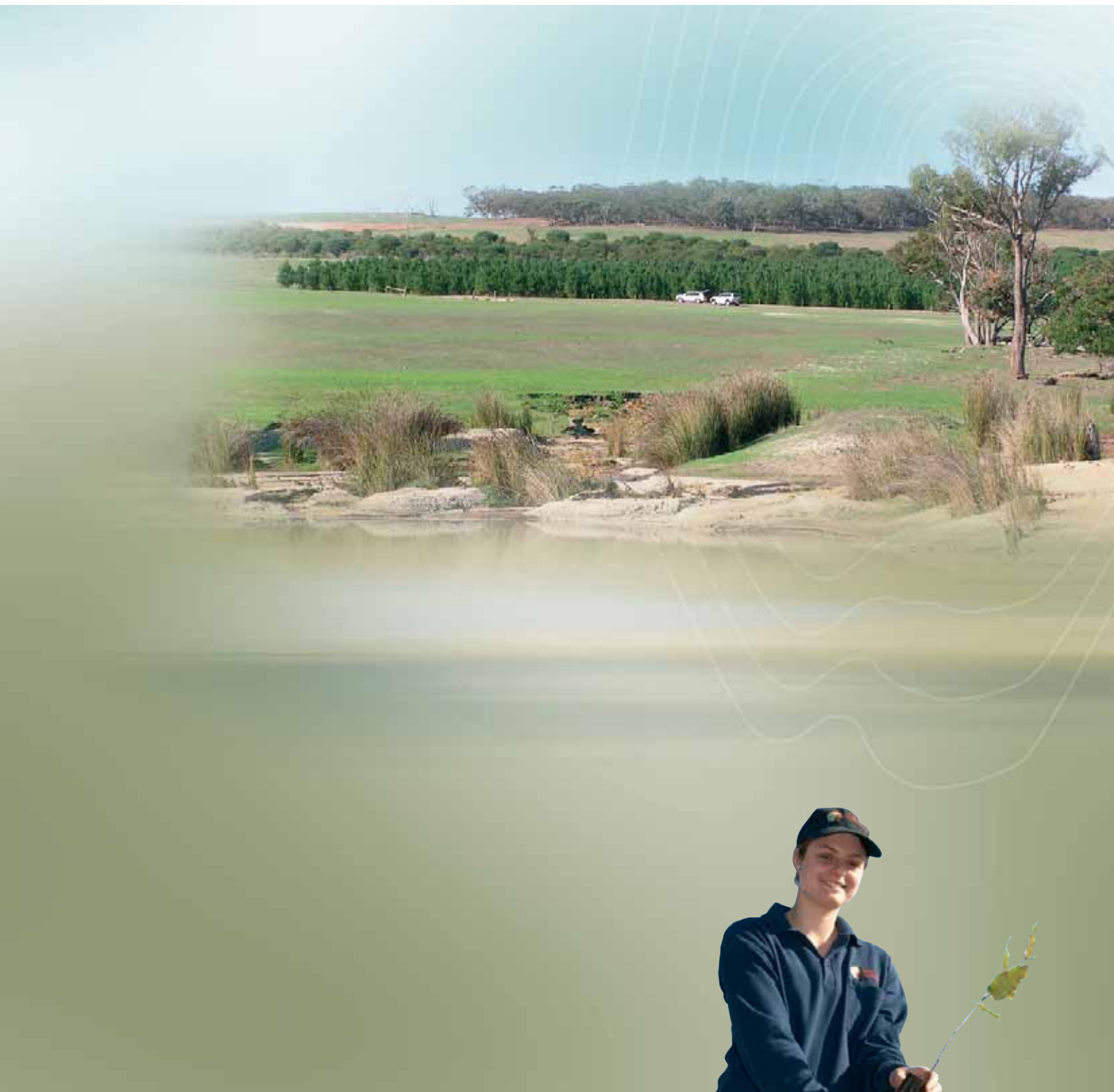
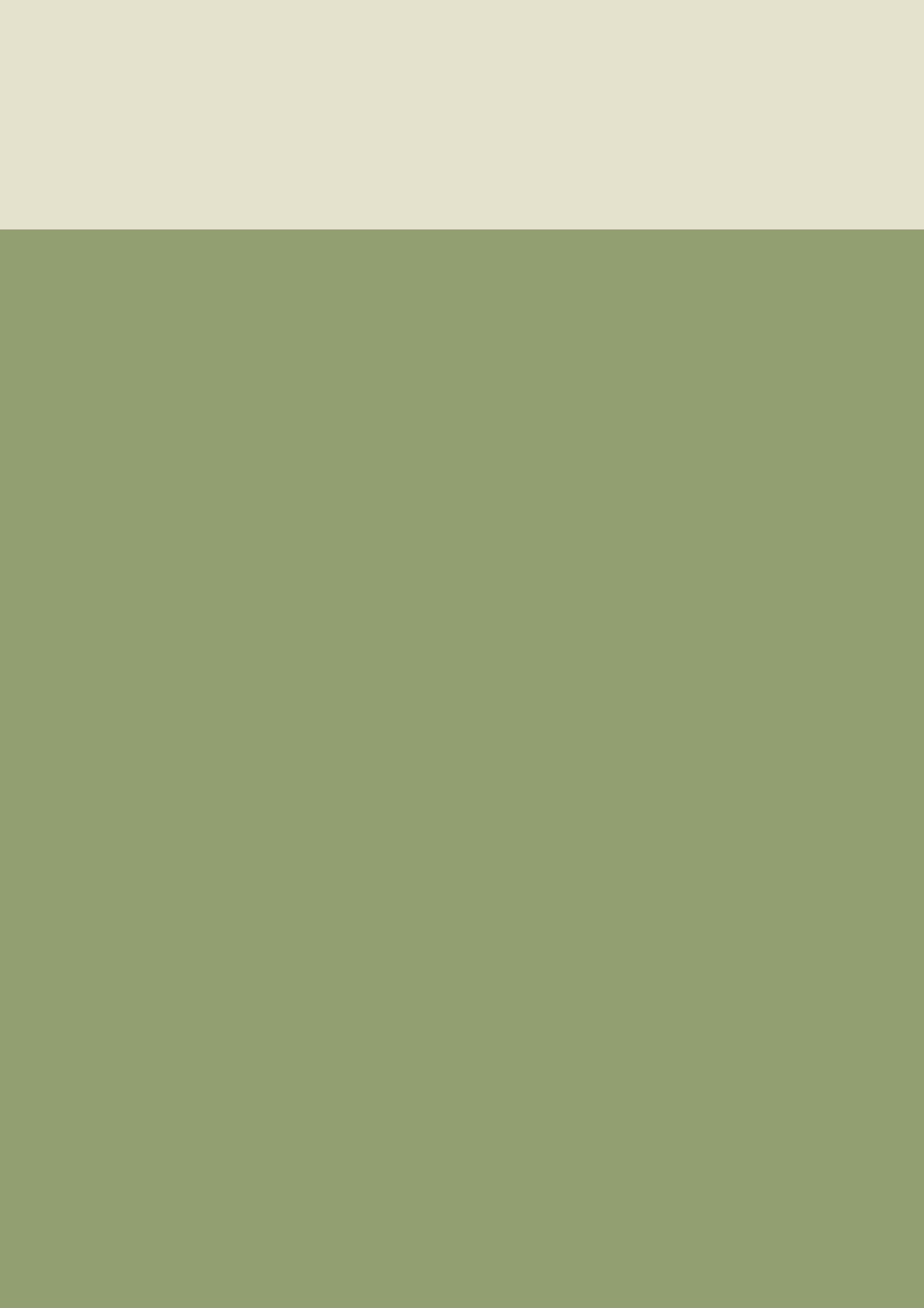


FOREST PRODUCTS COMMISSION

ANNUAL REPORT 2005/06





CONTENTS

BACK



NEXT

CONTENTS



5	CHAIRMAN'S REPORT	49	Statement of compliance with public sector standards
7	GENERAL MANAGER'S REVIEW	50	Certification of performance indicators
8	BUSINESS PROFILE	51	Compliance with relevant written laws
9	Our customers	53	ECONOMIC REVIEW
10	Vision	54	Economic achievements
10	Mission	55	Financial performance
10	Values	56	Financial overview
11	Objectives	57	Performance indicators
	11 1. Plantations	60	Native forest operations
	12 2. Native Forests	63	Plantation operations
	12 3. Overarching and support services		
14	Major milestones 2005/06	67	FINANCIAL REVIEW
15	Major planned achievements 2006/07	68	Certification of the financial statements
17	ENVIRONMENTAL REVIEW	69	Auditor General's report on the financial statements and performance indicators
18	Environmental policy	70	Income statement
19	Environmental services	71	Statement of changes in equity
	21 Tree Breeding and Seed Technologies	72	Balance sheet
	22 Bioenergy development	73	Statement of cash flows
22	Environmental management	74	Notes to the financial statements
	22 Environmental incidents		
	27 Compliance with Forest Management Plan 2004-13		
	28 Australian Forestry Standard		
	28 Sustainability Action Plan		
29	Energy management	131	APPENDICES
	30 Commission's Energy Management Policy	132	Appendix 1 Trends in the area of Native Forest harvested
	30 Waste paper recycling initiatives	133	Appendix 2 Area of State-owned coniferous plantations
31	SOCIAL REVIEW	135	Appendix 3 Area of State-managed broadleaved plantations
32	Regional development and employment	136	Appendix 4 Area of Commission-owned sandalwood (<i>S.spicatum</i>)
	34 Promotion and consultation	137	Appendix 5 Log production from Crown Land and private property
	35 Allies in research	138	Appendix 6 Native Forest sawlog production by the Commission
	37 Community education	138	Appendix 7 Native Forest chiplog production
38	Our people	139	Appendix 8 Native Forest fuelwood production
41	CORPORATE GOVERNANCE	139	Appendix 9 Sandalwood production from Crown Land
42	Commissioners and committees	140	Appendix 10 Audited KPIs
	44 Committees	141	GLOSSARY
45	Executive	142	ACRONYMNS
	46 Legislative requirements	143	CONTACT DETAILS
	46 Statement of Corporate Intent		
	47 Freedom of Information Act		
	47 Strategic Development Plan		
	47 Publications		
	48 Information management		
	48 Corruption prevention		
	48 Public interest disclosure		

CONTENTS

BACK



NEXT

CONTENTS



HON KIM CHANCE MLC MINISTER FOR AGRICULTURE AND FORESTRY

In accordance with Section 66 of the Financial Administration and Audit Act 1985, we hereby submit for your information and presentation to Parliament, the Annual Report of the Forest Products Commission for the financial year ended 30 June 2006.

The Annual Report has been prepared in accordance with the provisions of the Financial Administration and Audit Act 1985 and other relevant written law.

Murray Jorgensen
Chairman

28 August 2006

Dr Paul Biggs
General Manager



CHAIRMAN'S REPORT

BACK



NEXT

[CONTENTS](#)



On 16 November 2005, the Forest Products Commission completed five years of business as a Statutory Authority. This milestone triggered a number of events of significance to the Commission.

Commission revitalisation

The Commissioners have implemented a succession policy with individual Commissioners not serving for terms of longer than six to eight years. Through this policy, we plan to bring fresh approaches to the business and reduce the risk of disruption should many Commissioners retire at the same time.

One of our Commissioners, Dr Marilyn Clark-Murphy, retired on 30 June 2006, having served the Commission for five and a half years. Dr Clark-Murphy has provided the Commission with specialist financial expertise and has chaired the Audit and Risk Management Committee. Her expertise has been particularly valuable in coming to grips with the complexities of valuation of forestry assets and more recently the introduction of international accounting standards. Dr Clark Murphy also provided significant guidance relating to our monthly financial reporting and procedures for managing our risk of foreign exchange fluctuations.

As a result of the vacancy, Mr David Taylor has been appointed to the Commission from 1 July 2006. Mr Taylor is also Chairman of the Perth Market Authority, and will take over as Chairman of the Commission when my six-year term expires on 16 November 2006.

Statutory review

The second major event is the statutory review required under the *Forest Products Act 2000*. The Commission has welcomed the review as the appropriate mechanism to resolve some of the major issues relating to the Commission's operations such as the financing and extent of non-commercial, policy and industry development functions; and the control of land on which the Commission grows plantation timber. The Commission has also submitted a range of minor, but nevertheless important, amendments that would clarify and improve operation of the *Forest Products Act*.

Major challenges

Looking back at the last five years, the Commission was created in a very different political and economic climate. Within three months of creation, the Commission had to manage Western Australia's largest single restructuring of the native forest timber industry, a massive reduction in the Government's timber revenue stream, participation in development of a new forest management plan, establish new major contracts and at the same time appoint a new Executive team to manage the business.

The Commission has experienced incredible difficulty in meeting financial targets in recent years through operational challenges affecting production, such as short harvesting seasons due to adverse weather conditions, increased environmental constraints, shortages in harvesting capacity, less productive native forest coupes, delays in commissioning major new industrial projects, market price and exchange rate movements and premature completion of blue gum projects. The late start to winter this year meant more available harvesting days and assisted the Commission attain or exceed most production and financial targets.

We can be proud that the challenges have been managed in a professional manner, with a high level of dialogue with other government agencies, the timber industry, downstream industry and the broader public.

CHAIRMAN'S REPORT

BACK



NEXT

[CONTENTS](#)



Our future

The Commission has built a vision for growth in the plantation sector with a focus on triple bottom line benefits – environmental and social outcomes to Western Australia through the greatest use of commercial timber production. We have greatly increased our capability to deliver forestry services to non-government investors, and the Premium Plantations project with CommSec in 2005/06 has been a milestone in developing sawlog plantation investment in Western Australia.

Whatever the outcomes of the Minister's statutory review and other policy changes in the future, we can be sure that the Commission team will continue to deliver them with professionalism and dedication.

As this will be my last annual report, I would like to acknowledge the efforts of a wide range of people that I believe have Western Australian forest production at heart and are proud that it is one of our world's most genuinely sustainable industries. The Minister, Kim Chance, Forest Industries Federation of WA, Furnishing Industry of WA, individual Commissioners and staff of the Commission are all passionate about forestry and have worked so hard and collaboratively together to create a meaningful future for the industry.

What we plant today will be a legacy for future generations.

Murray Jorgensen
Chairman



GENERAL MANAGERS REVIEW

BACK



NEXT

CONTENTS



From a financial and operational perspective, 2005/06 has delivered a mixed result. Good financial results have been achieved and a dividend of \$2.7 million has been recommended to Government. However, further improvements are needed in the fundamental business process of Government and industry to turn this result into a sustained economic performance.

Operationally, all business segments met or exceeded the minimum log production targets; however, this was only achieved in the last month of the financial year as dry weather allowed production to catch up with shortfalls in late summer and autumn. We are concerned that limitations in contractors' harvesting productivity and capacity due to labour on one hand and the regulatory and approvals process on the other will continue to make it difficult to meet production targets in "normal" years with disruption from fire or rain.

The future success of the South West Forests and Mature Plantations business segments also relies on markets for non-sawlog timber and strong prices for the sawlogs. In these areas, the Commission has not been able to establish markets for much more than small quantities of jarrah, marri and pine residue, and there is still significant work required with pine sawlog customers to establish a viable business model for the future growth of pine plantations in the South West.

In new plantations, significant gains were made this year with improved financing structures. The Commission secured a fee-for-service contract with CommSec to deliver forestry services under "Premium Plantations 05". This was an important step towards investment in sawlog plantations, but substantial extra work is now required to secure ongoing investment into the future.

Significant gains were also made with the Strategic Tree Farming Project under the National Action Plan for Salinity and Water Quality (NAP). Full agreement to joint Federal-State funding was achieved, and from 2006 onwards the State contribution comes via the Consolidated Fund rather than from borrowings. This is a substantial improvement to the financing structure for the Commission; however, as with the other gains outlined above, the continuity of this outcome is not yet assured. The Commission will be working strongly with regional bodies, State and Federal governments to secure the necessary funding commitments to continue this important work.

During the past two or three years, the Commission has implemented major reforms in response to the new Forest Management Plan and has sought to recreate a profitable business structure in line with the new regime. We are now seeing improved financial results and dividend to Government and this achievement is a reflection of the hard work and dedication of all the staff in the Commission and I thank them for this.

We look forward to working with governments, industry and the community to ensure that this result is sustained.

Lastly I extend our thanks to Murray Jorgensen for his guidance and encouragement as the Commission's inaugural Chairman. Over six years Murray has applied his broad range of experience and interpersonal skills to guide the Commissioners and the Executive through the difficult path of establishment, restructuring and development of strategies for the future. His efforts have ensured that the Government has a sound forestry business with integrity and good governance capable of delivering the outcomes required of Government policy.

Dr Paul Biggs
General Manager

BUSINESS PROFILE

BACK



NEXT

[CONTENTS](#)



The Forest Products Commission Western Australia was established in 2000 as a Statutory Authority with commercial functions.

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 216 contracts (including State Agreements) for works and services and contracts for sale of forest products. These contracts have an approximate life value of \$2.2 billion, excluding contracts with landowners for sharefarming and minor contracts under \$10,000. New initiatives this financial year include the establishment of panels of contractors and improvements in internal systems. These have significantly reduced the number of contracts, improved coordination of contract works programs, reduced time spent on administration and also enabled more effective monitoring of expenditure on contract works.

The seven-member Commission reports to the Minister for 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 1,529,496 tonnes of softwood and hardwood log timber to these customers during the year – a seven per cent increase on the previous financial year. It also established and managed plantations for a range of investors.

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

The Commission supplies approximately 15 small to medium-sized sawmills and a number of craftwood-scale customers with sawlogs, which are now processed predominantly into high value timber products. Mills supply a valuable local industry with timber for flooring and joinery as well as indoor and outdoor furniture manufacturers with a focus on production for interstate and overseas export.

Low grade, or residue timbers, supply local industries with 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 by-products of sawlog operations.

The Commission manages the WA sandalwood industry and is the largest single producer of sandalwood in the world. Traditional markets of Taiwan, Hong Kong and China are the largest consumers, importing more than 60 per cent of annual production, largely for the manufacture of incense and joss sticks. Other significant Asian markets include Malaysia, Singapore, India and Thailand. The largest local buyer is Mount Romance Australia, which produces sandalwood oil at its facilities near Albany.

VALUES AND OBJECTIVES

BACK



NEXT

CONTENTS



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:

1. Developing the sustainable use of the State's plantation and native forest resources;
2. Promoting innovation and local value adding for these resources; and
3. Achieving appropriate returns to the State for the use of publicly owned and 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:

1. the long-term viability of the forest products industry;
 2. 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 while 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.

1. 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.

1.1 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.
- Maximise contribution to water table control and biodiversity enhancement consistent with regional Natural Resource Management (NRM) strategies.

1.2 Mature plantation estate

Objectives:

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



2. NATIVE FORESTS

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

2.1 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.

2.2 Arid Forests

Objectives:

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

3. OVERARCHING AND SUPPORT SERVICES

Goal: Provide the necessary services to support Plantations and Native Forests operations and Commission's business needs.

3.1 Plant Propagation Centre

The Plant Propagation Centre encompasses the Commission's Nursery, Seed Centre and Tree Breeding sections.

Objectives:

- The Nursery section develops systems to propagate a range of tree and plant species consistent with the aims of the Commission to enhance the timber industry in Western Australia, provide high quality tree species that are adapted to a range of environments and to supply external clients with products.
- The Seed Technologies section provides high quality seed to the nursery and external customers and develops methods of deploying genetically improved material.
- Tree breeding programs are designed to provide genotypes consistent with the commercial environmental and social objectives of the Commission tree planting programs.

VALUES AND OBJECTIVES

BACK



NEXT

CONTENTS



3.2 Forest Practices Office

Objectives:

- The Forest Practices Office develops operational controls (codes/manual/procedures), monitors the implementation of operational controls and ensures that key documents are controlled.
- The Sustainable Forest Management section in co-operation with the Department of Conservation and Land Management (CALM)¹ implements the requirements of the Forest Management Plan (FMP) 2004-2013, the *Forest Products Act 2000* and the *CALM Act*.
- Implements and maintains the Environmental Management System (EMS) to ISO 14001 standard.

3.3 Finance and Administration

Objectives:

- Provide quality financial and management accounting services, information technology and human resource systems appropriate and responsive to the Commission's business.
- Ensure an efficient and effective procurement and contract management service.
- Prepare the Commission for migration to the Office of Shared Services following the Government's Functional Review of Corporate Services.
- Implement a coordinated Human Resource management strategy.
- Attract and retain quality staff.
- Ensure systems and processes are in place to maintain a safe workplace for all employees.

3.4 Research and development

Objectives

- Demonstrate native forest management is based on sustainable practices.
- Develop new land use systems that provide for the delivery of economic and environmental benefits in the medium rainfall zone.
- Demonstrate the benefits of tree farming activities on environmental objectives (salinity, carbon).
- Provide strategic advice on the impact of Commission's tree farming activities on achieving environmental objectives.
- Maintain current timber resource information and project future resource requirements.
- Represent the Commission as an organisation operating on high standards of scientific information.

¹ From 1 July 2006 Department of Environment and Conservation

KEY ACHIEVEMENTS

BACK



NEXT

CONTENTS



MAJOR MILESTONES 2005/06

- Improved financial result. Recorded profit before tax of \$33.2 million which included \$13.1 million from natural resource asset valuations and profit after tax \$23.4 million. (See Financial overview page 56).
- Secured Federal and State Government funding for the main phase of the National Action Plan for Salinity and Water Quality (NAP) Strategic Tree Farming project 2006-2008. The State Government has agreed to fund the State's contribution through a combination of direct funding and supporting repayments of Commission ongoing loan commitments from the Consolidated Fund.
- Completed Tree Farming and Industry Development Plans for three regions of the State. They were: Radiata Pine - South West; Maritime Pine - Esperance ; and Eucalypt Sawlogs - Central South West Recovery Catchments. A fourth plan covering Maritime Pine - Midwest will be finalised in July 2006 after consultation with the main stakeholders.

These Plans, which form the framework for the State and Federal Governments' Strategic Tree Planting Initiatives under the NAP, and underpin the Commission's tree planting activities, will be launched in August 2006.

- The Commission and CALM - in consultation with Treasury and industry – are undertaking an analysis of the likely cost of achieving Australian Forestry Standard (AFS) accreditation. The report to Government is expected in the latter part of 2006.
- The Commission has continued to refine and update its triple bottom line reporting this financial year. The main focus has been on the valuation and disclosure of social and environmental services performed by the Commission, particularly pertinent in light of the current statutory review of the *Forest Products Act*.
- The Commission completed the introduction of Australian equivalent International Financial Reporting Standards (AIFRS) this financial year, with the 2005/06 Financial Statements issued under AIFRS.
- The Premium Plantations Project 2005/06 with investor Commonwealth Securities (CommSec) resulted in CommSec requiring 641 hectares to be planted to eucalyptus plantations (*E. globulus* and *E. saligna*) on three separate properties at Boddington, McAlinden and Rocky Gully. The Commission will continue to manage the plantations on a fee-for-service basis.

KEY ACHIEVEMENTS

BACK



NEXT

CONTENTS



MAJOR PLANNED ACHIEVEMENTS 2006/07

- Deliver on the NAP program by establishing 3,600 hectares of new tree plantations in catchment areas.
- Continue to develop “fee-for-service” forestry services into the emerging carbon and salinity markets.
- Work with industry to achieve improved financial returns to plantation owners to encourage an increased radiata pine plantation estate.
- Promote regional plantation development plans outlining a strategic approach to establishing industry sustaining plantation estates, in particular the valuable sandalwood industry.

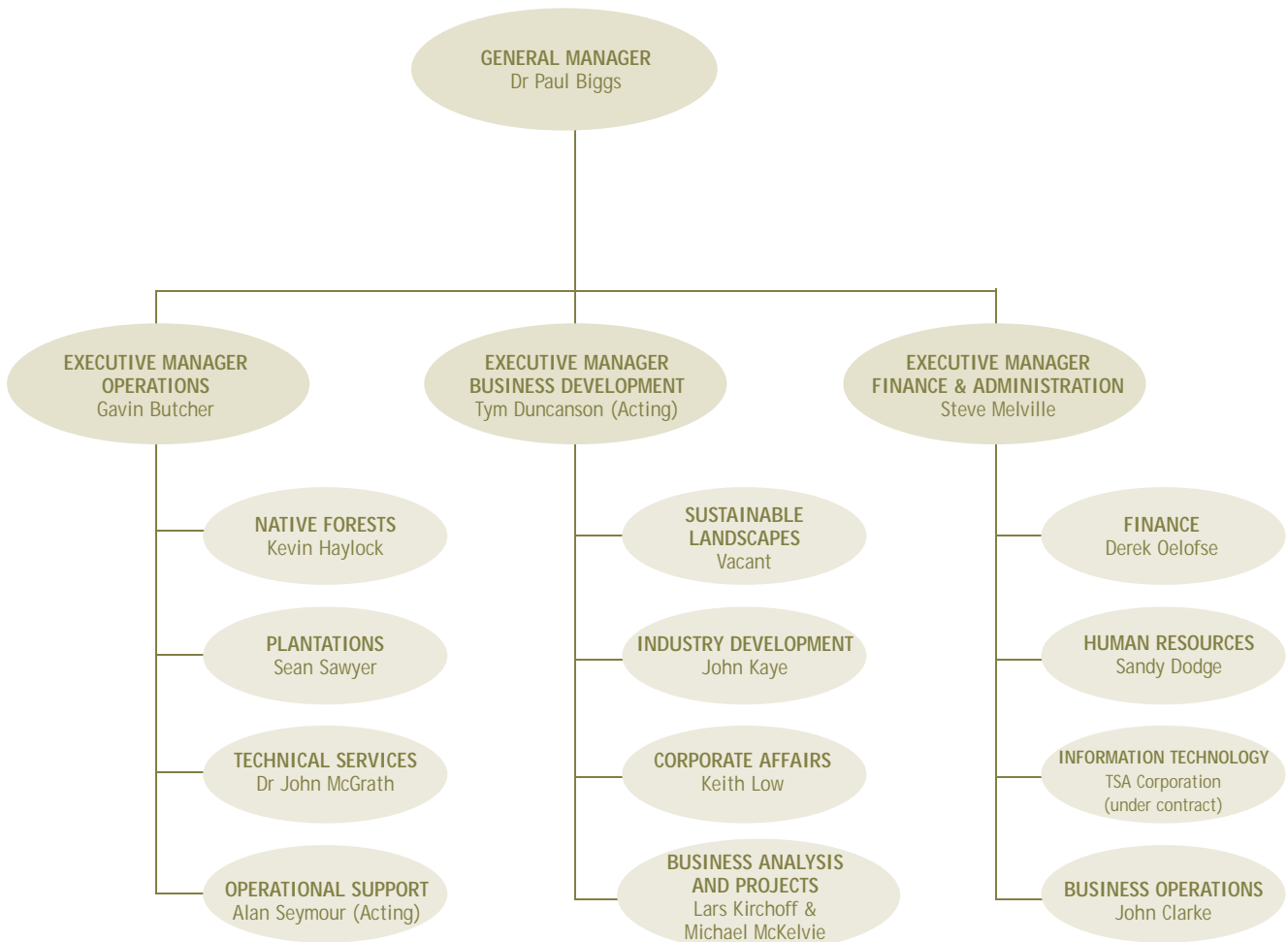
ORGANISATIONAL STRUCTURE

BACK



NEXT

CONTENTS



ENVIRONMENTAL REVIEW

BACK



NEXT

CONTENTS



- 18 Environmental policy
- 19 Environmental services
- 21 Tree Breeding and Seed Technologies
- 22 Bioenergy development
- 22 Environmental management
- 22 Environmental incidents
- 27 Compliance with Forest Management Plan 2004-13
- 28 Australian Forestry Standard
- 28 Sustainability Action Plan
- 29 Energy management
- 30 Commission's Energy Management policy
- 30 Waste paper recycling initiatives



ENVIRONMENTAL 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 SERVICES

Underpinning the Commission's operations is a strong focus on research and development including improvements in the genetic quality of major species.

The Commission's overall investment in Research and Development was \$3.2 million in support of the four main areas of activity for the Commission (New Plantation Development, Mature Plantations, Native Forests, Arid Forests). Reflecting the importance of the development of new plantations to the Commission, approximately 73 per cent (\$2.3 million) of this investment was directed to projects that underpin the development of the New Plantations area.

A target of having 25 per cent of the research program funded externally was exceeded with 30 per cent of the Research and Development funding coming from external sources.* The majority of the external funding is directed at the New Plantations area.

Groundwater monitoring

The Commission has commenced a project to monitor the influence of tree crops in the low to medium rainfall zone on soil water stores and groundwater levels. Bore fields have been established to monitor groundwater levels on three properties purchased by the Commission in 2003/04. The program tracks 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. Over time these installations will demonstrate the effectiveness of trees in reducing groundwater at the local and sub-catchment level. Monitoring of soil water under *Pinus pinaster* (maritime pine) plantings on a range of farmland plantings shows substantial reduction of soil water stores relative to adjacent farmland. Systems for tracking and presenting the information are in the process of being developed.

The Steering Committee of the Strategic Tree Farming Project (STF) has formed a Scientific Reference Group to ensure that the best available information is utilised in the design and implementation of the STF project. The Commission has joined the Cooperative Research Centre (CRC) for Forestry, and one of the projects in which the Commission is involved, aims to understand the impact of revegetation on water movement in the landscape and thereby optimise the placement of trees.

Carbon sequestration

The Commission has been an active member of the CRC for Greenhouse Accounting, which will cease operation in September 2006. The aim of this venture, which drew together research organisations and state agencies from across Australia, was to improve the methods of accounting for carbon stored as a result of land-use change. The Commission's interest has been with the sequestration of carbon following the reforestation of farmland, as this will provide a new product for forest growers. Involvement with this venture has resulted in substantial improvements in the science underpinning the Commission's work in this area.

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.

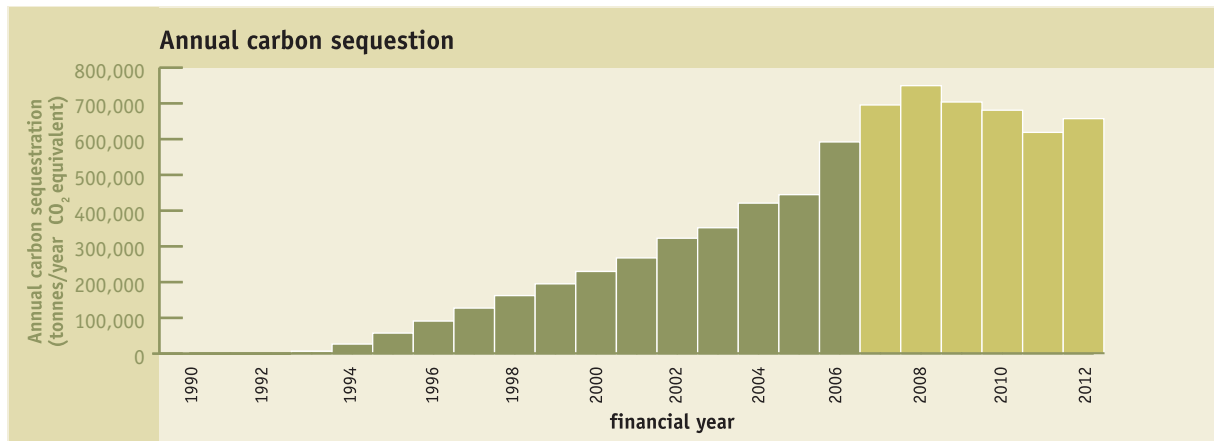
* SCI indicator



Both the Commission's and joint research programs are ongoing. In the past year the extensive growth data from an array of plantation silvicultural experiments has been used to calibrate growth and carbon sequestration models under Western Australian conditions. These models have subsequently been used to predict the impact of the shift in the climate to warmer and drier conditions in southern Western Australia since the 1970s. Interestingly, the models predicted that tree growth was reduced only at the hottest and driest site, despite reduced rainfall at all five testing sites. Further modelling indicates that more severe climate change scenarios will result in substantial reductions in plantation growth. This project has been fully funded by the CRC for Greenhouse Accounting.

Annual carbon sequestration

Estimated annual carbon sequestration (removals) by Commission-owned plantations established 1990-2005 and model projections of future carbon sequestration by those plantations. Carbon sequestration by the plantations planned for establishment from 2006 onwards is not included.



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. As a result the plantation harvesting strategy has been modified to optimise the water recharge while meeting our commitments to supply a new laminated veneer lumber (LVL) plant under the *LVL State Agreement Act*. The Commission has continued to contribute to a number of State Committees that are considering the best management options for the Gngangara mound, including future plantation management.



TREE BREEDING AND SEED TECHNOLOGIES

This unit focuses on genetic quality and improvement of the Commission's plantation species.

Proof of the value of Western blue gum to industry was demonstrated through measurement of a genetic gains trial planted in 1998. (Western blue gum is genetically-improved *Eucalyptus globulus*). Western blue gum was compared with Tasmanian blue gum sourced from a popular provenance (Seymour, Victoria). This seed was sourced from an open pollinated seedling seed orchard. Trial measurement at eight years of age showed that there was a 63 per cent wood volume gain by growing the Western blue gum. Genetic gains trials are being established annually.

Pinus pinaster (maritime pine) orchard seed management systems have improved so that seed viabilities in excess of 85 per cent are being routinely attained by Seed Technologies. This seed performance is not being achieved in nursery plantings and a review from seed store to nursery has been undertaken. Modifications to both the seed stratification process and nursery management are being considered.

To secure the Commission's breeding program, grafting of *P. pinaster* was carried out for establishment of new clonal archives.

A second phase of cloning *P. radiata* (radiata pine) was undertaken with a New Zealand company and the first plantlets from the tissue culture process will be returned to WA in August 2006 for clonal deployment in 2008. Development of drought-tolerant *P. radiata* was a major activity.

Seed Technologies now manage the *Santalum album* (tropical sandalwood) Project in Kununurra as the focus has changed to genetic improvement. Research over the past three years has been investigating genetic diversity and oil contents of Tropical sandalwood trees over 10 years of age. The high wood and oil producing trees have been cloned and will be commercially available for the 2007 planting season.

Tropical sandalwood research is being undertaken with a University of Western Australia PhD student. He is continuing his research into identifying the DNA markers in santalol oil in Canada through research grants. Santalol is the active component in the highly valued sandalwood oil.

Santalum spicatum (WA sandalwood) seed orchards have been established so that invigorated out-crossed seed will become available in 2008.

Salt-tolerance in trees, particularly *Eucalyptus occidentalis* (Flat-topped yate), is being investigated in collaboration with University of Western Australia PhD student. Field testing of the new salt-tolerant population will commence in 2007.

Deployment of the sawlog genetic program was enhanced with the thinning of the *E. saligna* (Sydney blue gum), *E. cladocalyx* (sugar gum), *E. botryoides* (southern mahogany) and *E. tricarpa* (red ironbark) open pollinated seedling seed orchards to the best trees within families. The first seed crop from the clonal *E. saligna* orchard was harvested and a new *E. cladocalyx* clonal orchard was grafted.

ENVIRONMENTAL REVIEW

BACK



NEXT

CONTENTS



BIOENERGY DEVELOPMENT

Two major projects are at the final completion stage subject to Commission approvals.

WA Biomass Pty Ltd (originally Babcock and Brown)

WA Biomass Pty Ltd is planning for a 35 megawatt BioEnergy plant that will utilise approximately 380,000 tonnes of plantation residue and generate approximately 280,000 megawatt hours per annum. The quantity of plantation residue that the Commission can include in a contract for the power station will equal approximately 45 per cent of the estimated fuel requirement.

A draft production contract is in the final stages of completion along with working arrangements for the harvesting of the residue product. A finalised business plan is expected from the proponents during the next three months.

Spirit West Bioenergy (SWB) (originally Beacons)

SWB propose a 43.5 megawatt plant based at Neerabup just north of Perth based on approximately 300,000 tonnes of residue material. The quantity of plantation residue that the Commission can include in a contract for the power station will be approximately 55 per cent of the estimated fuel requirement.

SWB's options for sourcing the remainder include the process residues generated by Wesbeam and Laminex from the same harvesting that generates the plantation residues. Other municipal residue resources have also been sourced, as have potential resources from minesites and Commission trial areas.

The contract and business plan from the proponent are scheduled to be finalised by December.

ENVIRONMENTAL MANAGEMENT

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

In March 2005 the Commission's Operations Division successfully obtained certification to the revised EMS ISO 14001:2004 standard. This was a result of significant improvements in legal compliance and strategies to introduce competency based training programs.

ENVIRONMENTAL INCIDENTS

Quarterly Management Reviews and bi-annual internal and external audits are conducted to ensure that the Commission is effectively implementing the Environmental Management System.

The corrective and preventative actions introduced from identified environmental incidences played an important role in identifying areas for continuous improvement.

The most significant incidents are detailed below. The percentage closure of the incident reports indicates that the corrective and preventative action has been completed within specified time periods, and includes low, medium and high level incidences. The target is 100 per cent closure.

ENVIRONMENTAL REVIEW

BACK



NEXT

CONTENTS



Plantations

The most significant event was the premature deaths of *Pinus pinaster* (maritime pine) in the Mid-West area over a number of sites of different ages. Investigations have resulted in a revision of both the site selection guidelines and silvicultural management of plantings in this region. The area in the north-east of the previous planting zone is now considered to be unsuitable for *P. pinaster*. The results from both long term studies of the water and nutrient requirements and more recent spacing studies in young plantations have been used to refine the silvicultural prescriptions for these plantations. In addition this has catalysed a review of the potential of *P. pinaster* as a species for the medium rainfall zone.

A number of *P. radiata* plantations on the South Coast have experienced some drought-related mortality. This has resulted from both the dry conditions and the lack of thinning due to an absence of markets for thinnings from these plantations. The Commission is in the process of identifying a market for this material so that thinning can be expedited.

Remedial action was required on a property undergoing establishment after a major fire. The soils were believed to be stable prior to site preparation. However, the soil preparation undertaken for re-establishment and subsequent rain resulted in an unacceptable level of silt in a small stream. Preventative action was taken to reduce silt to the stream.

Closure of incident reports within specified time frames was 100 per cent (72 per cent 04/05) for Mature Plantations and 94 per cent (74 per cent 04/05) for new plantations*.

Native Forests

There has been no significant incidents in Arid Forests. South West Forests have had seven significant incidences. Three incidences were related to obtaining approval for harvesting and roading within suitable timeframes, one in relation to inappropriate clean-down of hydrocarbon-contaminated machinery and another in relation to the gaps after harvesting exceeding 10 hectares. Improvements to procedures and processes have been implemented with both contractors and Commission staff. There have been two incidences related to harvesting and silvicultural treatment occurring in excluded areas. Both of these were caused through deviations from established procedures. The environmental impact for both these incidents was considered low, but due to the potential risk in the future, additional training was conducted to ensure that staff complied with required operational control.

Closure of incident reports within specified time frames was 77 per cent (91 per cent 04/05) for South West Forests and 100 per cent (82 per cent 04/05) for Arid Forests*.

Plant Propagation

As in 2004/05, the Nursery and Seed Technologies have experienced a significantly reduced maritime pine germination rate. An extensive investigation has been implemented into the possible causes including seed sources, stratification, growing medium and possible contaminants. Recent difficulty with *Acacia acuminata* (jam), a sandalwood host, is currently under a similar investigation.

Closure of incident reports within specified time frames was 70 per cent (98 per cent 04/05)*.

* SCI indicator



Executive

Two significant findings relating to the communication plan and guidance documents for environmental legislation were later resolved to the satisfaction of the external auditor.

Closure of incident reports within specified time frames was 75 per cent (75 per cent 04/05).

QUANTITY OF NATIVE FOREST HARDWOOD LOG TIMBER HARVESTED 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 CALM, the estimated sustainable yield level of annual volume for jarrah, karri and marri is determined for the term of the FMP.

The current 2005/06 financial year is the second 12 month period under the new FMP which commenced on 1 January 2004 for a 10 year period, through to 2013.

Measure:

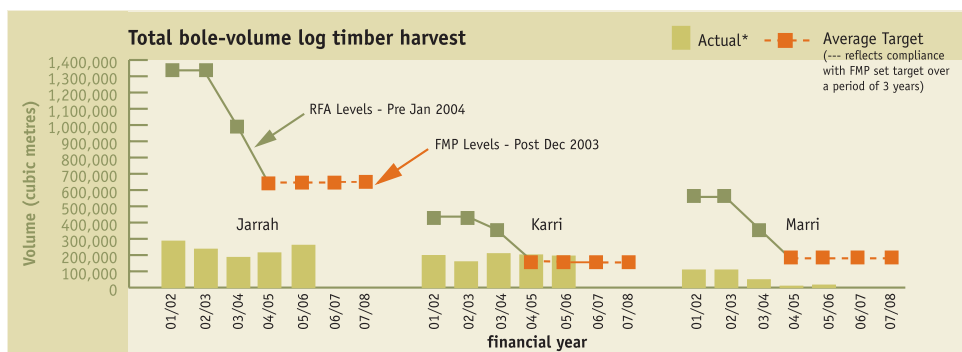
The Native Forest harvesting levels are based on an annual average yield allowable under the FMP as set out below. The performance measures are a comparison of cumulative removals of jarrah and karri first and second grade sawlogs and other log grades compared to the average sustainable yield.

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 is 196,000 m³.

The shortfall in jarrah and marri is due to the lack of markets for residue, which is currently being addressed.



Audited key performance indicator

ENVIRONMENTAL REVIEW

BACK



NEXT

CONTENTS



Note: The 2004 targets are an aggregation of harvest activity of the last six months under the 1999 Regional Forest Agreement (RFA) and the first six months of the FMP 2004-13. The target is the average allowable harvest over the 10 years of the FMP.

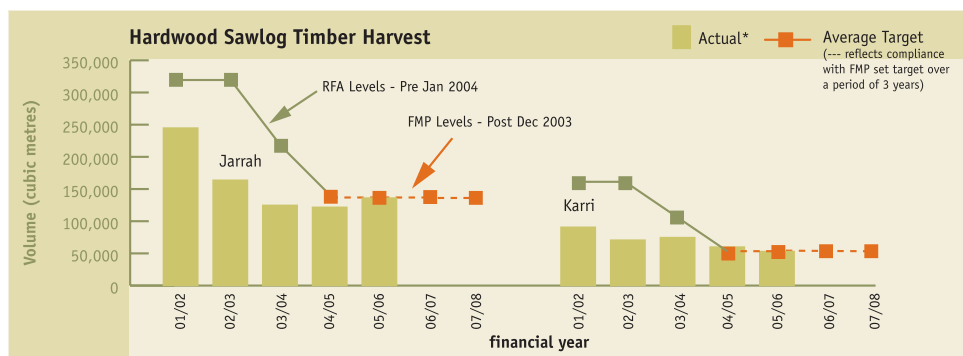
2005/06 harvesting activity:

Actual quantity of total bole volume harvest of native forest hardwood log timber for the period of July 2005 to June 2006 for jarrah was 260,181 m³, for karri was 193,903 m³ and marri 15,389 m³.

The karri harvest is higher than the average sustainable yield level under the FMP over the 12 months of the 2005/06 financial year. This included bole residue logs being produced as a result of meeting both the sustained sawlog yield and seeking to thin all regrowth stands at the prescribed stage of development.

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 RFA 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 part of the 196,000 m³ identified for marri bole logs).



Note: The 2004 targets are an aggregation of harvest activity of the last six months under the 1999 RFA and the first six months of the current FMP. The target is the average allowable harvest over the 10 years of the FMP.

2005/06 harvesting activity:

Actual quantities for July 2005 to June 2006 of first and second grade jarrah sawlogs were 136,246 m³, karri sawlogs 53,182 m³.

The average annual level of sawlogs harvested is consistent with the allowable quantities in the FMP. The quantity delivered in 2005/06 recovers a portion of the shortfall from the previous year.



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 2005 calendar year and are compared to the 2004 calendar year.

The area of native forest harvested for regeneration was 6,220 hectares (2004 5,130 hectares).

Treatments to achieve regeneration were completed for 4,920 hectares (2004 2,130 hectares) from this or the previous year's cutting.

Karri regeneration

In the 12 months to December 2005, 460 hectares of karri forest were clearfelled or partially cut, and 1,070 hectares were thinned. Regeneration was completed on 740 hectares harvested in either this or previous years.

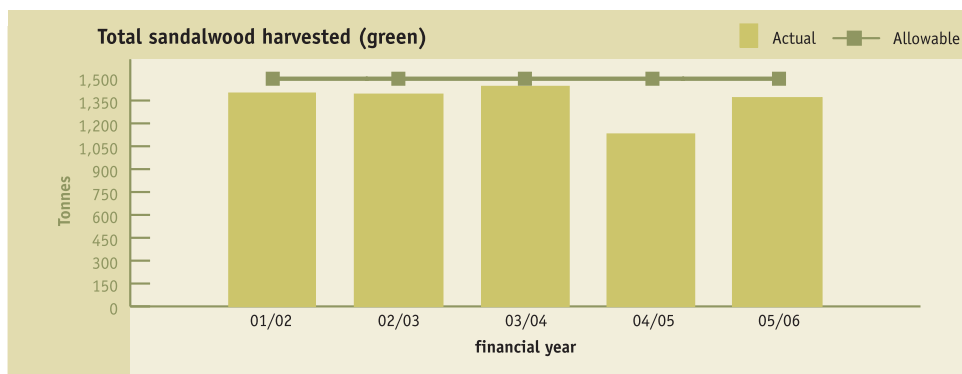
In the 12 months to December 2005, 30 hectares of wandoo forest were thinned.

THE HARVEST OF GREEN SANDALWOOD WILL BE MAINTAINED AT A SUSTAINABLE LEVEL

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

Measure:

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



The graph shows the actual harvested green sandalwood based on harvesting practices at the time the sustainable limit was set. Improved harvesting techniques in recent times have resulted in greater utilisation of the whole sandalwood tree and are outside the sustainable limit.

Audited key performance indicator

ENVIRONMENTAL REVIEW

BACK



NEXT

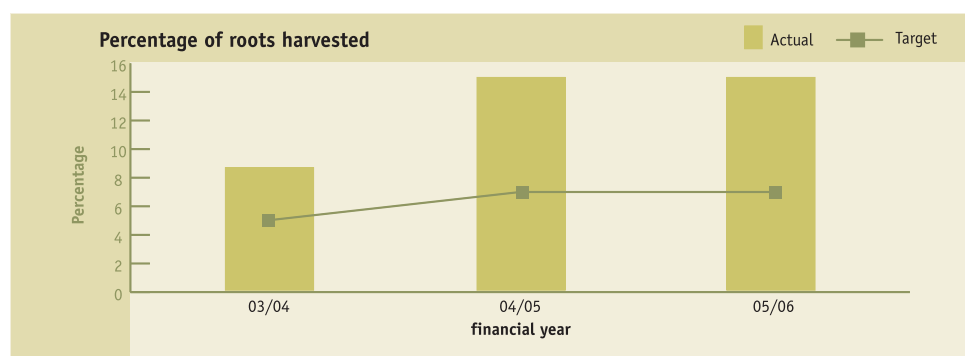
CONTENTS



The total green harvested volume for 2005/06 was 1,369 tonnes. In addition, harvested volumes included: dead 653 tonnes, roots 205 tonnes, 3rd grade green 17 tonnes², and bark 38 tonnes. A greater yield for previously wasted parts of the sandalwood tree demonstrates the achievement of improved levels of resource utilisation.

PERCENTAGE OF SANDALWOOD ROOTS AS A PERCENTAGE OF GREEN SANDALWOOD HARVESTED*

The SCI target to maintain utilisation of roots at least at seven per cent was once again exceeded with the actual proportion of roots achieved being 15 per cent. The good results are due to continued improvement in harvesting techniques.



COMPLIANCE WITH FOREST MANAGEMENT PLAN 2004-13

The Commission reports annually on the compliance of its staff and contractors with the provisions of FMP and subsidiary management guideline documents. The FMP provides for increased protection of forest values and better forest management in the State's South-West.

In the year ending 31 December 2005, 62 incidents relating to compliance with the FMP and subsidiary management guideline documents were recorded in the Commission's Environmental Management System. This compares with 39 in the previous calendar year. Most of these were of a minor nature with low environmental consequences. The most significant of these incidents was the clean-down of a harvesting machine within a designated stream zone. Forty-nine (26 in 2004) of these incidents related to native forest management and 13 (13 in 2004) to plantation management.

Compared with 2004, there were increases in reported incidents in Native Forests relating to crop tree protection not being to standard and soil management procedures.

Constraints imposed on the Commission's native forest operations in wet soil conditions remained a major concern during 2005 with respect to maintenance of sawlog supply to customers.

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

² See sandalwood utilisation page 55

* SCI indicator



AUSTRALIAN FORESTRY STANDARD

As a result of a Cabinet decision in early 2006, the Commission and CALM - in consultation with the Department of Treasury and Finance and industry – have been asked to undertake an analysis of the likely cost of achieving Australian Forestry Standard (AFS) accreditation.

The results of the analysis are to be submitted back to Cabinet for a decision whether to proceed in achieving AFS accreditation. The submission to Cabinet is expected to occur in the first half of the 2006/07 financial year.

SUSTAINABILITY ACTION PLAN

The Plan's priority commitments and proposed timeframe for achievements have been incorporated into the Commission's Strategic Development Plan.

The sustainable objectives managed by the Commission are to:

- Ensure that forest practices are compliant with recognised sustainable practices;
- Achieve reductions in rising ground water and salinity;
- Improve water quality;
- Achieve important indirect or downstream benefits to biodiversity by reducing the threat of rising water tables on wetlands or reserves of remnant vegetation;
- Provide renewable energy sources;
- Provide of carbon sinks to offset greenhouse emissions; and
- Contribute to the balanced management of public water supplies.

ENVIRONMENTAL REVIEW

BACK



NEXT

CONTENTS



ENERGY MANAGEMENT

The Commission has committed to an energy management program under the Energy Smart Government Policy. Being a Statutory Authority, 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 2005/06 financial year is two per cent - providing a total energy reduction target of 10 per cent since 2001/02.

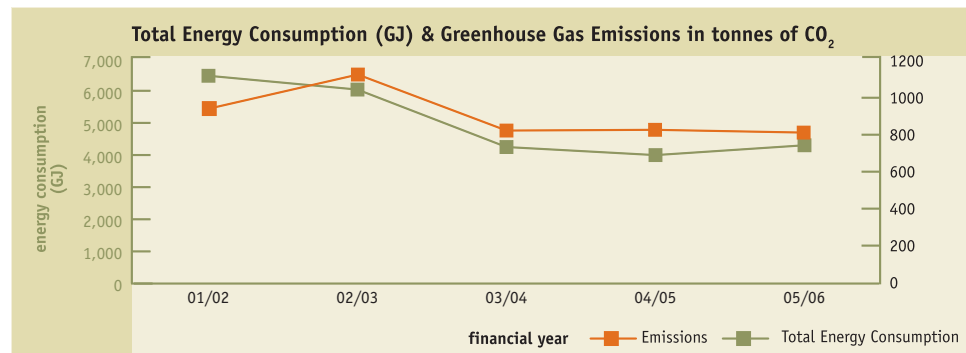
Table 1

Energy Smart Government Program	2001/02	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual
Energy	Energy Consumption (GJ)				
Electricity	2,839	3,682	2,848	3,005	2,834
Natural Gas	2,330	736	2	26	0
LPG	825	916	691	491	1,042
Industrial Diesel	472	704	708	476	428
Total Energy Consumption	6,467	6,038	4,249	3,998	4,304
Total Energy Cost	\$173,032	\$171,084	\$159,675	\$158,818	\$175,400
Greenhouse Gas	Emission in tonnes of CO₂				
Emmissions	930	1,114	811	815	800

Table 2

Performance Indicators by End Use category					
1) Office buildings - tenant services					
MJ/person/annum	9,322	8,880	9,936	10,346	8,907
MJ/m ² /annum	269	283	379	400	407
2) Office buildings - combined services					
MJ/person/annum	5,355	5,760	6,693	6,741	6,796
MJ/m ² /annum	540	475	210	221	226

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



The Commission has achieved a total reduction in energy consumption of 33.45 per cent compared with the baseline data set in 2001/02. However, compared with 2004/05, the total energy consumption increased by 7.6 per cent.



Explanation of variances for the 2005/06 financial year

The overall increase in energy consumption over the 2005/06 financial year can be attributed to an increase in LPG consumption at the Manjimup Nursery/Seed Centre. This was due to the biggest karri seed harvesting operation in 10 years. However, the Commission has achieved a reduction in total electricity and industrial diesel consumption of 5.7 per cent and 10 per cent, respectively.

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
- 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.

WASTE PAPER RECYCLING INITIATIVES

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

For the year 2005/06, the Commission provided approximately 3,240 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 Gngara 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

BACK

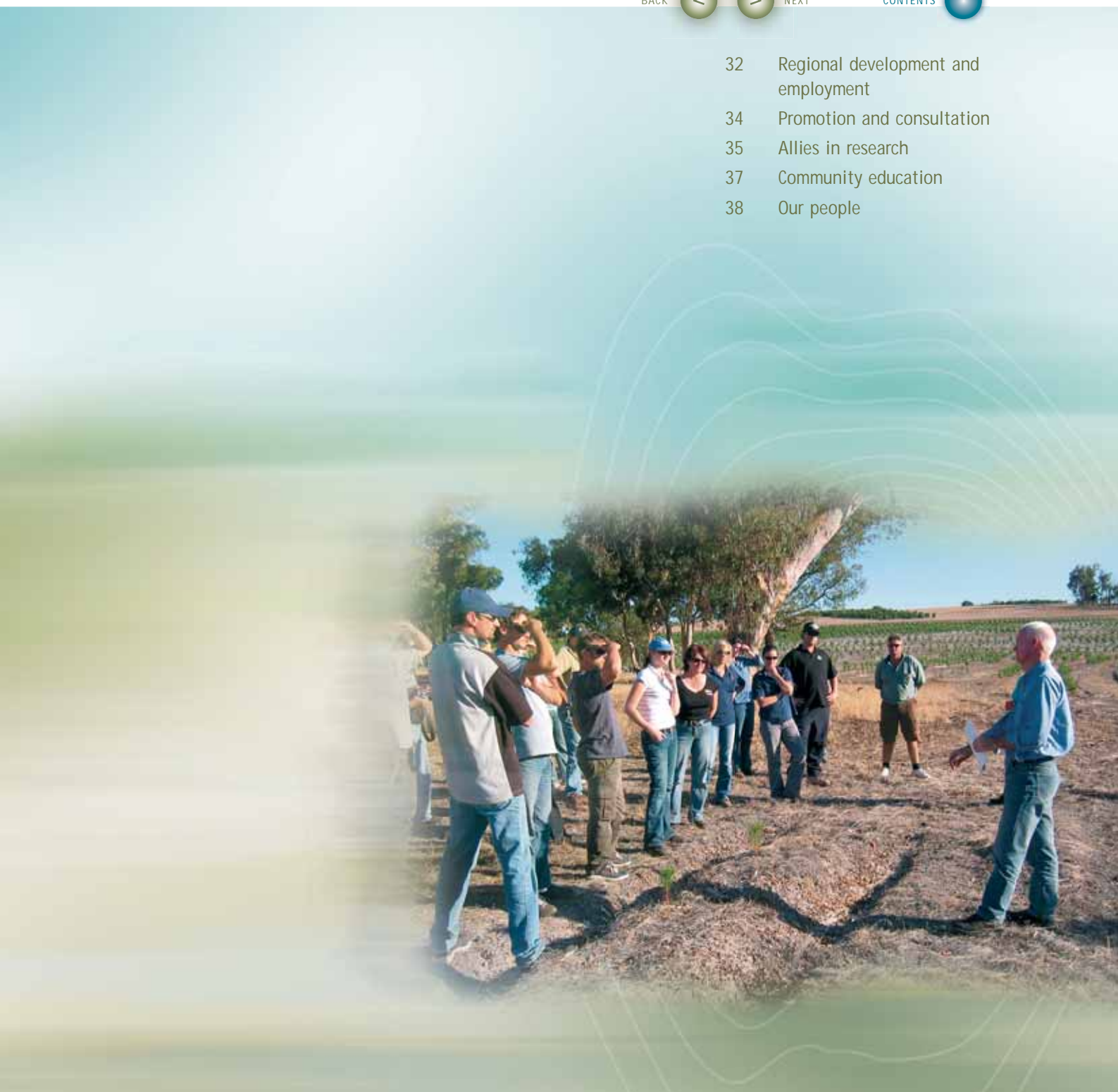


NEXT

CONTENTS



- 32 Regional development and employment
- 34 Promotion and consultation
- 35 Allies in research
- 37 Community education
- 38 Our people





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.

REGIONAL DEVELOPMENT AND EMPLOYMENT

The Commission was successful in obtaining \$32 million from the State and \$32 million from the Federal Governments for strategic tree planting over the 2005/06 and following three financial years. Approximately 18,000 hectares of new plantations will be established under the Strategic Tree Farming project which is a collaboration between Natural Resource Management groups, the Commission and individual landowners.

These plantations will be largely planted within the framework of the regional NRM strategies and the Commission's Tree Farming and Industry Development Plans. These plans are about creating new plantation industries while at the same time delivering environmental and employment benefits to regional WA.

The Commission's propagation nursery in Manjimup is installing a new seeding line that has the capacity to increase daily seeding up to five to 10 times current rates. This enables all seedlings to be sown at, or very near, the optimum time for best growth. To handle this increase capacity, two mini-plug tunnel houses were completed, each with the potential to hold 4.4 million seedlings.

The nursery is working to increase the number of seedlings produced. In the 2005/06 season more than 10 million seedlings were dispatched, a 10 per cent increase on the previous season.

A road was built linking the hardwood nursery with Windy Hill nursery, enabling work vehicles to stay within the 'dieback free' envelope under the nursery's Nursery and Garden Industry WA (NGIWA) accreditation scheme.

One of the major issues facing all aspects of the industry is the availability of both skilled and unskilled labour. Whether harvesting, milling, processing or manufacturing, there is currently an acute labour shortage due to the boom in the resource industries and their ability to offer much higher pay rates.

However, employment opportunities have been invigorated by further developments at regional sawmilling companies. These included: the official opening of Whittakers new jarrah small log line and associated kiln drying capacity at Greenbushes; continued expansion of Wesbeam's Neerabup Laminated Veneer Lumber plant; and the completion of Pinetec's relocation of its sawmilling operations from Bassendean to Muja near Collie.



AREA OF PLANTATION ESTABLISHED AGAINST TARGET

Plantation establishment straddles the financial year, therefore areas of establishment reported in this Annual Report are those established during the winter of 2005.

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

	Second Rotation pine species (ha)	First Rotation pine species (ha)	Eucalypt species (ha)	Sandalwood (ha)
Target	1,500	1,000	550	400
Total Area established	1,425	797	309	214
Note:	(1)	(2)	(3)	(4)
Purpose	Sustain existing industry*	1,425	404	-
	Regional development*	-	393	309

Note: The total target area for first rotation pine, eucalypt species and sandalwood was 1,950 hectares. The requirement for Strategic Tree Farming as part of NAP was 1,700 hectares, the remaining 250 hectares is managed under fee-for-service arrangements.

* Salinity, water quality and landcare purposes are delivered concurrently with timber production.

Areas established against targets:

Notes:

(1) Second rotation pines

Target: 1,500 hectares

- Re-established 1,425 hectares that were clearfelled and ready for replanting. Logistical issues led to a five per cent shortfall on the target planting area.

(2) First rotation pines

Target: 1,000 hectares

- In order 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 10,622 hectares have been established.
- Regional development includes establishing 239 hectares of *P.pinaster* plantations for BP Australia.
- Final goal for various regional cells (Katanning, Esperance, Albany) are yet to be determined 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.
- Target shortfalls were due to reduced seedling supplies³.

³ See Environmental incidents - Plant Propagation page 23



(3) Eucalypt species

Target: 550 hectares

- Eucalypt sawlogs (309 hectares planted). 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.
- Target shortfalls were due to a very wet season (i.e. the 2005 winter) in the eucalypt species areas preventing access to some sites.

(4) Sandalwood

Target: 400 hectares.

- The area planted was 214 hectares. This is a newly developing project with good prospects.
- Target shortfalls were due to sandalwood host seedling difficulties⁴.

PROMOTION AND CONSULTATION

The Commission is an active participant in the promotion of finished timber products. It proudly supports numerous industry events and activities and is 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 was again the Platinum Sponsor for the 2005 "Australian Furniture of the Year Awards". This was to support the Furnishing Industry Association of Australia (WA) Branch in holding the national awards in Perth. With more than 200 State and national entries, this was again a resounding success for Western Australian manufacturers.

Among the winners were local furniture manufacturers Jah Roc, Fremantle Furniture Factory, Antry, Inglewood Products Group, Quedos Billiard Tables, Just Jarrah, International Cabinets and B and G Furniture (excellence in using plantation timber WA award). Gunns Ltd won WA Supplier of the Year award.

Students from the Australian School of Fine Wood at Dwellingup also took out awards.

Forest Heritage Centre

During the year the Commission worked with the Forest Heritage Centre (FHC) Board, Government agencies and other stakeholders to develop a whole-of-Government solution to funding the ongoing operations of the Forest Heritage Centre and its Australian School of Fine Wood. This has resulted in a \$4.661 million Government funding package over the period 2005/06 to 2009/10.

The funding will be used for a new capital works program to cater for increased tertiary training and revitalisation of the centre, and to support its recurrent funding. This was a very pleasing result as the Commission has been a major contributor to funding the FHC since the project's inception through the Finewood Industry project in 1988.

The Commission again worked with the final year students for their 'Surfaces' exhibition held in Fremantle.

⁴ See environmental incidents Plant Propagation page 23



FIFWA Timber Industry Awards 2005

The Commission sponsors these annual timber industry awards. Final year students from the Australian School of Fine Wood took out the major prize in the Excellence In Innovative Use of Native Hardwood and Plantation Timber and Outstanding Contemporary Fine Wood Piece categories.

Jamel Industries was awarded the Excellence in Marketing Initiative through expanding from its current international markets in Hong Kong and New Zealand to the larger markets of the Middle East and Europe.

The Commission's former Assistant General Manager, Mr Jon Murch, was recognised for his Outstanding Contribution to Industry. Last year he retired after 32 years in WA government departments with responsibility for the forest industry and the award acknowledged the significant role he played in ensuring an ongoing and sustainable industry.

The Premiers Award 2005 was won by Jamel Industries.

International Western Australian Sandalwood Buyers' Symposium

The four-day symposium held in Perth and Kalgoorlie in May 2006 attracted 17 international delegates from Taiwan, China, Hong Kong and Malaysia.

In hosting the event, the Commission was able to raise the buyers' awareness of the sandalwood supply chain in WA and the vast distances involved between growing the product and getting it to market. The buyers also saw the improvements in growing, harvesting and regenerating WA's native sandalwood and the progress in growing Indian sandalwood plantations.

Timber Advisory Centre

The Timber Advisory Centre (TAC) at Home Base, Wembley, closed in November 2005. The timber framed house that was at the Centre will be relocated to form part of the joint research and marketing venture being undertaken with UWA.

ALLIES IN RESEARCH

The Commission is a partner in the Cooperative Research Centre for Wood Innovations (CRCWI), which is carrying out research in microwave technology and high value-adding of timber. Research into timber bending for potential use as furniture components continued. Other CRCWI partners are currently assessing WA-grown Tasmanian blue gum for possible use as power poles by microwave treatment to improve retention of timber preservatives. Microwave pre-treatment to reduce drying times of sawn timber of jarrah and Sydney blue gum is also being assessed.

In association with Ensis (which includes the former CSIRO Forestry and Forest products), Commission staff have organised sawmilling trials of regrowth karri and are organising trials of WA-grown plantation eucalypts.



13th International Union of Forest Research Organisations (IUFRO) World Congress

Five Commission staff attended the 13th International Union of Forest Research Organizations (IUFRO) World Congress, "Forests in the Balance: Linking Tradition and Technology" in Brisbane in August 2005. The Commission was a conference sponsor and was represented on the organising committee by Mr Keith Low. Commission Principal Research Scientist Dr Richard Harper was awarded a Rural Industries Research and Development Corporation Travel Award. He made a presentation on results of research on an innovative forestry system, phase farming with trees, that has shown considerable promise as a method of reducing salinity risk in agricultural areas while producing biomass for bioenergy. Colleague Dr Peter Ritson presented two poster papers on his research on *Pinus pinaster*. Paper abstracts were published in the International Forestry Review.

International Energy Agency Bioenergy Conference

The Commission hosted an international workshop on bioenergy in August 2005, attracting 45 national and international experts to Perth. The workshop was organized jointly by the International Energy Agency Bioenergy Tasks 30 and 31, with contributions from CALM, the Office of Energy and Bioenergy Australia. Commission staff provided an overview of the bioenergy opportunities in Western Australia.

Potential sources of biomass include residues from existing pine and eucalypt plantations, and residues from native forest management (harvest residues, thinnings and from land cleared for mining). In lower rainfall areas there is potential for purpose-grown bioenergy crops in the form of: strips of eucalypts, which will also produce logs; mallee strips; and short three year phases of trees, followed by a return to cropping.

Desert Technology 8 Conference, Nasu, Japan.

Dr Richard Harper was invited to attend this Conference as part of a research project by a consortium of Japanese Universities funded by the Research Institute of Innovative Technology for the Earth (RITE Institute). He presented a paper on the use of soil and climate data to predict wood yields, carbon sequestration and recharge reduction in catchments threatened by salinity.

Forestry Cooperative Research Centre

The Commission joined the Cooperative Research Centre (CRC) in Forestry and has a major role in the Hydrology Project of the CRC, with a project focussing on the hydrologic impact of plantations and tree crops in the medium rainfall zone forming the basis of our involvement. Additionally, the Commission will contribute to programs investigating the impact of plantation silviculture on productivity, wood quality and harvesting dynamics of hardwood plantations.

UWA and Commission Joint Venture Agreement

Under this research agreement between the University of Western Australia and the Commission, the initial focus will be on developing value-adding opportunities within the furniture industry.

The Timber Technology Centre at Harvey will be closed as a research centre but continue to operate for the purposes of log auctions which are held every three months.



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:

- Mt Barker Machinery Field Day
- Wagin Woolarama
- Gingin Expo
- Sustainable Bioenergy Systems conference
- Perth Wood Show
- Dowerin Field Days
- Royal Show
- Moora Agricultural Show
- Esperance Agricultural Show
- Albany Agricultural Show
- Chatfield Plantation dedication ceremony
- Field days
- Sandalwood buyers' symposium
- Educational – student/industry tours.

General public enquiries

Over 600 enquiries on wood properties, timber utilisation and markets from other Government departments, the timber industry and the general public were answered.

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, environmental groups, students and government agencies.

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

In developing the Tree Farming and Industry Development plans, which underpin the Commission's tree planting activities, input was taken from a range of stakeholders including industry, Private Forestry Development Committees, Regional Development Commissions, NRM catchment groups (Northern Agricultural Catchments Council, Avon Catchments Council, South West Catchments Council and the South Coast Regional Initiative Planning Team), local authorities and local politicians.

Close liaison continued with the Regional NRM groups to ensure that the Strategic Tree Farming plantings help to achieve the targets set in their Regional NRM Strategies.



Committee communication

To manage the Strategic Tree Farming Project, a Project Steering Committee comprising representatives of the Australian Government, four Regional NRM Groups and the Commission was established. They met three times in this financial year.

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.

The Commission joined representatives from industry, government and community on both the Native Forest Products Ministerial Advisory Committee (NFPMC) and the Plantation Industry Ministerial Advisory Committee (PIMAC), which provide important forums for communication on the development of the industry. In the native forest industry the transition to smaller and lower quality sawlogs and the challenge of processing them into high-value products has been a consistent issue for the NFPMC. PIMAC has dealt with a number of issues facing the plantation industry, such as infrastructure development, land-use planning, industry strategies and water use.

Commission staff also participated with the Private Forestry Development Committees (Trees South West, Timber 2020, South East Forest Foundation, Avongro and Trees Midwest) 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.

OUR PEOPLE

The Commission has 228 employees with 160 in 14 regional offices around the State and 68 employees working from the corporate headquarters in metropolitan Rivervale. This represents an increase of 17 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 2006, staff numbers and their locations were:

	Full-time salaried staff	Part-time salaried staff	Wages employees	Total	Men	Women
Albany	16	1	-	17	13	4
Bunbury	24	4	-	28	16	12
Collie	9	2	1	12	7	5
Esperance	4	-	-	4	4	-
Gnangara	13	2	1	16	11	5
Harvey	23	2	-	25	19	6
Kalgoorlie	2	-	-	2	2	-
Katanning	3	-	-	3	3	-
Kununurra	1	-	-	1	1	-
Mandurah	1	-	-	1	1	-
Manjimup	15	-	-	15	12	3
West Manjimup Nursery	16	2	2	20	10	10
Nannup	14	-	-	14	11	3
Rivervale	63	5	-	68	35	33
Wanneroo	2	-	-	2	1	1
Total	206	18	4	228	146	82



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 also engages casual staff to supplement its usual workforce to meet seasonal and operational demands. This is particularly the case at the West Manjimup Nursery.

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

In 2005/06 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. In 2005/06 20 new field recruits (recruited in 04/05 and 05/06) completed an extensive and targeted training program that will equip them with the necessary competencies to carry out activities within the Operations Division. The training program was coordinated and delivered within the Commission through structured formal courses and "on the job" training and work experience. The training program was delivered under the auspices of Great Southern TAFE as the Registered Training Organisation (RTO) under a Memorandum of Understanding. The training program provided is aligned to the National Training Package and the new recruits were awarded a Certificate III in Forest Growing and Management. In a first for the Commission, the 20 recruits were awarded their certificates at a special graduation ceremony at the Commission's Annual Conference in November 2005 by the Minister for Forestry, Kim Chance. Twelve more new field recruits were appointed in April and they will complete a similar program in their first 12 months with the Commission.

The main focus of training for 2005/06 has been with the field recruit program and requirements identified through the Commission's Environment Management System.

Growth and Development Leadership Program

The Commission continued with the third Growth Development Leadership program, designed to provide staff and the organisation with an opportunity to further develop leadership skills. The program commenced in May 2006, with an initial group of 19 participants.

Participants nominated from across the Commission have the opportunity to work in cross-functional teams on a number of projects selected by the Executive for their input to the Commission's strategic objectives. These projects are due for completion in the latter half of 2006.

Occupational Safety and Health (OSH)

All the Commission's work centres are now represented by nominated Safety and Health representatives (SHREPS) and OSH Committees. During 2005/06 10 of the Commission's 15 work centres were recognised for achieving 12 months Lost Time Incident (LTI) free.



There were five Lost Time Incidents (LTI), which resulted in a total of 29 days lost, and 13 Minor Treatment Incidents (MTI) in 2005/06.

Major initiatives undertaken in the year included the implementation of the Commission's Peer Support Network. Eighteen selected staff have now been trained and are located strategically throughout the Commission's work centres. Six staff have been selected to be the Commission's Contact/Grievance Officers and training is scheduled for August 2006.

Access to Commission Services for People with Disabilities

The Commission commenced the development of its Disability Access and Inclusion Plan, and will continue to develop this in 2006/07. Initiatives to be further developed in this plan include:

- Developing processes for the planning of events or public consultations organised by the Commission to ensure appropriate access for people with disabilities;
- Engaging appropriate personnel to provide advice on accessibility for people with disabilities to existing and planned future Commission buildings and facilities;
- Further investigating technology and other initiatives to ensure people with disabilities can receive information in an appropriate format, and have access to the same level and quality of service; and
- Ensuring that processes for handling of complaints are available and accessible to people with disabilities.

Equal Employment Opportunities

The Commission's workforce demographics for the year ended 30 June 2006 reflected the following:

- Number of women within the workforce is 82, representing 36 per cent of the workforce, which is a decrease from 2004/05 of 2.6 per cent;
- Number of employees who have disabilities is 6, representing 2.6 per cent of the workforce, which is a decrease from 2004/05 of 0.3 per cent;
- Number of employees from culturally diverse backgrounds is 27, representing 12 per cent of the workforce, which is a decrease from 2004/05 of 4 per cent; and
- Number of employees who are from indigenous backgrounds is nil.

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 was taken.

There were no reported breaches of the Public Sector Standards lodged against the Commission during 2005/06.

CORPORATE GOVERNANCE

BACK



NEXT

CONTENTS



- 42 Commissioners and committees
- 44 Committees
- 45 Executive
- 46 Legislative requirements
- 46 Statement of Corporate Intent
- 47 Freedom of Information Act
- 47 Strategic Development Plan
- 47 Publications
- 48 Information management
- 48 Corruption prevention
- 48 Public Interest Disclosure
- 49 Statement of compliance with Public Sector Standards
- 50 Certification of performance indicators
- 51 Compliance with relevant written laws



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

COMMISSIONERS AND COMMITTEES

The seven Commissioners are the governing body of the Commission and are responsible to the Minister for 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.

The Commission implemented a succession policy with individual Commissioners not serving for terms longer than six to eight years. Dr Clark-Murphy, who provided specialist financial expertise and chaired the Audit and Risk Management committee, stepped down after six years on 30 June 2006. She is replaced by David Taylor, formerly BankWest General Manager for Business Banking, from 1 July 2006. Mr Taylor will succeed Mr Jorgensen as Chairman on 16 November and Ms Eva Skira, who has a commercial background in banking, stockbroking and the financial markets, will then be appointed as the second new Commissioner.



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 15 years as a Chief Executive Officer of the Town of Albany and Shire of Manjimup. He was a Commissioner at the City of Cockburn between April 1999 and December 2000. He has been a Director in retail, technology, investment and development businesses and consulted to many publicly listed companies. Mr Jorgensen has been Chairman of the Plantation Industry Ministerial Advisory Committee (PIMAC), inaugural Chairman of the State's Integrated Fishing Allocation Advisory Council, 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 and the South West Catchment Council.

CORPORATE GOVERNANCE

BACK



NEXT

[CONTENTS](#)



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 14 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. 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, a Councillor of the Methodist Ladies' College School Council and a Board member of Youth Focus (a charity working to prevent youth suicide and depression).



Sandy Breeze

Ms Breeze has a strong background in retail business and particularly retail furniture industry. Her Bed Centre retail shops have been trading for over 25 years. She is currently the longest serving Councillor for the Furnishing Industry Association of Australia (WA) Inc, where she has occupied many voluntary positions including Committee Chairperson and Vice President. She is the Chairperson of the Australian Furniture of the Year Awards.



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. Dr Clark-Murphy stepped down on the 30 June 2006 at the end of her term as Commissioner.



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 Councillor 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. Nick has qualifications in timber technology, has represented workers in the Forest Industry and has been a member and Chair of several training and industry development committees.

CORPORATE GOVERNANCE

BACK



NEXT

CONTENTS



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

Mr Murray Jorgensen	10
Dr Per Christensen	9
Ms Kellie Benda	8
Ms Sandy Breeze	10
Dr Marilyn Clark-Murphy	7
Mr Ray Curo	11
Mr Nick Oaks	9

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 examination is provided for by a strategic plan of internal audits covering financial, operational and environmental assessment. These audits reviewed internal systems and management process against a range of State and Commonwealth compliance requirements. The annual audit program uses risk-based criteria to prioritise rollout with the objective of assessing the effectiveness of the Commission's control systems, identifying and managing risk and monitoring performance.

The Commission also underwent several external audits for financial compliance and environmental management. This included two external surveillance audits of the Environmental Management System. Successful outcomes in these audits are a requirement to maintain certification under the AS/NZS 14001 standard.

CALM and Conservation Commission apply assessment of the various requirements of the Forest Management Plan and carried out a number of audits in the Commission's harvesting operations.

The Office of the Auditor General also conducted one audit in this fiscal year.

Summary of individual audits applied.

Type of audit	Internal	External
Financial	5	1
Management	2	1
Environmental	12	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.

Business Development Committee

Mr Murray Jorgensen (Chair)
Ms Kellie Benda
Dr Per Christensen

The Business Development Committee was formed to examine and evaluate business development scenarios, and establish objectives particularly in relation to National Action Plan for Salinity and Water Quality (NAP) funding and implementation of the new tree farms and plantations strategy. Its function was re-incorporated into the full Commission meeting in February 2006.

EXECUTIVE

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

Dr 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 completed an Executive Master of Business Administration in 2005.

Gavin Butcher BScFor, Executive Manager Operations

Mr Butcher has a career spanning more than 25 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

Mr 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 Certified Practising Accountants Australia and a member of the Australian Institute of Company Directors. He is currently on a year's leave-of-absence commencing April 2006.



Tym Duncanson BScFor, MScNRM, MEIA, MAARES, Acting Executive Manager, Business Development

Mr Duncanson has 20 years experience in natural resource management and forestry within the public and private sectors. Prior to joining the Commission he held the Executive Director role of a public company specialising in forest carbon sinks and bioenergy. He is a Director of a medical and biological science research foundation and a member of the Environment Institute of Australia and New Zealand, and Australian Agriculture and Resource Economics Society.

Steve Melville BBus, FCPA, Executive Manager Finance and Administration

Mr 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.

LEGISLATIVE REQUIREMENTS

Enabling legislation

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

Administered legislation

The Commission administers the following Act:

- *Forest Products Act 2000*

and parts of:

- Forest Management Regulations 1993.

Legislation impacting the Commission

A full 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 2005/06 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[#]

Annual Report[#]

Code of Practice for Timber Plantations in WA

Forest Industry Statement[#]

Forest Management Plan 2004-2013[#]

Growing a Sustainable Future[#]

Integrated tree farming[#]

Introducing the Forest Products Commission[#]

Managing Timber Production in Western Australia's south-west forests[#]

Manjimup Nursery seedling catalogue[#]

Sandalwood the Good Oil[#]

Growing Sandalwood (*Santalum spicatum*) on Farmland in Western Australia

Sandalwood Information Sheets

Conserving Sandalwood (*S. spicatum*) in the Rangelands, Western Australia

Estimating Returns on Plantation Grown Sandalwood (*S. spicatum*)

Seed Technologies catalogue[#]

Timber Industry Statement[#]

Trees to Fight Salinity on Farms[#]

WA Furniture Timber[#]

Manuals – available on request from the Commission's Forest Practices Office.

Contractors' Timber Harvesting Manual – Native Forest

Contractors' Timber Harvesting Manual – Plantations

Sandalwood Harvesting in Western Australia



INFORMATION MANAGEMENT

The past year has seen the Commission continue to adhere to its Record Keeping Plan with an increasing strategic focus on the needs of information management. The Commission is committed to meeting its regulatory and best practice requirements, ensuring that proper and adequate records are maintained. It is also dedicated to improving recordkeeping practices to achieve optimum business efficiency.

During the year the focus was on the roll-out of the records management system to our Albany and Gngangara office, which will assist the Commission in integrating all its offices into one system, ensuring uniformity and accountability. With five offices now completed, it is anticipated that the remaining eight offices will be completed over the next eighteen months.

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

- Records Management Induction sessions, including presentation on employees' roles and responsibilities in regard to their compliance with 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 records management system to all offices, including the conversion of existing files into the new Commission standardised system.
- Training staff in the records management system, and making the system available to all staff.
- Review the records management system annually for efficiency and effectiveness, however, improvements to the system will be conducted on an ongoing basis or when deemed necessary as part of the continuing roll-out of the system.
- Efficiency and effectiveness of the training program is reviewed on a regular basis to ensure that staff receive sufficient recordkeeping training.

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 Human Resource Manager and Corporate Governance Coordinator as being responsible for receiving disclosures of public interest and undertaking the internal investigation.

CORPORATE GOVERNANCE

BACK



NEXT

[CONTENTS](#)



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 2005/06.

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

28 August 2006

CORPORATE GOVERNANCE

BACK




NEXT

CONTENTS



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 2006.

Murray Jorgensen
Chairman

28 August 2006

Nick Oaks
Commissioner



COMPLIANCE WITH RELEVANT WRITTEN LAWS

In the performance of its functions, the Commission has to comply with a number of written laws.

In the financial administration of the Commission, we have complied with the requirements of the *Financial Administration and Audit Act 1985* and other relevant written law, and exercised controls which provide reasonable assurance that the receipt and expenditure of monies and the acquisition and disposal of public property and incurring of liabilities have been in accordance with legislative provisions. Where non-compliance issues have been identified during the year, action plans have been put in place to address these issues.

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

Murray Jorgensen

Chairman

28 August 2006

Dr Paul Biggs

General Manager

ECONOMIC REVIEW

BACK



NEXT

CONTENTS



- 54 Economic achievements
- 56 Financial overview
- 57 Performance indicators
- 60 Native Forest operations
- 63 Plantation operations



ECONOMIC ACHIEVEMENTS

The Commission works in partnership with industry, the community and other Government agencies as part of a long-term, viable timber industry. This involves 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.

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

New investment

The Commission continued to focus on developing its fee-for-service business model, which in all aspects meets the highest benchmarks as set by professional and private investors. Working with other financial and legal specialists to develop customised commercial plantation investment proposals, the Commission has considerably advanced its know-how and capabilities in asset management and project management as a subcontractor to investor managers operating within the highly competitive and transparent financial markets.

In May 2006 CommSec terminated its Premium Plantations Hardwood Sawlog Project 2006 and Premium Plantations Combined Hardwood Project 2006 after deciding not proceed with these offerings to the investing public in the financial year ending June 30 2006. CommSec stated that it made the decision after carrying out a strategic review of a number of its products, including forestry-managed investments.

Whittakers small log line opening

In December 2005 Whittakers Limited opened their new jarrah small log line and associated kiln drying capacity. This \$10 million investment leads the way in finding innovative ways of maximising value-added products from 20,000 cubic metres of small bole residue logs. These logs were previously suited only to lower value end uses such as fencing and firewood. Currently flooring markets for parquetry in Europe and the east coast of Australia are being targeted by the company.

Continued expansion of Wesbeam

During the year Wesbeam continued its expansion of production at its Neerabup Laminated Veneer Lumber Plant. This has been driven by the expansion of markets into the eastern states, the Pacific Rim and US. The strength and quality of the *P. pinaster* resource are providing a competitive edge when competing with *P. radiata* and other softwood engineered products from overseas suppliers and manufacturers.

Relocation of Pinetec to Muja near Collie

During the year Pinetec completed the relocation of its sawmilling operations from Bassendean to Muja near Collie. Pinetec have closed their Bassendean sawmill while the new sawmill has commenced operations. Manufacturing operations are shared between Bassendean and Muja. The residue from the sawmill is conveyed to the Muja Power Station for consumption as bio-fuel.



Sandalwood utilisation

For many years the potential of 'whole sandalwood tree harvesting' has been investigated to improve the utilisation of harvested sandalwood trees, with marked success. This has been through the evolution of harvesting equipment, harvesting techniques and the utilisation of once regarded non-commercial value products.

The Commission in consultation with its processing contractor Wescorp has developed a product which includes the smallest sticks and twigs traditionally left behind in the bush (third grade). The products have been readily accepted by international and domestic incense producers.

The Arid Forest section is now working with its sandalwood harvesters to see that the changes required to enable third grade recovery are made, with the intention that all contractors are producing third grade within 12 months.

Downstream manufacturing

The jarrah and karri native hardwood sawmills, with first and second grade and bole sawlog contracts, provide bi-annual sawmill returns that assist in monitoring their performance and inform the Commission of the various product sectors the sawn or dressed material is placed into.

Sawmill audits are randomly conducted to confirm the accuracy of the returns.

Changes in market conditions may affect the sawn or dressed timber going into the various product categories as determined in their sale contracts.

In the 2005 calendar year the industry achieved a sawn timber recovery for jarrah of 38 per cent, which is slightly down on last year reflecting an increase in volume of smaller diameter logs available under the FMP. Of the 38 percent recovered 92 per cent went into value added products. Karri was 40 per cent recovery, with 35 per cent value adding.

FINANCIAL PERFORMANCE

The Commission's profit before tax was \$33.2 million this year, which included an upward movement in the valuation of the Commission's natural resource assets of \$13.1 million.

Against this reported profit the underlying business produced a profit before tax of \$7.7 million allowing the Commission to pay a dividend of \$2.7 million.

This good result was due to improvements in the underlying operating performance of the three main business segments, South West Forests, Arid Forests and Mature Plantations, whose performance was assisted by the late start to the winter rains which enabled access to harvest areas later than would normally be the case. The result was also assisted by expenditure savings throughout the Commission.

In addition to this solid operating performance, the overall financial result was favourably affected by the reversal of a \$10 million provision for legal claims which have now been settled. In addition, a number of one off events favourably affected the Commission's results this year and these are discussed more fully on page 57.

Financial results for the 2005/06 financial year are summarised in the table overleaf, along with comparative information since the Commission's formation in 2000.

ECONOMIC REVIEW

BACK



NEXT

CONTENTS



FINANCIAL OVERVIEW

	2006 (\$'000)	2005 ² (\$'000)	2004 (\$'000)	2003 (\$'000)	2002 (\$'000)	2001 (33 weeks) (\$'000)
Revenue from ordinary activities	<u>117,768</u>	<u>102,454</u>	<u>98,229</u>	<u>101,659</u>	<u>114,439</u>	<u>84,461</u>

	-	-	-	-	-	-
--	---	---	---	---	---	---

Expenses from ordinary activities	<u>97,691</u>	<u>117,072</u>	<u>109,454</u>	<u>99,390</u>	<u>107,950</u>	<u>74,518</u>
-----------------------------------	---------------	----------------	----------------	---------------	----------------	---------------

Calculated as follows:

	-	-				
--	---	---	--	--	--	--

Operating profit before interest and tax ¹	<u>25,922</u>	<u>(8,584)</u>	<u>(5,564)</u>	<u>8,600</u>	<u>23,098</u>	<u>19,539</u>
---	---------------	----------------	----------------	--------------	---------------	---------------

--	--	--	--	--	--	--

Summary of financial position:

Assets:

Current assets	103,847	60,312	21,448	28,095	31,462	25,531
Non-current assets	322,372	329,014	358,018	332,274	308,460	302,529
Total assets	426,219	389,326	379,466	360,369	339,922	328,060

Liabilities:

Current liabilities	34,070	37,394	19,104	22,935	17,941	24,355
Non-current liabilities	127,229	111,163	100,232	83,287	82,195	78,958
Total liabilities	161,299	148,557	119,336	106,222	100,136	103,313

Net assets/total equity	264,920	240,769	260,130	254,147	239,786	224,747
--------------------------------	----------------	----------------	----------------	----------------	----------------	----------------

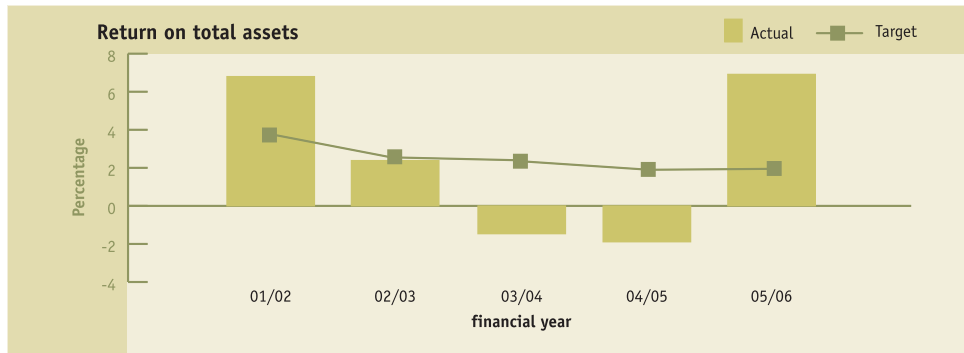
¹ Operating profit before interest and tax is profit/(loss) before interest, tax, joint ventures and movements in valuations of natural resource assets

² 2004/05 results restated to comply with AIFRS



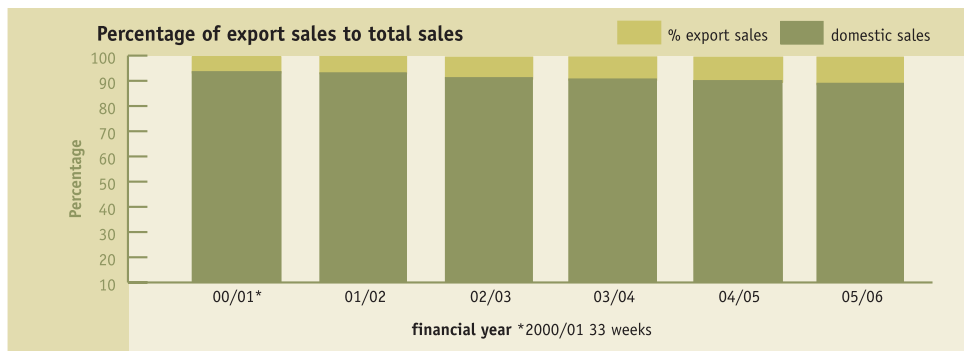
PERFORMANCE INDICATORS

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



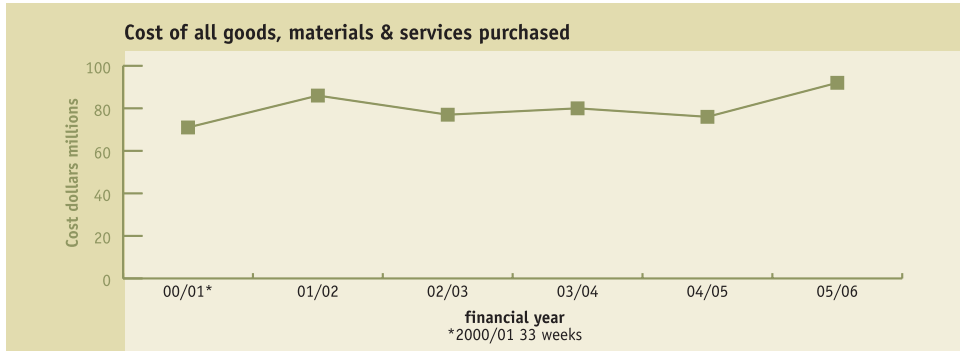
The ratio, which excludes the impact of Natural resource asset valuations, is above target this financial year due to good operating performance and the reversal of provisions raised in the 2004/05 financial year for claims against the Commission. In addition the Commission's results were favourably influenced this year by a number of 'one off' factors:

- Compensation for natural resource assets lost to fire,
- Reversal of prior year doubtful debt provisions, and reversal of provisions for claims made against the Commission arising out of the Government's *Protecting Our Old Growth Forests* policy
- Revenues arising from the Commission's engagement with the Commonwealth Bank's Premium Plantations Program,
- Revenues from the State and Commonwealth Government's National Action Plan for Salinity and Water Quality.

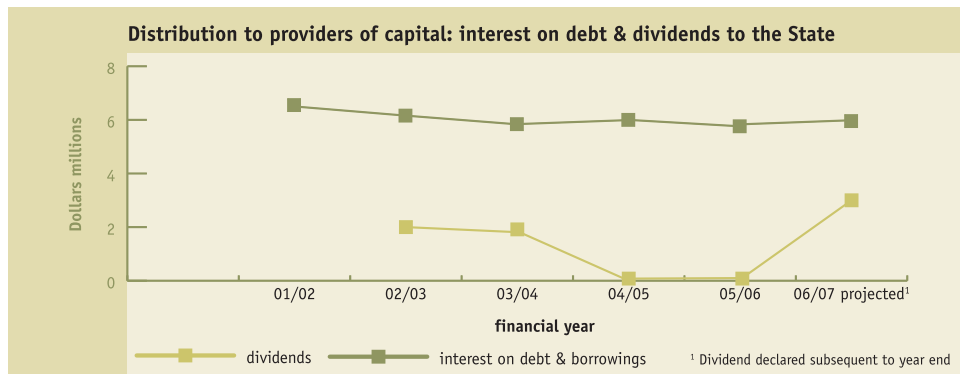


Export sales increased to 11 per cent of total sales. The Commission's strategy is to ensure a maximum amount of its products are utilised for value-adding purposes in the local market. Products are exported either where there is insufficient demand in the local market or where returns to the State from export products significantly exceed returns to the State from local value-adding activities. As with prior years, export sales are mainly attributable to the export of Sandalwood. International demand for Sandalwood has enabled the Commission to consistently increase net revenue.

Audited key performance indicator

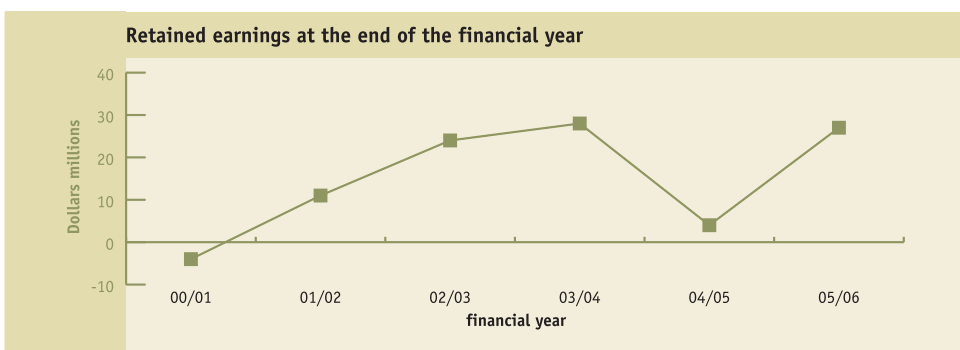


The Commission purchased approximately \$92 million worth of goods and services, principally in the State's South West, in the 2005/06 financial year. The increase of 21 per cent over the 2004/05 financial year is due mainly to increased plantations harvesting activity and a larger planting program to service the National Action Plan for Salinity and Water Quality Strategic Tree Farming project.



The Commission's capital is provided through a combination of debt and equity. The Commission pays approximately \$5.4 million per annum in interest on its debt. Cost of interest decreased this year due to favourable interest rate movements on the Commission's loan portfolio and the Commission being able to delay loan draw downs due to favourable operating cash flows.

No dividend was paid in the 2005/06 financial year. Since the end of the 2005/06 financial year Commissioners have approved a dividend of \$2.7m, which will be paid in the 2006/07 financial year.



ECONOMIC REVIEW

BACK

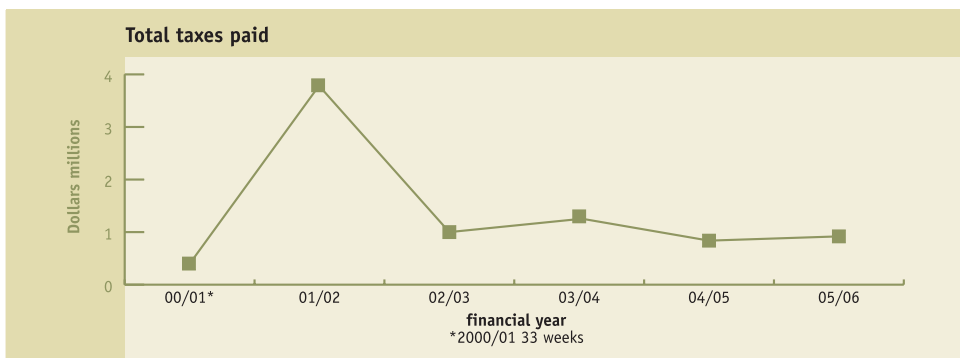


NEXT

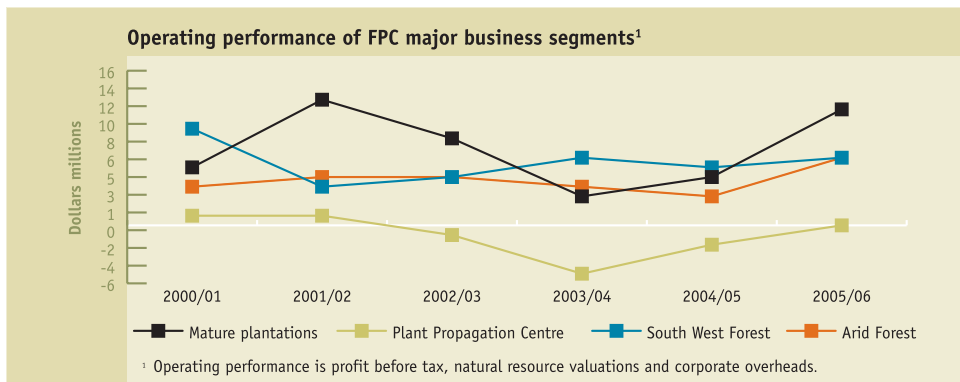
CONTENTS



The decrease in retained earnings in 2004/05 was due to a combination of a provision for claims made against the Commission for inability to meet contractual requirements as a result of the Government's *Protecting Our Old Growth Forests policy*, and adjustments to align the Commission's financial statements with Australian equivalent International Financial Reporting Standards (AIFRS). The increase in retained earnings in 2005/06 is for the reasons mentioned under the 'Return on total assets' KPI above and an increase in the value of the Commission's timber assets of \$10.8 million.

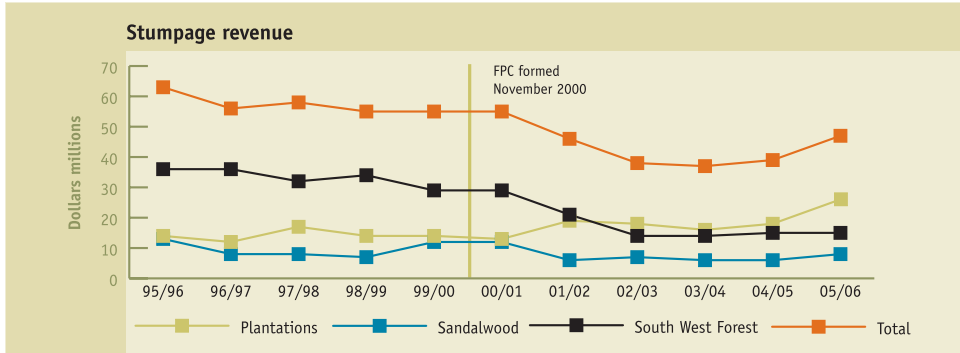


The Commission paid \$0.9 million in taxes this financial year, consisting principally of payroll tax.



Note - the results in the above table have been amended for South West Forest to remove the effect of a provision for a claim made against the Commission arising out of the Commission's inability to fulfil sale contracts due to the implementation of the Government's *Protecting Our Old Growth Forests policy*. This provision was raised in 2004/05 and reversed in 2005/06 due to the Government's decision not to hold the Commission responsible for settlement of the claim.

The four main operating divisions performed well this financial year, with favourable harvesting conditions particularly benefiting Mature Plantations, South West Forest and Arid Forest. Arid Forest's performance was augmented by good price increases in the export market. Increased seedling production for the State and Commonwealth's National Action Plan for Salinity and Water Quality project benefited the Plant Propagation centre.



Native Forest revenues flattened from 2002/03 onwards reflecting the effect of the reduction in allowable harvesting levels set by the FMP 2004-2013.

An increase in revenues from the Plantation Division remains a key strategic focus for the Commission. Plantation Division sales increases in 2005/06 are mainly due to Wesbeam's Laminated Veneer Lumber project gearing up to full-scale production.

Sandalwood revenue increase was mainly driven by product mix and export price increases in 2005/06.

NATIVE FOREST OPERATIONS

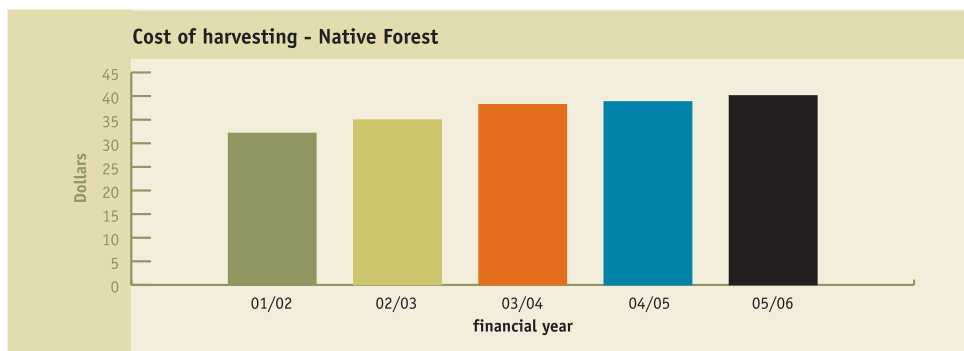
Native forest operations are responsible for the planning, harvesting and sale of forest products from re-growth indigenous forest on State-owned land. The output of this branch is the harvesting of native forest hardwood.

COST OF HARVESTING – NATIVE FOREST

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

Measure: Cost per tonne harvested was \$39.74 (2004/05 \$39.07), an increase of two per cent.

This increase reflects mainly indexation increases.



Audited key performance indicator

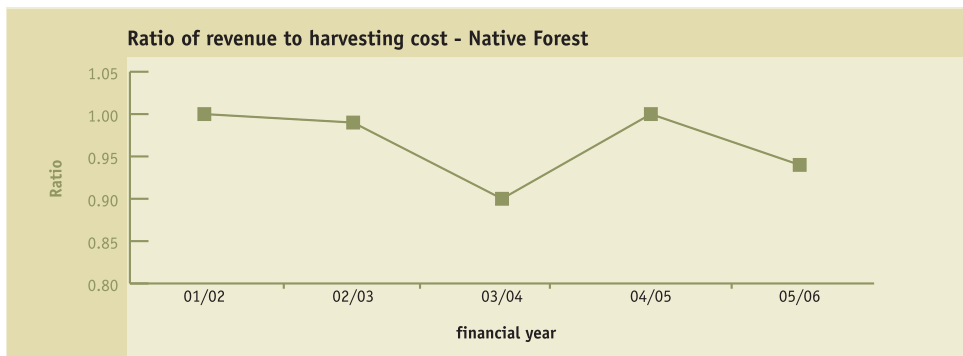


RATIO OF REVENUE TO HARVESTING COST - NATIVE FOREST

This ratio measures production and delivery, roading, in-forest and administration costs incurred in managing the harvesting, delivery and sales of native log timber compared with related revenue generated.

Measure: Harvesting cost was \$26 million compared to revenue of \$24.6 million. The ratio was 1:0.95 (2004/05 1:1), a decrease of five per cent.

The decrease in the ratio resulted from an increase in in-forest, direct and indirect administration expenditure and costs incurred to stockpile green firewood in 2005/06.

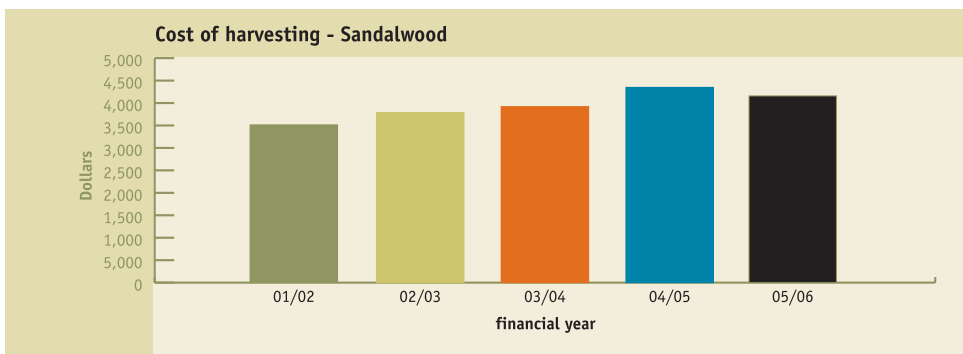


COST OF HARVESTING AND PROCESSING – SANDALWOOD

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 and delivery, as well as costs for processing.

Measure: Cost per tonne was \$3,503 (2004/05 \$4,349), a decrease of 19 per cent.

The decrease in costs per tonne is due to an increase in unprocessed sandalwood sold in 2005/06.



Audited key performance indicator



RATIO OF REVENUE TO MANAGEMENT AND HARVESTING COST – SANDALWOOD ✔

This ratio measures harvesting, processing and marketing costs as a ratio of the total revenue from sandalwood sales.

Measure: Costs were \$9.5 million compared to revenue of \$14.5 million. The ratio was 1.53 (2004/05 1.34), an increase of 13 per cent.

This increase reflects higher value product mix and export sales price increase achieved 2005/06.

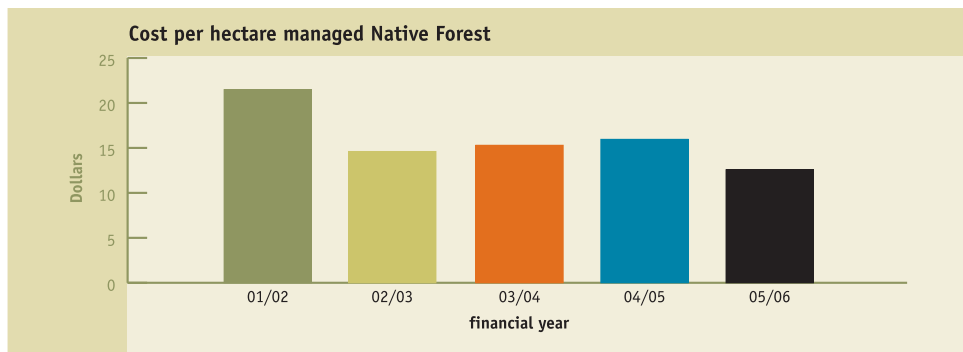


SILVICULTURAL COST PER HECTARE MANAGED OF NATIVE FOREST ✔

The Commission has access rights to a total forest estate (within FMP 2004-13) of 848,100 hectares (2004/05 847,950 hectares). The 150 hectare increase 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: Cost per hectare managed was \$12.55 per hectare (2004/05 \$15.95 per hectare), a decrease of 21 per cent.

The decrease in cost per hectare managed resulted from adjustments to allocation of corporate overheads to core business segments and delayed regeneration works due to unseasonable weather conditions.



✔ Audited key performance indicator



PLANTATION OPERATIONS

The functions of Plantation operations are:

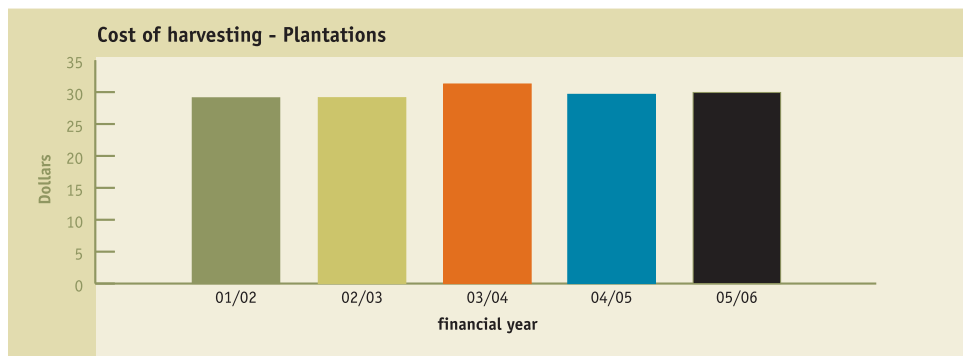
- (a) Harvest of all species of plantation timber; and
- (b) Management of the Commission's plantations.

COST OF HARVESTING

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: Average cost per tonne harvested (all products) from 1 July 2005 to 30 June 2006 was \$29.85 (2004/05 \$29.65), an increase of 0.7 per cent.

The increase is mainly due to changes in product mix (Appendix 5) and increased roading expenditure.




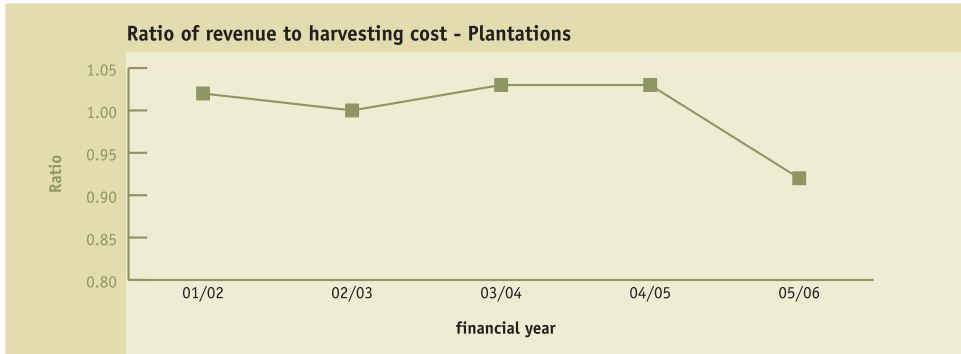
RATIO OF REVENUE TO HARVESTING COSTS

This ratio measures production and delivery, roading, in-forest and administration costs incurred in managing the harvesting, delivery and sales of plantation log timber compared with the related revenue generated.

Measure: Harvesting costs were \$26.0 million compared to harvest revenue of \$23.9 million. The recovery ratio was 1:0.92, a decrease in recovery of 18 per cent compared to 2004/05.

The decrease in the ratio resulted from an increase in roading expenditure in 2005/06. In addition, the allocation of support costs to harvest activities was re-assessed in the 2005/06 financial year, resulting in an increase in allocated costs.

 Audited key performance indicator



OPERATING COST PER HECTARE MANAGED

Measure: Average cost for the year ending 30 June 2006 was \$158.80 (2004/05 \$233.77), a decrease of 32.7 per cent per hectare managed.

The unit cost decrease in 2005/06 is due to resources previously assigned to Mature Plantations management now being assigned to the jointly funded State and Commonwealth Government funded NAP program.



COST PER HECTARE RE-ESTABLISHED

The Commission re-planted 1,425 hectares of harvested plantations to the end of December 2005 (1,391 hectares to the end of December 2004).

Measure: Re-establishment cost was \$2,341 per hectare (2004/05 \$2,248 per hectare), an increase of four per cent.

The increase in cost per hectare re-established reflects indexation of re-establishment planting contracts and additional contractor costs associated with the planting of potted seedlings stock instead of bare root seedlings.

Audited key performance indicator



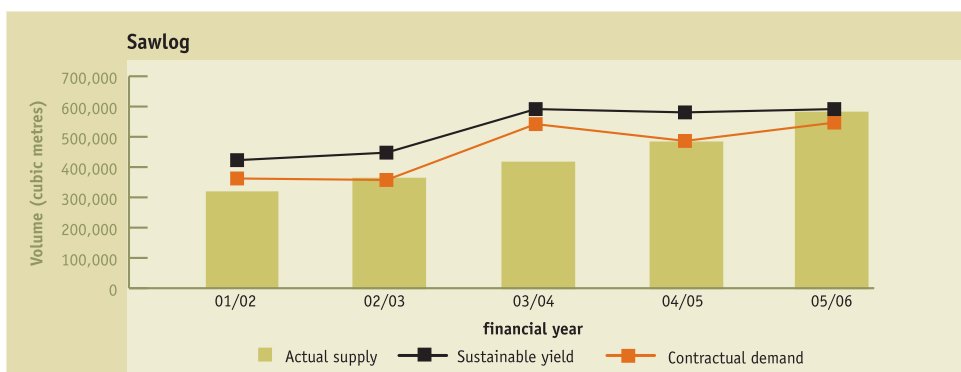
Note - Costs relate to a 'planting year' (period from 1 October to 30 September each year).

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: Comparison between actual production levels compared to Commission's contractual commitments to supply:



The contractual demand represents the year's budget for customer orders. In 2005/06 actual supply exceeded the budgeted contractual demand by six per cent, reflecting good operating conditions in the new Wesbeam LVL plant.

✓ Audited key performance indicator

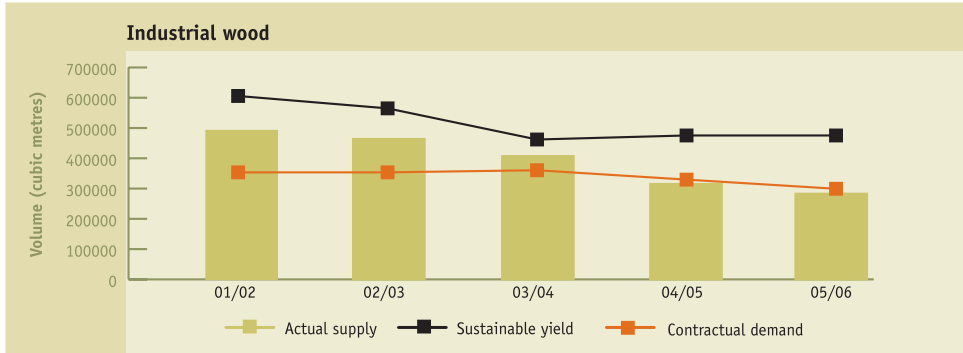
ECONOMIC REVIEW

BACK



NEXT

[CONTENTS](#)



The contractual demand represents the year budget for customer likely orders. In 2005/06 the actual supply of industrial wood achieved 96 per cent of the budgeted contractual demand.

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



- 68 Certification of the financial statements
- 69 Auditor General's report on the financial statements for the year ended 30 June 2006
- 70 Income statement
- 71 Statement of changes in equity
- 72 Balance sheet
- 73 Statement of cash flows
- 74 Notes to the financial statements





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 2006 and the financial position as at 30 June 2006.

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.

Nick Oaks
Commissioner

28 August 2006

Ray Curo
Commissioner

Derek Oelofse
Chief Finance Officer



To the Parliament of Western Australia

**FOREST PRODUCTS COMMISSION
FINANCIAL STATEMENTS AND PERFORMANCE INDICATORS
FOR THE YEAR ENDED 30 JUNE 2006**

Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Forest Products Commission at 30 June 2006 and its financial performance and cash flows for the year ended on that date. They are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions;
- (ii) the controls exercised by the Commission provide reasonable assurance that the receipt, expenditure and investment of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (iii) the key effectiveness and efficiency performance indicators of the Commission are relevant and appropriate to help users assess the Commission's performance and fairly represent the indicated performance for the year ended 30 June 2006.

Scope

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

The financial statements consist of the Income Statement, Statement of Changes in Equity, Balance Sheet, Cash Flow Statement and the Notes to the Financial Statements.

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

Summary of my Role

As required by the Act, I have independently audited the accounts, financial statements and performance indicators to express an opinion on the financial statements, controls and performance indicators. This was done by testing selected samples of the evidence. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

An audit does not guarantee that every amount and disclosure in the financial statements and performance indicators 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 and performance indicators.

D D R PEARSON
AUDITOR GENERAL
27 September 2006

FINANCIAL REVIEW

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

BACK



NEXT

CONTENTS



	Note	2006 (\$'000)	2005 (\$'000)
Revenue from sale of goods and services	2.1	107,718	94,650
Cost of sales	2.3	(53,276)	(53,918)
Gross Profit		<u>54,442</u>	<u>40,732</u>
Revenue from standing timber valuation adjustments	2.2	13,080	(497)
Other revenue	3	9,940	7,725
Other expenses	5	(38,017)	(54,388)
Administration	4	(482)	(2,727)
Results from operating activities		<u>38,963</u>	<u>(9,155)</u>
Financial income	6	110	79
Financial expenses	7	(5,916)	(6,039)
Net financing costs		<u>(5,806)</u>	<u>(5,960)</u>
Share of profit of investment in joint venture	13	39	-
Profit before tax		<u>33,196</u>	<u>(15,115)</u>
Income tax	30	(9,761)	4,938
Profit for the year		<u>23,435</u>	<u>(10,177)</u>
Attributable to:			
Equity holders		<u>23,435</u>	<u>(10,177)</u>
Profit for the year		<u>23,435</u>	<u>(10,177)</u>

The income statement should be read in conjunction with the accompanying notes.

FINANCIAL REVIEW

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

BACK



NEXT

CONTENTS



	Note	Contributed Equity (\$'000)	Retained earnings (\$'000)	Hedging reserve (\$'000)	Asset revaluation reserve (\$'000)	Total equity (\$'000)
Opening balance 1 July 2004		231,699	16,806	-	25	248,530
Assets transferred from Department of Environment & Conservation	21	615	-	-	-	615
Reappropriation from Consolidated Funds	21	1,270	-	-	-	1,270
Gain / (loss) on revaluation of properties	22	-	-	-	2,859	2,859
Net income prior to income tax recognised directly in equity		<u>1,885</u>	<u>-</u>	<u>-</u>	<u>2,859</u>	<u>4,744</u>
Income tax on items taken directly to equity	22	-	-	-	(858)	(858)
Net income after tax recognised directly in equity		<u>1,885</u>	<u>-</u>	<u>-</u>	<u>2,001</u>	<u>3,886</u>
Profit after tax for the period as per Income Statement		-	(10,177)	-	-	(10,177)
Dividends paid	22	-	(1,470)	-	-	(1,470)
Total recognised income and expense for the period		<u>1,885</u>	<u>(11,647)</u>	<u>-</u>	<u>2,001</u>	<u>(7,761)</u>
Closing balance at 30 June 2005		<u>233,584</u>	<u>5,159</u>	<u>-</u>	<u>2,026</u>	<u>240,769</u>
Opening balance 1 July 2005		233,584	5,159	-	2,026	240,769
Change in accounting policy						
Effect on opening retained earning	41	-	(2,210)	-	-	(2,210)
Assets transferred from Department of Environment & Conservation	21	148	-	-	-	148
Reappropriation from Consolidated Funds	21	1,270	-	-	-	1,270
Gain / (loss) on revaluation of properties	22	-	-	-	1,081	1,081
Cash flow hedge						
Gain / (loss) taken to equity	22	-	-	126	-	126
Net income prior to income tax recognised directly in equity		<u>1,418</u>	<u>(2,210)</u>	<u>126</u>	<u>1,081</u>	<u>415</u>
Income tax on items taken directly to equity	22	-	663	(38)	(324)	(301)
Net income after tax recognised directly in equity		<u>1,418</u>	<u>(1,547)</u>	<u>88</u>	<u>757</u>	<u>716</u>
Profit after tax for the period as per Income Statement		-	23,435	-	-	23,435
Total recognised income and expense for the period		<u>1,418</u>	<u>23,435</u>	<u>88</u>	<u>757</u>	<u>25,698</u>
Closing balance at 30 June 2006		<u>235,002</u>	<u>27,047</u>	<u>88</u>	<u>2,783</u>	<u>264,920</u>

	Note	2006 (\$'000)	2005 (\$'000)
Effects of change in accounting policy - financial instruments			
Provision for embedded derivatives	41	(1,547)	-
		<u>(1,547)</u>	<u>-</u>

The amounts recognised directly in equity are disclosed net of tax - for tax effect see note 30
Other movements in equity arising from transactions with owners are set out in note 21

FINANCIAL REVIEW

BALANCE SHEET

As At 30 June 2006

BACK



NEXT

CONTENTS



	Note	2006 (\$'000)	2005 (\$'000)
Assets			
Cash and cash equivalents	23.1	11,609	6,237
Trade and other receivables	8	15,471	14,314
Inventories	9	5,871	3,459
Natural resource assets	14	62,370	34,906
Other assets	10	8,526	1,396
Total current assets		103,847	60,312
Deferred tax assets	30	-	504
Property, plant and equipment	11	17,284	17,317
Natural resource assets	14	303,819	309,902
Intangible assets	12	234	210
Other assets	10	1,035	1,081
Total non-current assets		322,372	329,014
Total assets		426,219	389,326
Liabilities			
Trade and other payables	16	17,861	20,677
Interest bearing loans and borrowings	17	3,755	6,263
Employee Benefits	18	3,915	3,889
Provisions	20	8,539	6,594
Total current liabilities		34,070	37,423
Trade and other payables	16	1,803	-
Interest bearing loans and borrowings	17	86,706	85,361
Deferred tax liabilities	30	8,919	-
Employee Benefits	18	1,457	1,260
Provisions	20	28,344	24,542
Total non-current liabilities		127,299	111,163
Total liabilities		161,299	148,557
Net assets		264,920	240,769
Equity			
Contributed equity	21	235,002	233,584
Reserves	22	2,871	2,026
Retained earnings	22	27,047	5,159
Total equity		264,920	240,769

The balance sheet should be read in conjunction with the accompanying notes.

FINANCIAL REVIEW

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2006

BACK



NEXT

CONTENTS



	Note	2006 (\$'000)	2005 (\$'000)
Cash flows from operating activities			
Cash receipts from customers		106,188	89,022
Sale of goods and services - deferred income		150	1,242
Recoupable works		3,123	3,266
GST receipts on sales of goods and services		11,913	7,048
GST received from Taxation Authority		175	1,641
Other receipts		7,547	6,525
Employee expenses		(15,196)	(13,764)
Supplies and services		(29,551)	(27,636)
Harvesting expenses		(52,814)	(49,672)
Recoupable works		(3,123)	(3,266)
GST payments on purchases		(9,461)	(8,040)
GST payments to Taxation Authority		(2,090)	(198)
Interest paid		(4,344)	(7,155)
Taxation - income tax refund		-	312
Net cash from operating activities	23.3	<u>12,517</u>	<u>(675)</u>
Cash flows from investing activities			
Acquisition of property, plant & equipment and intangibles		(720)	(1,991)
Investments in new plantations		(7,418)	(6,349)
Investment in joint venture		(113)	-
Interest received		50	79
Net cash from investing activities		<u>(8,201)</u>	<u>(8,261)</u>
Cash flows from financing activities			
Repayment of borrowings		(6,523)	(3,118)
Borrowings		5,360	12,100
Prepayment of WA Treasury Corporation debt		(6,809)	-
Net cash from financing activities		<u>(7,972)</u>	<u>8,982</u>
Cash flows from Government and other institutions			
Grants & Subsidies	3	1,070	1,100
Commonwealth grants and contributions	3	364	209
Commonwealth contribution to National Action Plan for Salinity and Water Quality		6,324	2,859
Land sale proceeds (Department of Environment & Conservation)		-	654
Peel B land sale proceeds	23.2	1,270	1,270
Dividends Paid	22	-	(1,470)
Net cash provided by Government and other institutions		<u>9,028</u>	<u>4,622</u>
Net increase in cash and cash equivalents		5,372	4,668
Cash and cash equivalents at 1 July	23.1	<u>6,237</u>	<u>1,569</u>
Cash and cash equivalents at 30 June	23.1	<u><u>11,609</u></u>	<u><u>6,237</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

BACK



NEXT

CONTENTS



CONTENTS

- | | | | |
|-------|--|------|--|
| 1 | Significant accounting policies | 5 | Other expenses |
| 1.01 | Statement of compliance | 6 | Financial income |
| 1.02 | Basis of preparation | 7 | Financial expenses |
| 1.03 | Revenue | 8 | Trade and other receivables |
| (i) | Goods sold and services rendered | 9 | Inventories |
| (ii) | Government grants | 10 | Other assets |
| 1.04 | Research | 11 | Property, plant and equipment |
| 1.05 | Depreciation | 11.1 | Land and buildings |
| 1.06 | Foreign currency transactions | 11.2 | Plant, equipment and vehicles |
| 1.07 | Financial instruments | 11.3 | Reconciliations |
| (i) | Derivative Financial Instruments | 12 | Intangible assets |
| (ii) | Hedging | 13 | Investment in Joint Venture |
| (iii) | Embedded derivatives | 14 | Natural resource assets |
| 1.08 | Trade and other receivables | 14.1 | Government contributions to natural resource assets |
| 1.09 | Cash and cash equivalents | 14.2 | Hectares under management |
| 1.10 | Interest bearing borrowings | 14.3 | Reconciliation of movements in natural resource asset balances |
| 1.11 | Operating lease payments | 15 | Natural resource assets risk analysis |
| 1.12 | Income tax | 15.1 | Discount rates |
| 1.13 | Dividends | 15.2 | Source of valuation of Natural resource assets |
| 1.14 | Goods and services tax | 15.3 | Sensitivity analysis |
| 1.15 | Inventories | 15.4 | Cash flows |
| 1.16 | Natural resource assets | 15.5 | Insurance |
| 1.17 | Joint Venture | 16 | Trade and other payables |
| 1.18 | Property, plant and equipment | 17 | Interest bearing borrowings |
| 1.19 | Intangible Assets | 18 | Employee benefits |
| 1.20 | Employee benefits | 19 | Gold State Superannuation Scheme |
| (i) | Long-term service benefits | 19.1 | Scheme information |
| (ii) | Wages, salaries, annual leave and non-monetary benefits | 19.2 | Nature of liability |
| (iii) | Defined benefit superannuation fund (pension fund) | | |
| 1.21 | Provisions | | |
| 1.22 | Onerous contracts | | |
| 1.23 | Impairment | | |
| 1.24 | Segment Reporting | | |
| 2 | Revenue and expenses from natural resource assets | | |
| 2.1 | Revenue from sale of goods and services | | |
| 2.2 | Revenue from natural resource assets valuation adjustments | | |
| 2.3 | Cost of sales | | |
| 3 | Other revenue | | |
| 4 | Administration | | |

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



CONTENTS

- 20 Provisions
- 21 Contributed equity
- 22 Reserves
- 23 Notes to the Statement of Cash Flows
 - 23.1 Reconciliation of cash
 - 23.2 Financing and investing activities
 - 23.3 Reconciliation of profit from ordinary activities after income tax
 - 23.4 Borrowing facilities
- 24 Resources provided free of charge
 - 24.1 Non-commercial activities
- 25 Commitments for expenditure
 - 25.1 Expenditure commitments
 - 25.2 Lease commitments
 - 25.3 Guarantees and undertakings
- 26 Contingent assets and liabilities
 - 26.1 Liabilities
 - 26.2 Assets
- 27 Events occurring after reporting date
- 28 Explanatory statement
 - 28.1 Explanation of significant variations between current and prior year actual results
 - 28.2 Comparison of 2005/06 actual results to estimated results
- 29 Financial instruments
 - 29.1 Effective interest rate and repricing analysis
 - 29.2 Forward foreign exchange contracts
 - 29.3 Credit risk exposure
 - 29.4 Fair values
- 30 Taxation
- 31 Provision for dividend
- 32 Remuneration of members of the Accountable Authority and Senior Officers
 - 32.1 Remuneration of members of the Accountable Authority
 - 32.2 Remuneration of Senior Officers
- 33 Related/affiliated bodies
- 34 Remuneration of auditor
- 35 Funds held in trust
- 36 Write-offs, losses and gifts
 - 36.1 Write-offs
 - 36.2 Losses through theft, defaults and other causes
 - 36.3 Gifts of public property
- 37 Segment information
 - 37.1 Segment information by business segment
 - 37.2 Segment information by geographic segment
- 38 Research expenditure
 - 38.1 Research expenditure
 - 38.2 Plantation Industry Ministerial Advisory Committee (PIMAC)
 - 38.3 Forestry Ministerial Advisory Committee (FMAC)
- 39 Advertising and communication expenditure
- 40 Impact of adopting Australian equivalent International Financial Reporting Standards (AIFRS)
- 41 Change in accounting policy
- 42 Additional information



1 Notes to the financial statements

Significant accounting policies

The Forest Products Commission (the Commission) is the Western Australian Government 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 self funded.

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) now the Department of Conservation and Environment (DEC).

The Forest Products Act 2000 requires a review of the Forest Products Commission within 5 years of its formation. This review is currently underway. The outcome of the review, due to be made public towards the end of the 2006 calendar year, may significantly affect the legal form and/or the business activities of the Commission. These financial statements have been prepared on the assumption that the Commission will continue in substantially the same legal form and with substantially the same business activities as at present.

The financial report was authorised for issue by the Commissioners on the 28th August 2006.

1.01 Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASB"), International Financial Reporting Interpretations Committee Interpretation (IFRIC) and Urgent Issues Group ("UIGs") adopted by the Australian Accounting Standards Board ("AASB") as applied by the Treasurer's Instructions. International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards ("AASBs") adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ("AIFRS") to distinguish from previous Australian GAAP. 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 Urgent Issues Group ("UIGs") adopted by the Australian Accounting Standards Board ("AASB"). The modifications are intended to fulfil the requirements of general application to the public sector, together with the need for greater disclosure and to satisfy accountability requirements.

This is the Commission's first financial report prepared in accordance with Australian Accounting Standards, being AIFRS, and AASB 1 First-Time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows is provided in note 40.

The Commission has been classified as "not-for-profit" by Western Australian Treasurer's Instruction 1101.



1.02 Basis of preparation

The financial report is presented in Australian dollars.

The Commission has not elected to early adopt the following accounting standards under AIFRS:

- AASB 119 Employee Benefits (December 2004)
- AASB 2004-3 Amendments to Australian Accounting Standards (December 2004) amending AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), AASB 101 Presentation of Financial Statements and AASB 124 Related Party Disclosures
- AASB 2005-1 Amendments to Australian Accounting Standards (May 2005) amending AASB 139 Financial Instruments: Recognition and Measurement
- AASB 2005-3 Amendments to Australian Accounting Standards (June 2005) amending AASB 119 Employee Benefits (either July or December 2004)
- AASB 2005-4 Amendments to Australian Accounting Standards (June 2005) amending AASB 139 Financial Instruments: Recognition and Measurement, AASB 132 Financial Instruments: Disclosure and Presentation, AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts
- AASB 2005-5 Amendments to Australian Accounting Standards (June 2005) amending AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), and AASB 139 Financial Instruments: Recognition and Measurement
- AASB 2005-6 Amendments to Australian Accounting Standards (June 2005) amending AASB Business Combinations
- AASB 2006-1 Amendments to Australian Accounting Standards (January 2006) amending AASB 121 The Effects of Changes in Foreign Exchange Rates (July 2004)
- UIG 4 Determining whether an Arrangement contains a Lease
- UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- UIG 7 Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies
- UIG 8 Scope of AASB 2

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: land and buildings, derivative financial instruments, financial instruments held for trading and Natural resource assets.

Amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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.



The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 15.

Except for the change in accounting policy noted in note 41, the accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards - AIFRS.

1.03 Revenue

(i) Goods sold and services rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

(ii) Government grants

An unconditional government grant related to a natural resource asset is recognised in the income statement as other operating income when the grant becomes receivable. Any other government grant is recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Commission will comply with the conditions attaching to it. Grants that compensate the Commission for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same period in which the expenses are incurred. Grants that compensate the Commission for the cost of an asset are recognised in the income statement as other operating income on a systematic basis over the useful life of the asset.

1.04 Research

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.



1.05 Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

	2006	2005
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	2.5 years	2.5 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

1.06 Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian Dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian Dollars at foreign exchange rates ruling at the dates the fair value was determined.

1.07 Financial instruments

(i) Derivative Financial Instruments

Current accounting policy

The Commission uses derivative financial instruments to hedge its exposure to foreign exchange arising from operational activities. In accordance with its treasury policy, the Commission does not hold or issue derivative financial instruments for trading purposes. However for derivatives that do not qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy note 1.07 (ii)).

***Comparative period policy***

The Commission is exposed to changes in foreign exchange rates arising from operational activities. The Commission uses forward sales contracts to hedge these risks. Derivative financial instruments are not held for speculative purposes.

The quantitative effect of the change in accounting policy is set out in note 41.

(ii) Hedging***Current accounting policy*****Cash flow hedges**

On entering into a hedging relationship, the Commission formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Commission will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting changes in the fair value of cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, i.e. when interest income or expense is recognised.

For cash flow hedges, other than those discussed above, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the Commission revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.



Comparative period policy

Cash flow hedges

Transactions are designated as a hedge of the anticipated specific purchase or sale of goods only when they are expected to reduce the exposure to the risks being hedged. These transactions 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 transaction, 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 income statement.

The net amount receivable or payable under forward foreign exchange contracts and the associated deferred gains or losses are recorded in the balance sheet from the date of inception of the hedge transaction. When recognised, the net receivables or payables are revalued using the foreign currency rates current at reporting date.

The net amounts receivable or payable under forward rate agreements and the associated deferred gain or losses are not recorded in the balance sheet until the hedge transaction occurs. When recognised the net receivables or payables are revalued using the exchange rates current at reporting date.

When the anticipated transaction is no longer expected to occur as designated, the deferred gains or losses relating to the hedged transaction are recognised immediately in the income statement.

Where a hedge transaction is terminated early and the anticipated transaction is still expected as designated, the deferred gains or losses that arose on the hedge prior to its termination continue to be deferred and are included in the measurement of the sale transaction when it occurs. Where a hedge transaction is terminated early because the anticipated transaction is no longer expected to occur as designated, deferred gains and losses that arose on the hedge prior to its termination are included in the income statement for the period.

Where a hedge is redesignated as a hedge or another transaction, gains or losses on the hedge prior to its redesignation are only deferred where the original anticipated transaction is still expected to occur as designated. Any gains or losses relating to the hedge instrument are included in the income statement for the period.

Gains or losses that arise prior to and upon the maturity of transactions entered into under hedge rollover strategies are deferred and included in the measurement of the hedge anticipated transaction if the transaction is still expected to occur as designated. If the anticipated transaction is no longer expected to occur as designated, the gains or losses are recognised immediately in the income statement.

Hedge of monetary assets and liabilities

All other hedge transactions are initially recorded at the relevant rate at the date of the transaction. Hedges outstanding at reporting date are valued at the rates ruling on that date and any gains or losses are brought to account in the income statement.

Costs or gains arising at the time of entering into the hedge are deferred and amortised over the life of the hedge.

The quantitative effect of the change in accounting policy is set out in note 41.



(iii) Embedded derivatives

Current accounting policy

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Embedded derivatives are bifurcated from the host contract and recorded on balance sheet at fair value, with changes in fair value recorded through the income statement.

Comparative period policy

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Embedded derivatives are not bifurcated, but are included in the valuation of the host contract.

The quantitative effect of the change in accounting policy is set out in note 41.

1.08 Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (refer accounting policy note 1.23).

1.09 Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Commission's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

1.10 Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

1.11 Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

1.12 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.



Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.13 Dividends

Dividends are recognised as a liability in the period in which they are declared by the Commissioners and approved by the Minister.

1.14 Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Tax Office (ATO) are classified as operating cash flows.

1.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Natural resource assets relate to agricultural activity and agricultural produce at the point of harvest; these are measured at fair value less cost to sell.

The cost of harvested timber is its fair value less estimated point-of-sale costs at the date of harvest, determined in accordance with the accounting policy for Natural resource assets. Any change in the value at the date of harvest is recognised in the income statement. Once harvested, timber inventories are accounted for as normal inventories.

The cost of other inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.



1.16 Natural resource assets

Natural resource assets, comprised of standing timber and seedlings, are stated at fair value less estimated point-of-sale costs and costs necessary to get the assets to market, with any resultant gain or loss recognised in the income statement.

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

Standing timber less than 7 years old is carried at cost, as the net market value of these assets is not reasonably assessable.

1.17 Joint venture

Joint ventures are those entities over whose activities the Commission has joint control, established by contractual agreement. Investments in jointly controlled entities are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and the recoverable amount.

The Commission's share of the jointly controlled entity's net profit or loss is recognised in the income statement from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly in the Commission's reserves.

1.18 Property, plant and equipment

Land and buildings are recorded at fair value. Other items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, except as affected by the provisions of TI 1101 which deems the Commission to be 'not for profit'. In such cases the Commission values these assets at net written down replacement cost. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Where parts of a item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

1.19 Intangible Assets

Intangible assets that are acquired by the Commission are stated at cost less accumulated amortisation and impairment losses.

1.20 Employee benefits

(i) Long-term service benefits

The Commission's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating the terms of the Commission's obligations.

**(ii) Wages, salaries, annual leave and non-monetary benefits**

Liabilities for employee benefits for wages, salaries, annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date. These liabilities are calculated at undiscounted amounts based on remuneration wage and salary rates that the Commission expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Commission as the benefits are taken by the employees.

(iii) Defined benefit superannuation fund (pension fund)

Actuarial gains and losses are recognised immediately in profit and loss in the year in which they occur.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

(iv) Defined contribution funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

1.21 Provisions

A provision is recognised in the balance sheet when the Commission has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.22 Onerous contracts

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

1.23 Impairment

The carrying amounts of the Commission's assets, other than natural resource assets, land and buildings, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Other than those assets and/or cash generating units affected by TI 1101 which deems the Commission to be "not-for-profit", an impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of the previous revaluation, with any excess recognised through profit or loss.



Calculation of recoverable amount

The recoverable amount of the Commission's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of the estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.24 Segment Reporting

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

2 Revenue and expenses from natural resource assets

2.1 Revenue from sale of goods and services

	2006 (\$'000)	2005 (\$'000)
- Harvesting operations	46,939	38,985
- Recovery of harvesting costs	55,113	54,371
- Inventory valuations	3,614	-
- Plant Propagation Centre revenue	1,630	942
- Contributions to Afforestation Program	422	352
Total revenues	107,718	94,650

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



	2006 (\$'000)	2005 (\$'000)
2.2 Revenue from natural resource assets valuation adjustments		
- Standing timber valuation adjustments	13,080	(497)
Revenue from natural resource assets valuation adjustments	13,080	(497)
2.3 Cost of sales		
- Harvesting costs	52,960	50,409
- Write down of inventory to net realisable value	316	1,608
- Decrease in inventory valuation	-	1,901
Total cost of sales	53,276	53,918

3 Other revenue

Revenue from commercial share farm operations ¹	24	20
Commonwealth grant for RIRDC ² research ³	364	209
Commonwealth Government contribution to National Action Plan for Salinity and Water Quality ³	2,542	1,831
Revenue from cost recovery operations ⁴	5,562	4,565
Community Service Obligations / Forest Enhancement Program	1,070	1,100
Embedded derivatives valuation decrement taken to income statement	378	-
	9,940	7,725

¹ 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.

² Rural Industry Research and Development Corporation.

³ 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 14).

⁴ Revenue from cost recovery operations is due mainly to services to DEC 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.

4 Administration

Telephone, postage, communications	675	423
Audit fees	137	89
Increase / (decrease) in provision for doubtful debts	(1,060)	1,422
Bad debts written off	-	1
Loss / (gain) on disposal of assets	5	(6)
Asset revaluation movements taken to income statement:		
- Land ¹	465	58
- Buildings ¹	29	510
Other administration costs	231	230
	482	2,727

¹ Valuation adjustments arising from valuations by Department of Land Information (Valuation Services)

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



5 Other expenses

Employee expenses:

	2006 (\$'000)	2005 (\$'000)
Wages and salaries	10,323	9,778
Superannuation	1,303	1,271
Actuarial loss	50	15
Annual leave	1,517	1,173
Other leave	612	498
Long service leave	277	1,057
Payroll tax	856	812
Workers' compensation	165	261
Fringe Benefits Tax	71	51
Total employee expenses	15,174	14,916

Increase in provision for deferred rental	1,861	5,107
---	-------	-------

Increase / (decrease) in provision for restoration costs	1,912	(1,012)
--	-------	---------

Contractors and other:

Sundry supplies and services	2,810	2,435
Replanting of harvested mature plantation estate	2,927	2,523
Pruning	405	310
Fertilising	364	452
IT Services	325	212
Native Forest silviculture contracts	1,086	980
Plantations operational contracts	861	567
European House Borer Eradication Programme	1,523	877
Sandalwood Marketing Fee	561	509
Planning contracts	361	158
CALM Service Level Agreements	8,940	8,809
Provision for claim ¹	(10,000)	10,000
Materials	2,395	2,369
Repairs and maintenance	276	164
Travel	641	530
Operating lease rentals	3,323	2,400
Total contractors and other expenses	16,798	33,295

Depreciation:

Plant, equipment, vehicles, office equipment and nursery infrastructure	1,147	1,250
Buildings	184	131
Total depreciation Plant, equipment, vehicles, office equipment and nursery infrastructure & Buildings	1,331	1,381
Amortisation of software	129	121
Total depreciation and amortisation	1,460	1,502

Write-down of UWA Joint Venture	152	-
---------------------------------	-----	---

¹ Provision raised in 2004/05 for claims lodged against the Commission arising out of the Government's *Protecting Our Old Growth Forests* policy. Provision reversed in 2005/06 due to the Government decision not to hold the Commission responsible for settlement of the claim.

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



	2006	2005
	(\$'000)	(\$'000)
<i>Accommodation expenses:</i>		
Lease rentals and travel accommodation	476	430
Other property	184	150
Total accommodation expenses	<u>660</u>	<u>580</u>
Total other expenses	<u>38,017</u>	<u>54,388</u>
6 Financial income		
Interest received	<u>110</u>	<u>79</u>
	<u>110</u>	<u>79</u>
7 Financial expenses		
Interest on WA Treasury Corporation loans	5,804	5,960
Interest cost on defined benefit obligation	6	5
Interest on overdraft	-	14
Interest on Plantation Establishment Deed	106	60
	<u>5,916</u>	<u>6,039</u>
8 Trade and other receivables		
Trade debtors	16,208	16,608
Provision for doubtful debts	<u>(737)</u>	<u>(2,294)</u>
	<u>15,471</u>	<u>14,314</u>
Movement in provision for doubtful debts:		
Opening balance at 1 July	(2,294)	(905)
Bad debts written off	497	33
Provisions reversed / raised (included in admin expenses - note 4)	<u>1,060</u>	<u>(1,422)</u>
Closing balance at 30 June	<u>(737)</u>	<u>(2,294)</u>
Provision relates to assessment of specific assets for indications of impairment. The reversal of the doubtful debts provision at 30 June 2005 was due to some significant debts able to be recovered subsequent to the 30th June 2005.		
9 Inventories		
<i>Current</i>		
Inventories held for resale at cost ¹ :		
- Plant Propagation Centre	2,072	1,318
- Sandalwood	3,297	1,684
- Timber on forest landings	351	407
- Timber technology stocks	151	50
	<u>5,871</u>	<u>3,459</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	<u>5,871</u>	<u>3,459</u>
	<u>5,871</u>	<u>3,459</u>

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



10 Other assets

Current

	2006 (\$'000)	2005 (\$'000)
Prepayments	660	597
Performance Security Account - Premium Plantations 2005 ¹	46	46
Accrued revenue	1,011	753
Prepayment of WA Treasury Corporation debt	6,809	-
	<u>8,526</u>	<u>1,396</u>

Non-Current

Performance Security Account - Premium Plantations 2005 ¹	1,035	1,081
	<u>1,035</u>	<u>1,081</u>

¹ The Performance Security Account is funds held on trust drawn down against the delivery of future services.

11 Property, plant and equipment

11.1 Land and buildings

Freehold land at fair value ¹	5,879	5,597
	<u>5,879</u>	<u>5,597</u>
Buildings at valuation ²	4,549	4,604
Accumulated depreciation	(784)	(529)
	<u>3,765</u>	<u>4,075</u>
Total land and buildings	<u>9,644</u>	<u>9,672</u>

¹ Commission owned land is revalued each financial year in accordance with an independent valuation by the Department of Land Information (Valuation Services). The valuations are based on "fair value" as per AASB 116. Market value is equal to fair value where an active and liquid market exists.

² Commission owned buildings located in the South West of WA were revalued during the 2004/05 financial year by the Department of Land Information (Valuation Services). The valuations are based on "fair value" as per AASB 116. For specialised assets where there is no readily available market evidence of selling price, fair value is calculated as 'market buying price' (replacement value).

11.2 Plant, equipment and vehicles

Nursery infrastructure at written down replacement cost ¹	11,717	11,191
Accumulated depreciation	(6,354)	(5,877)
Nursery infrastructure at fair value	<u>5,363</u>	<u>5,314</u>
Plant, equipment and vehicles at cost	3,628	3,270
Accumulated depreciation	(1,882)	(1,544)
	<u>1,746</u>	<u>1,726</u>
Office equipment at cost	1,682	1,550
Accumulated depreciation	(1,151)	(945)
	<u>531</u>	<u>605</u>
Total plant, equipment and vehicles	<u>7,640</u>	<u>7,645</u>

¹ Nursery infrastructure was revalued at 30 June 2005 on a 'written down replacement value' basis by independent valuers Mcgarry Associates Pty Ltd. This valuation was updated by the Commission to provide a written down replacement cost as at 30 June 2006.

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



11.3 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.

	2006					
	Freehold land	Buildings	Nursery infr'cture	Plant equipment and vehicles	Office equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost						
Balance at 1 July 2004	4,274	2,585	9,312	3,038	1,323	20,532
Reclassifications	-	29	(1)	(28)	-	-
Additions	1,259	1,298	-	324	237	3,118
Disposals	-	(145)	-	(16)	(57)	(218)
Revaluation increment	64	837	1,879	-	-	2,780
Adjustments	-	-	1	(48)	47	-
Balance at 30 June 2005	5,597	4,604	11,191	3,270	1,550	26,212
Balance at 1 July 2005	5,597	4,604	11,191	3,270	1,550	26,212
Transfers from Department of Environment and Conservation	148	-	-	-	-	148
Additions	-	-	15	337	190	542
Disposals	-	-	-	(3)	(5)	(8)
Revaluation increment	599	-	511	-	-	1,110
Revaluation decrement	(465)	(29)	-	-	-	(494)
Adjustments	-	(26)	-	24	(53)	(55)
Balance at 30 June 2006	5,879	4,549	11,717	3,628	1,682	27,455
Amortisation and impairment losses						
Balance at 1 July 2004	-	(398)	(5,308)	(1,140)	(668)	(7,514)
Depreciation	-	(131)	(569)	(404)	(277)	(1,381)
Balance at 30 June 2005	-	(529)	(5,877)	(1,544)	(945)	(8,895)
Balance at 1 July 2005	-	(529)	(5,877)	(1,544)	(945)	(8,895)
Depreciation	-	(184)	(477)	(414)	(256)	(1,331)
Adjustments	-	(71)	-	76	50	55
Balance at 30 June 2006	-	(784)	(6,354)	(1,882)	(1,151)	(10,171)
Carrying Amounts						
At 1 July 2004	4,274	2,187	4,004	1,898	655	13,018
At 30 June 2005	5,597	4,075	5,314	1,726	605	17,317
At 1 July 2005	5,597	4,075	5,314	1,726	605	17,317
At 30 June 2006	5,879	3,765	5,363	1,746	531	17,284



12 Intangible Assets

Software - cost
Software - accumulated amortisation

2006	2005
(\$'000)	(\$'000)
562	409
(328)	(199)
234	210

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

	Intangible Assets
	\$'000
Cost	
Balance at 1 July 2004	234
Additions from external sources	178
Disposals	(3)
Balance at 30 June 2005	409
Balance at 1 July 2005	409
Additions from external sources	153
Balance at 30 June 2006	562
Amortisation and impairment losses	
Balance at 1 July 2004	(78)
Amortisation of software costs (included in Other Expenses - refer note 5)	(121)
Balance at 30 June 2005	(199)
Balance at 1 July 2005	(199)
Amortisation of software costs (included in Other Expenses - refer note 5)	(129)
Balance at 30 June 2006	(328)
Carrying Amounts	
At 1 July 2004	156
At 30 June 2005	210
At 1 July 2005	210
At 30 June 2006	234

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



13 Investment in Joint Venture

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

Entity:	Principal activity:	Reporting date:	Ownership:	
			2006	2005
UWA/FPC Joint Venture	Timber research and product development	31 December ¹	50%	-

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

¹ Under the Joint Venture Agreement with UWA, UWA has responsibility for preparation of the joint venture financial statements.

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

	2006 \$000's						Share of JV net assets equity accounted
	Revenue	Profit/(loss)	Commission's share of profit/(loss)	Total assets	Total liabilities	Net assets reported by JV	
	(100%)	(100%)	(50%)	(100%)	(100%)	(100%)	
UWA/FPC Joint Venture:	113	78	39	78	-	78	39

	2006 (\$'000)	2005 (\$'000)
Share of joint venture profit before income tax	39	-
Share of income tax expense	-	-
Share of joint venture net profit accounted for using the equity method	39	-

Reconciliation of movement in investment in joint venture:

Balance at 1 July	-	-
Contributions to joint venture	113	-
Share of net assets equity accounted	39	-
Investment in joint venture before adjustments:	152	-
Adjustments:		
Write down of investment in joint venture to net recoverable amount	(152)	-
Investment in joint venture at 30 June	-	-

Commitments:

The Commission has a contractual liability to fund the UWA/FPC Joint Venture for operating expenses and capital equipment of \$470,000 (2005 nil).

As at 30 June 2006 the Commission has no share of liabilities or contingent liabilities associated with its investment in the UWA/FPC Joint Venture, other than as disclosed above.

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



14 Natural resource assets

Current

Natural resource assets at valuation

Native Forest

Native forest standing timber

Standing sandalwood

Native forest natural resource assets at valuation

Plantations

Plantations standing timber

Plantations natural resource assets at valuation

Total natural resource assets at valuation - current

Non-Current

Natural resource assets at valuation

Native Forest

Native forest standing timber

Standing sandalwood

Native forest natural resource assets at valuation

Plantations

Plantations standing timber

Plantations Reforestation program

Plantations Afforestation program¹

Plantations natural resource assets at valuation

Total natural resource assets at valuation non-current

Total natural resource assets at valuation

14.1 Government contributions to natural resource assets

Plantations Afforestation program

Commonwealth Government contributions to the National Action

Plan for Salinity and Water quality (NAP)

Gross contributions over the NAP program period
(2004/05 to 2007/08)

Commonwealth Government

State Government

Total Government contributions

	2006	2005
	(\$'000)	(\$'000)
Native forest standing timber	12,752	12,679
Standing sandalwood	6,680	4,540
Native forest natural resource assets at valuation	19,432	17,219
Plantations standing timber	42,938	17,687
Plantations natural resource assets at valuation	42,938	17,687
Total natural resource assets at valuation - current	62,370	34,906
Native forest standing timber	95,183	107,629
Standing sandalwood	46,402	47,178
Native forest natural resource assets at valuation	141,585	154,807
Plantations standing timber	139,197	137,567
Plantations Reforestation program	12,359	10,709
Plantations Afforestation program ¹	10,678	6,819
Plantations natural resource assets at valuation	162,234	155,095
Total natural resource assets at valuation non-current	303,819	309,902
Total natural resource assets at valuation	366,189	344,808
Plantations Afforestation program	10,678	6,819
Commonwealth Government contributions to the National Action		
Plan for Salinity and Water quality (NAP)	6,324	2,859

(\$'000)

32,200

32,200

64,400

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



Cash flows are expected as follows:

	Financial year:	(\$'000)
Gross Commonwealth and State contributions	2004-05	2,996
	2005-06	15,614
	2006-07	20,138
	2007-08	25,653
		<u>64,400</u>

Neither the State nor the Commonwealth have any commitments to the program after 2008.

Hectares to be established:	Planting year ¹	Hectares:
	2005	1,159
	2006	3,600
	2007	5,925
	2008	7,550
		<u>18,234</u>

¹ Planting year is the period from 1 October to 30 September of the following year.

14.2 Hectares under management

Plantations

	Hectares under management ¹	
	2006	2005
Plantations standing timber ¹	74,553	76,935
Plantations Reforestation program ¹	13,119	12,698
Plantations Afforestation program ¹	4,448	3,914
Total plantation hectares under management	<u>92,120</u>	<u>93,547</u>

¹ Area under management as at 31 December

14.3 Reconciliation of movements in natural resource asset balances

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

	2006	2005
	(\$'000)	(\$'000)
Carrying amount at the start of the period	344,808	338,116
Increase due to new plantings	8,301	7,189
Increase due to natural resource asset growth	53,403	42,585
Harvested timber transferred to inventories	(53,403)	(42,585)
Changes in fair value less estimated point of sale costs	13,080	(497)
Carrying amount at the end of the period	<u>366,189</u>	<u>344,808</u>



15 Natural Resource Assets risk analysis

15.1 Discount rates

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

Native Forest

Native forest standing timber	11.80%	11.15%
Standing sandalwood	12.55%	9.90%

Plantations

Plantations standing timber	11.05%	9.90%
Plantations Reforestation Program	13.30%	11.65%

Discount rates, which are real and pre-tax, are based on the Commission's weighted average cost of capital adjusted for risk specific to the natural resource asset at valuation date.

15.2 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.

15.3 Sensitivity analysis

The value of natural resource assets is dependent on assumptions underpinning the Commission's growth models and cash flow assumptions. Discount rates have been adjusted to take account of significant risk factors not adjusted directly through cash flows. The following sensitivity analysis has been provided to assist in the assessment of the impact of variances in these assumptions.

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

	2006	2005
	(\$'000)	(\$'000)
	Increase/ (decrease)	Increase/ (decrease)
Discount rate: + 3% Total natural resource assets at valuation	(66,074)	(63,717)
- 3% Total natural resource assets at valuation	102,207	124,018
Future costs: + 3% Total natural resource assets at valuation	(6,786)	(11,750)
- 3% Total natural resource assets at valuation	6,648	2,015
Future income: + 3% Total natural resource assets at valuation	15,026	8,360
- 3% Total natural resource assets at valuation	(15,026)	(5,404)

15.4 Cash flows

- Cash flows are real and pre tax.
- Inflation is expected to continue at the current rate.
- Where revenues/costs are expected to increase or decrease other than in line with inflation, the nominal increase/decrease is included in cash flows.
- Cash flows are discounted to balance date from their expected date of occurrence at rates set out under 15.1 above.
- Cash flows are expected to occur over the following periods:

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

15.5 Insurance

The Commission does not insure its natural resource assets.

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



16 Trade and other payables

Current

	2006 (\$'000)	2005 (\$'000)
Trade payables	5,326	3,998
GST payable	547	10
Payroll tax accrual	95	93
Accruals:		
~ Accrued logging costs	2,651	2,600
~ Other accruals	7,539	13,419
Accrued interest	1,477	17
Embedded derivatives	29	-
Accrued salaries and wages	285	503
Net hedge contract (receivable) / payable	(88)	8
	17,861	20,648

Non-Current

Embedded derivatives	1,803	-
	1,803	-

17 Interest bearing borrowings

Current

Western Australian Treasury Corporation loans	3,755	6,263
Total current	3,755	6,263

Non-Current

Western Australian Treasury Corporation loans	86,706	85,361
Total non-current	86,706	85,361

Total interest bearing borrowings¹	90,461	91,624
--	---------------	---------------

¹ Refer Financial Instruments note for interest rate analysis.

18 Employee Benefits

Current

Compensated Absences - Annual leave	1,936	1,874
Compensated Absences - Long service leave	1,979	2,015
	3,915	3,889

Non-current

Compensated Absences - Long service leave	1,319	1,153
Provision for unfunded superannuation liability ¹	138	107
	1,457	1,260

¹ The Commission has a provision for the unfunded liability associated with those employees who are currently members of Gold State Superannuation Scheme. Refer note 19 below.



2006	2005
(\$'000)	(\$'000)

19 Gold State Superannuation Scheme

19.1 Scheme information

Some former Pension Scheme members have transferred to Gold State Super. In respect of their transferred benefit members receive a lump sum benefit at retirement, death or invalidity which is related to their salary during their employment and indexed during any deferral period after leaving public sector employment.

The Commission has used the AASB 1.20A exemption and disclosed amounts under AASB 1.20A(p) above for each annual reporting period prospectively from transition date.

Changes in the present value of the defined benefit obligations:

Present value of defined benefit obligations at the beginning of the year	107	87
Interest costs	6	5
Actuarial losses	50	15
Benefits paid	(25)	-
Present value of defined benefit obligations at the end of the year	<u>138</u>	<u>107</u>

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

Reconciliation of the Fair Value of Scheme Assets:

Fair value of Scheme Assets at the beginning of the year	-	-
Employee contributions	25	-
Benefits paid	(25)	-
Fair value of Scheme Assets at the end of the year	<u>-</u>	<u>-</u>

Reconciliation of the Assets and Liabilities recognised in the Balance Sheet:

Defined Benefit Obligation	138	107
Net Liability	<u>138</u>	<u>107</u>

Expense recognised in the Income Statement

Interest cost (refer note 7)	6	5
Actuarial loss (refer note 5)	50	15
Superannuation expense	<u>56</u>	<u>20</u>

Scheme Assets

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

- No fair value of Scheme Assets
- No asset allocation of Scheme Assets
- No assets used by the employer
- No expected return of Scheme Assets
- No actual return on Scheme Assets

Principal Actuarial Assumptions Used:

	30-Jun-06	30-Jun-05	30-Jun-04
Discount rate	5.81%	5.22%	6.02%
Discount rate (pensioners)	5.81%	5.22%	6.02%
Expected salary increase rate	4.50%	4.50%	4.50%
Expected pension increase rate	2.50%	2.50%	2.50%

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

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



	2006	2005
	(\$'000)	(\$'000)
<i>Historical Information</i>		
Present value of defined benefit obligation	138	107
Fair value of Scheme assets	-	-
Deficit in Scheme	138	107
Experience adjustments loss - Scheme liabilities	45	17

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

	30-Jun-07
	(\$'000)
<i>Expected contributions:</i>	
Expected contributions	3

Funding arrangements for employer contributions

(a) Surplus/deficit:

Following is a summary of the most recent financial position of Gold State Super calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans". Note that the figures below relate to Gold State Super as a whole and are therefore not restricted to Commission employees.

As at	30-Jun-05
	(\$'000)
Accrued benefits	4,256,474
Net market value of Scheme assets	1,956,022
Net deficit	2,300,452

(b) Contribution recommendations:

The Commission is contributing as required to pay benefits when they fall due.

(c) Funding method

The funding method used by the Commission and other agencies whose employees are members of Gold State Super is the Pay-As-You-Go method. This method affects the timing of costs to the Commission.

(d) Economic assumptions:

Economic assumptions adopted for the last actuarial review as at 30 June 2005 of the Scheme were:

Expected rate of return on assets (discount rate)	7.5% pa
Expected salary increase rate	4.5% pa

19.2 Nature of liability

The Commission has recognised a liability in the balance sheet in respect of its deferred benefit superannuation fund arrangements. The GESB does not impose a legal liability on the Commission to cover any deficit that exists in the Scheme.

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



20 Provisions

Current

		2006	2005
	note	(\$'000)	(\$'000)
Provision for land acquisition payments	a	1,875	752
Provision for restoration costs	b	5,526	4,912
Provision for deferred rental	c	96	-
Unearned revenue			
~ Manjimup nursery	d	84	214
~ Southwest share farm project	e	487	245
Deferred income - PSA ²	f	471	471
		8,539	6,594

Non-Current

Unearned revenue			
~ Plantation Establishment Deed ¹	g	4,166	3,060
Provision for incentive payments	a	276	88
Provision for restoration costs	b	9,389	8,091
Provision for deferred rental	c	13,172	11,406
Deferred Income - PSA ²	f	1,341	1,897
		28,344	24,542

- 1 Interest is accrued at a rate equivalent to the rate of return earned by the Commission on the Commission's mature plantation estate.
- 2 Income for which the Commission has received payment, deferred under the terms of service level agreements to match delivery of services.

Explanations:

- a Land acquisition obligations under Profit a Prendre (PaP) payments to landowners.
- b The Commission has an obligation under the Forest Management Plan (2004 to 2013) to ensure re-growth native forest harvested are restored after harvest.
- c Profit a Prendre profit share payments.
- d Seedling deposit unearned revenue due to cash having been received or risk having passed, while the service/product has not yet been invoiced.
- e Revenues received in advance of works being completed for research projects and sundry services to be provided in the future.
- f Pre-paid income for the delivery of forestry services to be delivered in the future.
- g Stumpage pre paid under the terms of the Plantation Establishment Deed between Laminex Group Limited and the Commission.

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



	2006	2005
	(\$'000)	(\$'000)
Net movement in provisions		
Opening balance at 1 July	31,136	2,533
<i>Provisions raised on adoption of AIFRS</i>		
Provision for restoration costs	1,913	13,002
Provision for deferred rental	3,484	11,406
	5,397	24,408
<i>Provisions utilised</i>		
Provision for land acquisition payments	(558)	-
~ Manjimup nursery	(471)	(183)
~ Specific purpose grant money and externally funded projects	(1,298)	(2,970)
Provision for deferred rental	(1,622)	-
Deferred Income - PSA	(668)	-
	(4,617)	(3,153)
Provisions raised in the period		
Provision for land acquisition payments	1,869	841
~ Manjimup nursery	340	263
~ Specific purpose grant money and externally funded projects	1,541	2,816
Unearned revenue - Plantation Establishment Deed	1,106	1,060
Deferred Income - PSA	111	2,368
	4,967	7,348
Closing balance at 30 June	36,883	31,136

21 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:

Contributions during the period

Assets transferred	148	615
Reappropriation from Consolidated Funds ¹	1,270	1,270
Total contribution by owners²	1,418	1,885

Reconciliation:

Contribution by owners at the beginning of the financial period	233,584	231,699
Amounts contributed during the financial period	1,418	1,885
Contribution by owners at the end of the financial period	235,002	233,584

¹ Reappropriation from Consolidated Funds arising out of the sale of Peel 'B' Baldivis 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 are non reciprocal and have been treated as equity.

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



22 Reserves

Asset Revaluation Reserve

	2006 (\$'000)	2005 (\$'000)
Opening balance	2,026	25
Net revaluation increments ¹ :		
Land	419	104
Nursery Infrastructure	358	165
Buildings	(20)	1,732
Closing balance	2,783	2,026

Cashflow Hedge Reserve

	88	-
--	-----------	----------

Reserves total

	2,871	2,026
--	--------------	--------------

Retained earnings

Opening balance	5,159	16,806
Change in accounting policy (refer note 41)	(1,547)	-
Total recognised income and expenses	23,435	(10,177)
Provision for statutory dividend	-	(1,470)
Closing balance	27,047	5,159

¹ Revaluations as per Department of Land Information (Valuation Services)

² Subsequent to 30 June 2006 the Commission declared a dividend of \$2.7 million for the 2005/06 financial year. No provision has been raised for this dividend as the dividend had not been declared as at 30 June 2006.

23 Notes to the Statement of Cash Flows

23.1 Reconciliation of cash

Cash assets:

Petty Cash	4	4
Commonwealth Bank - Cash Management Account	7,110	3,240
Commonwealth Bank - USD Bank Account	2,302	1,965
Short term deposit ¹	2,193	1,028
	11,609	6,237

¹ Short term deposit with WA Treasury Corporation.

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



2006	2005
(\$'000)	(\$'000)

23.2 Financing and investing activities

During the financial period the following non cash investing and financing activities occurred:

Assets acquired - non cash:		
Assets transferred from DEC	148	-
Assets acquired - cash:		
Peel B land sale proceeds	1,270	1,270
Equity contributed by owners	<u>1,418</u>	<u>1,270</u>

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

Profit from ordinary activities after income tax	23,435	(10,177)
<i>Non-cash items:</i>		
Depreciation and amortisation expense	1,460	1,502
Movement in provision for doubtful debts	(1,060)	1,422
Amounts from Commonwealth grants and contributions	(364)	(209)
Disposal of non-current assets	(5)	6
Amounts for income tax	9,761	(4,938)
Revaluation of land and buildings	494	568
Change in fair value of Natural resource assets	(13,963)	(346)
Grants and Subsidies from Government	(1,070)	(1,100)
Interest received	(60)	(79)
<i>Decrease/(increase) in assets:</i>		
Current inventories	(2,412)	1,897
Current receivables	(97)	(4,879)
Other current assets	(321)	(1,105)
Write down of Investment in Joint Venture	39	-
Other assets	46	-
<i>Increase/(decrease) in liabilities:</i>		
Current payables	(4,901)	408
Employee benefits	223	1,069
Unearned Revenue and deferred income	1,106	1,060
Other liabilities	206	13,914
Taxation refund	-	312
Net cash provided by operating activities	<u>12,517</u>	<u>(675)</u>

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



2006	2005
(\$'000)	(\$'000)

23.4 Borrowing facilities

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

Credit cards	750	651
Bank overdraft facility	8,000	8,000
Short term lending facility with WATC	10,000	10,000
WA Treasury Corporation - Portfolio Lending Arrangement	89,443	91,624

Facilities in use as at reporting date:

Credit cards	97	83
Bank overdraft facility	-	-
Short term lending facility with WATC	1,018	4,300
WA Treasury Corporation - Portfolio Lending Arrangement	89,443	91,624

Available facilities not in use as at reporting date:

Credit cards	653	568
Bank overdraft facility ¹	8,000	2,300
Short term lending facility with WATC ¹	8,982	5,700
WA Treasury Corporation - Portfolio Lending Arrangement	-	-

¹ Combined overdraft and short term lending accessed by the Commission cannot exceed \$8 million (2005 \$8 million) at any one time; the limit approved by the Department of Treasury and Finance.

24 Resources provided free of charge

During the financial year and in the financial year to 30 June 2005, no resources were provided to other agencies free of charge for functions outside the normal operations of the Commission.

24.1 Non-commercial activities

The following expenses have been identified by the Commission as 'non-commercial', i.e. have 'triple bottom line benefits' but would not necessarily have been incurred were the Commission to operate on a fully commercial basis, with the sole purpose of maximising profit. ¹

Wood Science - Timber Technology	182	277
Industry Development	623	842
Services purchased within Government - Forestry Service Level Agreements	200	200
Promotions and Industry Sponsorships	185	226
Harvesting costs associated with harvesting coupes with 1st and 2nd grade yields below 10t/ha	432	259
Non-commercial Research and Development	811	811
Timber technology	291	118
Interest expenditure offset by Treasury funded Community Service Obligation	1,070	1,070
Total non-commercial expenditure	3,793	3,802

¹ Costs have been segregated and included in 'non-commercial revenue and expenses' in segment note 37.



25 Commitments for expenditure

2006	2005
(\$'000)	(\$'000)

25.1 Expenditure commitments

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

Within 1 year	24,551	5,603
Later than 1 year and not later than 5 years	25,070	17,800
	<u>49,621</u>	<u>23,403</u>

These commitments support the Wood Processing (WESFI) Agreement Act 2000 for the Plantations Afforestation program, the National Action Plan for Salinity and Water Quality and the acquisition of office premises. These commitment are to be funded by loans from the Western Australian Treasury Corporation, State and Commonwealth Government contributions and internal funding.

25.2 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	1,915	2,170
Later than 1 year and not later than 5 years	6,966	6,219
Later than 5 years	12,316	14,872
	<u>21,198</u>	<u>23,262</u>
Non-cancellable operating leases	<u>21,198</u>	<u>23,262</u>

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.

25.3 Guarantees and undertakings

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

26 Contingent assets and liabilities

26.1 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 continues to be 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 involve early harvest of affected plantations. This would result in a material reduction in the value of Mature Plantations, although the short term operating performance of the Commission may be favourably impacted. It is anticipated that the task force assessing these strategies will finalise their proposals in the 2006/07 financial year.



Claims against the Commission

The Commission currently has a number of claims for compensation and/or performance arising from disputes under contracts issued by the Commission. The Commission has assessed these claims and where appropriate, has sought independent legal advice. No provisions have been raised for these claims as they are assessed as having limited grounds for either compensation or performance. The total amount which could be payable by the Commission if it were to be unsuccessful in defending the above claims is \$4.5 million.

Embedded derivative

AASB 139.11 defines an embedded derivative as a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

The provisions of AASB139 are affected by International Financial Reporting Interpretations Committee (IFRIC) Interpretation 9 which states that *"an entity shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required"*.

The Commission has an embedded derivative which has not been separated from the host contract as a consequence of the IFRIC 9 interpretation. As the Commission is currently in negotiation with parties associated with the contract that may result in a significant modification to the cash flows that otherwise would be expected under the contract, the Commission has a contingent liability for an amount of up to \$10.8 million that may arise as consequence of these negotiations.

26.2 Assets

Under the Wood Processing (Wesbeam) Agreement Act 2002, Wesbeam has a commitment to spend not less than \$1 million 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.

27 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 Income Statement or Balance Sheet as at 30 June 2006. The post year end dividend is disclosed in note 22.



28 Explanatory statement

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

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

	2006	2005	Variance	
	(\$'000)	(\$'000)	%	Explanation:
Income statement				
Revenue from sale of goods and services	107,718	94,650	14%	Note 1
Cost of sales	(53,276)	(53,918)	(1%)	
Gross Profit	54,442	40,732		
Revenue from standing timber valuation adjustments	13,080	(497)	2732%	Note 2
Other revenue	9,940	7,725	29%	Note 3
Other expenses	(38,017)	(54,388)	(30%)	Note 4
Administration	(482)	(2,727)	(82%)	Note 5
Results from operating activities	38,963	(9,155)		
Financial income	110	79	39%	Note 6
Financial expenses	(5,916)	(6,039)	(2%)	
Net financing costs	(5,806)	(5,960)		
Share of profit of investment in joint venture	39	-	100%	Note 7
Profit before tax	33,196	(15,115)		
Income tax	(9,761)	4,938	(298%)	Note 8
Profit for the year	23,435	(10,177)		

Explanation:

Note 1: Improved result due to higher than previous year harvesting activity, sandalwood export sales price increase and increase in sandalwood stock holdings.

Note 2: Variance due to movements in valuations of natural resource assets.

Note 3: Variance due to increased revenue inflows resulting from higher than previous year National Action Plan for Salinity and Water Quality (NAP) planting activities, European House Borer eradication project and forestry services to external customers.

Note 4: Variance due mainly to reversal of provision for claims under arbitration made against the Commission (refer income statement note 5).

Note 5: Variance driven by reversal of provisions for doubtful debts no longer required.

Note 6: Favourable cash holdings increased over the 2004/05 financial year.

Note 7: Recognition of investment in UWA joint venture.

Note 8: Related to performance in the financial year.



28.2 Comparison of 2005/06 actual results to estimated results

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

	2006	2006	Variance	
	actual (\$'000)	estimate (\$'000)	%	Explanation:
Income statements				
Revenue from sale of goods and services	107,718	103,854	4%	
Cost of sales	(53,276)	(52,353)	2%	
Gross Profit	54,442	51,501		
Revenue from standing timber valuation adjustments	13,080	608	2051%	Note 1
Other income	9,940	5,163	93%	Note 2
Administration	(482)	(542)	(11%)	Note 3
Other expenses	(38,017)	(48,885)	(22%)	Note 4
Results from operating activities	38,963	7,845		
Financial income	110	-	100%	Note 5
Financial expenses	(5,916)	(5,918)	(0%)	
Net financing costs	(5,806)	(5,918)		
Share of profit of investment in joint venture	39	-	100%	Note 6
Profit before tax	33,196	1,927		
Income tax	(9,761)	-	(100%)	Note 7
Profit for the year	23,435	1,927		

Explanation:

Note 1: Standing timber valuation adjustments not budgeted for.

Note 2: Variance attributable mainly to National Action Plan for Salinity and Water Quality (NAP) income not included in the budget.

Note 3: Variance attributable mainly to savings in training and telephone expenses.

Note 4: Variance mainly driven by reversal of provision for claims against the Commission made in 2004/05, which was not included in the budget.

Note 5: Interest received not budgeted for.

Note 6: UWA joint venture profits not budgeted for.

Note 7: Related to performance in the financial year.

29 Financial instruments

Exposure to credit, interest rate and currency risks arise in the normal course of the Commission's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates.

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



29.1 Effective interest rate and repricing analysis

The following table indicates the effective interest rate at the balance date of income-earning financial assets and interest bearing financial liabilities.

2006							
(\$'000)							
Note	Effective Interest Rate %	Total	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Financial Assets							
Commonwealth Bank Cash Management Account	23.1	5.51%	7,110	7,110	-	-	-
Commonwealth Bank USD Account	23.1	3.70%	2,302	2,302	-	-	-
WA Treasury Corporation - short term deposit	23.1	5.85%	2,193	2,193	-	-	-
Performance Security deposit account	10	5.52%	1,081	46	46	138	851
Prepayment of WA Treasury Corporation debt	10	5.85%	6,809	2,269	4,540	-	-
			19,495	13,874	4,586	46	138
							851
Financial Liabilities							
WA Treasury Corporations (long term loan variable)	17	6.12%	89,454	1,731	1,775	3,596	11,157
WA Treasury Corporations (long term loan fixed)	17	5.46%	1,007	123	126	263	495
Deferred income - Wesfi State Agreement	20	2.72%	4,166	-	-	-	4,166
			94,624	1,854	1,901	3,859	11,652
							75,361

2005							
(\$'000)							
Note	Effective Interest Rate %	Total	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Financial Assets							
Commonwealth Bank Cash Management Account	23.1	5.34%	3,240	3,240	-	-	-
Commonwealth Bank USD Account	23.1	1.41%	1,965	1,965	-	-	-
WA Treasury Corporation - short term deposit	23.1	5.41%	1,028	1,028	-	-	-
Performance Security deposit account	10	5.50%	1,127	-	46	46	138
			7,360	6,233	46	46	138
							897
Financial Liabilities							
WA Treasury Corporations (long term loan)	17	6.32%	87,381	1,624	1,639	3,322	10,327
WA Treasury Corporations (long term loan fixed)	17	5.46%	1,243	116	119	249	759
WA Treasury Corporations (short term loan)	17	5.63%	3,000	3,000	-	-	-
Deferred income - Wesfi State Agreement	20	0.71%	3,060	-	-	-	3,060
			94,684	4,740	1,758	3,571	11,086
							73,529



29.2 Forward foreign exchange contracts

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

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

sell currency	value date	USD sell amount \$000	historic forward rate	buy currency	buy amount \$000	current forward points	current forward rate	revalued buy currency 30 June 06	revalued buy amount 30 June 06 \$000	variance currency	variance amount \$000
USD	29/9/06	1,500	0.7365	AUD	2,037	-0.000800	0.742500	AUD	2,020	AUD	17
USD	29/12/06	1,500	0.7358	AUD	2,039	-0.001630	0.741670	AUD	2,022	AUD	17
USD	30/3/07	1,500	0.7350	AUD	2,041	-0.002600	0.740700	AUD	2,025	AUD	16
USD	29/6/07	1,500	0.7340	AUD	2,044	-0.003640	0.739660	AUD	2,028	AUD	16
					8,161				8,096		65

29.3 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 timber contracts of sale. These deposits and securities are held in trust until the expiry or default of contracts. As at 30 June 2006, the value of deposits and securities exceeded overdue accounts by \$2.6 million (2005 \$1.4 million).

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

The Commission's credit risk exposure at 30 June 2006 is illustrated by the aged debtors table below:

	2006	2006	2005	2005
	Number of customers	Value overdue ¹ : (\$'000)	Number of customers	Value overdue ¹ : (\$'000)
1 to 30	18	2,198	25	1,825
31 to 60	11	210	11	1,505
Greater than 60	30	1,295	29	1,171
All overdue accounts	59	3,703	65	4,502

¹ Overdue beyond the Commission's agreed trading terms.

The likelihood of recovery as at 30 June 2006 was estimated and factored into the amounts provided for doubtful debts (refer note 8). Where applicable, interest is charged under the terms of the customer's supply contract.



29.4 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 1.

The Commission's long and short term borrowings are valued as per the accounting policy in note 1. The Commission's borrowings of \$90.461 million (2005 \$91.124 million) from the Western Australian Treasury Corporation (WATC) have been assessed by the WATC to have a net fair value of \$91.382 million (2005 \$91.84 million) as at 30 June 2006. The net fair value of a financial liability is the amount at which the liability could be settled in a current transaction after allowing for the premium required if debt is settled prior to the due date.

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

30 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:

	2006 (\$'000)	2005 (\$'000)
Profit from ordinary activities before Income Tax	33,196	(15,115)
Income tax calculated at 30% of operating profit	9,959	(4,535)
Current tax expense		
Current year	9,959	(4,535)
	9,959	(4,535)
Deferred tax expense		
Entertainment	-	4
Research and development	(198)	(97)
Over provision for tax in prior year	-	(310)
	(198)	(403)
Total income tax expense in income statement	9,761	(4,938)
Attributable to:		
Continuing operations	9,761	(4,938)
	9,761	(4,938)

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2006	2005	2006	2005	2006	2005
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Doubtful debts	(370)	(688)	-	-	(370)	(688)
Prepayments	-	-	-	179	-	179
Land	(147)	(8)	224	44	77	36
Buildings	(202)	(279)	733	851	531	572
Nursery infrastructure	(564)	(1,913)	224	1,302	(340)	(611)
Natural resource assets	(6,874)	(3,229)	31,302	20,394	24,428	17,165
Employee provisions	(1,570)	(1,512)	-	-	(1,570)	(1,512)
Provision for claim	-	(3,000)	-	-	-	(3,000)
Share farm annuities	(371)	-	-	-	(371)	-
Superannuation provision	(41)	(32)	-	-	(41)	(32)
Auditing fees provision	(36)	(23)	-	-	(36)	(23)
Provision for embedded derivatives	(549)	-	-	-	(549)	-
Deferred rental provision	(3,980)	(3,422)	-	-	(3,980)	(3,422)
Restoration provision	(4,475)	(4,208)	-	304	(4,475)	(3,904)
Deferred income - PSA	(218)	-	-	-	(218)	-
Incentive payments provision	(645)	(252)	-	-	(645)	(252)
Net hedge contract payable	-	(2)	-	-	-	(2)
Tax value of loss carry-forwards recognised	(3,522)	(5,010)	-	-	(3,522)	(5,010)
Net tax (assets) / liabilities	(23,564)	(23,578)	32,483	23,074	8,919	(504)

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



Recognised deferred tax assets and liabilities

Movement in temporary differences during the year

	Balance 1 July 04	Recognised in income	Recognised in equity	Balance 30 June 05	Balance 1 July 05	Recognised in income	Recognised in equity	Balance 30 June 06
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Doubtful debts	(271)	(417)	-	(688)	(688)	318	-	(370)
Prepayments	-	179	-	179	179	(179)	-	-
Inventories	(494)	494	-	-	-	-	-	-
Land	(39)	31	44	36	36	(139)	180	77
Buildings	-	(170)	742	572	572	(32)	(9)	531
Nursery infrastructure	(654)	(28)	71	(611)	(611)	118	153	(340)
Natural resource assets	14,329	2,836	-	17,165	17,165	7,263	-	24,428
Employee provisions	(1,224)	(288)	-	(1,512)	(1,512)	(58)	-	(1,570)
Provision for claim	-	(3,000)	-	(3,000)	(3,000)	3,000	-	-
Share farm annuities	(197)	197	-	-	-	(371)	-	(371)
Road construction	(267)	267	-	-	-	-	-	-
Superannuation provision	(7)	(25)	-	(32)	(32)	(9)	-	(41)
Deferred liabilities	(184)	184	-	-	-	-	-	-
Borrowing costs	(9)	9	-	-	-	-	-	-
Auditing fees provision	(18)	(5)	-	(23)	(23)	(13)	-	(36)
Provision for embedded derivatives	-	-	-	-	(663)	114	-	(549)
Deferred rental provision	(1,890)	(1,532)	-	(3,422)	(3,422)	(558)	-	(3,980)
Restoration provision	(4,205)	301	-	(3,904)	(3,904)	(571)	-	(4,475)
Deferred income - PSA	-	-	-	-	-	(218)	-	(218)
Incentive payments provision	-	(252)	-	(252)	(252)	(393)	-	(645)
Net hedge contract payable	-	-	(2)	(2)	(2)	-	2	-
Tax value of loss carry-forwards recognised	(1,954)	(3,056)	-	(5,010)	(5,010)	1,488	-	(3,522)
Net tax (assets) / liabilities	2,916	(4,275)	855	(504)	(1,167)	9,760	326	8,919

2006

2005

(\$'000)

(\$'000)

31 Provision for dividend

Provision for declared dividend¹

-

-

¹ The Commissioners declared a dividend of \$2.7 million subsequent to 30 June 2006. No provision has been raised in the 2005/06 financial statements for this provision as the dividend was declared by the Commissioners and approved by the Minister subsequent to 30 June 2006.

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



2006	2005
(\$)	(\$)

32 Remuneration of members of the Accountable Authority and Senior Officers

32.1 Remuneration of members of the Accountable Authority

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

\$		
10,000 - 20,000	3	1
20,000 - 30,000	1	4
30,000 - 40,000	2	-
40,000 - 50,000	-	1
50,000 - 60,000	1	1
	<u>7</u>	<u>7</u>

Total remuneration of Members of the Accountable Authority for the financial period was

200,263	190,867
----------------	----------------

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

Remuneration of Members of the Accountable Authority was comprised of:

Short-term employee benefits	164,708	175,267
Allowances	21,837	1,626
Post employment benefits (defined contribution funds)	13,718	13,974
	<u>200,263</u>	<u>190,867</u>

32.2 Remuneration of Senior Officers

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

\$		
70,000 - 80,000	1	-
80,000 - 90,000	-	1
100,001 - 110,000	-	1
120,001 - 130,000	3	1
130,001 - 140,000	-	1
140,001 - 150,000	-	1
200,001 - 210,000	-	1
210,001 - 220,000	1	-
	<u>5</u>	<u>6</u>

Total remuneration of Senior Officers for the financial period was

617,569	804,706
----------------	----------------

Remuneration of Senior Officers was comprised of:

Short-term employee benefits	516,834	728,253
Allowances	43,424	-
Post employment benefits	57,311	76,453
	<u>617,569</u>	<u>804,706</u>

33 Related/affiliated bodies

33.1 Related bodies

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

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



2006	2005
(\$'000)	(\$'000)

33.2 Affiliated bodies

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

The Commission has one affiliated body - a joint venture arrangement with the University of Western Australia, refer note 13 .

The joint venture manages the operations of a timber research program and associated facilities located within the Faculty of Architecture, Landscape and Visual Arts (ALVA) at the University of Western Australia (UWA). It is intended that the Joint Venture will provide opportunities for collaborative research, sharing of facilities and enhanced use of the ALVA premises and amenities. Refer note 13 for details of financial transactions.

34 Remuneration of auditor

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

Auditing the accounts, financial statements and performance indicators	120	76
Provision for remuneration of auditor		
Opening Balance	76	62
Payments made during the period	(93)	(73)
Amounts provided during the period	137	87
Closing Balance	120	76

35 Funds held in trust

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

Opening Balance	1,062	872
Receipts	200	374
Payments	(100)	(184)
Closing Balance	1,162	1,062

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.

36 Write-offs, losses and gifts

36.1 Write-offs

Debtors ¹	497	31
Seedlings ²	37	-
Other	-	2
Total	534	33

¹ \$497,000 of unrecoverable debt was written-off in the financial year and was fully provided for in prior financial years. All requisite approvals as stipulated in the Treasury Instructions were complied with.

² Seedlings disposed of during the financial period due to reduction in planting levels.

36.2 Losses through theft, defaults and other causes	20	8
--	----	---

36.3 Gifts of public property	4	3
-------------------------------	---	---



37 Segment information

Segment information is presented in respect of the Commission's business and geographical segments. The primary format, business segments, is based on the Commission's management and internal reporting structure.

Inter segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

37.1 Segment information by business segment

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

Main operating segments:

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

Arid Forest - Responsible for harvesting and regeneration activities associated with Sandalwood and other than 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. The objective of this arm of the Commission is to produce timber to sustain the timber industry, to ameliorate salinity and address soil degradation.

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

Support services:

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

Corporate & Support Services - This segment provides corporate management and business administration (human resources, contract administration and finance) support 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.

FINANCIAL REVIEW

BACK < > NEXT

CONTENTS

2005/2006									
	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 & Expenses (\$' 000)	Total (\$' 000)
m³ harvested	537,733	2,282	-	-	870,413	-	-	-	1,410,428
Sales from harvest of natural resource assets	39,479	16,196	2,912	881	47,675	-	118	101	107,362
Internal sales	-	-	1,677	-	-	-	-	-	1,677
Production and delivery of natural resource assets	(23,619)	(6,651)	-	(412)	(22,594)	-	-	-	(53,276)
Gross profit	15,860	9,545	4,589	469	25,081	-	118	101	55,763
Other revenue									
Revenue from commercial share farm operations	-	-	-	24	-	-	-	-	24
Commonwealth grants & contributions	-	-	1	-	-	148	215	-	364
Commonwealth Government contribution to NAP	-	-	-	2,542	-	-	-	-	2,542
Other revenue from ordinary activities	541	(136)	483	1,155	193	319	2,969	38	5,562
Grants and subsidies from State Government	-	-	-	-	-	-	-	1,070	1,070
Embedded derivatives	-	-	-	-	378	-	-	-	378
Total other revenue	541	(136)	484	3,721	571	467	3,184	1,108	9,940
Other expenses									
Administration	632	(332)	(44)	(536)	246	(19)	(426)	(4)	(483)
Employee expenses	(2,496)	(655)	(2,518)	(1,171)	(865)	(1,466)	(4,499)	(1,504)	(15,174)
Contracts and other expenses	4,066	(1,231)	(1,596)	(1,660)	(10,124)	(450)	(6,143)	(980)	(18,118)
Deferred rental	-	-	-	(1,861)	-	-	-	-	(1,861)
Provision for forest restoration	(1,912)	-	-	-	-	-	-	-	(1,912)
Depreciation	(137)	(31)	(793)	(110)	(45)	(39)	(226)	(79)	(1,460)
Write-down of UWA Joint Venture	-	-	-	-	-	-	-	(152)	(152)
Accommodation expenses	(48)	(15)	(85)	(21)	(5)	(9)	(473)	(4)	(660)
Results from operating activities	16,506	7,145	37	(1,169)	14,859	(1,516)	(8,465)	(1,514)	25,883
Financial income	-	-	-	-	-	-	110	-	110
Financial expenses	-	-	-	(1,500)	(3,340)	-	(6)	(1,070)	(5,916)
Net financing costs	-	-	-	(1,500)	(3,340)	-	104	(1,070)	(5,806)
Share of profit of investment in joint venture	-	-	-	-	-	-	-	39	39
	-	-	-	-	-	-	-	39	39
Profit before tax and before Business Development and Corporate & Support allocation¹	16,506	7,145	37	(2,669)	11,519	(1,516)	(8,361)	(2,545)	20,116
Business Development and Corporate & Support allocation ¹	(3,208)	(1,178)	(744)	(1,334)	(3,414)	1,516	8,361	-	-
Profit before tax and natural resource asset valuations	13,298	5,967	(707)	(4,003)	8,105	-	-	(2,545)	20,116
Revenue from natural resource asset valuations	-	1,364	191	2,234	21,778	-	-	-	25,567
Expenses from natural resource asset valuations	12,487	-	-	-	-	-	-	-	12,487
Net revenue / (expenses) from natural resource asset valuations	(12,487)	1,364	191	2,234	21,778	-	-	-	13,080
Profit before tax	811	7,331	(516)	(1,769)	29,883	-	-	(2,545)	33,196
Income tax expense	243	2,199	(155)	(531)	8,767	-	-	(764)	9,761
Profit for the period	568	5,132	(361)	(1,238)	21,116	-	-	(1,782)	23,435
Other segment information:									
Assets	115,039	59,254	13,138	31,415	187,300	1	19,466	606	426,219
Capital expenditure	155	20	62	7,370	130	21	380	-	8,138
Major non cash items included in operating profit	8,451	(31)	(793)	(1,971)	455	(39)	(166)	(231)	5,675
Impairment reversals	500	-	-	-	500	-	60	-	1,060

¹ Allocation based on Massachusetts Formula.

FINANCIAL REVIEW

[BACK](#)

[NEXT](#)
[CONTENTS](#)


2005/2006									
	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 & Expenses (\$' 000)	Total (\$' 000)
ASSETS									
Cash and cash equivalents	-	-	-	-	-	-	11,609	-	11,609
Trade and other receivables	5,689	2,334	420	127	6,870	-	16	15	15,471
Inventories	237	3,297	2,072	-	115	-	-	150	5,871
Natural resource assets	12,752	6,680	-	-	42,938	-	-	-	62,370
Other investments	-	216	-	790	660	1	6,859	-	8,526
Total current assets	18,678	12,527	2,492	917	50,583	1	18,484	165	103,847
Property, plant and equipment	1,178	325	7,929	6,426	237	-	748	441	17,284
Natural resource assets	95,183	46,402	2,717	23,037	136,480	-	-	-	303,819
Intangible assets	-	-	-	-	-	-	234	-	234
Other investments	-	-	-	1,035	-	-	-	-	1,035
Total non-current assets	96,361	46,727	10,646	30,498	136,717	-	982	441	322,372
Segment assets	115,039	59,254	13,138	31,415	187,300	1		606	406,753
Unallocated assets	-	-	-	-	-	-	19,466	-	19,466
Total assets	115,039	59,254	13,138	31,415	187,300	1	19,466	606	426,219
LIABILITIES									
Trade and other payables	3,904	956	254	6,392	4,235	47	2,009	64	17,861
Interest bearing loans and liabilities	-	-	-	2,065	1,690	-	-	-	3,755
Employee benefits	644	169	650	302	223	378	1,161	388	3,915
Provisions	5,526	-	84	2,929	-	-	-	-	8,539
Total current liabilities	10,074	1,125	988	11,688	6,148	425	3,170	452	34,070
Trade and other payables	-	-	-	-	1,803	-	-	-	1,803
Interest bearing loans and liabilities	-	-	-	39,628	32,422	-	-	14,656	86,706
Deferred tax (assets) / liabilities	19,322	(4,570)	482	2,021	(8,259)	-	(77)	-	8,919
Employee benefits	240	63	242	112	83	141	432	144	1,457
Provisions	9,389	-	-	14,789	4,166	-	-	-	28,344
Total non-current liabilities	28,951	(4,507)	724	56,550	30,215	141	355	14,800	127,229
Segment liabilities	39,025	(3,382)	1,712	68,238	36,363	566		15,252	157,774
Unallocated liabilities	-	-	-	-	-	-	3,525	-	3,525
Total liabilities	39,025	(3,382)	1,712	68,238	36,363	566	3,525	15,252	161,299
Operating return on total assets (excluding Natural resource asset valuations)	14.35%	12.06%	0.28%	(8.50%)	6.15%	-	-	-	4.72%
Return on total assets (excluding natural resource asset valuations, after overhead allocations)	11.56%	10.07%	(5.38%)	(12.74%)	4.33%	-	-	-	4.72%

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



37.2 Segment information by geographic segment

The Commission's business activities are located mainly within Western Australia with the exception of the Arid Forest segment, which has sales of sandalwood both within Western Australia and Southeast Asia. Sales to Southeast Asia are principally to Taiwan and China, with smaller amounts to a number of other Southeast Asian countries such as Singapore and Malaysia. All sales other than in Australian dollars are effected in US dollars.

In presenting information on the geographical segments, segment revenue is based on the geographic location of customers. Segment assets are based on the geographic location of the assets.

	2005/2006			2004/2005		
	Western Australia (\$' 000)	Southeast Asia (\$' 000)	Total (\$' 000)	Western Australia (\$' 000)	Southeast Asia (\$' 000)	Total (\$' 000)
Sales from harvest of natural resource assets	94,696	13,022	107,718	84,998	9,652	94,650
Other segment information:						
Assets	426,219	-	426,219	389,326	-	389,326
Capital expenditure	(8,138)	-	(8,138)	(8,340)	-	(8,340)
Major non cash items included in operating profit	5,675	-	5,675	(17,019)	-	(17,019)

FINANCIAL REVIEW

[BACK](#)

[NEXT](#)
[CONTENTS](#)


Segment information

	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 & Expenses (\$' 000)	Total (\$' 000)
m³ harvested	505,357	1,956	-	-	803,461	-	-	-	1,310,774
Sales from harvest of natural resource assets	38,543	12,027	942	762	42,086	-	290	-	94,650
Internal sales	-	-	2,768	-	-	-	-	-	2,768
Production and delivery of natural resource assets	(23,014)	(7,159)	(1,222)	(118)	(22,331)	-	-	(74)	(53,918)
Gross profit	15,529	4,868	2,488	644	19,755	-	290	(74)	43,500
Other revenue									
Revenue from commercial share farm operations	-	-	-	20	-	-	-	-	20
Commonwealth grants & contributions	-	-	11	-	-	-	198	-	209
Commonwealth Government contribution to NAP	-	-	-	1,831	-	-	-	-	1,831
Other revenue from ordinary activities	651	42	222	743	55	20	2,776	56	4,565
Grants and subsidies from State Government	-	-	-	-	-	30	-	1,070	1,100
Total other revenue	651	42	233	2,594	55	50	2,974	1,126	7,725
Other expenses									
Administration expenses	(706)	(16)	(182)	(432)	(536)	(52)	(765)	(38)	(2,727)
Employee expenses	(2,760)	(650)	(2,196)	(836)	(885)	(1,960)	(3,878)	(1,751)	(14,916)
Contracts and other expenses	(16,414)	(1,362)	(1,340)	(2,077)	(9,424)	(1,014)	(3,609)	(823)	(36,063)
Deferred Rental	-	-	-	(5,107)	-	-	-	-	(5,107)
Provision for forest restoration	1,012	-	-	-	-	-	-	-	1,012
Depreciation expense	(100)	(18)	(842)	(113)	(40)	(11)	(264)	(114)	(1,502)
Accommodation expenses	(38)	(13)	(68)	(10)	(5)	(138)	(302)	(6)	(580)
Results from operating activities	(2,826)	2,851	(1,907)	(5,337)	8,920	(3,125)	(5,554)	(1,680)	(8,658)
Financial income	-	-	-	-	-	-	79	-	79
Financial expenditure	-	-	-	(1,342)	(3,622)	-	(5)	(1,070)	(6,039)
Net financing costs	-	-	-	(1,342)	(3,622)	-	74	(1,070)	(5,960)
Profit before Business Development and Corporate & Support allocation¹	(2,826)	2,851	(1,907)	(6,679)	5,298	(3,125)	(5,480)	(2,750)	(14,618)
Business Development and Corporate & Support allocation ¹	(3,000)	(946)	(660)	(1,125)	(2,874)	3,125	5,480	-	-
Profit before tax and natural resource asset valuations	(5,826)	1,905	(2,567)	(7,804)	2,424	-	-	(2,750)	(14,618)
Revenue from natural resource assets valuations	32,831	(12,618)	-	-	-	-	-	-	20,213
Expenses from natural resource assets valuations	-	-	-	(7,387)	(13,323)	-	-	-	(20,710)
Net revenue / (expenses) from natural resource asset valuations	32,831	(12,618)	-	(7,387)	(13,323)	-	-	-	(497)
Profit/(loss) from ordinary activities before income tax	27,005	(10,713)	(2,567)	(15,191)	(10,899)	-	-	(2,750)	(15,115)
Income tax	(7,946)	3,214	770	4,557	3,518	-	-	825	4,938
Profit/(loss) from ordinary activities after income tax equivalents	19,059	(7,499)	(1,797)	(10,634)	(7,381)	-	-	(1,925)	(10,177)
Other segment information:									
Assets	117,650	58,839	12,731	18,576	169,225	-	12,299	50	389,326
Capital expenditure	33	9	15	7,607	-	-	676	-	8,340
Major non cash items included in operating profit	(9,588)	(18)	(842)	(5,220)	(540)	(11)	(686)	(114)	(17,019)
Impairment losses	(500)	-	-	-	(500)	-	(422)	-	(1,422)

¹ Allocation based on Massachusetts Formula.

FINANCIAL REVIEW

[BACK](#)

[NEXT](#)
[CONTENTS](#)


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 & Expenses (\$' 000)	Total (\$' 000)
ASSETS									
Cash and cash equivalents	-	-	-	-	-	-	6,237	-	6,237
Trade and other receivables	5,829	1,819	142	115	6,365	-	44	-	14,314
Inventories	291	1,684	1,318	-	116	-	-	50	3,459
Natural resource assets	12,679	4,540	-	-	17,687	-	-	-	34,906
Other investments	-	256	-	469	655	-	16	-	1,396
Total current assets	18,799	8,299	1,460	584	24,823	-	6,297	50	60,312
Deferred tax assets	(9,494)	3,303	(36)	(1,194)	7,846	-	79	-	504
Property, plant and equipment	716	59	9,666	533	630	-	5,713	-	17,317
Natural resource assets	107,629	47,178	1,641	17,528	135,926	-	-	-	309,902
Intangible assets	-	-	-	-	-	-	210	-	210
Other investments	-	-	-	1,081	-	-	-	-	1,081
Total non-current assets	98,851	50,540	11,271	17,948	144,402	-	6,002	-	329,014
Segment assets	117,650	58,839	12,371	18,532	169,225	-	-	50	377,027
Unallocated assets	-	-	-	-	-	-	12,299	-	12,299
Total assets	117,650	58,839	12,371	18,532	169,225	-	12,299	50	389,326
LIABILITIES									
Trade and other payables	12,533	1,130	163	2,069	3,149	83	1,476	45	20,677
Interest bearing loans and liabilities	-	-	-	5,010	-	-	-	1,253	6,263
Employee benefits	720	169	573	218	231	511	1,009	458	3,889
Provisions	-	-	459	1,223	4,912	-	-	-	6,594
Total current liabilities	13,253	1,299	1,195	8,520	8,292	594	2,485	1,756	37,394
Non current liabilities	-	-	-	16,046	55,912	-	-	13,403	85,361
Interest bearing loans and liabilities	-	-	-	16,046	55,912	-	-	13,403	85,361
Employee benefits	233	55	186	71	75	166	327	147	1,260
Provisions	8,091	-	-	13,391	3,060	-	-	-	24,542
Total non current liabilities	8,324	55	186	29,508	59,047	166	327	13,550	111,163
Segment liabilities	21,577	1,354	1,381	38,028	67,339	760	-	15,306	145,745
Unallocated liabilities	-	-	-	-	-	-	2,812	-	2,812
Total liabilities	21,577	1,354	1,381	38,028	67,339	760	2,812	15,306	148,557
Operating return on total assets (excluding natural resource assets valuations)	(2.40%)	4.85%	(14.98%)	(36.04%)	3.13%	-	-	-	(3.75%)
Return on total assets (excluding natural resource assets valuations, after overhead allocations)	(4.95%)	3.24%	(20.17%)	(42.11%)	1.43%	-	-	-	(3.75%)



38 Research expenditure

38.1 Research expenditure

Expenses associated with research are included in expenses from ordinary activities

	2005/06 (\$'000)	2004/05 (\$'000)
	2,624	1,619
Major activities associated with Research include the following:		
Silviculture Research	393	-
Environmental Research	325	80
Inventory & Modelling Research	347	-
Tree Breeding	427	-
Seed Technologies Research	164	-
CRC Wood Innovations - Timber Technology	123	131
CRC Wood Innovations - Business Development Contribution	100	184
Native Forests - Forest Check	199	-
Arid Forest - Sandalwood Research	163	75
Arid Forest - Tropical Sandalwood Research	383	51
Hardwood Plantations ¹	-	329
Pinus Radiata Softwood Plantations ¹	-	243
Pinus Pinaster Softwood Plantations ¹	-	245
Forest Ecology Systems ¹	-	281
	2,624	1,619

¹ Research projects were re-defined in 2005/06. Activities associated with these projects have been aligned by 'principal activity' into the 2005/06 projects.

38.2 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.

	15	21
--	----	----

38.3 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.

	30	19
--	----	----

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



39 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:

		2006 (\$'000)	2005 (\$'000)
Supplier:	Service:		
Marketforce	Infinintree™	-	10
	Tender and Auction Advertising	9	-
Esperance Express	Infinintree™ Advertising and Brochures	1	-
Marketforce Productions	Productions - Infinintree™	-	10
	Tender and Auction Advertising	6	-
Media Decisions - TV Advertising	TV Advertising (Infinintree™)	-	2
Elite Publishing	FIAA (WA) Awards booklet - 2004 inside front cover	-	2
Perth Expo Hire	Sales signage	-	4
Sundry other (less than \$1,600 per supplier)	Various	4	2
Total		20	30

Consultancy:

Supplier:	Service:		
Media Monitors WA Pty Ltd	Media monitoring, news clippings	13	19
Total		13	19
		33	49

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



40 Impact of Adopting Australian equivalent International Financial Reporting Standards (AIFRS)

Income Statements 2004/2005 Comparative

	Previous GAAP	Effect of transition to AIFRS	AIFRS	Explanation
	(\$'000)	(\$'000)	(\$'000)	
Revenue from sale of goods and services	117,486	(22,836)	94,650	1
Cost of sales	(76,754)	22,836	(53,918)	2
Gross Profit	40,732	-	40,732	
Revenue from standing timber valuation adjustments	(2,623)	2,126	(497)	3
Other income	7,725	-	7,725	
Other expenses	(50,949)	(3,439)	(54,388)	4
Administration	(2,304)	(423)	(2,727)	5
Profit before financing costs	(7,419)	(1,736)	(9,155)	
Financial income	79	-	79	
Financial expenses	(5,979)	(60)	(6,039)	6
Net financing costs	(5,900)	(60)	(5,960)	
Profit before tax	(13,319)	(1,796)	(15,115)	
Income tax	4,399	539	4,938	7
Profit for the year	(8,920)	(1,257)	(10,177)	

FINANCIAL REVIEW

BACK < > NEXT

CONTENTS

Reconciliation of equity	1-Jul-05		30-Jun-05		Explanation		
	Previous GAAP	Effect of transition to AIFRS	AIFRS	Previous GAAP		Effect of transition to AIFRS	
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's		
Assets							
Cash and cash equivalents	1,569	-	1,569	6,237	-	6,237	
Trade and other receivables	10,824	-	10,824	14,314	-	14,314	
Inventories	6,610	-	6,610	4,713	(1,254)	3,459	8
Natural resource assets	-	22,423	22,423	-	34,906	34,906	9
Other investments	2,445	-	2,445	1,396	-	1,396	
Total current assets	21,448	22,423	43,871	26,660	33,652	60,312	
Deferred tax assets	6,461	(6,461)	-	14,891	(14,387)	504	10
Property, plant and equipment	6,713	1,489	8,202	15,935	1,382	17,317	11
Natural resource assets	336,722	(22,423)	314,299	340,546	(30,644)	309,902	12
Intangible Assets	-	153	153	-	210	210	13
Investment in Joint Venture	-	-	-	-	-	-	
Other investments	8,122	-	8,122	1,081	-	1,081	
Total non-current assets	358,018	(27,242)	330,776	372,453	(43,439)	329,014	
Total assets	379,466	(4,819)	374,647	399,113	(9,787)	389,326	
Liabilities							
Trade and other payables	11,010	-	11,010	20,648	-	20,648	
Interest bearing loans and borrowings	2,874	-	2,874	6,263	-	6,263	
Employee Benefits	3,035	-	3,035	3,889	-	3,889	
Provisions	2,185	3,771	5,956	1,682	4,912	6,594	14
Total current liabilities	19,104	3,771	22,875	32,482	4,912	37,394	
Interest bearing loans and borrowings	79,767	-	79,767	85,361	-	85,361	
Deferred tax liabilities	16,989	(12,063)	4,926	19,670	(19,670)	-	15
Employee Benefits	1,045	-	1,045	1,260	-	1,260	
Provisions	2,431	15,073	17,504	5,045	19,497	24,542	16
Total non-current liabilities	100,232	3,010	103,242	111,336	(173)	111,163	
Total liabilities	119,336	6,781	119,336	143,818	4,739	148,557	
Net assets	260,130	(11,600)	255,311	255,295	(14,526)	240,769	
Equity							
Contributed equity	231,699	-	231,699	233,584	-	233,584	
Reserves	25	-	25	2,225	(199)	2,883	17
Retained earnings	28,406	(11,600)	16,806	19,486	(14,327)	5,159	18
Total equity attributable to equity holders of the parent	260,130	(11,600)	248,530	255,295	(14,526)	240,769	
Total equity	260,130	(11,600)	248,530	255,295	(14,526)	240,769	



Explanation of AIFRS impact:

Explanation no.	2005	Explanation
	\$ 000's Amount	
1 & 2	-	Devaluation of natural resource assets was previously included as an expense. Under AIFRS disclosure of net revenue from Natural resource assets has been disclosed as a separate line item in revenue (refer note 2.2).
3	2,126	In forest infrastructure represents roads and bridges which the Commission needs to maintain in order to access timber. Under AIFRS the separate disclosure of an estimate of the value of these roads and bridges is no longer required.
4	(5,107)	The Commission's natural resource 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 requires the Commission to separate the liability for the profit share from the value placed on the rights to access the timber. Revenues are 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.
	1,012	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 had 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.
	(286)	Under previous GAAP AASB 1010 Recoverable amount of Non-current Assets, a non current asset was required to be written down to its recoverable amount when its carrying amount was 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 1101 issued in November 2004, which deems the Commission to be "not for profit" for AIFRS purposes, the Commission was required to reverse this provision and re-assess the value of the Nursery Infrastructure on a "written down replacement cost" basis.
	60	Transfer to <i>Net financing costs</i> of the benefit accrued against prepaid stumpage.
	882	Reversal of in-forest infrastructure depreciation due to the Commission no longer estimating and separately disclosing a value for in-forest infrastructure under AASB 141.
	(3,439)	
5	(423)	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 impacting the income statement.
6	(60)	Transfer to Net financing costs of the benefit accrued against prepaid stumpage.
7	539	Under AASB 112 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 against certain provisions.
8, 9 & 12	3,008	Effect of reversal of in-forest infrastructure valuation as noted under 3 above. In addition, AASB 141.43 requires separate disclosure of "immature" and "mature" biological assets. The conversion to AIFRS includes disclosure of the current portion of the valuation calculation as a current asset as opposed to the traditional disclosure of natural resource assets as long-term assets only. Seedlings, previously disclosed under inventory, are now disclosed as natural resource assets under AIFRS.

FINANCIAL REVIEW

BACK



NEXT

CONTENTS



10 & 17	5,283	Changes to tax asset for AIFRS changes	
11	3,822	Reversal of previous revaluation decrement	<p>Under previous GAAP AASB 1010 Recoverable amount of Non-current Assets, a non current asset was required to be written down to its recoverable amount when its carrying amount was 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 1101 issued in November 2004, which deems the Commission to be "not for profit" for AIFRS purposes, the Commission was required to reverse this provision and re-assess the value of the Nursery Infrastructure on a "written down replacement cost" basis.</p>
	(2,230)	New revaluation increment	
	(210)	Under AASB 138 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.	
	<u>1,382</u>		
13	210	Under AASB 138 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.	
14	4,912	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 had 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.	
16	8,091	Non current portion of Native Forest restoration costs discussed above.	
16	11,406	The Commission's natural resource 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 requires the Commission to separate the liability for the profit share from the value placed on the rights to access the timber. Revenues are 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.	
	<u>19,497</u>		
17	<u>199</u>	Sundry adjustments to reserves arising from revaluation adjustments.	
18	(1,257)	Impact AIFRS 2004/2005	
	<u>(13,070)</u>	Impact AIFRS prior financial years	
	<u>(14,327)</u>		

41 Change in accounting policy

In the current financial year the Commission adopted AASB 132: Financial Instruments: Disclosures and Presentation and AASB 139: Financial Instruments: Recognition and Measurement. This change in accounting policy has been adopted in accordance with the transition rules contained in AASB 1, which does not require the restatement of comparative information for financial instruments within the scope of AASB 132 and AASB 139.

The adoption of AASB 139 has resulted in the Commission recognising all derivative financial instruments as assets or liabilities at fair value. This change has been accounted for by adjusting the opening balance of retained earnings and hedging reserve at 1 July 2005.



41 Change in accounting policy

The impact on the balance sheet in the comparative period is set out below as an adjustment to the opening balance sheet at 1 July 2005. The impact on the income statement of the comparative period would have been to increase financial expenses and decrease profit to the extent that cash flow hedges were not 100 per cent effective and to increase profit for the effect of embedded derivatives. The transitional provisions will not have any effect in future reporting periods.

Reconciliation of opening balances affected by AASB 132 and AASB 139 at 1 July 2005

	Note	Previous GAAP	Effect of Transition to AIFRS	AIFRS
		\$ 000's	\$ 000's	\$ 000's
Payables	1	-	2,210	2,210
Deferred tax assets	1	-	(663)	(663)
Reserves				
Cashflow Hedge Reserve	2	-	-	-
Total impact on equity		-	1,547	1,547

Notes to the reconciliation of financial instruments as if AASB 139 was applied from 1 July 2005

Explanation:

- Under previous GAAP the Commission did not recognise a provision for Embedded Derivatives. An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Under AASB 139 embedded derivatives are bifurcated from the host contract and recorded on balance sheet at fair value, with changes in fair value recorded through the income statement.
- Under previous GAAP the Commission did not recognise any derivatives at fair value on the balance sheet. Instead the Commission translated forward exchange contracts under previous GAAP giving rise to deferred gains or losses. At at 30 June 2005 the Commission had no deferred gains or losses as all forward exchange contracts had been closed out prior to that date.



42 **Additional information**

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.

APPENDICES

BACK



NEXT

CONTENTS



- 132 Appendix 1
Trends in the area of Native Forest harvested
- 133 Appendix 2
Area of State-owned coniferous plantations as at 31 December 2005
- 135 Appendix 3
Area of State-managed broadleaved plantations as at 31 December
- 136 Appendix 4
Area of Commission-owned sandalwood (*S.spicatum*) plantations as at 31 December
- 137 Appendix 5
Log production from Crown Land and private property 2005/06
- 138 Appendix 6
Native Forest sawlog production by the Commission in 2005/06
- 138 Appendix 7
Native Forest chiplog production
- 139 Appendix 8
Native Forest fuelwood production
- 139 Appendix 9
Sandalwood production from Crown Land
- 140 Appendix 10
Audited KPIs
- 141 Glossary
- 142 Acronyms
- 143 Contact details



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	0	1,920	230
1992	13,990	30	1,540	310
1993	14,250	40	1,630	80
1994	14,050	50	1,440	-
1995	17,830	30	2,410	-
1996	22,320	50	1,300	60
1997	18,240	60	1,870	60
1998	19,250	60	1,970	320
1999	14,200	50	1,890	360
2000	20,570	10	1,310	70
2001	*15,130	-	1,380	120
2002	*12,870	30	700	350
2003	8,520	-	720	485
2004	8,860	-	330	920
2005	6,220	30	460	1,070

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

- The reduction in jarrah forest harvest area is in accord with projections outlined in the FMP
- The increase in the 'clearfelled or partially cut and thinned' karri forest is in accord with the recommendations outlined in the FMP to increase karri thinning schedules. Harvested areas have increased as a result of the Commission now harvesting areas of lower quality forest that produce a lower yield than in areas harvested in previous years.
- The forests are regenerated under an agreed silvicultural program provided for in the FMP.

APPENDICES

BACK



NEXT

CONTENTS



APPENDIX 2

Area of State-owned coniferous plantations as at 31 December 2005

PYEAR	Commission-owned													
	Pinus Radiata				Grand				Other pine				Grand	
	First rotation		Replanted areas		Cumulative total		First rotation		Replanted areas		cumulative total			
	STATE	S/F	STATE	S/F	STATE	S/F	STATE	S/F	STATE	S/F	STATE	S/F	STATE	S/F
1959	61	-	12	-	73	-	2522	20	32	-	2554	20		
1960	9	-	1	-	83	-	244	-	-	-	2798	20		
1961	43	-	-	-	126	-	381	-	3	-	3182	20		
1962	47	-	-	-	173	-	323	-	-	-	3505	20		
1963	40	-	-	-	213	-	166	-	-	-	3671	20		
1964	27	-	-	-	240	-	394	-	17	17	4082	37		
1965	44	-	2	-	286	-	386	-	3	-	4471	37		
1966	50	-	2	-	338	-	637	-	1	-	5109	37		
1967	26	-	-	-	364	-	846	-	-	-	5955	37		
1968	30	6	7	-	401	6	1093	55	1	-	7049	92		
1969	109	5	-	-	510	11	1151	17	7	-	8207	109		
1970	146	-	-	-	656	11	1096	-	19	-	9322	109		
1971	241	-	1	-	898	11	744	-	-	-	10066	109		
1972	397	-	-	-	1295	11	606	-	-	-	10672	109		
1973	267	-	18	-	1580	11	528	-	3	-	11203	109		
1974	785	-	-	-	2365	11	309	-	-	-	11512	109		
1975	801	10	-	-	3166	21	1175	-	-	-	12687	109		
1976	1301	84	5	-	4472	105	1117	-	1	-	13805	109		
1977	1269	9	30	-	5771	114	861	-	-	-	14666	109		
1978	1382	8	10	-	7163	122	450	-	-	-	15116	109		
1979	1273	2	219	-	8655	124	364	-	-	-	15480	109		
1980	1474	-	-	-	10129	124	742	-	-	-	16222	109		
1981	1470	-	102	-	11701	124	870	-	6	-	17098	109		
1982	1192	-	254	-	13147	124	457	-	5	-	17560	109		
1983	1219	-	36	-	14402	124	583	-	-	-	18143	109		
1984	1817	-	3	-	16222	124	505	-	9	-	18657	109		
1985	1624	26	121	-	17967	150	477	-	2	-	19136	109		
1986	1040	164	-	-	19007	314	480	-	-	-	19616	109		
1987	1296	631	155	-	20458	945	620	-	20	20	20256	129		
1988	1566	1146	127	1	22151	2092	173	-	-	-	20429	129		
1989	980	424	452	32	23583	2548	22	-	21	-	20472	129		
1990	878	741	354	-	24815	3289	-	-	6	-	20478	129		
1991	1270	1196	502	-	26587	4485	4	-	17	-	20499	129		
1992	1787	1781	508	-	28882	6266	118	118	338	-	20955	247		
1993	655	655	1011	-	30548	6921	140	6	305	-	21400	253		
1994	539	396	526	13	31613	7330	-	-	372	-	21772	253		
1995	99	95	1117	1	32829	7426	279	279	136	-	22187	532		
1996	15	9	1179	-	34023	7435	760	599	32	-	22979	1131		
1997	3	-	1132	-	35158	7435	1121	1121	176	-	24276	2252		
1998	87	75	79	-	35324	7510	1599	1598	-	-	25875	3850		
1999	49	17	818	-	36191	7527	2200	2197	199	-	28274	6047		
2000	203	197	1175	-	37569	7724	3955	3952	13	-	32242	9999		
2001	-	-	936	-	38505	7724	3010	3010	-	-	35252	13009		
2002	180	177	736	-	39421	7901	655	655	-	-	35907	13664		
2003	628	628	969	-	41018	8529	823	823	69	-	36799	14487		
2004	5	-	1249	-	42272	8529	1042	611	142	-	37983	15098		
2005	27	27	1345	-	43644	8556	519	399	80	-	38582	15497		
	28451	8509	15193	47	43644	8556	36547	15460	2035	37	38582	15497		

Note: 1959 planting year row includes the sum of all previous planting.
S/F = share farms.

Cont'd page 132

APPENDICES

BACK



NEXT

CONTENTS



Appendix 2 cont'd

Area of State-owned coniferous plantations as at 31 December 2005

PYEAR	Commission-managed				Total			
	Pinus Radiata		Other pine		All species			
	All rotations		First rotation		Year total		Cumulative total	
	STATE		STATE		STATE		STATE	
	+S/F	S/F	+S/F	S/F	+S/F	S/F	+S/F	S/F
1959	-	-	-	-	2627	20	2627	20
1960	-	-	-	-	254	-	2881	20
1961	-	-	-	-	427	-	3308	20
1962	-	-	-	-	370	-	3678	20
1963	-	-	-	-	206	-	3884	20
1964	-	-	-	-	438	17	4322	37
1965	-	-	-	-	435	-	4757	37
1966	-	-	-	-	690	-	5447	37
1967	-	-	-	-	872	-	6319	37
1968	-	-	-	-	1131	61	7450	98
1969	-	-	-	-	1267	22	8717	120
1970	-	-	-	-	1261	-	9978	120
1971	-	-	-	-	986	-	10964	120
1972	-	-	-	-	1003	-	11967	120
1973	-	-	-	-	816	-	12783	120
1974	-	-	-	-	1094	-	13877	120
1975	-	-	-	-	1976	10	15853	130
1976	-	-	-	-	2424	84	18277	214
1977	-	-	-	-	2160	9	20437	223
1978	-	-	-	-	1842	8	22279	231
1979	-	-	-	-	1856	2	24135	233
1980	-	-	-	-	2216	-	26351	233
1981	-	-	-	-	2448	-	28799	233
1982	-	-	-	-	1908	-	30707	233
1983	-	-	-	-	1838	-	32545	233
1984	-	-	-	-	2334	-	34879	233
1985	-	-	-	-	2224	26	37103	259
1986	-	-	-	-	1520	164	38623	423
1987	-	-	-	-	2091	651	40714	1074
1988	-	-	-	-	1866	1147	42580	2221
1989	-	-	-	-	1475	456	44055	2677
1990	-	-	-	-	1238	741	45293	3418
1991	-	-	-	-	1793	1196	47086	4614
1992	-	-	-	-	2751	1899	49837	6513
1993	-	-	-	-	2111	661	51948	7174
1994	-	-	-	-	1437	409	53385	7583
1995	-	-	-	-	1631	375	55016	7958
1996	-	-	-	-	1986	608	57002	8566
1997	-	-	16	16	2448	1137	59450	9703
1998	-	-	288	288	2053	1961	61503	11664
1999	15	15	449	449	3730	2678	65233	14342
2000	19	19	261	261	5626	4429	70859	18771
2001	-	-	326	326	4272	3336	75131	22107
2002	-	-	217	217	1788	1049	76919	23156
2003	-	-	312	312	2801	1763	79720	24919
2004	-	-	131	131	2569	742	82289	25661
2005	12	12	239	239	2222	677	84511	26338
	46	46	2239	2239	84511	26338	84511	26338

Total columns refer to Commission-owned (previous page) and Commission-managed.

APPENDICES

BACK



NEXT

CONTENTS



APPENDIX 3

Area of State-managed broadleaved plantations as at 31 December

<i>E.globulus</i> PYEAR	Commission-owned				Commission-managed		All species			
	<i>E.globulus</i>		Other eucalypts		Privately owned		Year total		Cumulative total	
	State Other Eucs. +S/F	S/F	State +S/F	S/F	<i>E.globulus</i>	Other Eucs.	<i>E.globulus</i>	Other Eucs.	<i>E.globulus</i>	Other Eucs.
1987	10	-	6595	1	-	-	10	6595	10	6595
1988	4	4	11	-	-	-	4	11	14	6606
1989	38	38	2	-	-	-	38	2	52	6608
1990	52	32	25	-	-	-	52	25	104	6633
1991	-	-	38	-	-	-	-	38	104	6671
1992	193	185	-	-	-	-	193	-	297	6671
1993	62	62	6	-	-	-	62	6	359	6677
1994	12	12	2	-	-	-	12	2	371	6679
1995	3	-	-	-	-	-	3	-	374	6679
1996	163	-	3	3	486	-	649	3	1023	6682
1997	17	-	7	7	398	-	415	7	1438	6689
1998	87	61	5	5	1122	-	1209	5	2647	6694
1999	-	-	10	1	278	-	278	10	2925	6704
2000	57	57	31	2	492	-	549	31	3474	6735
2001	76	76	30	30	-	-	76	30	3550	6765
2002	27	27	485	483	55	-	82	485	3632	7250
2003	31	31	334	308	-	-	31	334	3663	7584
2004	1	1	738	594	-	-	1	738	3664	8322
2005	-	-	291	189	-	18	-	309	3664	8631
	833	586	8613	1623	2831	18	3664	8631	3664	8631



APPENDIX 4

Area of Commission-owned sandalwood (*S.spicatum*) plantations as at 31 December

PYEAR	Commission-owned				Commission-managed			
	<i>S.spicatum</i>		Cumulative total		<i>S.spicatum</i>		Cumulative total	
	State	State	State	State	State	State	State	State
	+S/F	S/F	+S/F	S/F	+S/F	S/F	+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	55	55	176	176	22	22	53	53
2004	58	20	234	196	22	22	75	75
2005	214	176	448	372	-	-	75	75
	448	372	448	372	75	75	75	75



APPENDIX 5

Log production from Crown Land and private property 2005/06

Type	Crown Land		Private property		Total	
	m ³	tonnes	m ³	tonnes	m ³	tonnes
Sawlog timber*						
Jarrah	161,440	210,905	-	-	161,440	210,905
Karri	56,949	70,616	-	-	56,949	70,616
Marri	9,407	11,666	-	-	9,407	11,666
Blackbutt	969	1,200	-	-	969	1,200
Wandoo	748	983	-	-	748	983
Sheoak	1,843	1,843	-	-	1,843	1,843
Other	1,681	2,181	-	-	1,681	2,181
Total Native Forest sawlogs	233,037	299,394	-	-	233,037	299,394
Muellerana	9	10	-	-	9	10
Mallet	43	51	-	-	43	51
Karri	415	515	-	-	415	515
Total Plantation hardwood sawlogs	467	576	-	-	467	576
Pinaster	198,637	198,637	1,401	1,401	200,038	200,038
Radiata	355,892	355,892	7,989	7,989	363,881	363,881
Plantation softwood sawlogs and veneer logs	554,529	554,529	9,390	9,390	563,919	563,919
Total sawlogs	788,034	854,499	9,390	9,390	797,424	863,889
Other log material						
Native Forests						
Chiplogs	142,454	169,139	-	-	142,454	169,139
Firewood/charcoal logs	143,184	162,661	-	-	143,184	162,661
Sandalwood	2,282	2,282	-	-	2,282	2,282
Other **	19,058	23,513	-	-	19,058	23,513
Sub-total Native Forest other	306,978	357,595	-	-	306,978	357,595
Plantation hardwood						
Chiplogs***	4,523	5,593	119	139	4,642	5,732
Firewood/charcoal logs	810	810	-	-	810	810
Other **	24	29	-	-	24	29
Sub-total hardwood	5,357	6,432	119	139	5,476	6,571
Plantation other						
Plantation softwood						
Industrial wood	178,834	179,072	2,952	2,970	181,786	182,042
Woodchips	76,999	77,627	695	702	77,694	78,329
Other	17,686	17,686	-	-	17,686	17,686
Pine rounds	22,096	22,096	1,288	1,288	23,384	23,384
Sub-total Plantation softwood	295,615	296,481	4,935	4,960	300,550	301,441
Other						
Total Other Material	607,950	660,508	5,054	5,099	613,004	665,607
TOTAL LOG TIMBER	1,395,984	1,515,007	14,444	14,489	1,410,428	1,529,496

Includes logs from Crown land sold under Minor Production Contracts.

* Sawlog timber from all sources, including veneer, but not including chiplogs, particleboard, 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.



APPENDIX 6

Native Forest sawlog production by the Commission in 2005/06

Product type	High quality	1st & 2nd sawlogs	Bole log	Other sawlogs	Total
	m ³	m ³	m ³	m ³	m ³
Jarrah	929	117,559	25,368	17,584	161,440
Karri	23	52,697		4,229	56,949
Marri	421			8,986	9,407
Other species	1,261	738	1,566	1,676	5,241
Total	2,634	170,994	26,934	32,475	233,037
	tonnes	tonnes	tonnes	tonnes	tonnes
Jarrah	1,152	154,589	33,359	21,805	210,905
Karri	28	65,344		5,244	70,616
Marri	523			11,143	11,666
Other species	1,442	953	2,058	1,754	6,207
Total	3,145	220,886	35,417	39,946	299,394

Includes logs from Crown Land sold under Minor Production contracts

The quantity of 1st and 2nd grade jarrah harvested in 2005/06 was 135,317m³ (117,559m³ of 1st & 2nd grade sawlogs plus 70 per cent of 25,368m³ of bole logs). The excess of 4,317 m³ was the result of the catch up on previous year targets.

APPENDIX 7

Native Forest chiplog production

Product type	Crown Land 2003/04		Crown Land 2004/05		Crown Land 2005/06	
	(m ³)	(tonnes)	(m ³)	(tonnes)	(m ³)	(tonnes)
Marri	37,750	46,077	2,907	3,600	5,572	6,909
Karri	124,673	147,901	134,534	159,376	136,490	161,771
Other	-	-	2027	2377	392	459
Total	162,423	193,978	139,468	165,353	142,454	169,139

- Increase in karri chiplog production is primarily due to increased karri thinning operations in accordance with the FMP.
- Increase in marri chiplog production is due to increased sale of marri residue logs currently used by customers to redeck their log landings, as well as residue resulting from production of marri sawlogs.



APPENDIX 8

Native Forest fuelwood production

Log type	2003/04 (tonnes)	2004/05 (tonnes)	2005/06 (tonnes)
Firewood logs	53,972	66,563	86,680
Charcoal logs	58,127	76,181	75,981
Total	112,099	142,744	162,661

Increase in firewood production of 20,117 tonnes, for period 2005/06, was due to increase in greenwood stockpile for drying and later sale as dry firewood.

APPENDIX 9

Sandalwood production from Crown Land

Type	2003-04 (tonnes)	2004-05 (tonnes)	2005-06 (tonnes)
Green (excl. roots & 3rd)	1,443	1,131	1,369
Roots	120	199	205
3rd Grade Green	-	-	17
Dead	582	626	653
Bark	25	-	38
Total	2,170	1,956	2,282

Increase in production for period 2005/06 was due to:

- improved overall recovery of 2nd grade green and root material
- 3rd grade green logs (17 tonnes) not previously recovered.



APPENDIX 10

Audited KPIs 	PAGE
QUANTITY OF NATIVE FOREST HARDWOOD LOG TIMBER HARVESTED COMPARED TO SUSTAINABLE LEVELS AND TARGETS	24
AREA OF NATIVE FOREST HARDWOOD REGENERATED	26
THE HARVEST OF GREEN SANDALWOOD WILL BE MAINTAINED AT A SUSTAINABLE LEVEL	26
AREA OF PLANTATION ESTABLISHED AGAINST TARGET	33
RATIO OF PROFIT BEFORE INTEREST AND TAX TO TOTAL ASSETS (RETURN ON TOTAL ASSETS)	57
NATIVE FOREST	
COST OF HARVESTING – NATIVE FOREST	60
RATIO OF REVENUE TO HARVESTING - NATIVE FOREST	61
COST OF HARVESTING AND PROCESSING – SANDALWOOD	61
RATIO OF REVENUE TO MANAGEMENT AND HARVESTING COST – SANDALWOOD	62
SILVICULTURAL COST PER HECTARE MANAGED OF NATIVE FOREST.	62
PLANTATIONS	
COST OF HARVESTING	63
RATIO OF REVENUE TO HARVESTING COSTS	63
OPERATING COST PER HECTARE MANAGED	64
COST PER HECTARE RE-ESTABLISHED	64
PLANTATION LOG PRODUCTION IS CONSISTENT WITH CONTRACTED LEVELS OF SUPPLY TO INDUSTRY	65



GLOSSARY

Bole	Trunk or main stem of tree.
Broadleaved	Hardwood, flowering species.
Butt log	A log cut from the butt or lower end of the bole.
Carbon sequestration	Process where trees take up carbon dioxide from the atmosphere and store carbon in their leaves, branches, stem and roots.
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.
Coniferous	Softwood, cone bearing species.
Crown	A tree's canopy or foliage.
Cubic metre (m ³)	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.
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, (as of 1 July 2006 Department of Environment and Conservation).
CO ₂	Carbon dioxide
CRC	Cooperative Research Centre
EMS	Environmental Management Systems
FHC	Forest Heritage Centre
FIAA	Furnishing Industry Association of Australia
FIFWA	Forestry Industry Federation (WA)
FMP	Forest Management Plan 2004-2013
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	Megajoules
MTI	Medical time incident
MW	Megawatt
NAP	National Action Plan for Salinity and Water Quality
NRA	Natural Resource Assesst (previously referred to as Self Generating And Regenerating Asset SGARA)
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 farms
+S/F	Share farms + State forest
SCI	Statement of Corporate Intent
SGARA	Self Generating and Regenerating Assets
STF	Strategic Tree Farming project
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 BC WA 6849
Phone: (08) 9475 8888
Facsimile: (08) 9475 8899

FREECALL: 1800 241 688 (tree farming enquiries)

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) 9735 1000
Facsimile: (08) 9734 5649

Esperance

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

Gnangara

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

Harvey

64 Weir Road, Harvey WA 6220
PO Box 499, Harvey WA 6220
Phone: (08) 9729 2888
Facsimile: (08) 9729 2499

Kalgoorlie

Suite 6, 158-160 Egan Street, Kalgoorlie WA 6430
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

PO Box 2101
Kununurra WA 6743
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
Locked Bag 6, 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

