately. The Commission's capitalised investments in purchased software has therefore been transferred to a separate asset category.

Other impacts on adoption of AIFRS include:

Under AASB 119 *Employee Benefits* the Commission is required to separate on-costs from employee liabilities and report these separately.

AASB 139 *Financial Instruments: Recognition and Measurement*, which applies to reporting periods commencing 1 July 2006 will have the following effects:

Long term loans

Under AIFRS the Commission will be required to measure its long-term loans with the WATC at amortised cost. Currently these loans are recognised at fair value.

Hedge accounting

The Commission has elected to adopt hedge accounting to account for its forward foreign exchange contracts. This will entail an extension to the Commission's current hedge accounting policy to include measuring the effectiveness of hedge contracts.

Embedded derivatives

The Commission is required to recognise and measure embedded derivatives. An exercise has commenced for the valuation of embedded derivatives at the Commission.

Statement of Cash Flows

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

46 Additional information

Additional information provided in terms of the requirements of AASB 1034 (5.1) *Financial Report Presentation and Disclosures*.

Domicile and legal form:

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

Principal office:

Level 1/117 Great Eastern Highway, Rivervale, 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.

Number of employees at year end:

Number of employees¹:

2005	2004
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207	202
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¹Refer 'Our People' report.

appendices 2004/05

1. Trends in the area of native forest harvested
2. Area of State-owned coniferous plantations as at 31 December 2004
3. Area of State-managed broadleaved plantations as at 31 December 2004
4. Area of Commission-owned sandalwood (*S.spicatum*) plantations as at 31 December 2004.
5. Log production from crown land and private property 2004/05.
6. Native forest sawlog production by the Commission in 2004/05.
7. Native forest chiplog production.
8. Native forest fuel wood production.
9. WA sandalwood production from crown land.

APPENDIX 1

TRENDS IN THE AREA OF NATIVE FOREST HARVESTED

	JARRAH FOREST	JARRAH/WANDOO FOREST	KARRI FOREST	
			CLEARFELLED OR PARTIALLY CUT	THINNED
	ha	ha	ha	ha
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

*Note: figures do not include areas cleared for mining or utilities

APPENDIX 2

AREA OF STATE-OWNED CONIFEROUS PLANTATIONS AS AT 31 DECEMBER 2004

PYEAR	FPC-OWNED												FPC-MANAGED						TOTAL			
	Pinus Radiata						Other Pine						Grand Cumulative Total		Pinus Radiata		Other Pine		All Species			
	First Rotation			Replanted Areas			First Rotation			Replanted Areas			Grand Cumulative Total		All Rotations		First Rotation		Year Total		Cumulative Total	
	+S/F	S/F	+S/F	S/F	+S/F	S/F	+S/F	S/F	+S/F	S/F	+S/F	S/F	+S/F	S/F	+S/F	S/F	+S/F	S/F	+S/F	S/F	+S/F	S/F
1959	142	-	12	-	154	-	3097	27	33	-	3130	27	-	-	-	-	-	-	3284	27	3284	27
1960	26	-	3	-	183	-	245	-	-	-	3375	27	-	-	-	-	-	-	274	-	3558	27
1961	43	-	-	-	226	-	381	-	3	-	3759	27	-	-	-	-	-	-	427	-	3985	27
1962	47	-	-	-	273	-	323	-	-	-	4082	27	-	-	-	-	-	-	370	-	4355	27
1963	40	-	-	-	313	-	241	-	-	-	4323	27	-	-	-	-	-	-	281	-	4636	27
1964	31	-	-	-	344	-	443	-	17	17	4783	44	-	-	-	-	-	-	491	17	5127	44
1965	60	-	9	-	413	-	386	-	3	-	5172	44	-	-	-	-	-	-	458	-	5585	44
1966	50	-	6	-	469	-	637	-	2	-	5811	44	-	-	-	-	-	-	695	-	6280	44
1967	31	-	-	-	500	-	843	-	-	-	6654	44	-	-	-	-	-	-	874	-	7154	44
1968	59	6	16	-	575	6	1168	55	3	-	7825	99	-	-	-	-	-	-	1246	61	8400	105
1969	161	5	-	-	736	11	1296	17	9	-	9130	116	-	-	-	-	-	-	1466	22	9866	127
1970	146	-	-	-	882	11	1097	-	19	-	10246	116	-	-	-	-	-	-	1262	-	11128	127
1971	292	-	1	-	1175	11	770	-	-	-	11016	116	-	-	-	-	-	-	1063	-	12191	127
1972	510	3	4	-	1689	14	625	-	-	-	11641	116	-	-	-	-	-	-	1139	3	13330	130
1973	402	-	51	-	2142	14	528	-	3	-	12172	116	-	-	-	-	-	-	984	-	14314	130
1974	946	6	2	-	3090	20	309	-	-	-	12481	116	-	-	-	-	-	-	1257	6	15571	136
1975	1032	73	-	-	4122	93	1173	-	-	-	13654	116	-	-	-	-	-	-	2205	73	17776	209
1976	1408	84	5	-	5535	177	1118	-	1	-	14773	116	-	-	-	-	-	-	2532	84	20308	293
1977	1309	9	33	-	6877	186	863	-	-	-	15636	116	-	-	-	-	-	-	2205	9	22513	302
1978	1734	8	10	-	8621	194	495	-	-	-	16131	116	-	-	-	-	-	-	2239	8	24752	310
1979	1273	2	402	-	10296	196	364	-	-	-	16495	116	-	-	-	-	-	-	2039	2	26791	312
1980	1474	-	-	-	11770	196	744	-	-	-	17239	116	-	-	-	-	-	-	2218	-	29009	312
1981	1353	-	113	-	13236	196	873	-	6	-	18118	116	-	-	-	-	-	-	2345	-	31354	312
1982	1192	-	254	-	14682	196	463	-	5	-	18586	116	-	-	-	-	-	-	1914	-	33268	312
1983	1256	-	36	-	15974	196	587	-	-	-	19173	116	-	-	-	-	-	-	1879	-	35147	312
1984	1817	-	3	-	17794	196	505	-	9	-	19687	116	-	-	-	-	-	-	2334	-	37481	312
1985	1643	48	121	-	19558	244	477	-	2	-	20166	116	-	-	-	-	-	-	2243	48	39724	360
1986	1041	164	-	-	20599	408	481	-	-	-	20647	116	-	-	-	-	-	-	1522	164	41246	524
1987	1296	631	155	-	22050	1039	643	-	21	21	21311	137	-	-	-	-	-	-	2115	652	43361	1176
1988	1566	1146	135	1	23751	2186	190	-	1	-	21502	137	-	-	-	-	-	-	1892	1147	45253	2323
1989	980	424	461	32	25192	2642	22	-	20	-	21544	137	-	-	-	-	-	-	1483	456	46736	2779

APPENDIX 2 *continued*

AREA OF STATE-OWNED CONIFEROUS PLANTATIONS AS AT 31 DECEMBER 2004

YEAR	FPC-OWNED						FPC-MANAGED						TOTAL						
	Pinus Radiata			Other Pine			Grand Cumulative Total			Pinus Radiata			Other Pine			All Species			
	First Rotation		Replanted Areas	First Rotation		Replanted Areas	Grand Cumulative Total		First Rotation		Replanted Areas	All Rotations		First Rotation		Year Total		Cumulative Total	
	+S/F	S/F	+S/F	S/F	+S/F	S/F	+S/F	S/F	+S/F	S/F	+S/F	S/F	+S/F	S/F	+S/F	S/F	+S/F	S/F	
1990	878	741	354	-	26424	3383	-	6	-	21550	137	-	-	-	1238	741	47974	3520	
1991	1271	1196	511	-	28206	4579	4	19	-	21573	137	-	-	1805	1196	49779	4716		
1992	1787	1781	508	-	30501	6360	118	344	-	22035	255	-	-	2757	1899	52536	6615		
1993	675	675	1017	-	32193	7035	141	6	309	22485	261	-	-	2142	681	54678	7296		
1994	539	396	526	13	33258	7444	-	-	372	22857	261	-	-	1437	409	56115	7705		
1995	99	95	1114	1	34471	7540	279	279	145	23281	540	-	-	1637	375	57752	8080		
1996	16	9	1189	-	35676	7549	770	599	31	24082	1139	-	-	2006	608	59758	8688		
1997	3	-	1137	-	36816	7549	1121	176	-	25379	2260	-	16	2453	1137	62211	9825		
1998	87	75	79	-	36982	7624	1599	1598	-	26978	3858	-	288	2053	1961	64264	11786		
1999	49	17	819	-	37850	7641	2201	2197	184	29363	6055	15	449	3717	2678	67981	14464		
2000	203	197	1182	-	39235	7838	3955	3952	13	33331	10007	19	261	5633	4429	73614	18893		
2001	-	-	939	-	40174	7838	3010	3010	-	36341	13017	-	326	4275	3336	77889	22229		
2002	181	177	737	-	41092	8015	655	655	-	36996	13672	-	217	1790	1049	79679	23278		
2003	628	628	971	-	42691	8643	823	823	68	37887	14495	-	312	2802	1763	82481	25041		
2004	5	-	1249	-	43945	8643	1042	611	142	39071	15106	-	131	2569	742	85050	25783		
Grand Total	29781	8596	14164	47	43945	8643	37105	15068	1966	39071	15106	34	2000	85050	25783	85050	25783		

Note: 1959 Planting Year row includes the sum of all previous Planting

+ S/F = State Forest and share farms

S/F = Share Farms

APPENDIX 3

AREA OF STATE-MANAGED BROADLEAVED PLANTATIONS AS AT 31 DECEMBER 2004

FPC-OWNED			FPC-MANAGED					All Species			
E.globulus		Other Eucalypts		Owned by other Govt.	Privately owned		Year Total		Cumulative Total		
PYEAR	STATE+S/F	S/F	STATE+S/F	S/F	E.globulus	E.globulus	Other Eucs.	E.globulus	Other Eucs.	E.globulus	Other Eucs.
1987	10	-	6611	1	-	-	-	10	6611	10	6611
1988	99	99	11	-	-	-	-	99	11	109	6622
1989	38	38	2	-	-	-	-	38	2	147	6624
1990	52	32	25	-	-	-	-	52	25	199	6649
1991	-	-	38	-	-	-	-	-	38	199	6687
1992	204	196	-	-	-	-	-	204	-	403	6687
1993	62	62	6	-	-	-	-	62	6	465	6693
1994	12	12	2	-	-	-	-	12	2	477	6695
1995	3	-	-	-	-	-	-	3	-	480	6695
1996	163	-	3	3	-	486	-	649	3	1129	6698
1997	17	-	7	7	-	398	-	415	7	1544	6705
1998	89	64	5	5	-	1122	-	1211	5	2755	6710
1999	-	-	10	1	-	278	-	278	10	3033	6720
2000	57	57	31	2	-	492	-	549	31	3582	6751
2001	76	76	30	30	-	-	-	76	30	3658	6781
2002	27	27	485	483	-	55	-	82	485	3740	7266
2003	31	31	334	308	-	-	-	31	334	3771	7600
2004	1	1	738	594	-	-	-	1	738	3772	8338
Grand Total	941	695	8338	1434	-	2831	-	3772	8338	3772	8338

Note: 1987 Planting Year row includes the sum of all previous Planting

APPENDIX 4

AREA OF FPC OWNED SANDALWOOD (S.spicatum) PLANTATIONS AS AT 31 DECEMBER 2004

FPC-OWNED					FPC-MANAGED			
S.spicatum			Cumulative Total		S.spicatum		Cumulative Total	
PYEAR	STATE +S/F	S/F	STATE +S/F	S/F	STATE +S/F	S/F	STATE +S/F	S/F
1997	5	5	5	5	-	-	-	-
1998	-	-	5	5	19	19	19	19
2000	19	19	24	24	-	-	19	19
2001	48	48	72	72	-	-	19	19
2002	49	49	121	121	12	12	31	31
2003	74	74	195	195	22	22	53	53
2004	58	20	253	215	22	22	75	75
Grand Total	253	215	253	215	75	75	75	75

APPENDIX 5

LOG PRODUCTION FROM CROWN LAND AND PRIVATE PROPERTY 2004 - 2005

Type	Crown Land		Private Property		Total	
	(m ³)	tonnes	(m ³)	tonnes	(m ³)	tonnes
SAWLOG TIMBER*						
Jarrah	150,651	196,326	-	-	150,651	196,326
Karri	65,111	80,736	-	-	65,111	80,736
Marri	4,838	6,000	-	-	4,838	6,000
Blackbutt	547	680	-	-	547	680
Wandoo	61	81	-	-	61	81
Sheoak	578	578	-	-	578	578
Other	4,291	5,322	-	-	4,291	5,322
Total Native Forest Sawlogs	226,077	289,723	-	-	226,077	289,723
Globulus	-	-	45	53	45	53
Mallet	136	162	-	-	136	162
Total Plantation Hardwood Sawlogs	136	162	45	53	181	215
Pinaster	131,135	131,135	95	95	131,230	131,230
Radiata	295,801	295,801	41,557	41,557	337,358	337,358
Plantation Softwood Sawlogs and veneer logs	426,936	426,936	41,652	41,652	468,588	468,588
TOTAL SAWLOGS	653,149	716,821	41,697	41,705	694,846	758,526
OTHER LOG MATERIAL						
Native Forests						
Chiplogs	139,468	165,353	-	-	139,468	165,353
Firewood/charcoal logs	128,720	142,744	-	-	128,720	142,744
Sandalwood	1,956	1,956	-	-	1,956	1,956
other*	11,092	13,355	-	-	11,092	13,355
Sub-total Native Forest Other	281,236	323,408	-	-	281,236	323,408
Plantation Hardwood						
Chiplogs***	-	-	8,773	9,621	8,773	9,621
Firewood/charcoal logs	605	605	-	-	605	605
other**	142	168	2	2	144	170
Sub-total Hardwood Plantation	747	773	8,775	9,623	9,522	10,396
Plantation Softwood						
Industrial wood	183,396	183,542	14,229	14,229	197,625	197,771
Woodchips	81,471	80,482	890	899	82,361	81,381
Other	19,470	19,470	-	-	19,470	19,470
Pine rounds	25,714	25,714	-	-	25,714	25,714
Sub-total Plantation Softwood	310,051	309,208	15,119	15,128	325,170	324,336
Total Other Material	592,034	633,389	23,894	24,751	615,928	658,140
TOTAL LOG TIMBER	1,245,183	1,350,210	65,591	66,456	1,310,774	1,416,666

* Sawlog timber from all sources, including veneer, but not including chiplogs, particle board, industrial wood, firewood, fencing material, poles, piles and minor forest products.

** includes poles, bridge timbers, burls, chopping logs, mining timber, pegging logs & fencing material

*** includes woodchips, includes logs from Crown land sold under Minor Production Contracts.

APPENDIX 6

NATIVE FOREST SAWLOG PRODUCTION BY THE COMMISSION IN 2004/05

PRODUCT TYPE	High Quality (m ³)	1st & 2nd Sawlogs (m ³)	Bole Log (m ³)	Other Sawlogs (m ³)	TOTAL (m ³)
Jarrah	418	108,952	17,978	23,303	150,651
Karri	22	58,848	-	6,241	65,111
Marri	171	-	-	4,667	4,838
Other Species	4,201	614	87	575	5,477
Total	4,812	168,414	18,065	34,786	226,077
TONNES					
Jarrah	518	143,272	23,640	28,896	196,326
Karri	27	72,971	-	7,738	80,736
Marri	212	-	-	5,788	6,000
Other Species	5,190	762	115	594	6,661
Total	5,947	217,005	23,755	43,016	289,723

* Includes logs from Crown Land sold under Minor Production Contracts

APPENDIX 7

NATIVE FOREST CHIPLOG PRODUCTION

PRODUCT TYPE	Crown land 2002 - 03 (m3)	(tonnes)	Crown land 2003 - 04 (m3)	(tonnes)	Crown land 2004 - 05 (m3)	(tonnes)
Marri	56,237	68,153	37,750	46,077	2,907	3,600
Karri	81,728	98,049	124,673	147,901	134,534	159,376
Other	-	-	-	-	2027	2377
Total	137,965	166,202	162,423	193,978	139,468	165,353

APPENDIX 8

NATIVE FOREST FUELWOOD PRODUCTION

Log Type	2002 - 03 (tonnes)	2003 - 04 (tonnes)	2004 - 05 (tonnes)
- Firewood logs	43,119	53,972	66,563
- Charcoal logs	66,627	58,127	76,181
TOTAL	109,746	112,099	142,744

APPENDIX 9

SANDALWOOD PRODUCTION FROM CROWN LAND

	2002-03 (tonnes)	2003-04 (tonnes)	2004-05 (tonnes)
Green	1,392	1,563	1,330
Dead	785	582	626
Bark	-	25	-
Total	2,177	2,170	1,956

Glossary

BOLE	Trunk or main stem of tree.
BUTT LOG	A log cut from the butt or lower end of the bole.
CARBON SEQUESTRATION	Process where trees take up carbon dioxide from the atmosphere and store carbon in their leaves, branches, stem and roots.
CLEARFELLING	A silvicultural system in which all trees in an area are removed at one time to allow regeneration to establish and develop as an even-aged stand.
CROWN	A tree's canopy or foliage.
CUBIC METRE (M³)	Measure of timber volume.
EXOTIC SPECIES	A species not native to a region.
FALLING OR FELLING	Cutting down trees.
HARDWOOD	Tree species which is a flowering plant or angiosperm, or the timber from it.
HARVESTING	Felling of trees as part of a silvicultural operation.
PLANTATION	A planted forest.
SHAREFARMING	Contractual agreement with a farmer or landowner over an agreed period of years to use cleared land for commercial tree cropping.
SILVICULTURE	Theory and practice of managing stands of trees for establishment, quality and growth.
SNIG TRACKS	A track along which logs are pulled from the felling point to a landing or point of loading.
SOFTWOOD	Tree species, of the gymnosperm group, or the timber from it. Most commonly conifers (cone-bearing).
THINNING	Felling of a proportion of the trees in an immature stand for the purpose of improving the growth of trees that remain without permanently breaking the canopy and encouraging regeneration.
TIMBER	General term used to describe sawn wood suitable for building, furniture construction and other purposes.
SUSTAINABLE YIELD	Sustainable yield of a forest is the maximum level of commercial harvest that can be maintained under a given management regime.
VENEER LOGS	High quality logs that can be sliced or peeled to produce veneer.

Acronyms

AASB	Australian Accounting Standards Board
ASFW	Australian School of Fine Wood
CALM	Department of Conservation and Land Management
CO ₂	Carbon dioxide
EMS	Environmental Management Systems
FHC	Forest Heritage Centre
FIAA	Furnishing Industry Association of Australia
FIFWA	Forestry Industry Federation (WA)
FPC	Forest Products Commission
IFRS	International Financial Reporting Standards
GST	Goods and Services Tax
ISO 14001	International Standards Organisation 14001 The international standard for environmental management systems
KPI	Key Performance Indicator
LTI	Lost time incident
LVL	Laminated veneer lumber
MJ	Mega joules
MTI	Medical time incident
NAP	National Action Plan for Salinity and Water Quality
NRM	Natural Resource Management
NTER	National Tax Equivalent Regime
OSH	Occupational Safety and Health
PIMAC	Plantation Industry Ministerial Advisory Committee
RFA	Regional Forest Agreement
RTO	Registered Training Organisation
S/F	Share farm
SCI	Statement of Corporate Intent
SGARA	Self Generating and Regenerating Assets
UIG	Urgent Issues Group
WATC	Western Australian Treasury Corporation

Contact Details

CONTACTING THE FOREST PRODUCTS COMMISSION

Head Office

Level 1, 117 Great Eastern Highway, Rivervale WA 6103
Locked Bag 888, Perth Business Centre WA 6849
Phone: (08) 9475 8888
Facsimile: (08) 9475 8899
INFINITREE FREECALL: 1800 241 688

Albany

120 Albany Highway, Albany WA 6330
Phone: (08) 9845 5630
Facsimile: (08) 9842 5279

Bunbury

Cnr South Western Highway and Dodson Road,
Bunbury WA 6230
PO Box 236, Bunbury WA 6231
Phone: (08) 9725 5288
Facsimile: (08) 9725 5255

Collie

20 Throssell Street, Collie WA 6225
Phone: (08) 9734 1688
Facsimile: (08) 9734 5649

Esperance

92 Dempster Street, 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) 9729 2888
Facsimile: (08) 9729 2499

Kalgoorlie

Suite 6, 158-160 Eagan Street, Kalgoorlie 6433
PO Box 10484, Kalgoorlie WA 6433
Phone: (08) 9021 8643
Facsimile: (08) 9021 5186

Katanning

10 Dore Street, Katanning WA 6317
PO Box 114, Katanning WA 6317
Phone: (08) 9821 3208
Facsimile: (08) 9821 3332

Kununurra

P.O. Box 2101
Kununurra WA 6217
Phone: (08) 9166 4034
Facsimile (08) 9166 4065

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

Plant Propagation Centre

Burnside Road, Manjimup WA 6258
Phone: (08) 9772 0377
Facsimile: (08) 9772 1211

Timber Technology Centre

64 Weir Road, Harvey WA 6220
PO Box 499, Harvey WA 6220
Phone: (08) 9729 1913
Facsimile: (08) 9729 2063

Internet

www.fpc.wa.gov.au
www.infinintree.com.au