

FPC

FOREST PRODUCTS COMMISSION

FPC | annual report  
2006/07


growing a  
sustainable  
future



**HON KIM CHANCE MLC  
MINISTER FOR FORESTRY**

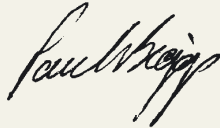
In accordance with the provisions of the *Financial Management Act 2006*, we hereby submit for your information and presentation to Parliament, the Annual Report of the Forest Products Commission for the financial year ended 30 June 2007.

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



**David Taylor**  
*Chairman*

30 August 2007



**Dr Paul Biggs**  
*General Manager*

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## CHAIRMAN'S REPORT



The Forest Products Commission (Commission) has completed a difficult year with supply challenges in the native hardwood business and obstacles with sandalwood export markets.

Reduced forward yield and revenue estimates, principally from arid forest resources and the mature pine estate, have resulted in a write-down of \$46 million in the Commission's natural resource asset base.

This write-down plus other end of year adjustments results in a reported overall net loss for the year of \$18.505 million. That result notwithstanding, the Commission is able to report an underlying operating profit of \$8 million for the 2006/07 year, which is similar to the underlying operating profit for 2005/06.

This performance has allowed the Commission to declare a \$2.8 million dividend to the Western Australian Government.

Given the circumstances, this result is satisfactory and is testimony to some dedicated work by the Commission's Executive and staff, under the leadership of Dr Paul Biggs, and I extend the appreciation of the Commissioners to all for their efforts.

During the year the Minister commissioned the Statutory Review of the Forest Products Act. Within this Review the Commission has sought improvements in the Act to better support the business, whilst minimising major structural or governance changes. This will provide an element of stability while the organisation resolves important commercial and operational issues.

To assist the Commissioners in addressing their responsibilities in a changing business environment, the Commissioners' committee structure was reviewed and revised during the year. The Harvesting and Marketing Committee replaced the previous Resource Utilisation Committee and now has a greater focus on advising the Commission to enhance log production in order to meet contract commitments.

The New Business Committee was formed with the important task of evaluating emerging new business opportunities, particularly in terms of potential bioenergy from forest residues, carbon trading and joint ventures associated with Strategic Tree Farming initiatives. The focus of the Audit and Risk Management Committee has also been sharpened to reflect current business challenges.

Every Commissioner sits on one or more committees, and I thank them for this work plus their overall contribution to the Commission's governance. I would also like to recognise the achievements of my predecessor and founding Chairman, Mr Murray Jorgensen, who guided the organisation through its formative years including the implementation of the new Government's old growth forest policy in 2001.

The outlook for the 2008 year remains challenging as the Commission attempts to balance its business in response to a changing business environment. The outcome of the Statutory Review and the reorganisation in our governance structures should better position the Commission to embrace the forestry future.

A handwritten signature in black ink, which appears to read 'David Taylor'. The signature is written in a cursive, flowing style.

**David Taylor**  
Chairman

## GENERAL MANAGER'S REVIEW



The rate of change across Western Australia's forest industry continues to pose major challenges for the Commission as it strives to contribute to the State's economic and regional growth through developing sustainable use of our plantation and native forest resources.

The Commission is proud of its record in achieving environmentally sustainable practices and goals, but further improvements are needed to realise sustained economic viability.

Despite constraints in harvesting capacity during a period of major harvesting contract negotiations, pine log production was close to target. A new contract was signed with Pine Hauliers for the next five and a half years and agreement reached with Softwood Logging Services for a thinning contract in the Bunbury region. Plans are now in place for a tender for additional harvesting capacity. The harvesting capacity was addressed through a short-term contract with Plantation Logging.

The biggest difficulties have been experienced in the South West forests, particularly with jarrah sawlog production. Production from regrowth forests under the 2004 Forest Management Plan has been complex, and with the different roles of the Government agencies, has been time-consuming and not responsive to rapid change. While production issues have been a major focus for the Commission, harvesting contractors and sawmills, extensive work remains to stabilise an efficient and effective industry in this region. The industry is still adjusting to reduced timber volumes, changes in wood quality from the forests, varying end use markets and an increasing delivery price. This requires constant management to ensure the planning, approvals and logistic processes are efficient.

Sandalwood production has also been subject to new harvesting arrangements with all contractors taking steps to assist in the recovery of third-grade material in addition to the traditional grades. The recent 'whole sandalwood tree harvesting' technique, including roots and the smallest sticks and twigs, has helped increase the recovery of all possible products from any tree that is extracted. The sale of the lower grade powder mixes has been slow as the Commission and the market adjust to the results of different distillation methods at Mt Romance Australia.

Very pleasing results have been achieved this year at our Plant Propagation Centre in Manjimup. Following a management review, new methods and equipment were instituted at the Centre, and seedling production has been the best for many years. This increased seedling yield has supported a much larger plantation establishment program with Strategic Tree Farming.

The Commission has achieved a substantial land acquisition target this year, helping to deliver major results for the Strategic Tree Farming project under the National Action Plan for Salinity and Water Quality. However, we suffered major drought deaths in older plantations in the West Midlands on the back of the 2006 drought year. The financial impact of this will not be felt until 2007/08 when the major salvage and rehabilitation work will be completed. The experience of the drying climate has already led us to revise the industry development plans for the Midwest.

The Commission places a high importance on the safety and health of our workforce of 244 employees based throughout the State. During the year we undertook a comprehensive review of our Occupational Safety and Health program. The peer support network was significantly increased and training provided in Good Working Relations. The Commission was recognised as one of eight finalists in the Work Safety Awards for 2006. Looking to the future, field recruitment and training continue to be a major focus.

I thank the staff for their valuable contribution in a challenging year and the Commissioners for their strategic direction.

A handwritten signature in black ink, appearing to read 'Paul Biggs'. The signature is written in a cursive, flowing style.

**Dr Paul Biggs**  
General Manager





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# BUSINESS PROFILE

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growing a  
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## ABOUT US

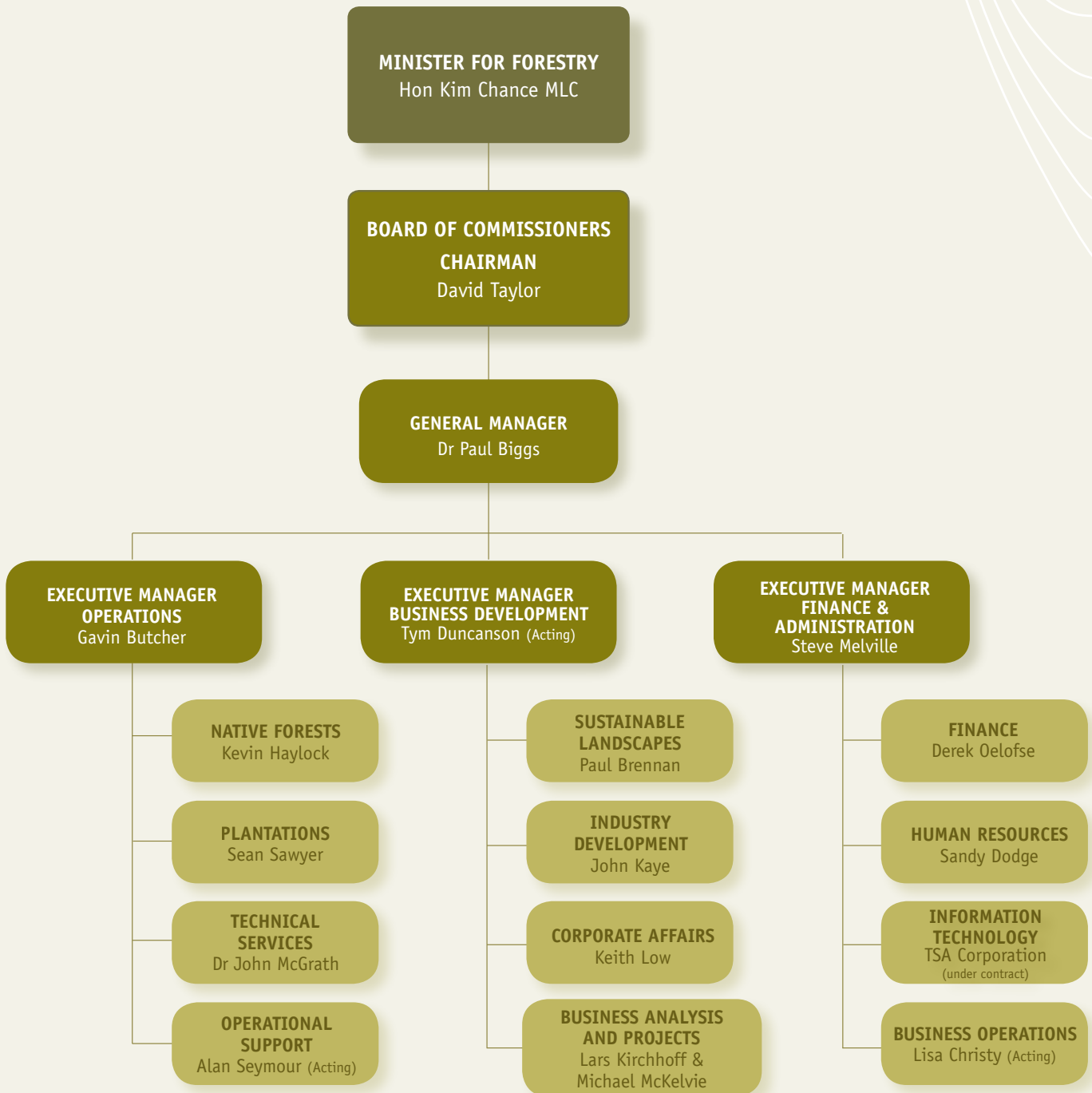
The Forest Products Commission Western Australia was established in 2000 as a Statutory Authority to manage Western Australia's commercial forestry activities.

The Commission operates five business segments including South West Forests, Arid Forests, Mature Plantations, New Plantations and the Plant Propagation Centre. Each segment has its own operating conditions, markets and financial characteristics. The Commission performs the following commercial functions:

- 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.
- Works with industry to find high-value uses for Western Australian timbers to create more jobs.

The Commission manages more than 275 contracts (including State Agreements), for works and services and contracts for sale of forest products. These contracts have an approximate life value of \$2.75 billion (excluding contracts with landowners for sharefarming and minor contracts under \$20,000).

## ORGANISATIONAL STRUCTURE



## OUR CUSTOMERS

The Commission provides forestry services and products to a diverse group of local and overseas businesses, contractors, farmers, government agencies, regional communities and the broader public.

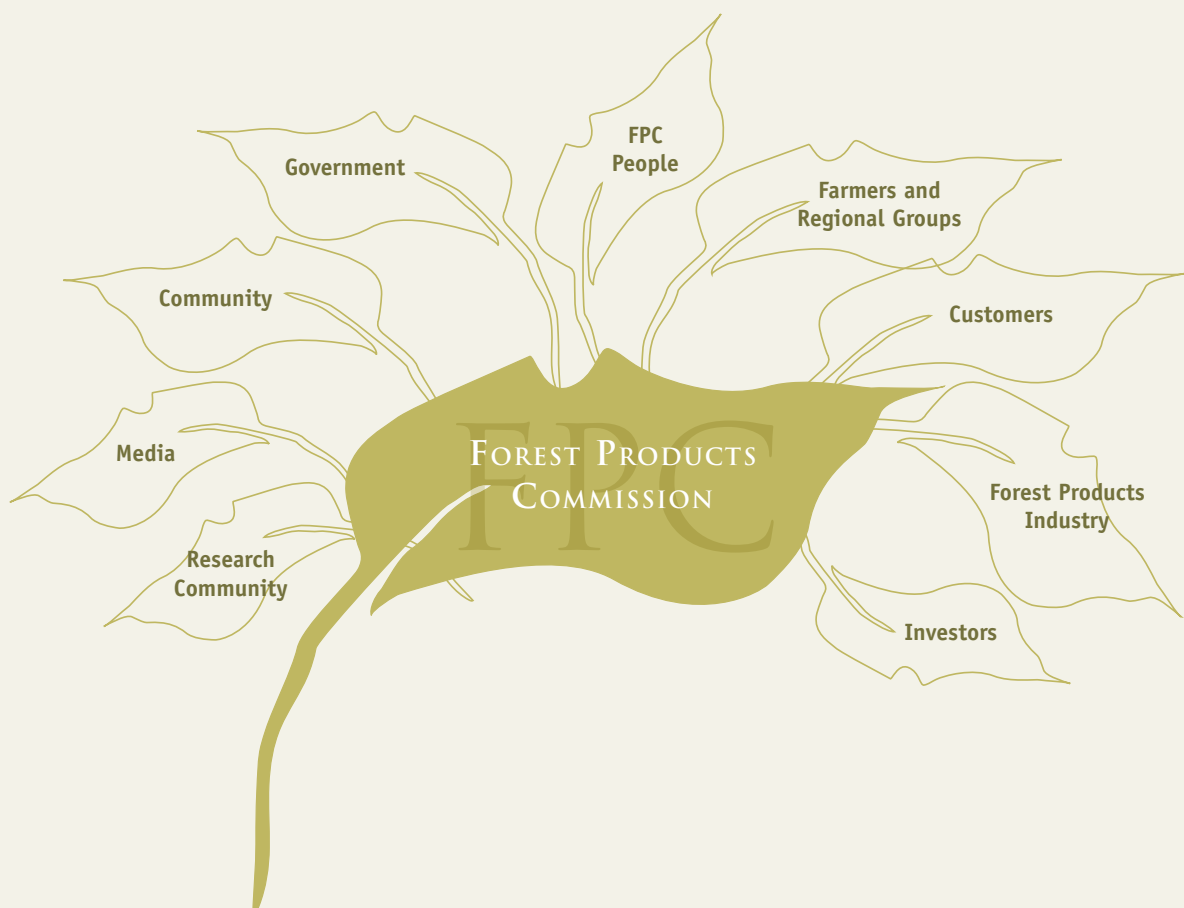
The Commission produced and sold 1,545,264 tonnes of softwood and hardwood log timber to these customers during the year – a small increase on the previous financial year. It also established and managed plantations for a range of investors.

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 predominantly processed into high value timber products. These mills supply a valuable local industry with timber for flooring and joinery. They also resource 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) and provide overseas buyers with 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 such as Taiwan, Hong Kong and China are the largest consumers, importing more than 60% of our annual production, largely for the manufacture of incense and joss sticks. Other significant Asian markets include Malaysia, Singapore, India and Thailand. The largest local sandalwood buyer is Mount Romance Australia, which produces sandalwood oil at its facilities near Albany.



## VISION

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

## MISSION

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

Developing the sustainable use of the State's plantation and native forest resources.

Promoting innovation and local value adding for these resources.

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.

The Act 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.

The Commission's Statement of Corporate Intent (SCI) further develops these broad objectives, and the principle relating to profit, to provide clear goals, strategies, objectives and performance targets. The SCI has also been aligned to be consistent with the Government's forest policy. A brief snapshot of the 2006/07 SCI goals is provided below.

## PLANTATIONS

The Commission's Plantations business consists of two key areas:

### New Tree Farms and Plantations

The Commission's tree farms and plantations provide an alternative timber resource to native forests. The Commission guides the expansion of these new plantations which are funded by both private and public investment.

### Mature Plantation Estates

These are established plantations (largely *Pinus radiata* and *Pinus pinaster*) from Wanneroo to Manjimup where both the resource and processing industry are mature.

**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.

## NATIVE FORESTS

The Commission's access to forest product resources from native forest on public lands includes a range of species from two main sources:

### South West Forests

Jarrah, karri and marri which the Commission harvests and replants in WA's South West region.

### Arid Forests

Sandalwood and other desert timbers that the Commission can harvest and regenerate. These species are also part of the plantation program to provide resource into the future.

**GOALS |** To develop a profitable native forest products business to produce timber for the high value manufacturing industry in Western Australia. To expand WA sandalwood and desert timbers as a high value business while demonstrating the sustainability of the native harvest and investing in plantation development.



## SUPPORT SERVICES

The Commission has a diverse range of overarching and support services including:

### **The Plant Propagation Centre**

Encompasses the Commission's Nursery, Seed Centre and Tree Breeding sections that provide seed and high quality plant stock.

### **The Forest Practices Office**

Ensures sound forestry management practice.

### **Finance and Administration**

Provides quality financial and management accounting services, effective procurement and contract management services, business operations services, information technology and human resource systems appropriate to Commission business.

### **Research and Development**

Provides evidence of sustainable forestry practices, species improvement and wood quality innovations.

### **Strategic Business Development**

Develops internal and external business partnerships that support the Commission and WA's forestry industry while also identifying and promoting new and value added forest products, industries and services.

### **Resource Inventory and Planning**

Provides accurate resource information to aid the strategic planning of harvesting, wood flow, sustainability management and silvicultural activities.

**GOAL** | To ensure overarching and support services are relevant and focussed to achieving the Commission's core business strategies.

## MAJOR MILESTONES 2006/07

The Commission focuses on triple bottom line benefits including positive environmental, financial and social outcomes to the people of Western Australia. Some of this year's key achievements include:

- The Commission's operating performance during the year provided an underlying profit of \$8 million before natural resource asset revaluation. This compares favourably with the Commission's initial forecast in the 2006/07 Statement of Corporate Intent of \$1.8 million.
- The Commission paid a dividend to the State of \$2.7 million in December 2006 in relation to the operating performance of 2005/06.
- The Commission exceeded the 2007 Strategic Tree Farming (STF) land acquisition target of 6,315 hectares (ha) as a further step in delivery of its commitments under the Project. In 2006, 3,263 ha of new plantations were planted in catchment areas against a target of 3,600 ha – treble the previous year's plantings. The shortfall was due to the unusually dry winter planting season that restricted establishment in some areas.
- Major negotiations have continued with customers and contractors across the pine industry with the dual objectives to increase the efficiency and effectiveness of current operations and improve the financial returns to growers.
- The major achievement during the year was the signing of a new contract with Pine Hauliers Pty Ltd on 30 June 2007. This contract will facilitate increased optimisation of log production from Commission plantations and help increase the proportion of long logs delivered to the Wespine sawmill.
- Amongst its submissions to the statutory review of the Forest Products Act, the Commission has included legislative provisions that will allow it to participate in the developing carbon economy. To further position itself for new business opportunities related to carbon emissions management, the Commission discussed options with several potential investors seeking to participate in the trading of carbon credits.
- Tree Farming and Industry Development Plans were progressed with the review of the Plan for the Mid West. Two more plans are being developed to outline the industry rationale for Australian sandalwood (in conjunction with the Avon Sandalwood Network) and oil mallees.
- Timber technology research at Harvey was wound up on 30 June 2007 and operations transferred to The University of Western Australia / FPC joint venture based at the UWA Nedlands campus.

## MAJOR PLANNED ACHIEVEMENTS 2007/08

The Commission plans to consolidate its operations over the coming year through the implementation of the recommendations of the Review of the Forest Products Act. These recommendations provide additional clarity to the Forest Products Commission's role and function providing strong alignment to broad government policy. In addition to implementing the recommendations some major commercial activities planned for 2007/08 are:

- Work with the South West forest industry to ensure the timber supply chain delivers the optimal outcome for the industry and to the Commission.
- Work to achieve improved financial returns to pine plantation growers to encourage an increased plantation estate into the future.
- Undertake comprehensive field inventory of the sandalwood resource.
- Implement the State's Plantation and Farm Forestry Strategy.
- Establish over 7,000 ha of new NAP Strategic Tree Farm (STF) plantings.
- Continue to promote STF as a high priority project to help address salinity.
- Secure ongoing funding for STF.
- Pursue profitable business development opportunities.
- Continue to promote forestry services to assist in addressing climate change.
- Make the transition to the whole of Government's Office of Shared Services.

## SIGNIFICANT ISSUES AND TRENDS

The Commission operates in a dynamic environment influenced by domestic and global market forces and evolving government policies relating to water use, salinity, climate change and forestry.

The main issues impacting the forestry industry and Commission in coming years are:

- The introduction of the Forest Management Plan in 2004 has resulted in reduced volumes of native timber being harvested and delivered particularly to the South West sawmilling industry. The industry is still adjusting to changes in wood quality from the forests, reduced timber volumes, varying end use markets and an increasing delivery price. The Commission is continuing to work with industry to address these issues and the financial impact on the Commission will depend on the response.
- The Commission has responded to the decrease in available native timbers by establishing and promoting new pine, eucalyptus and sandalwood plantations in low to mid rainfall areas. This will provide a new and increasing timber resource to support local and export demand. The Commission has developed wide-ranging industry plans for four regional areas of Western Australia with a view to developing new regional processing industries.
- Climate change represents both opportunities and threats to the Commission's business. Financial opportunities to sequester carbon through reforestation and Commission managed plantations are starting to emerge from the fledgling national carbon trading market. The Commission will position forestry in general and its forestry management services specifically to target investors in carbon sequestration initiatives. Lower rainfalls and climate change will potentially require new responses in managing and establishing plantations.
- The ongoing drought has negatively impacted some of the Commission's Mid West plantations and the Commission is undertaking a detailed analysis of each drought affected plantation to determine the appropriate remedial action.
- Western Australian Sandalwood has emerged as a high value business with high export demand but remains a limited resource. The Commission is investing in the development of plantation grown sandalwood timbers to maintain ongoing sandalwood supplies.
- The size of the Commission plantation estate is under ongoing pressure from competing land uses. The Commission will continue to seek greater control over land and land use decisions affecting its business.
- There is currently little private or State investment in new *radiata* pine estates because the current economic returns provide a barrier to investment. The Commission is seeking to develop markets for industrial wood and residue products and to attract investment into new pine plantations by helping to improve financial returns to the growers. This will ultimately require an industry-wide response.



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# ENVIRONMENTAL REVIEW

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creating a  
sustainable  
environment



Managing one of our State's most precious natural resources, the Commission adopts environmental approaches that ensure forest products are grown, harvested and managed in an environmentally sustainable manner.

Enforcing strict environmental standards, the Commission seeks to reduce the potential impacts of harvesting, new plantations and reforestation while using these projects to help abate environmental problems such as salinity, water quality and erosion.

The Commission also seeks opportunities to expand renewable energies and contribute to global carbon cycles while training contractors in sound environmental management procedures.

## 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.
- Communicate with internal and external stakeholders on environmental issues and performance.

## ENVIRONMENTAL SERVICES

The Commission performs a diverse range of environmental services including reforestation, seedling production and species improvement, salinity amelioration, groundwater monitoring, exotic disease detection, research, carbon sequestration and renewable energy industry development.

### Groundwater monitoring

The Commission has commenced monitoring the influence of tree crops in the low to medium rainfall zone on soil water stores and groundwater levels. Monitoring of the bore fields that were established to measure groundwater levels on three properties purchased by the Commission in 2003/04 has commenced.

As advised last year, the funding partners for the Strategic Tree Farming (STF) project requested that a Scientific Reference Group be formed to provide input to STF. This group provided advice on streamlining and improving the targeting of the hydrological monitoring program.

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 maritime pine (*Pinus pinaster*) plantings on a range of farmland plantings shows substantial reduction of soil water stores relative to adjacent farmland.

Progress with the installation of further bore fields was slowed by the shortage of suitable hydrologists and the availability of drilling contractors due to the high demand for these skills and services in the current Western Australian job market. However, recent appointments will ensure that the program is completed within the time frame of the STF project.

The Commission's strong links with the hydrology program within the Cooperative Research Centre (CRC) for Forestry has led to the development of a research program which will provide an understanding of the impact of revegetation on water movement in the landscape and thereby optimise the placement of trees.

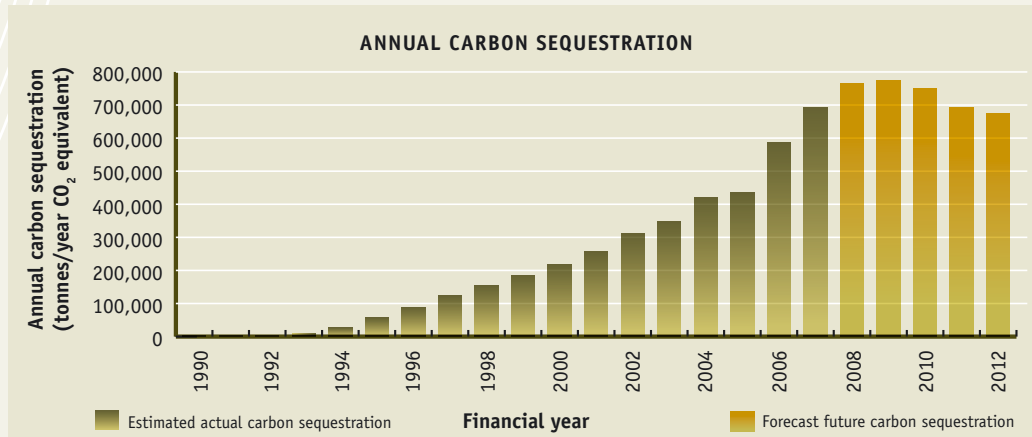
### Carbon sequestration

The Commission was an active member of the CRC for Greenhouse Accounting, which ceased operation in September 2006. This venture, which drew together research organisations and state agencies from across Australia, improved the methods of accounting for carbon stored as a result of land-use change. The Commission's interest was the sequestration of carbon following the reforestation of farmland, as this will provide a new product for forest growers. Participating in this venture has resulted in considerable improvements in the science underpinning the Commission's related operations.

This capacity developed through the association with the CRC for Greenhouse Accounting, has been used by the Commission to develop best practice techniques for sampling and estimating carbon sequestration in farm plantations, and forecasting future carbon sequestration. The information resource has been utilised in projects which aim to attract investors seeking to develop carbon sink projects.

A Rural Industries Research and Development Corporation (RIRDC) project to assess the impact of land management on carbon sequestration in rangeland systems is continuing and will be completed in 2008. This project will evaluate whether rangelands are significant "carbon sinks".

## Annual carbon sequestration



The figure above shows annual carbon sequestration (measured as tonnes of carbon dioxide removed from the atmosphere) in the Commission's plantation forests. The data is for areas planted between 1990 and 2006 on cleared land. Carbon sequestration for areas to be planted from 2007 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 Gngangara plantation harvesting strategy has been modified to optimise the water recharge while meeting the Commission's commitments to supply a new laminated veneer lumber (LVL) plant under the *LVL State Agreement Act*.

The Commission has received funding through the Gngangara Sustainability Strategy, to contribute to the development of an integrated land use strategy for the sustainable management of the Gngangara Mound for environmental, water, recreational and productive purposes. The strategy is intended to be delivered in mid 2009.

The impact of the maritime pine plantations on the mound and the options for mitigating the impact of the plantations on the groundwater will be assessed. In addition, the impact of retaining part of the plantation resource on the mound will be examined.

## BIOENERGY DEVELOPMENT

The Commission is actively working with a number of parties to develop and promote renewable energy opportunities.

### **WA Biomass Pty Ltd (originally Babcock and Brown)**

WA Biomass is planning a 35 megawatt bioenergy plant in the South West that will utilise approximately 380,000 tonnes of plantation residue per annum. The Commission will contribute approximately 45% of this quantity.

A draft production contract is in final stages of completion and is dependent on WA Biomass arranging finance and constructing a \$100 million facility.

### **SpiritWest Bioenergy Pty Ltd (SWB)**

SWB underwent an ownership change during the year and currently propose a 40 megawatt plant based in Neerabup north of Perth. Approximately 300,000 tonnes of material will be required and the Commission is planning to supply approximately 55% of the estimated fuel requirement.

Similar to WA Biomass, the Commission is finalising a draft contract subject to SWB meeting certain pre-conditions.

### **Tender process for residues**

The Commission continues to work actively to finalise markets for native forest derived residues. Due to increasing enquiries particularly from bioenergy companies, the Commission decided to call for tenders. It is expected that tenders will be requested late in 2007.

### **Albany plantation residues**

The Commission is not a major plantation manager in the Albany region but is working with proponents for a number of renewable energy projects based at the Mirrambeena Timber Processing Precinct near Albany.

## ENVIRONMENTAL MANAGEMENT

In 2006/07 the Commission made further progress in achieving certification to the Environmental Management System (EMS) ISO14001:2004 standard. It is anticipated the Commission will achieve whole of agency certification during the 2007/08 financial year.

## ENVIRONMENTAL INCIDENTS

The EMS is effectively maintained by the Commission through quarterly management reviews and a comprehensive schedule of both internal and external audits.

An integral part of the EMS is continuous improvement. The corrective and preventative actions arising from identified environmental incidents play a key role in continuous improvement.

All high level incidents are outlined below. The percentage closure of the incident reports refers to all incidents (rated as high, medium or low), that have been completed within specified time periods. The target is 100% closure. The low closure rate can be attributed to a large number of low to medium internal audit findings which have not yet been processed.

### Plantations

Significant frost damage to areas of sugar gum (*Eucalyptus cladocalyx*) was recorded as a high level incident. Investigations have resulted in more thorough provenance data being obtained and frost prone sites being identified and planted with more frost tolerant species.

Two high level incidents were related to the inappropriate use of chemicals by a contractor. One incident affected private property and resulted in compensation for the landowner. The other involved a Public Drinking Water Supply Area. Water testing was undertaken to confirm that the chemical had not entered the drinking water supply and additional training on the use of chemicals was provided to the contractor.

The incident reporting system successfully captured management action associated with an outbreak of an exotic pest in plantations of Sydney bluegum (*Eucalyptus saligna*). During a routine inspection of a plantation, it was observed that a number of trees were displaying severe leaf blistering. Closer inspection revealed the presence of an unknown insect. This pest was identified by a representative from the Integrated Pest Management Group (IPMG) as the brown lace lerp (*Cardiaspina fiscella*) - an insect endemic to the eastern states of Australia. It was first recorded in Western Australia in 2001. Management objectives for this pest have now been implemented.

There was one high level incident related to a breach of a Disease Risk Area permit by a contractor working for the Commission when a truck was driven through a Disease Risk Area during heavy rain. The individual and contractor group were notified of the breach and instructed on their contractual obligations to the Commission.

Closure of incident reports within specified time frames was 89% (100% 2005/06) for mature plantations and 88% (94% 2005/06) for new plantations.

### Native Forests

There have been no high level incidents applicable to either the South West Forests or Arid Forests sections. The incident reporting system was used to document the reseeded areas where monitoring had determined that an inadequate amount of sandalwood seed had been sown.

Closure of incident reports within specified time frames was 75% (77% 2005/06) for South West Forests and 100% (100% 2005/06) for Arid Forests .



### Plant Propagation

Plant Propagation includes all aspects of the Nursery and Seed Technologies. There have been no high level incidents for Plant Propagation.

A change in the methods used to stratify maritime pine (*Pinus pinaster*) seed resulted in a marked improvement in germination rates and seedling quality.

Closure of incident reports within specified time frames was 63% (70% 2005/06)\*.

### Executive

There have been no high level incidents for the Executive.

Closure of incident reports within specified time frames was 21% (75% 2005/06)\*.

## COMPLIANCE WITH FOREST MANAGEMENT PLAN 2004-13

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

The Commission reports annually on the compliance of its staff and contractors as required by Action 32.5 of the FMP.

The full compliance report may be reviewed separately on the Commission's website at [www.fpc.wa.gov.au](http://www.fpc.wa.gov.au)

## AUSTRALIAN FORESTRY STANDARD

During the 2006/07 financial year the Commission undertook an across agency analysis of the cost of achieving certification to the Australian Forestry Standard (AFS). A similar exercise was also completed by the Department of Environment and Conservation for related sectors of its agency.

The Commission is now in discussion with the timber industry on funding options to achieve certification to the AFS. Outcomes of these discussions are likely during the 2007/08 financial year.

\* SCI indicator

## SUSTAINABILITY ACTION PLAN

The Plan's priority commitments and proposed timeframe for achievements have been incorporated into the Commission's Statement of Corporate Intent (refer Appendix 11).

The sustainability objectives managed by the Commission are to:

- Ensure that forest practices are compliant with recognised sustainable practices (see Compliance with FMP on page 23).
- Achieve reductions in rising ground water and salinity (see Groundwater monitoring on page 19).
- 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 (see Water table management of the Gngangara Mound page 20).
- Provide renewable energy sources (see Bioenergy Development page 21).
- Provide carbon sinks to offset greenhouse emissions; and contribute to the balanced management of public water supplies (see Carbon Sequestration on page 19).

The Commission is committed to sustainability and environmental stewardship in both its native forest and plantation operations which are undertaken within an accredited EMS. Following a recent audit, we anticipate this certification will be extended to apply to the whole organisation.

The procurement certification of goods and services to support the Commission's activities takes into account its commitment to sustainability. The Commission relies heavily on contractors to perform establishment, maintenance and harvesting operations and all contractors undertaking work for the Commission are required to observe and comply with the EMS. Field officers, mainly foresters, are responsible for contractors' compliance as part of their contract management activity.

The Commission's generic goods and services requirements are essentially the same as other Government agencies and are procured from Common Use Arrangements or through processes established by the Department of Treasury and Finance's Government Procurement Office. The Government Procurement Office processes include sustainable procurement factors.

## OPERATIONAL SUSTAINABILITY KEY PERFORMANCE INDICATORS

### QUANTITY OF NATIVE FOREST HARDWOOD LOG TIMBER HARVESTED COMPARED TO SUSTAINABLE LEVELS AND TARGETS<sup>☑</sup>

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

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

Based on an analysis of this information by the Department of Environment and Conservation (DEC), the estimated sustainable yield level of annual volume for jarrah, karri and marri is determined for the term of the Forest Management Plan (FMP).

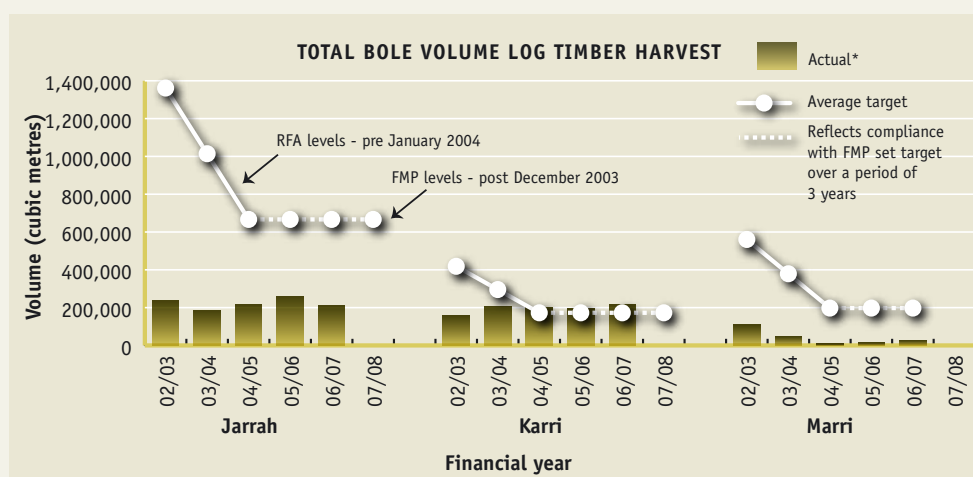
The current 10 year FMP commenced on 1 January 2004. The 2006/07 financial year represents the third financial year period under the FMP.

**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.**

#### Bole volume for jarrah, karri and marri

For the period 2004 – 2013 the annual sustainable yield level of bole volume (including first and second grade sawlogs) for jarrah and karri, is 665,000 m<sup>3</sup> and 171,000 m<sup>3</sup> respectively and for all marri bole logs is 196,000 m<sup>3</sup>.

The low total actual harvest levels for jarrah and marri have been due to the lack of markets for low grade logs. Recently several entities have expressed interest in the purchase of low grade native forest logs for energy purposes. A competitive sale process will be conducted in 2007/08 to formally test this market.



**Note:** The 2004 targets are an aggregation of harvest activity for 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.

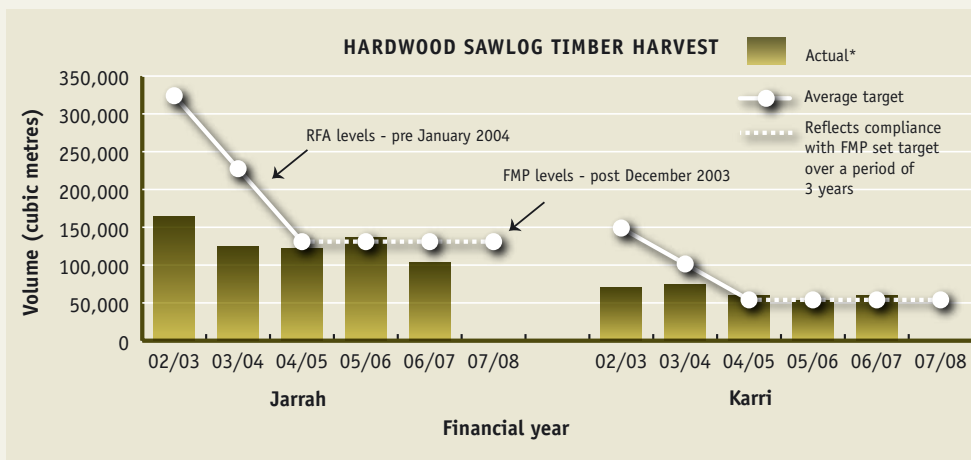
### 2006/07 harvesting activity

Total quantities of native forest bole volume harvested in 2006/07 were: jarrah 208,647 m<sup>3</sup>, karri 217,477 m<sup>3</sup> and marri 26,717 m<sup>3</sup>.

The karri harvest in 2006/07 was higher than the average sustainable yield level of bole volume under the FMP due to the inclusion of non-bole log material (crown logs) and an expanded programme of first thinning of karri regrowth stands in accordance with actions under 16.1 in the FMP.

### First and second grade sawlogs 2004 – 2013

The annual sustainable yield level of first and second grade sawlogs for jarrah and karri is 131,000 m<sup>3</sup> and 54,000 m<sup>3</sup> respectively. (Marri sawlogs are part of the 196,000 m<sup>3</sup> 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.

### 2006/07 harvesting activity

Actual quantities harvested for the period July 2006 to June 2007 were 103,087 m<sup>3</sup> of jarrah first and second grade sawlogs and 59,136 m<sup>3</sup> of karri first and second grade sawlogs.

The average annual level of sawlogs harvested is consistent with the allowable quantities in the FMP. The quantity of jarrah sawlogs harvested in 2006/07 was less than planned due to a range of issues associated with low yielding harvest areas.

### 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 jarrah forest regenerated compared with the area harvested for regeneration.**

The figures reported cover the 2006 calendar year and are compared to the 2005 calendar year.

The area of jarrah forest harvested for regeneration was 7,829 ha (excluding 596 ha cleared for mining or utilities), (5,880 ha excluding 340 ha cleared for mining or utilities in 2005).

Treatments to achieve regeneration were completed for 1,701 ha (4,920 ha in 2005) from this or the previous year's cutting.

#### Karri regeneration

In the 12 months to December 2006, 363 ha of karri forest was clearfelled or partially harvested, and 1,127 ha was thinned. Regeneration was completed on 599 ha harvested in either this or previous years.

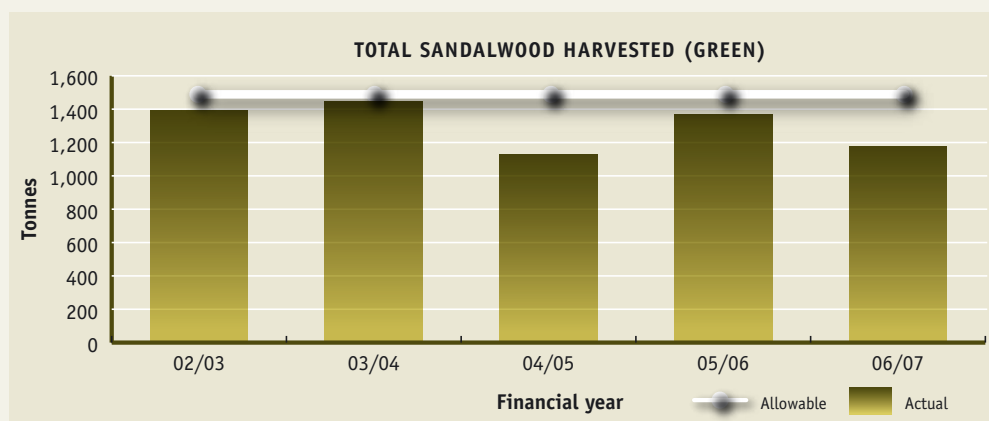
#### Wandoo regeneration

In the 12 months to December 2006, 308 ha of wandoo forest was thinned.

### THE HARVEST OF 'GREENWOOD' 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 the permissible green harvest level of 1,500 tonnes per annum.**



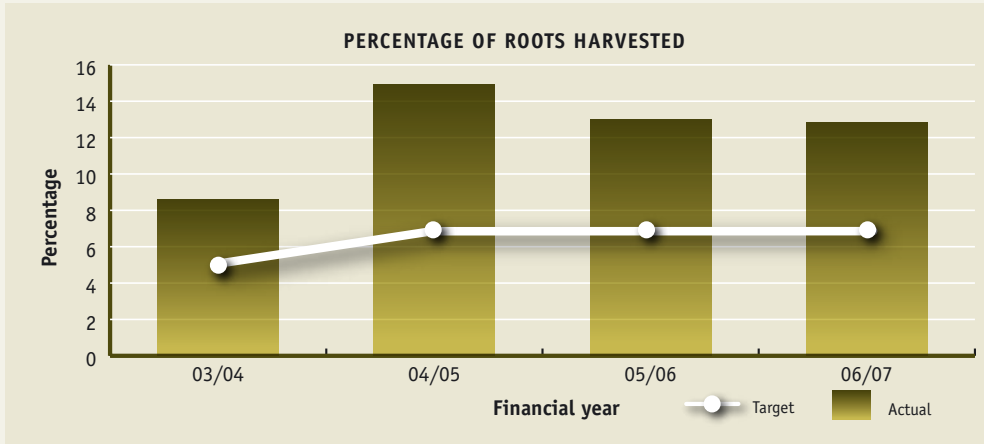
The graph shows the actual harvested green sandalwood based on harvesting practices at the time the sustainable limit was set. Improved harvesting techniques in recent times have resulted in greater utilisation of parts of the sandalwood tree outside the standard specifications.

The total green harvested quantity for 2006/07 was 1,178 tonnes. In addition, harvested volumes included: dead wood 682 tonnes, roots 173 tonnes, 3rd grade green wood 99 tonnes. A greater yield of previously wasted portions of the sandalwood tree demonstrates 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 7% and above was once again exceeded with the actual proportion of roots achieved being 13%. This result is due to continued improvement in sandalwood harvesting techniques.



\* SCI indicator

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## SOCIAL REVIEW

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valuing  
people and  
community

The Commission continues to establish new plantations, offering regional WA increased farm diversification options, employment opportunities, industry development and improved infrastructure facilities.

The Commission works closely with rural communities and endeavours to integrate social advancement and economic prosperity to meet the needs of current and future generations.

## REGIONAL DEVELOPMENT AND EMPLOYMENT

The \$64 million Strategic Tree Farming project (STF), funded jointly through the National Action Plan (NAP) for Salinity and Water Quality by the State and Australian governments, is progressing well. The nation's largest single initiative within the NAP program, the STF commenced with tree planting in winter 2005, and by winter 2008, nearly 18,000 ha of new tree farms will be established. To date, over 4,300 ha has been planted, across 100 properties, with approximately 6,000 ha expected to be planted in 2007 and the remainder planned for winter 2008.

The project is a partnership with rural landowners and four regional Natural Resource Management (NRM) catchment councils (Northern Agricultural, Avon, South West and South Coast). The initiative will help create new plantation resources, diversify rural incomes and economies and contribute to the achievement of regional natural resource condition targets. The trees are integrated into farming operations and the locations have been carefully selected to target environmental assets and priorities identified in regional NRM strategies within industry development cells outlined in the Commission's *'Action Plan for Tree Farming in Western Australia'* and *'Integrated Tree Farming'* brochures.

## AREA OF PLANTATION ESTABLISHED AGAINST TARGET<sup>☑</sup>

Areas established achieve a range of environmental, social and economic benefits. These include supplying 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.

Plantation establishment straddles the financial year, therefore areas of establishment reported in this Annual Report are those established during the winter of 2006.

		Second and third rotation pine species	First rotation pine species	Eucalypt species	Sandalwood
Hectares		ha	ha	ha	ha
Target		1,500	1,950	1,841	650
Total area established		1,506	1,531	1,739	620
Notes:		(1)	(2)	(3)	(4)
Purpose	Sustain existing industry*	1,506	1,040	339	620
	Regional development*	-	491	1,400	

**Note:** The total target area for first rotation pine, eucalypt species and sandalwood was 4,441 ha. The requirement for STF was 3,600 ha. The remaining 841 ha 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 and third rotation pines

Target: 1,500 ha

- Re-established 1,506 ha that were clearfelled and ready for replanting.

#### (2) First rotation pines

Target: 1,950 ha

- 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 ha). Since 1995 a total of approximately 11,557 ha have been established.
- Regional development includes establishing 78 ha of *P. pinaster* plantations for BP Australia.
- The recently completed Tree Farming and Industry Development Plan for the Esperance region identified a desired annual planting target of 2,000 ha per year. Funding has not yet been identified to support this level of planting and only 523 ha out of a funded target of 750 ha was achieved in 2006.
- Target shortfalls were due in part to reduced seedling supplies.

#### (3) Eucalypt species

Target: 1,841 ha

- Eucalypt sawlogs (1,073 ha planted under STF with 327 ha planted on behalf of Premium Plantations Limited under a fee for service arrangement). 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.
- 339 ha of *Eucalyptus globulus* was planted on behalf of Premium Plantations Limited under a fee for service arrangement.
- Target shortfalls were due to reduced seedling availability.

#### (4) Sandalwood

Target: 650 ha

- The area planted was 620 ha. This is a developing project with good prospects and strong support from landholders.
- Target shortfalls were due to limited availability of seedlings of the sandalwood hosts.

## PROMOTION AND CONSULTATION

The Commission actively promotes finished timber products and supports many industry events and activities. The Commission is committed to educating the public about the uniqueness and value adding opportunities available through Western Australia's native forest and plantation timbers and finished products. Throughout the year the Commission has been involved with the following events and projects:

### Strategic Tree Farming (STF) project launch

The STF launch in August 2006 was attended by Federal and State Ministers and key Commission and farm forestry representatives. A collaborative project with NRM regional groups, the STF is funded jointly by the State and Australian Governments and managed by the Commission.

### Australian Furniture of the Year Awards

As the Platinum sponsor of the Furnishing Industries Association of Australia Awards held in November, the Commission's Dr Paul Biggs and Minister for Agriculture and Forestry Kim Chance presented the Australian 'Best of the Best' award to Clarecraft Jarrah at the Perth Convention Centre in front of 600 people.

### FIFWA Timber Industry Awards 2006

The annual Forest Industry Federation (WA) (FIFWA) awards, in September, saw Anne O'Donnell, of Northcliffe, honoured for her Outstanding Contribution to Community and Forestry. Minister Kim Chance received the Outstanding Contribution to Industry Award. The prestigious Premier's Award was presented to Wesbeam. The Commission's Community Consultation Coordinator, Peter Beatty, was the recipient of the Institute of Foresters' - Forester of the Year Award in recognition of his outstanding contribution to forestry in WA.

### World Perfumery Congress

The Commission and Mt Romance Australia (MRA) participated jointly at the World Perfumery Congress 6-8 June 2007. The Commission's presentation focussed on the role of commercial sandalwood production in providing financial resources for ecosystem management, and the way in which the perfume industry could strengthen this valuable contribution.

### ANZIF Biennial Conference

Two Commission staff attended the Australian and New Zealand Institutes of Foresters' Coffs Harbour conference. The event included a number of sessions relevant to the Commission including climate change, carbon accounting, certification and standards, forestry investment, trees for the future, resource security and the forest community interface.

### **Forest Industry Survey**

In September 2006, the Commission participated in the Forest Industry Survey, an initiative focussed on employment and expenditure, designed to provide better information on the social impacts of the industry. The Australian National University and the Cooperative Research Centre in Forestry, is overseeing the survey, which is part of a national research project. The outcome is expected to produce a clearer picture of the industry's costs and benefits-information which should help the Commission promote tree farming to the wider community.

### **Curtin Careers Expo**

As part of the Commission's efforts to attract more prospective students to forestry-related careers, it participated at Curtin University's Careers Day in May 2007.

### **Timber Communities 2007 National Conference**

The Commission's Native Forest staff assisted with the planning and delivery of the pre-conference tour for the Timber Communities Australia 2007 National Conference held in April. The four-day tour covered native timber resource management, harvesting and production within the State.

### **Greenbushes Discovery Forest and Timber Display**

Technical and in-kind support was provided over a two-year period, to the Greenbushes Discovery Centre committee ensuring the successful completion of the \$85,000 project in March 2007. The display features a virtual forest, a re-created truck cab, re-created timber mill and a value-added products section. The interactive displays are brought to life with DVD's and other audio-visual techniques.

### **Australian School of Fine Wood (ASFW) – Final year Students Awards and Exhibition**

The Commission again sponsored the ASFW's final year student awards and annual 'Surfaces' exhibition held during December 2006 in Fremantle.

### **Furniture Foresight Centre – seminar and workshop**

In October 2006, the Commission in partnership with The University of Western Australia (UWA) and FIAA (WA), hosted visitors from the Furniture Foresight Centre from Spain, Canada and Melbourne. The seminar and workshop, which was co-hosted with the UWA/FPC joint venture, provided information to local furniture manufacturers on the establishment of the Furniture Foresight Centre and the world furniture market. The sessions focussed on high cost countries such as Europe, USA and Canada in contrast to low cost countries such as China and Brazil.

### **Australian Forest Growers National Biennial Conference**

Two Commission staff attended the October conference in Launceston covering topics on industry and innovation, socio-economic impacts, community engagement, environmental impacts, stewardship and support, bio-energy, trees and carbon.

### **Furnitex Exhibition July 2006**

Eight Western Australian furniture manufacturers exhibited at Furnitex 2006 in Melbourne - Australasia's largest furniture and furnishings Trade Fair. Representatives showcased their latest products using jarrah, sheoak, engineered marri and bluegum plantation timber. Irene Schneider, a Curtin University student, won the VIVID - "Vibrant Visions in Design" Student Award for her OBIE lounge-a modular multifunctional indoor/outdoor piece featuring blue gum plantation timber supplied by the Commission's Timber Technology.



### **Farm Forestry Development Officers**

The Commission has continued to support the activities of four regional Farm Forestry Development Officers. The Officers are funded by the regional NRM Groups and in most cases, are hosted by the Commission. Their role is to build landowner confidence and understanding about using commercial trees as part of farming. The Officers promote the range of tree cropping options available to landowners in their region, including the STF Project. The work of the Farm Forestry Development Officers reflects an important partnership between the Commission and the regional NRM Groups.

### **Private Forestry Development Committees**

The Commission increased its financial support for the five Private Forestry Development Committees (PFDCs) during 2006/07 in recognition of the important community engagement role they play in the development of the tree farming industry. Their functions include providing a forum for communication between stakeholders, being a contact point for independent information and promoting industry and NRM benefits. Workshops were held for industry, local government and agencies to discuss key industry issues, such as road haulage, plantations and water. The five committees are Trees Midwest (Moora), Avongro (Northam), Trees South West (Bunbury), Timber 2020 (Albany) and the South East Forestry Foundation (Esperance).

## **COMMUNITY EDUCATION**

The Commission participated in a number of events to help further educate the broader community about its objectives, integrated tree farming and farm forestry goals, the State's timbers and the many value adding uses of our timber products. These included regional field days, agricultural shows and educational seminars for teachers.

### **Farm Forestry Education Project**

The WA Farm Forestry Education Project (WFFEP) is a partnership between four Regional NRM Groups, the Commission, WA PFDCs and the Australian Master Tree Grower program. Education is a key strategy to increase the awareness and adoption of farm forestry as part of more productive and sustainable farming systems. The Commission achieves this message through the provision of information, on-ground assistance and community learning.

Since February 2007, the WFFEP has been involved in nine courses across the four regional NRM groups – Avon Catchment Council (ACC), South West Catchments Council (SWCC), South Coast Natural Resource Management (SCNRM) and Northern Agricultural Catchments Council (NACC).



## OUR PEOPLE

The Commission is committed to developing a quality workplace environment and has 74 employees working from the corporate headquarters in metropolitan Rivervale and 170 employees in 16 regional offices throughout the State. This represents an increase of 16 staff over the previous year which is primarily 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 2007, the Commission's staff numbers and locations were:**

	Full-time salaried staff	Part-time salaried staff	Wages employees	Total	Men	Women
Albany	15	1	-	16	11	5
Bunbury	30	5	-	35	22	13
Carnarvon	1	-	-	1	1	-
Collie	7	3	-	10	5	5
Esperance	4	-	-	4	4	-
Gnangara	15	1	-	16	11	5
Harvey	24	2	-	26	21	5
Kalgoorlie	1	-	-	1	1	-
Katanning	5	-	-	5	5	-
Kununurra	1	-	-	1	1	-
Mandurah	1	-	-	1	1	-
Manjimup	16	2	-	18	12	6
West Manjimup Nursery	20	1	-	21	11	10
Moora	1	-	-	1	-	1
Nannup	12	-	-	12	10	2
Rivervale	67	7	-	74	42	32
Wanneroo	2	-	-	2	1	1
<b>Total</b>	<b>222</b>	<b>22</b>	<b>0</b>	<b>244</b>	<b>159</b>	<b>85</b>

The Commission seeks to develop the skills of its employees and build on the personal commitment of each team member with a targeted program of professional development.

The Commission has outsourced its human resource transactional functions to the People Services Branch of the Department of Environment and Conservation (DEC) under a Service Level Agreement. These functions will move to the Office of Shared Services (expected during the last quarter of 2007/08).

### Recruitment

In 2006/07 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 continues to develop entry level field staff. Twelve new field recruits 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 organised through Great Southern TAFE as the Registered Training Organisation (RTO) under a Memorandum of Understanding.

The training program is aligned to the National Training Package and the new recruits were awarded a Certificate III in Forest Growth & Management at a special graduation ceremony during the Commission's Annual Conference in November. A further 12 new field recruits were appointed in April and they will complete a similar program in their first year with the Commission.

The main focus of training for 2006/07 has been the field recruit program and requirements identified through the Commission's Environment Management System.

A pilot *Skills Recognition* program commenced in June 2006 for existing experienced field staff to obtain a Certificate IV in Forest Operations or a Diploma in Forest and Forest Products. The program is in co-operation with Great Southern TAFE and involves recognising prior learning and current competence. Eighteen staff have completed their interview stage and have commenced gathering supporting evidence for their applications with a September deadline. It is expected that these staff will graduate alongside the recruits at this year's Commission conference.

The Commission and Great Southern TAFE successfully applied for a Government grant, through the Australian Flexible Learning Framework to develop an e-learning training module. The course will address a unit of competency focusing on Safety, Health and Environment and will form part of the Certificate III program for recruits.

### **Growth Development Leadership Program**

During 2006/07 the Commission continued with the 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.

Staff nominated from across the Commission were provided with the opportunity to work in cross functional teams on a variety of projects selected by the Executive for their input to the Commission's strategic objectives. These projects were completed in October 2006 and presented to the Executive and Commissioners.

In 2007 the Commission decided to review the Growth Development Leadership program and its objectives, and is considering other leadership initiatives to commence in the latter half of 2007.

### **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 2006/07, ten of the Commission's work centres were recognised for achieving 12 months Lost Time Incident (LTI) free.

A major initiative undertaken in 2006/07 was the commencement of a comprehensive review and revamp of the Commission's OSH program. The new OSH Framework Implementation Plan and Safety Systems Management Manual will be introduced in early 2007/08.

SHReps attended the five day *Worksafe* accredited training course. The Commission has 15 staff filling the important role of SHReps in the organisation. The commission also appointed and trained five staff as Contact / Grievance Officers and increased the Peer Support network from 16 to 26 staff with the appointment of an additional 10 people. The new Peer Supporters are scheduled for training in November 2007.

Special training in Good Working Relations that included equal opportunity, harassment and bullying was provided to senior staff by an external provider and all other staff received similar training on this matter from the Commission's OSH Consultant.

The Commission was recognised as one of eight finalists in the Work Safety Awards for 2006. The Commission was selected across all WA industry, for providing an outstanding solution to an identified workplace health and safety issue. The Arid Forests section worked with its sandalwood contractors to address the issue of fatigue and risk by designing safer working practices in the harvesting and processing of sandalwood. The introduction of machinery to vertically lift trees and debarking tumblers to replace flail chains has led to significantly reduced risk, better working conditions and improved product recovery and utilisation.

There were six LTIs and nine Minor Treatment Incidents (MTI) in 2006/07.

### **Access to Commission services for people with disabilities**

In 2006/07 the Commission developed its Disability Access and Inclusion Plan and is undertaking public consultation to ensure the Plans relevance. Some initiatives included in the Plan are:

- Ensuring events or public consultations organised by the Commission provide appropriate access for people with disabilities.
- The engagement of appropriate personnel to provide advice on accessibility for people with disabilities to existing and planned Commission buildings and facilities.
- Further investigation of 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.
- Ensuring processes for handling of complaints are available and accessible to people with disabilities.

### **Equal Employment Opportunities**

In June 2007 the Commission finalised its Equal Employment Opportunity and Diversity Management Plan, and submitted the document to the Equal Opportunity Commission. The Commission's workforce demographics for the year ended 30 June 2007 reflected the following:

- Number of women within the workforce has increased by 3, representing 3.5% of the female workforce.
- Number of employees who have disabilities has decreased from 2.6% to 2.5%.
- Number of employees from culturally diverse backgrounds has decreased from 21% to 20%.

The Commission endeavours to create regionally based employment opportunities and part-time employment for those staff with family responsibilities.

### **Key Equal Employment Opportunity (EEO) Initiatives implemented in 2006/07 were:**

#### **Training & awareness sessions**

The majority of Commission staff (95% of managers and 80% of general staff), received training on EEO and appropriate workplace behaviours. These sessions are now included in staff inductions and are evaluated through informal and anecdotal feedback.

#### **Peer Supporters and Grievance Officer networks**

Peer supporters and grievance officers were appointed and trained in their roles. Peer support and grievance officer networks and their contact details are now accessible to all staff on the Commission's intranet and are supported by regular articles in the Commission's internal staff newsletter. This has raised the profile of peer support and assistance available to staff and was supported by a random survey of 55 staff of whom 55% responded.

#### **Strategic Workforce Plan**

A strategic workforce plan that includes future EEO recruitment was developed and endorsed in principle by the Executive. A final plan will be submitted for Executive endorsement in the 2007/08 financial year.

### **Opportunities and/or risks identified for attention in the year ahead**

1. Maintain the Peer Supporters (PS) and Grievance Officers (GO) Networks.
2. Conduct an annual conference for PS and GOs in order to formally recognise their efforts in assisting the Commission towards a safe and harassment free workplace. This conference will also provide ongoing professional development and networking opportunities for these staff members.
3. Conduct training for Commission staff that are on selection panels to ensure bias-free selections.
4. Commence the development of a range of flexible working options for Commission staff in order to assist in accommodating their individual needs.
5. Implement a specific recruitment and selection policy for attracting women to Tier 2 and 3 management positions, as positions arise.
6. Establish an Indigenous Cadetship Program, with the aim of recruiting two indigenous cadets via the National Indigenous Cadetship Program.

### **Code of Conduct**

The Commission complies with the Public Sector Code of Ethics and has its own Code of Conduct for employees.

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 were three complaints received under the Commission's Code of Conduct, all of which were substantiated and resulted in disciplinary action.

There were no reported breaches of the Public Sector Standards found against the Commission during 2006/07.



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# CORPORATE GOVERNANCE

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managing a  
sustainable  
business

The Commission is subject to evolving government policies on many issues relating to trade, the environment, forestry, reporting and compliance.

While some of these factors can be accounted for in contingency planning, dynamic changes in the operating environment require careful management and governance to ensure the Commission achieves all of its objectives.

The Commission is also committed to developing new and valuable skill sets amongst its Committees and management to help ensure the highest standards of business performance and best practice. This section outlines the main Corporate Governance initiatives throughout the financial year.

## COMMISSIONERS AND COMMITTEES

The seven member Board of Commissioners is the governing body of the Commission and is 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. David Taylor, formerly BankWest General Manager for Business Banking, was appointed a Commissioner from 1 July 2006. Mr Taylor succeeded Mr Jorgensen as Chairman on 16 November and Ms Eva Skira, who has a commercial background in banking, stockbroking and the financial markets, was appointed as a new Commissioner.

The Commission is actively seeking suitable candidates with senior legal and forestry experience as contingency to offset future movements within the Board of Commissioners.



**Murray Jorgensen OAM, Cent Medal, JP**  
*Chairman from 1 July 2006 to 15 November 2006*

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 served as 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.



**David Taylor BA (Econ) Dip Pers Man, FAICD**  
*Chairman from 16 November 2006*

Mr Taylor has extensive commercial experience and has a distinguished marketing and banking background. During the nineties he was Head of the Principal Operating Divisions of BankWest. He has since progressed a career in corporate governance with appointments to the boards of listed and unlisted public companies and government business enterprises. In addition to his position at the Forest Products Commission, Mr Taylor is currently Chairman of Perth Market Authority and a non executive director of HBF Financial Services and Empired Limited.





**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 a 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.



**Kellie Benda BA, LLB, MAppFin, ASIA, FAICD, AFAIM**

Ms Benda is currently General Manager - Assets and Strategy 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 Councillor of the Methodist Ladies' College School Council and a Board member of Youth Focus (a charity working to prevent youth suicide, self harm and depression). She is also a board member

of the Art Gallery of Western Australia.



**Sandy Breeze**

Ms Breeze has a strong background in retail business and particularly the 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.



**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 Board Member of the South West Development Commission. He has qualifications in timber technology and a practical industry background as a timber worker who has represented workers employed in Forest Industries. Mr Oaks has been a member and Chair of several training and industry development committees.



**Eva Skira MBA, BA (Hons), FAICD, SF Fin**

Ms Skira has experience in the banking and stockbroking sectors. She has served as a non-executive director for a number of government and non-government organisations. She is Chairman of Advanced Ocular Systems Ltd, and a director of Doric Group Holdings Pty Ltd, MDA National Insurance Pty Ltd, St John of God Health Care Group Inc, and recently completed a term as a National Councillor of the Financial Services Institute of Australasia (Finsia).



The Commissioners met 11 times during the year with all Commissioners serving a full 12 month period attending seven or more meetings.

Mr Murray Jorgensen	3	(resigned as Chairman on 15 November 2007)
Mr David Taylor	11	(appointed as Chairman on 16 November 2007)
Dr Per Christensen	11	
Ms Kellie Benda	8	
Ms Sandy Breeze	7	
Mr Ray Curo	10	
Mr Nick Oaks	10	
Ms Eva Skira	6	(commenced as a Commissioner on 16 November 2006)

## 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

Ms Eva Skira - Chairperson  
Mr Nick Oaks  
Mr David Taylor

### Harvesting and Marketing Committee

Mr Ray Curo - Chairperson  
Mr Nick Oaks  
Dr Per Christensen

The Commission approved a proposed new committee title and new terms of reference for the Resource Utilisation Committee on 16 February 2007. The new Harvesting and Marketing Committee provides decision support to the Commission by reviewing and assessing strategic submissions from Executive in relation to forest product harvesting and marketing, prior to their submission to the Commission Board.

### New Business Committee

Ms Kellie Benda - Chairperson  
Mr David Taylor  
Ms Sandy Breeze

The New Business Committee (NBC) was formed on 16 February 2007 to provide decision support to the Commission. The NBC reviews and assesses strategic submission from Executive in relation to the development of new business opportunities, prior to their submission to the Commission Board.

The Business Development Committee which 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, was disbanded on 3 February 2007.

## 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 he was Plantations Group Manager with CALM.

### **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 was an Executive Director of a public company specialising in forest carbon sinks and bioenergy. He is a Director of the C Y O' Connor Erade Village 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, MAICD **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 strategic planning, financial analysis and the implementation of major IT systems. His recent experience has included managing change in newly deregulated markets. He holds a Bachelor of Business degree, is a Fellow of CPA Australia and is also a director of the Police and Nurses Credit Society Ltd.

## 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 Commission's website - [www.fpc.wa.gov.au](http://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 2006/07 SCI performance indicators which are shown in this Report are indicated with the symbol \* and performance against all targets are summarised in Appendix 11.

## 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 Commission publications are available on request from the Commission or can be downloaded# from the website at [www.fpc.wa.gov.au](http://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#  
FPC – an introduction#  
Integrated tree farming#  
Managing Timber Production in Western Australia's south-west forests#  
Manjimup Nursery seedling catalogue  
Manual of Management Guidelines for Timber Harvesting in Western Australia  
Sandalwood-The Good Oil#  
Sandalwood (*Santalum spicatum*) Guide for Farmers#  
Seed Technologies catalogue#  
Statement of Corporate Intent 2006-2007#  
Trees to Fight Salinity on Farms#  
WA Furniture Timber#

## INFORMATION MANAGEMENT

The Commission continues to observe the *State Records Act 2000* and the Commission's Record Keeping Plan while placing an increasing strategic focus on the needs of information management. The Commission is committed to meeting its regulatory and best practice requirements, ensuring proper and adequate records are maintained. We are also dedicated to improving record keeping practices to achieve optimum business efficiency.

This year's primary focus has been the continued roll out of the records management system to the Commission's regional offices in Wanneroo and the Plant Propagation Centre, West Manjimup. We have also seen a more controlled and uniform approach to managing the Commission's trials and research information.

To date, 50% of the Commission's regional offices have converted over to the new records management system. It is anticipated that the remaining six offices will be completed by the end of 2008.

An information management audit was also conducted during the year to demonstrate the Commission's ongoing commitment to improving its record keeping practices. The audit forms part of an ongoing evaluation program measuring the efficiency and effectiveness of the record keeping systems.

The following programs are in place to ensure the Commission's offices compliance with their Record Keeping Plan:

- Progressive roll out of the records management system to all offices, including the conversion of existing files into the new Commission standardised system.
- Records management system will be reviewed 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.
- The efficiency and effectiveness of the training program is reviewed on a regular basis to ensure staff receive sufficient recordkeeping training.
- Upgrading of the Commission's thesaurus and retention and disposal schedule to better meet the current functions.

Staff have been made aware of their record keeping roles and responsibilities through:

- Records Management Induction sessions, this also addresses employees' roles and responsibilities in regard to their compliance with the Commission's Record Keeping Plan.
- Interactive online Record Keeping Awareness Training package for all staff commencing with the Commission.
- Training staff in the records management system and making the system available to all staff.

## CORRUPTION PREVENTION

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

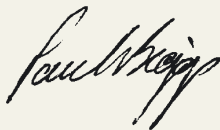
## PUBLIC INTEREST DISCLOSURE

The Forest Products Commission has complied with the *Public Interest Disclosure Act 2003* by nominating the Commission's General Manager, Executive Manager of Operations, Executive Manager of Business Development and Executive Manager of Finance and Administration, Human Resource Manager, Senior Auditor and Corporate Governance Coordinator as being responsible for receiving disclosures of public interest and undertaking the internal investigation.

## STATEMENT OF COMPLIANCE WITH PUBLIC SECTOR STANDARDS

The Commission has adopted guidelines and processes supporting the Public Sector Standards in Human Resource Management. There were no reported breaches against any standard for the reporting period 2006/07.

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

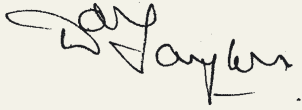


**Dr Paul Biggs**  
*General Manager*

30 August 2007

## 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.



**David Taylor**  
*Chairman*



**Eva Skira**  
*Commissioner*

30 August 2007

## COMPLIANCE WITH RELEVANT WRITTEN LAWS

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

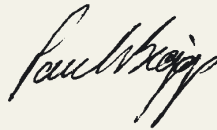
In the financial administration of the Commission, we have complied with the requirements of the *Financial Management Act 2006* and other relevant written law. The Commission has exercised controls which provide reasonable assurance that the receipt and expenditure of moneys and the acquisition and disposal of public property and incurring of liabilities have been in accordance with legislative provisions. Where non-compliance issues have been identified during the year, action plans have been implemented 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.



**David Taylor**  
*Chairman*

30 August 2007



**Paul Biggs**  
*General Manager*



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# ECONOMIC REVIEW

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investing in a  
sustainable  
economy

## ECONOMIC ACHIEVEMENTS

The Commission operates in a dynamic environment influenced by domestic and global market forces. Timber availability, quality, delivery price, production costs, end users and the recent shift to plantation based industries are all significant factors.

As a Statutory Authority, the Commission works with industry, the community and other government agencies to help ensure a robust long term timber industry. We aim to provide leadership on forestry products and services to the private sector which helps seed major economic drivers for the State.

The Commission's core business is to deliver forest products under existing timber supply contracts enabling local industries to operate while also establishing new markets for native forest and plantation residue products.

### New contracts

A four year sale contract, valued at approximately \$15 million, was signed with pine log export company Pentarch Forest Products Pty Ltd in February 2007. This contract has enabled the Commission to commence thinning of the approximately 3,500 ha pine sharefarm estate in the Albany region.

In addition to providing small logs for export, the thinning operations produce pine rounds for a local preservative treatment plant. The timely thinning of the *Pinus radiata* plantations will ensure the future production of valuable sawlogs and appropriate financial returns to the landowners.

The Commission also signed a contract with Lignor Ltd to supply low grade karri, jarrah and marri logs for the production of Engineered Strand Lumber (ESL™) when their plant is established in 2009. The contract value is approximately \$50 million for the five year period 2009-2013 or approximately \$85 million if the Commission sells the annual quantity the contract provides. The contract has an approximate "life value" of \$420 million. The new ESL™ process will value add lower grade hardwood logs and blue gum resource from the Albany region and will be a major boost to the industry and employment in the region.

In November 2006 a sale contract was signed with Australian Craftwood and Timbers Pty Ltd (ACT) for supply of up to approximately 110,000 tonnes per year of marri logs for the remaining term of the FMP to 2013. The life value of this contract is approximately \$30 million based on the full contract annual quantity.

ACT has constructed a specialised sawmill at Palgarup designed to mill lower grade marri logs previously used for manufacture of woodchips. The sawn products are marketed in Western Australia for value-added end uses. Surplus boards or flitches are marketed overseas. This contract represents a major boost to the Commission's ability to effectively harvest and regenerate mixed jarrah/marri and karri/marri forests in the South West.

### Industry development

Key industry development initiatives of the Commission have involved maintaining the viability of the hardwood sawmilling industry and developing new industry outcomes for the lower rainfall areas of the State.

The Commission has participated with the hardwood sawmilling industry in a major Review of the viability of the industry. One of the Review's major initiatives involves exploring opportunities to obtain a viable customer base for hardwood residue logs.

A separate focus has been on preparing Industry Development Plans for new plantation-based industries in regional areas, research and monitoring of impacts, and implementation through Strategic Tree Farming (STF) plantings.

## RESEARCH AND DEVELOPMENT

Underpinning the Commission's operations is a strong focus on research and development including improving the genetic quality of major species, silvicultural systems for plantations and defining the environmental benefits of plantation forestry.

The Commission's direct investment in Research and Development (R & D) was \$3.2 million to support the four main areas of its activity - (New Plantation Development, Mature Plantations, Native Forests and Arid Forests). Approximately 75% of this investment was directed towards projects that support the development of the important New Plantations area.

The Commission's target to source 25% of the research program funding externally was again exceeded with 30% of the R & D funding derived from external sources.\* The majority of the external funding is directed at the New Plantations area.

## TREE BREEDING AND SEED TECHNOLOGIES

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

### Sandalwood

A new breeding program was initiated this year to cater for a rapidly increasing seed demand for native sandalwood (*Santalum spicatum*). This entailed the first range-wide collection of seed from parents together with leaf samples for genetic diversity studies.

Wood samples were also collected for oil analysis. The first trial using this material has been conducted with further trials and a seed orchard to be established in 2007/08. This series of trials can also be used for genetic conservation of the species. Techniques are being refined to accelerate the DNA work.

The Commission has applied for an Australian Research Council Linkage grant to continue santalol biosynthetic pathway research for tropical sandalwood (*Santalum album*) and transfer this knowledge to native sandalwood. This research is being undertaken in conjunction with the University of Western Australia (UWA) and the University of British Columbia in Canada.

The Commission will be supporting one post-doctorate and two doctorate students based at UWA. Funding was gained through the Rural Industries Research and Development Organisation (RIRDC) to undertake a spatial analysis of a trial investigating a range of secondary hosts for tropical sandalwood.

An expression of interest has been called to find tissue culture laboratories capable of commercialising the elite, high-oil-yielding tropical sandalwood clones from the Kununurra project.

### Radiata pine

Control-pollinated radiata pine (*Pinus radiata*) seed is ready for the initiation of a family-rooted cutting program to add 10% wood volume gains to the Commission's plantation estate. The delivery of tissue culture from New Zealand to initiate a clonal system failed.

### Eucalypts

A PhD study into salt tolerance in flat top yate (*Eucalyptus occidentalis*) has identified material for the establishment of a seed orchard. The progeny from this material is currently being tested in a tank salt-screening system.

Genetic trials with Sydney bluegum (*E. saligna*) are showing predicted initial growth gains. Seed from both clonal and seed orchards is now being harvested. Sugar gum (*E. cladocalyx*) seed orchards have produced their first seed crops. Two hybrids have been tested sufficiently for commercial deployment.

The Western bluegum (*E. globulus*) program is now being tested in Brazil for the development of hybrids to improve wood density. Drought tolerance has become the focus for the Western Australian market with a new seed orchard being established this year.

Contracts for native seed harvesting are increasing with the new quality control system in place and the Commission can now provide the detailed information that customers require.

\* SCI indicator

## NURSERY

The nursery section focuses on production of high quality seedlings to supply the Commission's Plantation programs. The main highlights for this year were:

- A new seeding machine with the capacity to sow from 200,000 to 400,000 seeds per hour was installed for the last sowing season. This machine is as efficient with large maritime pine seed as it is with acacia seed or small seeded eucalypts.
- The nursery's boxed pine cool store was converted to a dual purpose building with the installation of a heating facility. This allowed for all mini-plug seedlings to be racked and stored at the correct temperatures until germination was evident, which has increased seed integrity.
- From the results of operational trials the Nursery upgraded the fertiliser type on all species with excellent results. The maritime pine seed stratification process was also changed with subsequent significant improvement to seed germination rates.
- The flow on of research into mini-plug/transplanting maritime pine meant that over 1 million pines were shipped to operations in very full trays.
- Operations based research resulted in a jam (*Acacia acuminata*) seedling crop at the top end of the seedling specification requirements for this species.
- Tropical sandalwood (*Santalum album*) has become a nursery crop with over 50% seed germination rates being achieved.
- Research is underway into production systems for radiata pine cuttings.
- Extensive water quality tests were undertaken that have clearly demonstrated that no chemicals have moved off site from the Nursery operations.

## ALLIES IN RESEARCH

### Cooperative Research Centre for Wood Innovations (CRCWI)

The Commission continued to support the collaborative CRC Wood Innovations work based on microwave technology and design. The Commission will share in the overall intellectual property generated.

The drying behaviour of conventionally dried Western Australian-grown jarrah and Sydney blue gum timber after microwave pre-treatment is being compared with untreated controls. The research is being done at the Australian Centre for Advanced Wood Processing (CAWP) in Creswick, Victoria.

Western Australian-grown Tasmanian blue gum was assessed for potential use as power poles with microwave-pre-treatment providing significantly improved penetration and retention of preservative.

Karri resource now supplied to Western Australian sawmillers from regrowth forest, is sometimes referred to locally as 'whitewood' because of the low extractives content and very pale colour. Improved gluing trials are being conducted on the timber due to its potential marketability.

Samples of Western Australian-grown timbers were sent to the University of Melbourne to assess their suitability for bending into furniture components after microwave treatment.

### Timber technology

The Commission continued with the relocation of timber technology research to UWA's Nedlands campus. Considerable progress has been made with building refurbishment at Nedlands campus and the extensions to UWA workshops at McGilvray Oval. Key research projects have focused on better utilisation of short length jarrah and uses for regrowth karri which both incorporate a number of design aspects. The official launch of the UWA / FPC joint venture called Advanced Timber Concepts Research Centre, is planned for July 2007.



The Harvey Timber Technology Centre's research, has been value-adding to WA's unique timber resources, particularly jarrah and karri, as well as investigating aspects of new hardwood and softwood plantation resources and species for lower rainfall plantations. During the Centre's operations more than 140 research papers and reports were prepared.

During the year the Commission participated in two Forest and Wood Products Research and Development Corporation (FWPRDC) funded sawmilling projects in collaboration with Ensis and local sawmills. The first trial examined the sawmilling and drying of regrowth karri and compared properties between thinned regrowth and unthinned regrowth. The second trial was designed to investigate the sawmilling and drying performances of wide spaced plantation-grown eucalypts.

### **Cooperative Research Centre for Forestry (CRC Forestry)**

The Commission has a significant role in a number of projects within the CRC Forestry. The Commission has combined its broad hydrological monitoring and evaluation activities under the Strategic Tree Farming Project with the CRC's hydrology program to develop a project to understand the processes involved in the water use by tree plantings in the medium rainfall zone. This key project will provide information to further develop sustainable tree crops and plantations systems in the medium rainfall zone. This is particularly important under conditions where the climate continues to remain drier than the long term patterns.

Further to this key hydrology initiative, the Commission is involved in projects examining the impact of silviculture on inherent wood properties and harvesting efficiencies and in the Integrated Pest Management Program that has been incorporated into the CRC's activities.

### **Australasian Forest Genetics Conference**

The Commission in conjunction with the International Union of Forest Research Organisation (IUFRO) Southern Pine Working Group, presented a paper on '*Maritime pine for dry-land Western Australia*' and the accompanying posters: '*Improvement of Drought Tolerance of Commercial Tree Crop Species*' and '*Gains from Tree Breeding in Western Australia*'.

The April conference showcased advances in genetics and breeding research for plantation species within the Australasian context, particularly for southern pine and eucalypt species. The event united molecular and quantitative geneticists, breeders, propagation specialists, managers and professional foresters to exchange the latest information and technologies while strengthening collaboration.

## **FINANCIAL PERFORMANCE**

The Commission reported a loss for the financial year of \$18.505 million. This loss is primarily driven by the negative movement in the valuation of the Commission's natural resource assets.

The underlying business reported an operating profit of \$8 million driven by the improved production performance in the Commission's South West Forest and Plantations divisions offsetting lower sandalwood sales revenue. The Commission's production performance was assisted by the late start to the 2007 winter which allowed production to continue later in the year and somewhat disguises the difficult operating conditions experienced throughout the year.

There are two major elements to the write down in the Commission's natural resource assets. In the first, the Commission has revised its projections of future sandalwood production from crown lands. Production is forecast to decline over the next two decades as plantation resources enter the market. In the second, the unit price received for pine sawlogs has declined this year, which has a direct effect on the pine asset valuation.

The financial results of the 2006/07 financial year are summarised in the Financial Overview table along with comparative information since the Commission's inception in 2000.

## FINANCIAL OVERVIEW

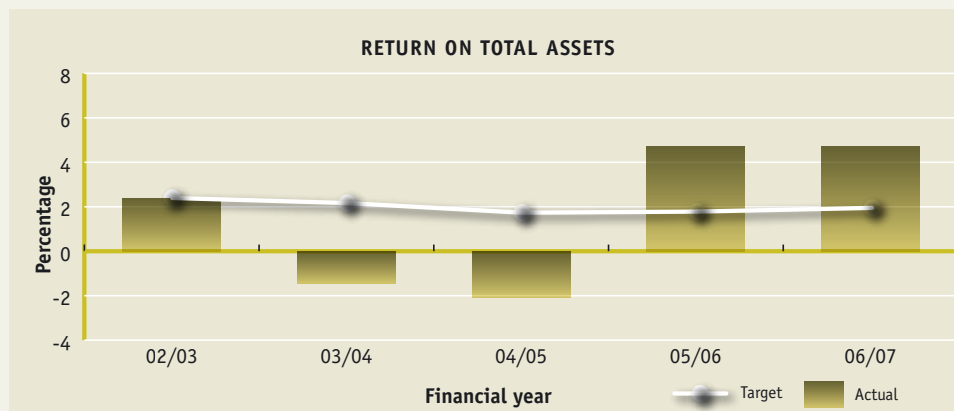
	2006/07	2005/06	2004/05	2003/04	2002/03
	\$000	\$000	\$000	\$000	\$000
<b>Revenue from ordinary activities</b>	<b>131,637</b>	<b>117,768</b>	<b>102,454</b>	<b>98,229</b>	<b>101,659</b>
<b>Calculated as follows:</b>					
Gross revenue	85,880	130,848	101,957	121,060	126,988
<b>Less:</b>					
Revenue from natural resource asset valuations	(45,757)	13,080	(497)	22,831	25,329
Correction of prior year fundamental errors	-	-	-	-	-
<b>Expenses from ordinary activities</b>	<b>110,897</b>	<b>97,691</b>	<b>117,072</b>	<b>109,454</b>	<b>99,390</b>
<b>Calculated as follows:</b>					
Expenses from ordinary activities:	110,897	97,691	117,072	112,430	106,866
<b>Less:</b>					
Expenses from natural resource asset valuations	-	-	-	2,976	7,476
<b>Operating profit before interest and tax <sup>1</sup></b>	<b>26,206</b>	<b>25,922</b>	<b>(8,584)</b>	<b>(5,564)</b>	<b>8,600</b>
<b>Financial performance (including movements in natural resource assets valuations):</b>					
Profit before interest and tax	(19,551)	39,002	(9,081)	14,291	26,453
Profit/(loss) before tax	(24,923)	33,196	(15,115)	8,630	20,122
Profit/(loss) after tax	(18,505)	23,435	(10,177)	6,038	14,500
<b>Summary of financial position:</b>					
<b>Assets:</b>					
Current assets	134,914	103,847	60,312	21,448	28,095
Non-current assets	307,521	322,372	329,014	358,018	332,274
<b>Total assets</b>	<b>442,435</b>	<b>426,219</b>	<b>389,326</b>	<b>379,466</b>	<b>360,369</b>
<b>Liabilities:</b>					
Current liabilities	36,105	34,070	37,394	19,104	22,935
Non-current liabilities	159,221	127,229	111,163	100,232	83,287
<b>Total liabilities</b>	<b>195,326</b>	<b>161,299</b>	<b>148,557</b>	<b>119,336</b>	<b>106,222</b>
<b>Net assets/total equity</b>	<b>247,109</b>	<b>264,920</b>	<b>240,769</b>	<b>260,130</b>	<b>254,147</b>

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



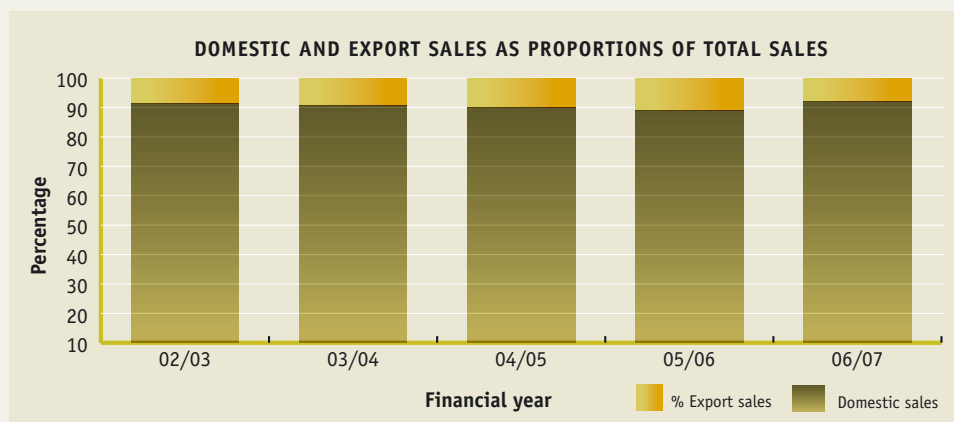
## PERFORMANCE INDICATORS 2006/07

### 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 again above target for the 2006/07 financial year.

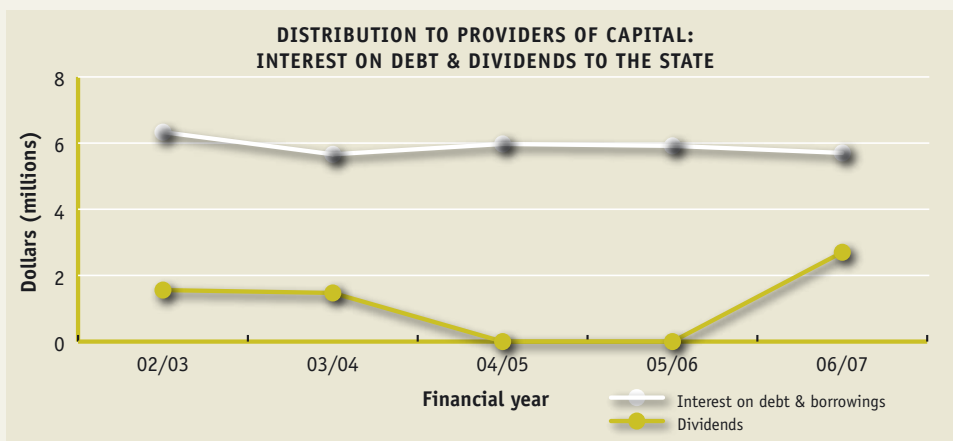
This improved result is due to the good financial operating performance of the Commission during the year. The result was driven primarily by improved harvesting production in the plantation business segment and expenditure delays due to the late onset of winter.



Domestic product sales as a percentage of total sales increased from 89% to 92% during the year. The Commission's strategy is to ensure a maximum amount of its products are utilised for value-adding purposes in the local market. The Commission was able to contract additional domestic sales of sandalwood for local value-adding replacing product that was previously exported into Asia.

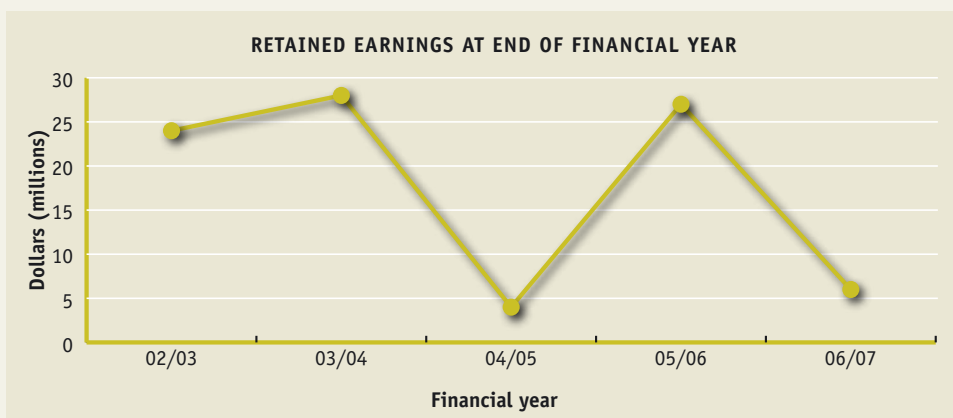


The Commission purchased approximately \$84 million of goods and services, principally in the State's South West, during the 2006/07 financial year. The increase of 7% over the 2005/06 financial year is due mainly to increased plantations harvesting activity and a larger planting program to service the National Action Plan for Salinity and Water Quality (NAP).

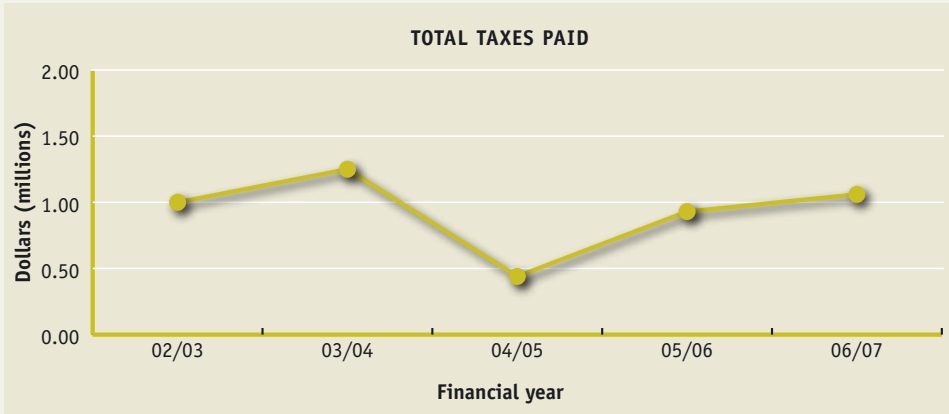


The Commission's capital is provided through a combination of debt and equity. The Commission has incurred \$5.7 million in interest on its debt. Interest expense decreased this year due to improved cash flow management resulting from favourable operating cash flows.

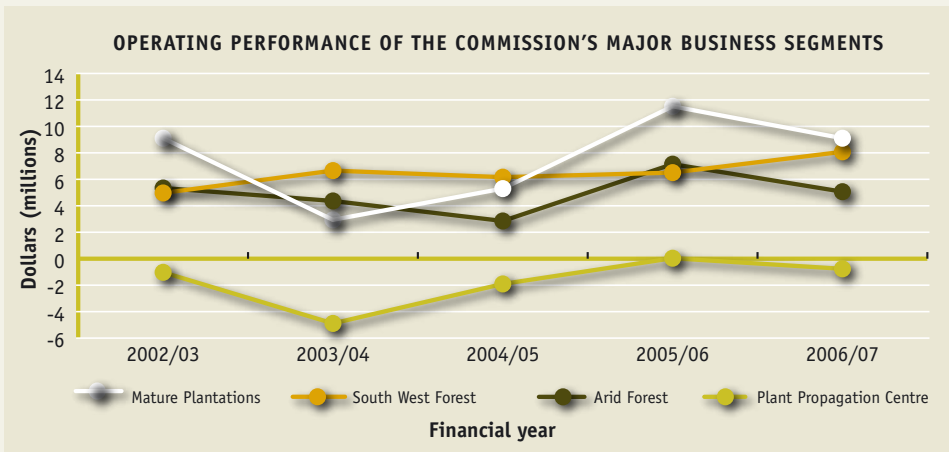
\$2.7 million was paid in 2006/07 as a dividend in relation to the 2005/06 financial year. Since the end of the financial year the Commissioners have recommended a dividend of \$2.8 million be paid in respect to the 2006/07 financial year payable in December 2007.



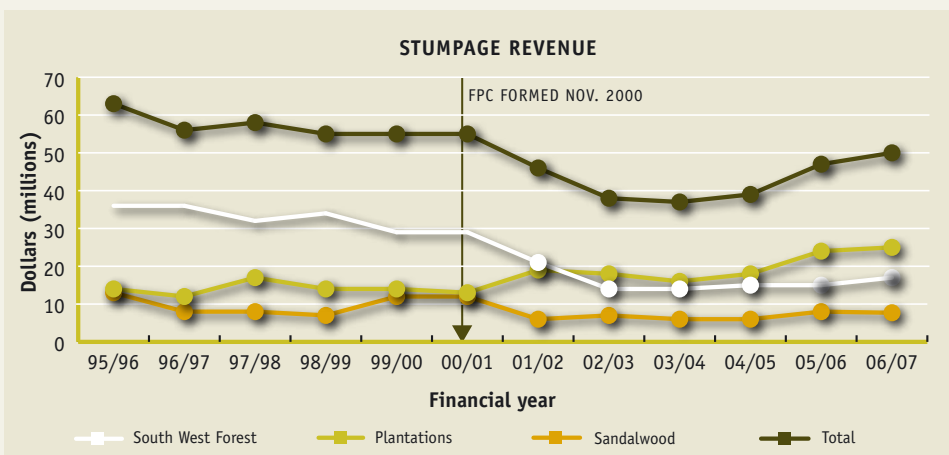
The decrease in retained earnings in 2006/07 is due to a reported loss for the year driven by the revaluation of the Commission's natural resource assets.



The Commission paid \$1.1 million in taxes this financial year consisting principally of payroll tax and fringe benefits tax.



The Commission's South West Forest and Mature Plantations business segments performed well in 2006/07 driven by improved sales revenue. However, additional costs associated with Mature Plantations saw a decline in its financial performance. The Arid Forest business segment declined slightly due to a reduction in export sales revenue. Sales of low grade sandalwood product coupled with a rising \$A has contributed to a lower export result.



Native Forest revenues continue to remain at a level consistent with the allowable harvesting levels set by the Forest Management Plan 2004-2013. The gradual increase in Plantation revenues in 2006/07 is due to increased sawlog sales to all major customers.

The decline in sandalwood revenue was mainly driven by reduced export revenue resulting from the rising \$A.

## NATIVE FOREST OPERATIONS

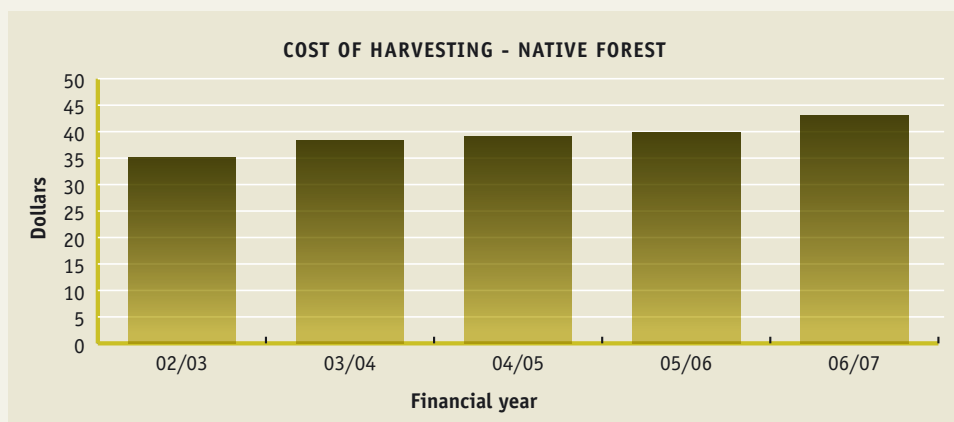
The Native Forest business segment is responsible for the planning, harvesting and sale of forest products from re-growth indigenous forest on State-owned land. The output of this segment is the harvesting and sale of native forest hardwood and sandalwood.

### **COST OF HARVESTING - NATIVE FOREST HARDWOOD**

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

**Measure: The cost per tonne harvested was \$43.04 (\$39.89 in 2005/06).**

This increase reflects primarily the cost of harvest and delivery which has moved with fuel prices and average haulage distances.

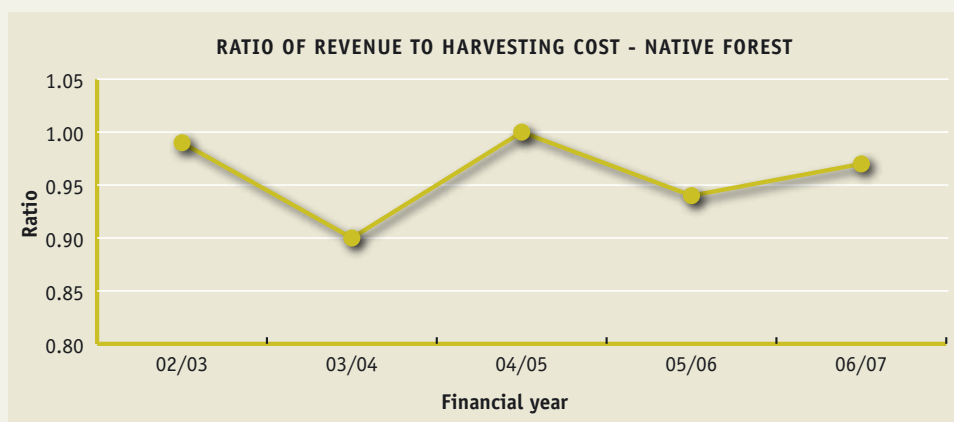


### **RATIO OF REVENUE TO HARVESTING COST**

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

**Measure: The ratio of harvesting cost to revenue has improved to 1:0.98 (1:0.94 in 2005/06).**

The cost recovery ratio improvement reflects reduced expenditure on roading and stockpiling of green firewood.

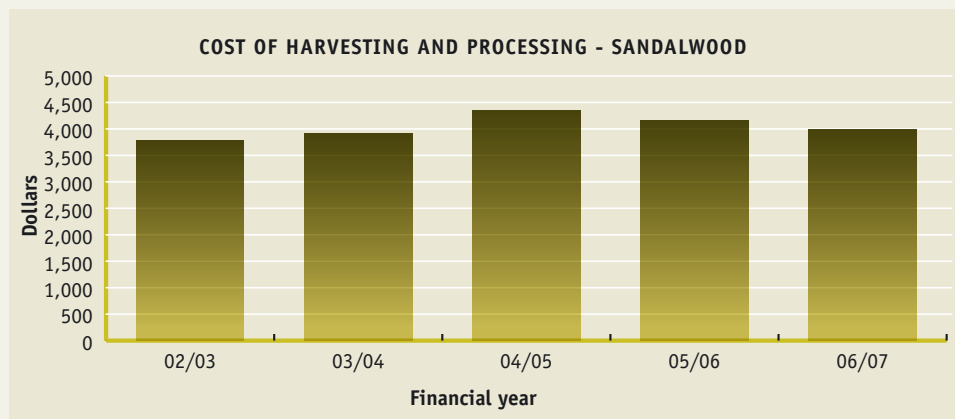


### COST OF HARVESTING AND PROCESSING - SANDALWOOD

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, delivery and processing.

**Measure: The cost per tonne harvested and processed is \$3,984 (\$4,160 in 2005/06), a decrease of 4%.**

This decrease reflects the effect of a decrease in processing of low value sandalwood powder products reflecting lower export demand.

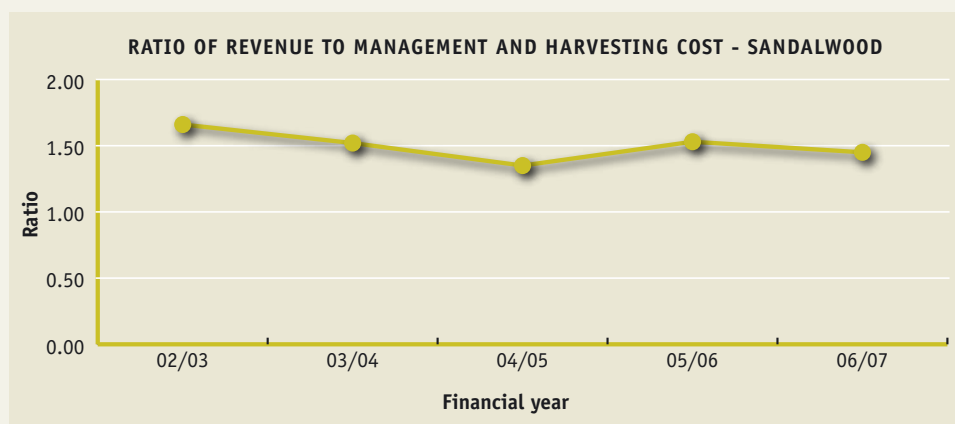


### RATIO OF REVENUE TO MANAGEMENT AND HARVESTING COST - SANDALWOOD

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

**Measure: The management and harvesting cost was \$8.5 million compared to revenue of \$12.34 million. The ratio has declined from 1.53 to 1.45.**

This decline reflects the reduced export revenue from sandalwood sales arising from the strengthening \$A.

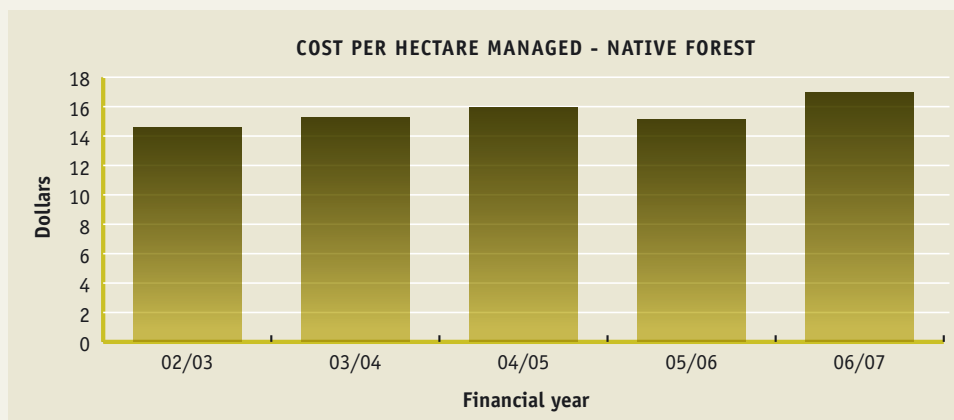


### SILVICULTURAL COST PER HECTARE MANAGED OF NATIVE FOREST

The Commission has access to a total State forest estate of approximately 850,000 ha and is responsible (with other agencies), for the management of that forest following harvest.

**Measure: The cost per ha managed was \$16.93 per ha (\$15.13 per ha for 2005/06).**

This increase in cost per ha managed is due to additional costs associated with forest management and roading.



### PLANTATION OPERATIONS

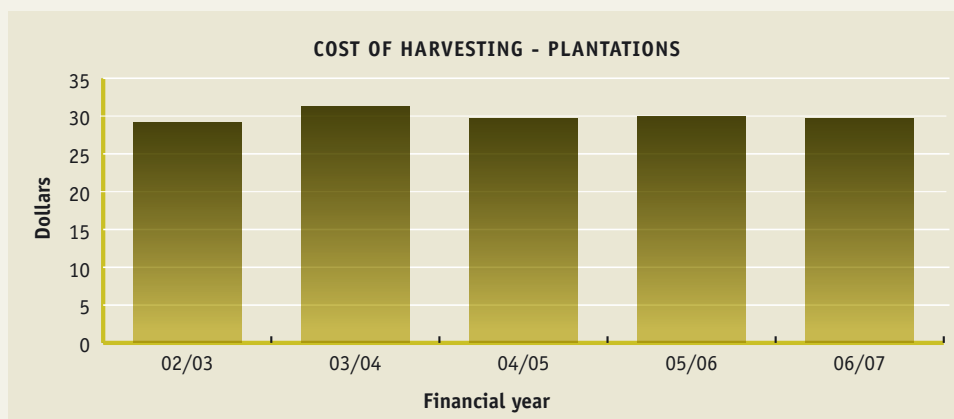
The functions of the Plantation Operations are:

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

### COST OF HARVESTING

This measure includes the cost per tonne harvested for all species of plantation timber. The major elements of the costs comprise payments to contractors for harvesting, delivery and road construction and maintenance.

**Measure: The average cost per tonne harvested was \$29.66 (\$29.94 for 2006/07).**



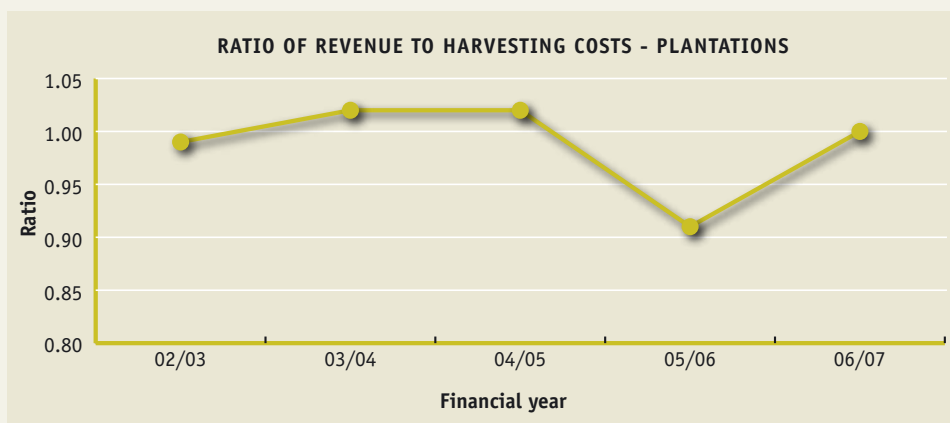
Audited key performance indicator

### RATIO OF REVENUE TO HARVESTING COSTS

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

**Measure: The ratio of revenue to harvesting costs improved to 1:1 (1:0.92 in 2005/06).**

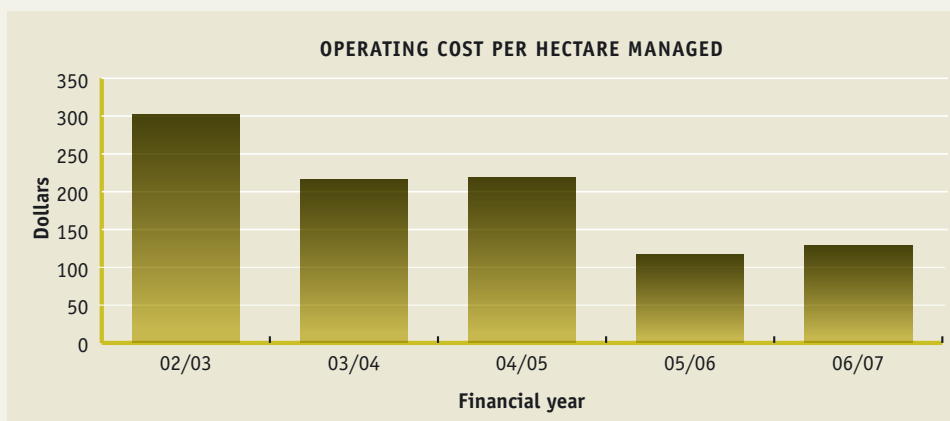
The cost recovery ratio improved to meet the target of 1:1.



### OPERATING COST PER HECTARE MANAGED

**Measure: The average cost for 2006/07 was \$132 per ha (\$120 per ha in 2005/06).**

The unit cost increase reflects the increased cost of plantation management including additional fire protection payments to the Department of Environment and Conservation.



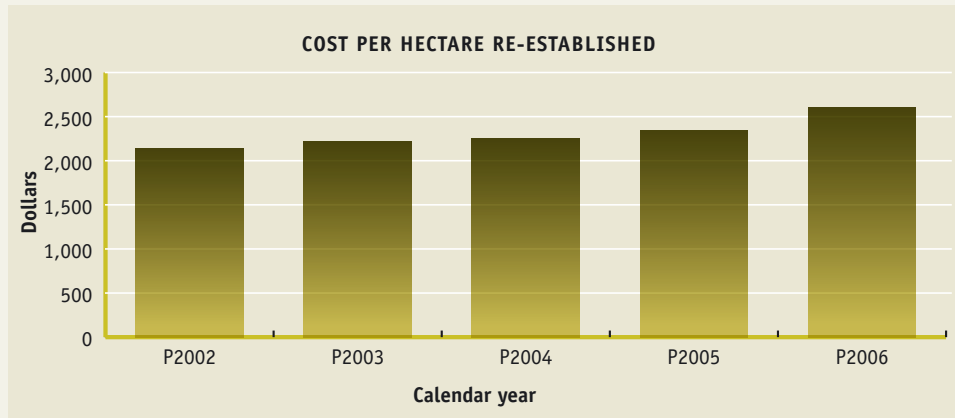


**COST PER HECTARE RE-ESTABLISHED**

The Commission re-planted 1,555 ha of harvested plantations to the end of December 2006.

**Measure: The re-establishment cost for the planting year 2006 was \$2,606 per ha which compares with the 2005 planting year of \$2,341 per ha.**

The increase in cost per ha re-established reflects indexation of re-establishment planting contracts and additional contractor costs.

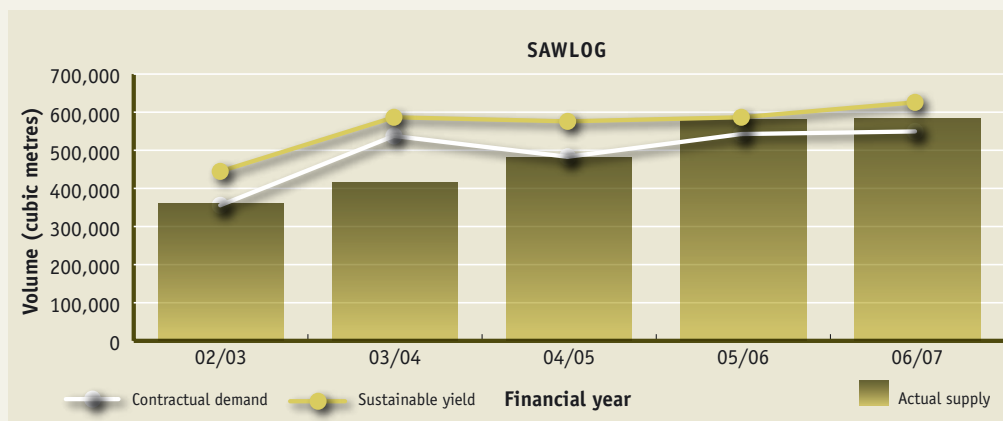


**PLANTATION LOG PRODUCTION IS CONSISTENT WITH CONTRACTED LEVELS OF SUPPLY TO INDUSTRY**

The contracted level is the quantity of timber of a particular specification that has been supplied under various contracts, including State Agreements, in the current year consistent with achieving the planned long-term supply to industry. As 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 relevant products.

**Measure: Comparison between actual production levels and Commission's contractual commitments to supply:**



The contractual demand represents the year budget for customer orders. In 2006/07 actual supply exceeded the budgeted contractual demand by 5%, reflecting a continuing buoyant pine industry sector in Western Australia.

Audited key performance indicator



The contractual demand represents the year budget for likely customer orders. In 2006/07 the actual supply of industrial wood exceeded the budgeted contractual demand by 17% due to the buoyant State economy.

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# FINANCIAL REVIEW


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growing a  
sustainable  
future

## 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 Management Act 2006*, from proper accounts and records, to present fairly the financial transactions for the financial year ending 30 June 2007 and the financial position as at 30 June 2007.

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



**David Taylor**  
*Chairman*



**Eva Skira**  
*Commissioner*



**Steve Melville**  
*Executive Manager Finance & Administration*

30 August 2007





## AUDITOR GENERAL

### INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

### FOREST PRODUCTS COMMISSION FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2007

I have audited the accounts, financial statements, controls and key performance indicators of the Forest Products Commission.

The financial statements comprise the Balance Sheet as at 30 June 2007, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, a summary of significant accounting policies and other explanatory Notes.

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

#### Commission's Responsibility for the Financial Statements and Key Performance Indicators

The Commission is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions, and the key performance indicators. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and key performance indicators that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the Financial Management Act 2006 and other relevant written law.

#### Summary of my Role

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements, controls and key performance indicators based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. 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 key 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 key performance indicators.

**Forest Products Commission  
Financial Statements and Key Performance Indicators for the year ended 30 June 2007**

**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 2007 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions;
- (ii) the controls exercised by the Commission provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (iii) the key 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 2007.



COLIN MURPHY  
AUDITOR GENERAL  
25 September 2007



**INCOME STATEMENT**  
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 \$000	2006 \$000
Revenue from sale of goods and services	5.1	110,305	107,718
Cost of sales	5.3	(57,984)	(53,276)
<b>Gross profit</b>		52,321	54,442
Revenue from standing timber valuation adjustments	5.2	(45,757)	13,080
Other revenue	6	21,001	9,940
Other expenses	8	(46,104)	(38,017)
Administration	7	(1,106)	(482)
<b>Results from operating activities</b>		(19,645)	38,963
Financial income	9	331	110
Financial expenses	10	(5,703)	(5,916)
<b>Net financing costs</b>		(5,372)	(5,806)
Share of profit of investment in joint venture	16	94	39
<b>(Loss) / profit before tax</b>		(24,923)	33,196
Income tax	33	6,418	(9,761)
<b>(Loss) / profit for the year</b>		(18,505)	23,435
<b>Attributable to:</b>			
Equity holders		(18,505)	23,435
<b>(Loss) / profit for the year</b>		(18,505)	23,435

## STATEMENT OF CHANGES IN EQUITY

	Note	Contributed equity	Retained earnings	Hedging reserve	Asset revaluation reserve	Total equity
		\$000	\$000	\$000	\$000	\$000
<b>Opening balance 1 July 2005</b>		<b>233,584</b>	<b>5,159</b>	<b>-</b>	<b>2,026</b>	<b>240,769</b>
Change in accounting policy						
Effect on opening retained earnings	43	-	(2,210)	-	-	(2,210)
Income tax on items taken directly to equity	43	-	663	-	-	663
<b>Balance at 1 July 2005, restated</b>		<b>233,584</b>	<b>3,612</b>	<b>-</b>	<b>2,026</b>	<b>239,222</b>
Assets transferred from Department of Environment & Conservation	24	148	-	-	-	148
Reappropriation from Consolidated Funds	24	1,270	-	-	-	1,270
Gain / (loss) on revaluation of properties	25	-	-	-	1,081	1,081
Cash flow hedge						
Gain / (loss) taken to equity	25	-	-	126	-	126
Net income prior to income tax recognised directly in equity		1,418	-	126	1,081	2,625
Income tax on items taken directly to equity	25	-	-	(38)	(324)	(362)
Net income after tax recognised directly in equity		1,418	-	88	757	2,263
Profit after tax for the period as per Income Statement		-	23,435	-	-	23,435
Dividends paid	25	-	-	-	-	-
Total recognised income and expense for the period		-	23,435	-	-	23,435
<b>Closing balance at 30 June 2006</b>		<b>235,002</b>	<b>27,047</b>	<b>88</b>	<b>2,783</b>	<b>264,920</b>
<b>Opening balance 1 July 2006</b>		<b>235,002</b>	<b>27,047</b>	<b>88</b>	<b>2,783</b>	<b>264,920</b>
Reappropriation from Consolidated Funds	24	2,270	-	-	-	2,270
Gain / (loss) on revaluation of properties	25	-	-	-	1,417	1,417
Cash flow hedge						
Gain / (loss) taken to equity	25	-	-	189	-	189
Net income prior to income tax recognised directly in equity		2,270	-	189	1,417	3,876
Income tax on items taken directly to equity	25	-	-	(57)	(425)	(482)
Net income after tax recognised directly in equity		2,270	-	132	992	3,394
Loss after tax for the period as per Income Statement		-	(18,505)	-	-	(18,505)
Dividends paid	25	-	(2,700)	-	-	(2,700)
Total recognised income and expense for the period		-	(21,205)	-	-	(21,205)
<b>Closing balance at 30 June 2007</b>		<b>237,272</b>	<b>5,842</b>	<b>220</b>	<b>3,775</b>	<b>247,109</b>

The amounts recognised directly in equity are disclosed net of tax - for tax effect see note 33.

Other movements in equity arising from transactions with owners are set out in note 24.

BALANCE SHEET  
AS AT 30 JUNE 2007

	Note	2007 \$000	2006 \$000
<b>Assets</b>			
Cash and cash equivalents	26.1	24,436	11,609
Trade and other receivables	11	17,345	15,471
Inventories	12	5,971	5,871
Natural resource assets	17	59,645	62,370
Other assets	13	27,517	8,614
<b>Total current assets</b>		<b>134,914</b>	<b>103,935</b>
Property, plant and equipment	14	19,287	17,284
Natural resource assets	17	271,182	303,819
Intangible assets	15	44	234
Other assets	13	17,008	1,035
<b>Total non-current assets</b>		<b>307,521</b>	<b>322,372</b>
<b>Total assets</b>		<b>442,435</b>	<b>426,307</b>
<b>Liabilities</b>			
Trade and other payables	19	12,123	17,949
Interest bearing loans and borrowings	20	13,004	3,755
Tax liabilities	33	595	-
Employee benefits	21	4,140	3,915
Provisions	23	6,243	8,539
<b>Total current liabilities</b>		<b>36,105</b>	<b>34,158</b>
Trade and other payables	19	2,677	1,803
Interest bearing loans and borrowings	20	78,649	86,706
Deferred tax liabilities	33	2,435	8,919
Employee benefits	21	1,459	1,457
Provisions	23	74,001	28,344
<b>Total non-current liabilities</b>		<b>159,221</b>	<b>127,229</b>
<b>Total liabilities</b>		<b>195,326</b>	<b>161,387</b>
<b>Net assets</b>		<b>247,109</b>	<b>264,920</b>
<b>Equity</b>			
Contributed equity	24	237,272	235,002
Reserves	25	3,995	2,871
Retained earnings	25	5,842	27,047
<b>Total equity</b>		<b>247,109</b>	<b>264,920</b>

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

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 \$000	2006 \$000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		105,616	106,188
Sale of goods and services - deferred income		157	150
Recoupable works - receipts		114	3,123
GST receipts on sales of goods and services		12,527	11,913
GST received from Taxation Authority		379	175
Other receipts		9,076	7,547
Employee expenses		(16,445)	(15,196)
Supplies and services		(32,735)	(29,551)
Harvesting expenses		(54,932)	(52,814)
Recoupable works - payments		(136)	(3,123)
GST payments on purchases		(10,012)	(9,461)
GST payments to Taxation Authority		(3,762)	(2,090)
Interest paid		(2,221)	(4,344)
<b>Net cash from operating activities</b>	26.3	7,626	12,517
<b>Cash flows from investing activities</b>			
Acquisition of property, plant & equipment and intangibles		(1,417)	(720)
Investments in new plantations		(8,870)	(7,418)
Investment in joint venture		(277)	(113)
Interest received		31	50
<b>Net cash from investing activities</b>		(10,533)	(8,201)
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(8,817)	(6,523)
Borrowings		10,009	5,360
Prepayment of WA Treasury Corporation debt		2,192	(6,809)
<b>Net cash from financing activities</b>		3,384	(7,972)
<b>Cash flows (to) / from Government and other institutions</b>			
Grants & subsidies	6	2,370	1,070
Commonwealth grants and contributions	6	339	364
Commonwealth contribution to NAP		10,069	6,324
State Government contribution to NAP recognised in equity	24	1,000	-
Peel B land sale proceeds	24	1,270	1,270
Dividends paid	25	(2,700)	-
<b>Net cash (to) / from Government and other institutions</b>		12,348	9,028
Net increase in cash and cash equivalents		12,827	5,372
Cash and cash equivalents at 1 July	26.1	11,609	6,237
<b>Cash and cash equivalents at 30 June</b>	26.1	24,436	11,609

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

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| <ul style="list-style-type: none"> <li><b>1 Australian equivalents to International Financial Reporting Standards</b></li> <li><b>2 Summary of significant accounting policies</b> <ul style="list-style-type: none"> <li>2.01 General statement</li> <li>2.02 Basis of preparation</li> <li>2.03 Reporting entity</li> <li>2.04 Income</li> <li>2.05 Income tax</li> <li>2.06 Property, plant and equipment</li> <li>2.07 Depreciation</li> <li>2.08 Intangible assets</li> <li>2.09 Impairment of assets</li> <li>2.10 Operating lease payments</li> <li>2.11 Financial instruments</li> <li>2.12 Cash and cash equivalents</li> <li>2.13 Inventories</li> <li>2.14 Receivables</li> <li>2.15 Investments and other financial assets</li> <li>2.16 Natural resource assets</li> <li>2.17 Payables</li> <li>2.18 Borrowings</li> <li>2.19 Amounts due to the treasurer</li> <li>2.20 Provisions</li> <li>2.21 Superannuation expense</li> <li>2.22 Accrued salaries</li> <li>2.23 Resources received free of charge or for nominal cost</li> <li>2.24 Jointly controlled operations</li> <li>2.25 Comparative figures</li> </ul> </li> <li><b>3 Other policies</b></li> <li><b>4 Disclosure of changes in accounting policy and estimates</b></li> <li><b>5 Revenue and expenses from natural resource assets</b> <ul style="list-style-type: none"> <li>5.1 Revenue from sale of goods and services</li> <li>5.2 Revenue from natural resource assets valuation adjustments</li> <li>5.3 Cost of sales</li> </ul> </li> <li><b>6 Other revenue</b></li> <li><b>7 Administration</b></li> <li><b>8 Other expenses</b></li> <li><b>9 Financial income</b></li> <li><b>10 Financial expenses</b></li> </ul> | <ul style="list-style-type: none"> <li><b>11 Trade and other receivables</b></li> <li><b>12 Inventories</b></li> <li><b>13 Other assets</b></li> <li><b>14 Property, plant and equipment</b> <ul style="list-style-type: none"> <li>14.1 Land and buildings</li> <li>14.2 Plant, equipment and vehicles</li> <li>14.3 Reconciliations</li> </ul> </li> <li><b>15 Intangible assets</b></li> <li><b>16 Investment in joint venture</b></li> <li><b>17 Natural resource assets</b> <ul style="list-style-type: none"> <li>17.1 Government contributions to natural resource assets</li> <li>17.2 Hectares under management</li> <li>17.3 Reconciliation of movements in natural resource asset balances</li> </ul> </li> <li><b>18 Natural resource assets risk analysis</b> <ul style="list-style-type: none"> <li>18.1 Discount rates</li> <li>18.2 Source of valuation of natural resource assets</li> <li>18.3 Sensitivity analysis</li> <li>18.4 Cash flows</li> <li>18.5 Insurance</li> </ul> </li> <li><b>19 Trade and other payables</b></li> <li><b>20 Interest bearing borrowings</b></li> <li><b>21 Employee benefits</b></li> <li><b>22 Gold State Superannuation Scheme</b> <ul style="list-style-type: none"> <li>22.1 Scheme information</li> <li>22.2 Nature of liability</li> </ul> </li> <li><b>23 Provisions</b></li> <li><b>24 Contributed equity</b></li> <li><b>25 Reserves</b></li> <li><b>26 Notes to the Cash Flow statement</b> <ul style="list-style-type: none"> <li>26.1 Reconciliation of cash</li> <li>26.2 Financing and investing activities</li> <li>26.3 Reconciliation of profit from ordinary activities after income tax</li> <li>26.4 Borrowing facilities</li> </ul> </li> </ul> |
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- 27 Resources provided free of charge**
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## NOTES TO THE FINANCIAL STATEMENTS

### 1. Australian equivalents to International Financial Reporting Standards

#### General

The Commission's financial statements for the year ended 30 June 2007 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

In preparing these financial statements the Commission has adopted, where relevant to its operations, new and revised Standards and Interpretations from their operative dates as issued by the Australian Accounting Standards Board and formerly the Urgent Issues Group (UIG).

The Australian Accounting Interpretations are adopted through AASB 1048 'Interpretation and Application of Standards' and are classified into those corresponding to International Accounting Standards Board's Interpretations (IASBI) and those only applicable in Australia.

The AASB has decided to maintain the statements of accounting concepts (SAC 1 and SAC 2) and has continued to revise and maintain accounting standards and the interpretations that are of particular relevance to the Australian environment, especially those that deal more specifically with not-for-profit entity issues and/or do not have an equivalent IASB Standard or Interpretation.

#### Early adoption of standards

The Commission cannot early adopt an Australian Accounting Standard or Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. No Standards and Interpretations that have been issued or amended but are not yet effective have been early adopted by the Commission for the annual reporting period ended 30 June 2007.

### 2. Summary of significant accounting policies

#### 2.01 General statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's instructions. Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording. For example, AASB 116 requires land and buildings to be measured at cost or fair value; TI 954 mandates the fair value option.

The Financial Management Act and the Treasurer's instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board. Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

Modifications or clarifications to accounting standards through the TI's are to provide certainty and ensure consistency and appropriate reporting across the public sector.

#### 2.02 Basis of preparation

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

The accounting policies adopted in the preparation of the financial statement have been consistently applied throughout all periods presented except for the change in accounting policy noted in note 43.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollar \$000.

The judgments that have been made in the process of applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included at Note 17 'natural resource assets'.

The key assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are included at Note 18 'natural resource assets risk analysis'.

### 2.03 Reporting entity

The reporting entity comprises the Commission and the Related Bodies listed at note 36.

### 2.04 Income

#### Revenue recognition

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

##### *Sale of goods*

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

##### *Rendering of services*

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

##### *Grants, donations, gifts and non-reciprocal contributions*

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

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

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

##### *Interest*

Revenue is recognised as the interest accrues. (The effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset, is used where applicable).

##### *Gains*

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and some revaluations of non-current assets.

### 2.05 Income tax

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

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

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

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

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

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

## 2.06 Property, plant and equipment

### *Capitalisation / expensing of assets*

Items of property, plant and equipment and infrastructure costing \$1,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment and infrastructure costing less than \$1,000 are expensed direct to the Income Statement (other than where they form part of a group of similar items which are significant in total).

### *Initial recognition and measurement*

All items of property, plant and equipment and infrastructure are initially recognised at cost.

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

### *Subsequent measurement*

After recognition as an asset, the Commission uses the revaluation model for the measurement of land, buildings and infrastructure and the cost model for all other property, plant and equipment. Land, buildings and infrastructure are carried at fair value less accumulated depreciation on buildings and infrastructure and accumulated impairment losses. All other items of property, plant and equipment are carried at cost less accumulated impairment losses.

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

Where market-based evidence is not available, the fair value of land and buildings is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the written down current replacement cost. Where the fair value of buildings is dependant on using the depreciated replacement cost, the gross carrying amount and the accumulated depreciation are restated proportionately.

Independent valuations of land and buildings are provided annually by the Western Australian Land Information Authority (Valuation Services) and recognised with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

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

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

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

## 2.07 Depreciation

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

Land is not depreciated. Depreciation on other assets is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

	2007	2006
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 <sup>(a)</sup>	2.5 years	2.5 years

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

## 2.08 Intangible assets

### *Capitalisation / expensing of assets*

Acquisitions of intangible assets costing \$1,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred of less than \$1,000 are immediately expensed directly to the Income Statement.

All acquired and internally developed intangible assets are initially measured at cost. For assets acquired at no cost or for nominal cost, cost is their fair value at the date of acquisition.

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

### *Intangible assets can only be revalued to fair value where an active market exists*

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life) on the straight line basis using rates which are reviewed annually. All intangible assets controlled by the Department have a finite useful life and zero residual value. The expected useful lives for each class of intangible asset are:

	2007	2006
Software <sup>(a)</sup>	2.5 years	2.5 years

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

Note that intangible assets that have an indefinite useful life are not subject to amortisation but must be tested annually for impairment.

### *Licenses*

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

### *Research*

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

Specific recognition criteria apply to development costs and must be satisfied before costs can be capitalised e.g. software developed in-house and web site costs.

### *Computer software*

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

#### *Web site costs*

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

### **2.09 Impairment of assets**

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

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

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at each balance sheet date irrespective of whether there is any indication of impairment.

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

### **2.10 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.

### **2.11 Financial instruments**

The Commission has two categories of financial instrument:

Loans and receivables (includes cash and cash equivalents, receivables and term deposits).

Non-trading financial liabilities (finance leases, payables and Treasurer's advance).

Initial recognition and measurement is at fair value. The transaction cost or face value is equivalent to the fair value. Subsequent measurement is at amortised cost using the effective interest method.

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

### **2.12 Cash and cash equivalents**

For the purpose of the Cash Flow Statement, cash and cash equivalents includes restricted cash and cash equivalents. These include cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value, and banks overdrafts.

### **2.13 Inventories**

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

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

#### **2.14 Receivables**

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

An allowance for impairment of receivables can only be raised if there is objective evidence of impairment.

#### **2.15 Investments and other financial assets**

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

After initial recognition, investments classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Commission establishes fair value using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

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

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

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

#### **2.16 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. A gain or loss on valuation is recognised in the income statement.

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

The Commission's valuations of natural resource assets are for financial reporting purposes only. The Commission's valuations are not intended for estimating other values inherent in or provided by forests, such as unpriced goods or services and the forests' ecological benefits.

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

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.



### 2.17 Payables

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

### 2.18 Borrowings

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

### 2.19 Amounts due to the Treasurer

The amount due to the Treasurer is in respect of a Treasurer's Advance. Initial recognition and measurement and subsequent measurement is at the amount repayable. Although there is no interest charged, the amount repayable is equivalent to fair value as the period of the borrowings is less than 12 months and therefore the effect of discounting is not material.

### 2.20 Provisions

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

#### (i) Provisions – employee benefits

##### *Annual leave and long service leave*

The liability for annual and long service leave expected to be settled within 12 months after the end of the balance sheet date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the balance sheet date.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

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

All annual leave and unconditional long service leave provisions are classified as current liabilities as the Commission does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

##### *Superannuation*

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes.

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

The Pension Scheme and the pre-transfer benefit for employees who transferred to the GSS Scheme are defined benefit schemes. These benefits are wholly unfunded and the liabilities for future payments are provided for at balance sheet date. The liabilities under these schemes have been calculated separately for each scheme annually by GESB using the projected unit credit method.

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

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

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

## **(ii) Provisions – other**

### *Employee on-costs*

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

### *Restoration costs*

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

### *Onerous contracts*

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

### *Dividends*

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

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

## **2.21 Superannuation expense**

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

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

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

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

## **2.22 Accrued salaries**

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year end. The Commission considers the carrying amount of accrued salaries to be equivalent to the net fair value.

### **2.23 Resources received free of charge or for nominal cost**

Resources received free of charge or for nominal cost that can be reliably measured are recognised as revenues and as assets or expenses as appropriate at fair value.

### **2.24 Jointly controlled operations**

Interests in joint venture operations have been reported in the financial report including the Commission's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of expenses incurred in relation to the joint ventures in their respective classification categories.

### **2.25 Comparative figures**

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

## **3. Other policies**

### **Segment reporting**

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in AASB 114 'Segment Reporting'.

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

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

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

### **Foreign currency translation, derivative financial instrument and hedge accounting**

Transactions denominated in a foreign currency are translated at the rates in existence at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange current at balance sheet date. Exchange gains and losses are brought to account in determining the result for the year.

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

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

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

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

#### 4. Disclosure of changes in accounting policy and estimates

The Commission has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2006:

1. AASB 2005-9 'Amendments to Australian Accounting Standards' (AASB 4, AASB 1023, AASB 139 & AASB 132) (Financial guarantee contracts). The amendment deals with the treatment of financial guarantee contracts, credit insurance contracts, letters of credit or credit derivative default contracts as either an "insurance contract" under AASB 4 'Insurance Contracts' or as a "financial guarantee contract" under AASB 139 'Financial Instruments: Recognition and Measurement'. The Commission does not currently undertake these types of transactions, resulting in no financial impact in applying the Standard.
2. UIG Interpretation 4 'Determining whether an Arrangement Contains a Lease' as issued in June 2005. This Interpretation deals with arrangements that comprise a transaction or a series of linked transactions that may not involve a legal form of a lease but by their nature are deemed to be leases for the purposes of applying AASB 117 "Lease". At balance sheet date, the Commission has not entered into any arrangements as specified in the Interpretation, resulting in no impact in applying the Interpretation.
3. UIG Interpretation 9 'Reassessment of Embedded Derivatives'. This Interpretation requires an embedded derivative that has been combined with a non-derivative to be separated from the host contract and accounted for as a derivative in certain circumstances. At balance sheet date, the Commission has not entered into any contracts as specified in the Interpretation, resulting in no impact in applying the Interpretation.

The following Australian Accounting Standards and Interpretations are not applicable to the Commission as they have no impact or do not apply to not-for-profit entities:

##### AASB Standards and Interpretations

- 2005-1 'Amendments to Australian Accounting Standard' (AASB 139 - Cash flow hedge accounting of forecast intragroup transactions)
- 2005-5 'Amendments to Australian Accounting Standard' (AASB 1 & AASB 139)
- 2006-1 'Amendments to Australian Accounting Standard' (AASB 121)
- 2006-3 'Amendments to Australian Accounting Standard' (AASB 1045)
- 2006-4 'Amendments to Australian Accounting Standard' (AASB 134)
- 2007-2 'Amendments to Australian Accounting Standard' arising from AASB Interpretation 12 (AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139) - paragraph 9
- UIG 5 'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'
- UIG 6 'Liabilities arising from Participation in a Specific Market - Waste Electrical and Electronic Equipment'
- UIG 7 'Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies'
- UIG 8 'Scope of AASB 2'

##### Future impact of Australian Accounting Standards not yet operative

The Commission cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, the Commission has not applied the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued but are not yet effective. These will be applied from their application date:

1. AASB 7 'Financial Instruments: Disclosures' (including consequential amendments in AASB 2005-10', Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038). This Standard requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Commission's exposure to risks, enhanced disclosure regarding components of the Commission's financial position and performance, and possible changes to the way of presenting certain items in the financial statements. The Commission does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.

2. AASB 2005-10 'Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038)'. The amendments are as a result of the issue of AASB 7 'Financial Instruments: Disclosures', which amends the financial instrument disclosure requirements in these standards. The Commission does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.

3. AASB 101 'Presentation of Financial Statements'. This Standard was revised and issued in October 2006 so that AASB 101 has the same requirements as IAS 1 'Presentation of Financial Statements' (as issued by the IASB) in respect of for-profit entities. The Commission is a not-for-profit entity and consequently does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.

4. AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments (AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038)'. This Standard introduces policy options and disclosures. These amendments arise as a result of the AASB decision that, in principle, all options that currently exist under International Financial Reporting Standards (IFRS) should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment. The Department of Treasury and Finance has indicated that it will mandate to remove the policy options added by this amending Standard. This will result in no impact as a consequence of application of the Standard. The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007.

5. AASB 2007-5 'Amendment to Australian Accounting Standard - Inventories Held for Distribution by Not-for-Profit Entities (AASB 102)'. This amendment changes AASB 102 'Inventories' so that inventories held for distribution by not-for-profit entities are measured at cost and adjusted when applicable for any loss of service potential. The Commission does not have any inventories held for distribution so does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007.

6. AASB Interpretation 4 'Determining whether an Arrangement Contains a Lease (revised)'. This Interpretation was revised and issued in February 2007 to specify that if a public-to-private concession arrangement meets the scope requirements of AASB Interpretation 12 'Service Concession Arrangements' as issued in February 2007, it would not be within the scope of Interpretation 4. At balance sheet date, the Commission has not entered into any arrangements as specified in the Interpretation or within the scope of Interpretation 12, resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.

7. AASB Interpretation 12 'Service Concession Arrangements'. This Interpretation was issued in February 2007 and gives guidance on the accounting by operators (usually a private sector entity), for public-to-private service concession arrangements. It does not address the accounting by grantors (usually a public sector entity). It is currently unclear as to the application of the Interpretation to the Commission if and when, public-to-private service concession arrangements are entered into in the future. At balance sheet date, the Commission has not entered into any public-to-private concession arrangements resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods.

8. AASB Interpretation 129 'Service Concession Arrangements: Disclosures (revised)'. The Interpretation was revised and issued in February 2007 to be consistent with the requirements in AASB Interpretation 12 'Service Concession Arrangements' as issued in February 2007. Specific disclosures about service concession arrangements entered into are required in the notes accompanying the financial statements, whether as a grantor or an operator. At balance sheet date, the Commission has not entered into any public-to-service concession arrangements resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.

The following Australian Accounting Standards and Interpretations are not applicable to the Commission as they will have no impact or do not apply to not-for-profit entities:

AASB Standards and Interpretations

AASB 8	'Operating Segments'
AASB 1049	'Financial Reporting of General Government Sectors by Governments'
AASB 2007-1	'Amendments to Australian Accounting Standards arising from AASB Interpretation 11 (AASB 2)'
AASB 2007-2	'Amendments to Australian Accounting Standards arising from AASB Interpretation 12 (AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139) - paragraphs 1 to 8'
AASB 2007-3	'Amendments to Australian Accounting Standards arising from AASB 8 (AASB 5, AASB 6, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038)'
Interpretation 10	'Financial Reporting and Impairment'
Interpretation 11	'AASB 2 - Group and Treasury Share Transactions'



	2007	2006
	\$000	\$000
<b>5. Revenue and expenses from natural resource assets</b>		
<b>5.1 Revenue from sale of goods and services</b>		
- Harvesting operations	46,041	46,939
- Recovery of harvesting costs	59,170	55,113
- Fair value of harvested products	2,732	3,614
- Plant Propagation Centre revenue	2,172	1,630
- Contributions to Afforestation Program	190	422
<b>Total revenues</b>	<b>110,305</b>	<b>107,718</b>
<b>5.2 Revenue from natural resource assets valuation adjustments</b>		
- Standing timber valuation adjustments	(45,757)	13,080
<b>Revenue from natural resource assets valuation adjustments</b>	<b>(45,757)</b>	<b>13,080</b>
<b>5.3 Cost of sales</b>		
- Harvesting costs	55,350	52,960
- Write down of inventory to net realisable value	2,062	316
- Decrease in inventory valuation	572	-
<b>Total cost of sales</b>	<b>57,984</b>	<b>53,276</b>
<b>6. Other revenue</b>		
Revenue from commercial share farm operations <sup>1</sup>	17	24
Commonwealth grant for RIRDC <sup>2</sup> research <sup>3</sup>	339	364
Commonwealth Government contribution to NAP <sup>3</sup>	12,911	2,542
Revenue from cost recovery operations <sup>4</sup>	6,264	5,562
Community service obligations / Forest Enhancement Program <sup>5</sup>	2,370	1,070
Embedded derivatives valuation (increment) / decrement taken to income statement	(900)	378
	<b>21,001</b>	<b>9,940</b>
<sup>1</sup> 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.		
<sup>2</sup> Rural Industry Research and Development Corporation (RIRDC).		
<sup>3</sup> 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.		
<sup>4</sup> 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.		
<sup>5</sup> Includes State Government contributions to interest on South West Forest and New Plantations debt.		
<b>7. Administration</b>		
Telephone, postage, communications	538	675
Audit fees	100	137
Increase / (decrease) in provision for doubtful debts	58	(1,060)
Loss on disposal of assets	90	5
- Land <sup>1</sup>	-	465
- Buildings <sup>1</sup>	-	29
Other administration costs	320	231
	<b>1,106</b>	<b>482</b>
<sup>1</sup> Valuation adjustments arising from valuations by Department of Land Information (Valuation Services)		

	2007 \$000	2006 \$000
<b>8. Other expenses</b>		
<i>Employee expenses:</i>		
Wages and salaries	11,018	10,323
Superannuation	1,488	1,303
Actuarial (gain) / loss	(2)	50
Annual leave	1,501	1,517
Other leave	851	612
Long service leave	463	277
Payroll tax	988	856
Workers' compensation insurance (refund)/payments	(15)	165
Fringe benefits tax	70	71
Total employee expenses	16,362	15,174
Increase in provision for deferred rental	4,846	1,861
(Decrease) / increase in provision for restoration costs	(5,887)	1,912
<i>Contractors and other:</i>		
Sundry supplies and services	3,537	2,810
Replanting of harvested mature plantation estate	3,051	2,927
Pruning	282	405
Fertilising	331	364
IT services	567	325
Native Forest silviculture contracts	759	1,086
Plantations operational contracts	387	861
European House Borer Eradication Programme	1,122	1,523
Sandalwood marketing fee	442	561
Planning contracts	41	361
DEC service level agreements	10,602	8,940
Provision for claim <sup>1</sup>	-	(10,000)
Materials	2,868	2,395
Repairs and maintenance	269	276
Travel	510	641
Operating lease rentals	3,524	3,323
Total contractors and other expenses	28,292	16,798
<i>Depreciation:</i>		
Plant, equipment, vehicles, office equipment and nursery infrastructure	1,134	1,147
Buildings	204	184
Total depreciation plant, equipment, vehicles, office equipment and nursery infrastructure & buildings	1,338	1,331
Amortisation of software	96	129
Total depreciation and amortisation	1,434	1,460
Write-down of UWA joint venture	371	152
<i>Accommodation expenses:</i>		
Lease rentals and travel accommodation	469	476
Other property	217	184
Total accommodation expenses	686	660
Total other expenses	<b>46,104</b>	<b>38,017</b>

<sup>1</sup> 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.

	2007	2006
	\$000	\$000
<b>9. Financial income</b>		
Interest income	331	110
	<b>331</b>	<b>110</b>
<b>10. Financial expenses</b>		
Interest on WA Treasury Corporation loans	5,582	5,804
Interest cost on defined benefit obligation	8	6
Interest on Plantation Establishment Deed	113	106
	<b>5,703</b>	<b>5,916</b>
<b>11. Trade and other receivables</b>		
Trade debtors	18,139	16,208
Provision for doubtful debts	(794)	(737)
	<b>17,345</b>	<b>15,471</b>
Movement in provision for doubtful debts:		
Opening balance at 1 July	(737)	(2,294)
Bad debts written off	-	497
Provisions (raised) / reversed (included in admin expenses - note 7)	(58)	1,060
Closing balance at 30 June	<b>(794)</b>	<b>(737)</b>
<p>Provision relates to assessment of specific assets for indications of impairment. The reversal of the doubtful debts provision at 30 June 2006 was due to some significant debts able to be recovered subsequent to the 30th June 2005.</p>		
<b>12. Inventories</b>		
<i>Current</i>		
Inventories held for resale at cost <sup>1</sup> :		
- Plant Propagation Centre	1,060	2,072
- Sandalwood	4,466	3,297
- Timber on forest landings	352	351
- Timber technology stocks	93	151
	<b>5,971</b>	<b>5,871</b>
<p><sup>1</sup> Cost is the net market value of inventories at the time inventories become non-living.</p>		
<p>The aggregate carrying amount of inventories recognised and included in the financial statements is as follows:</p>		
- Current	5,971	5,871
	<b>5,971</b>	<b>5,871</b>
<b>13. Other assets</b>		
<i>Current</i>		
Prepayments	781	660
Performance Security Account - Premium Plantations 2005 <sup>1</sup>	271	46
Accrued revenue	1,002	1,011
NAP receivable <sup>2</sup>	25,149	-
Prepayment of WA Treasury Corporation debt	-	6,809
Net hedge contract (receivable) / payable	314	88
	<b>27,517</b>	<b>8,614</b>
<i>Non-Current</i>		
Performance Security Account - Premium Plantations 2005 <sup>1</sup>	722	1,035
NAP receivable <sup>2</sup>	16,286	-
	<b>17,008</b>	<b>1,035</b>

<sup>1</sup> The Performance Security Account is funds held on trust to be drawn down against services to be delivered in the future.

<sup>2</sup> Includes receipt of funds for services yet to be delivered under the NAP.

	2007	2006
	\$000	\$000
<b>14. Property, plant and equipment</b>		
<b>14.1 Land and buildings</b>		
Freehold land at fair value <sup>1</sup>	7,672	5,879
	<u>7,672</u>	<u>5,879</u>
Buildings at valuation <sup>2</sup>	4,636	4,549
Accumulated depreciation	(988)	(784)
	<u>3,648</u>	<u>3,765</u>
Total land and buildings	<b>11,320</b>	<b>9,644</b>
<b>14.2 Plant, equipment and vehicles</b>		
Nursery infrastructure at written down replacement cost	12,130	11,717
Accumulated depreciation	(6,785)	(6,354)
Nursery infrastructure at fair value	<u>5,345</u>	<u>5,363</u>
Plant, equipment and vehicles at cost	4,275	3,628
Accumulated depreciation	(2,298)	(1,882)
	<u>1,977</u>	<u>1,746</u>
Office equipment at cost	2,062	1,682
Accumulated depreciation	(1,417)	(1,151)
	<u>645</u>	<u>531</u>
Total plant, equipment and vehicles	<b>7,967</b>	<b>7,640</b>

<sup>1</sup> 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.

<sup>2</sup> 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).

<sup>1</sup> 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 and 30 June 2007.

### 14.3 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.

	Freehold land	Buildings	Nursery inf'rcture	Plant equipment and vehicles	Office equipment	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Cost</b>						
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)
<b>Balance at 30 June 2006</b>	<b>5,879</b>	<b>4,549</b>	<b>11,717</b>	<b>3,628</b>	<b>1,682</b>	<b>27,455</b>
<b>Balance at 1 July 2006</b>	<b>5,879</b>	<b>4,549</b>	<b>11,717</b>	<b>3,628</b>	<b>1,682</b>	<b>27,455</b>
Additions	629	87	-	737	401	1,854
Disposals	-	-	-	(90)	(21)	(111)
Revaluation increment	1,164	-	413	-	-	1,577
<b>Balance at 30 June 2007</b>	<b>7,672</b>	<b>4,636</b>	<b>12,130</b>	<b>4,275</b>	<b>2,062</b>	<b>30,775</b>
<b>Depreciation and impairment losses</b>						
<b>Balance at 1 July 2005</b>	-	(529)	(5,877)	(1,544)	(945)	(8,895)
Depreciation	-	(184)	(477)	(414)	(256)	(1,331)
Adjustments	-	(71)	-	76	50	55
<b>Balance at 30 June 2006</b>	-	(784)	(6,354)	(1,882)	(1,151)	(10,171)
<b>Balance at 1 July 2006</b>	-	(784)	(6,354)	(1,882)	(1,151)	(10,171)
Depreciation	-	(204)	(431)	(420)	(283)	(1,338)
Disposal	-	-	-	4	17	21
<b>Balance at 30 June 2007</b>	-	(988)	(6,785)	(2,298)	(1,417)	(11,488)
<b>Carrying Amounts</b>						
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
At 1 July 2006	5,879	3,765	5,363	1,746	531	17,284
At 30 June 2007	7,672	3,648	5,345	1,977	645	19,287

	2007	2006
	\$000	\$000
<b>15. Intangible assets</b>		
Software - cost	468	562
Software - accumulated amortisation	(424)	(328)
	<b>44</b>	<b>234</b>

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

	Intangible assets
	\$000
<b>Cost</b>	
<b>Balance at 1 July 2005</b>	409
Additions from external sources	153
<b>Balance at 30 June 2006</b>	562
<b>Balance at 1 July 2006</b>	562
Additions from external sources	52
Adjustments	(146)
<b>Balance at 30 June 2007</b>	468
<b>Amortisation and impairment losses</b>	
<b>Balance at 1 July 2005</b>	(199)
Amortisation of software costs (included in Other Expenses - refer note 8)	(129)
<b>Balance at 30 June 2006</b>	(328)
<b>Balance at 1 July 2006</b>	(328)
Amortisation of software costs (included in Other Expenses - refer note 8)	(96)
<b>Balance at 30 June 2007</b>	(424)
<b>Carrying amounts</b>	
At 1 July 2005	210
At 30 June 2006	234
At 1 July 2006	234
At 30 June 2007	44



## 16. 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:	
			2007	2006
UWA/FPC joint venture	Timber research and product development	31 December <sup>1</sup>	50%	50%

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

	2007 \$'000						
	Revenue (100%)	Profit/(loss) (100%)	Commission's share of profit/(loss)	Total assets (100%)	Total liabilities (100%)	Net assets reported by JV (100%)	Share of JV net assets equity accounted
UWA/FPC joint venture:	277	110	55	187	-	187	94

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

	2007 \$'000	2006 \$'000
Share of joint venture profit before income tax	94	39
Share of income tax expense	-	-
Share of joint venture net profit accounted for using the equity method	94	39
Reconciliation of movement in investment in joint venture:		
Balance at 1 July	-	-
Contributions to joint venture	277	113
Share of net assets equity accounted	94	39
Investment in joint venture before adjustments:	371	152
Adjustments:		
Write down of investment in joint venture to net recoverable amount	(371)	(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 (2006 \$470,000).

As at 30 June 2007 the Commission has no share of liabilities or contingent liabilities associated with its investment in the UWA/FPC joint venture, other than as disclosed above.

### Note:

<sup>1</sup> 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.

	2007	2006
	\$000	\$000
<b>17. Natural resource assets</b>		
<b>Current</b>		
<i>Natural resource assets at valuation</i>		
Native Forest		
Native Forest standing timber	13,510	12,752
Standing sandalwood	4,865	6,680
Native Forest natural resource assets at valuation	18,375	19,432
<i>Plantations</i>		
Plantations standing timber	41,270	42,938
Plantations natural resource assets at valuation	41,270	42,938
<b>Total natural resource assets at valuation current</b>	<b>59,645</b>	<b>62,370</b>
<b>Non-Current</b>		
<i>Natural resource assets at valuation</i>		
Native Forest		
Native forest standing timber	95,560	95,183
Standing sandalwood	25,783	46,402
Native forest natural resource assets at valuation	121,343	141,585
<i>Plantations</i>		
Plantations standing timber	119,553	139,197
Plantations Reforestation program	11,442	12,359
Plantations Afforestation program	18,844	10,678
Plantations natural resource assets at valuation	149,839	162,234
<b>Total natural resource assets at valuation non-current</b>	<b>271,182</b>	<b>303,819</b>
<b>Total natural resource assets at valuation</b>	<b>330,827</b>	<b>366,189</b>

	2007	2006
	\$000	\$000
<b>17.1 Government contributions to natural resource assets</b>		
Plantations Afforestation program	18,844	10,678
Commonwealth Government contributions to the NAP	10,069	6,324
Gross contributions over the NAP program period (2004/05 to 2007/08)	<b>\$000</b>	
Commonwealth Government	32,200	
State Government	32,200	
Total Government contributions	64,400	

**Funding cash flows have been received / are expected as follows:**

		\$000 Total	\$000 State <sup>1</sup>	\$000 Commonwealth
Gross Commonwealth and State contributions	<b>Financial year:</b>	<b>Received:</b>		
	2004/05	1,483	-	1,483
	2005/06	7,807	-	7,807
	2006/07	11,702	1,633	10,069
	<b>Total received</b>	20,992	1,633	19,359
		<b>Expected:</b>		
	2007/08	25,149	12,308	12,841
	2008/09	1,126	1,126	-
	2009/10	1,211	1,211	-
	2010/11	1,286	1,286	-
2011/12	1,366	1,366	-	
2012/13 onwards	13,270	13,270	-	
<b>Total expected</b>	43,408	30,567	12,841	
<b>Total funding</b>	64,400	32,200	32,200	

<sup>1</sup> State contributions include an element of interest to offset Commission borrowings where the timing of State Contributions do not match those of the Commonwealth. \$3 million out of the total State contributions are recognised as equity contributions of \$1 million per year from 2006/2007 to 2009/2010 based on instructions from State Treasury.

Hectares to be established:	Planting year <sup>1</sup>	Ha <sup>2</sup>
	2005	1,040
	2006	3,271
	2007	6,315
	2008	7,313
		17,939

<sup>1</sup> Planting year is the period from 1 October to 30 September of the following year.

<sup>2</sup> Neither the State nor the Commonwealth have any commitments to extending the NAP program after 2008.

## 17.2 Hectares under management

### *Plantations*

Plantations standing timber <sup>1</sup>	
Plantations Reforestation program <sup>1</sup>	
Plantations Afforestation program <sup>1</sup>	
Total plantation hectares under management	

Hectares under management <sup>1</sup>	
2007	2006
74,545	74,553
12,862	13,119
9,510	4,448
<b>96,916</b>	<b>92,120</b>

<sup>1</sup> Area under management as at 31 December. This number will not vary materially to the 30th June, 2007.

## 17.3 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.

	2007	2006
	\$000	\$000
Carrying amount at the start of the period	366,189	338,116
Increase due to new plantings	10,395	8,258
Increase due to natural resource asset growth	46,041	42,585
Harvested timber transferred to inventories	(46,041)	(42,585)
Changes in fair value less estimated point of sale costs	(45,757)	19,815
Carrying amount at the end of the period	<b>330,827</b>	<b>366,189</b>

## 18. Natural resource assets risk analysis

### 18.1 Discount rates

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

#### *Native Forest<sup>1</sup>*

Native forest standing timber	12.35%	11.80%
Standing sandalwood	12.35%	12.55%

#### *Plantations<sup>1</sup>*

Plantations standing timber	12.35%	11.05%
Plantations Reforestation Program	12.35%	13.30%

Discount rates, which are real and pre-tax, are based on the Commission's weighted average cost of capital (WACC). The WA Treasury Corporation provided an update of the Commission's WACC as at 30 June 2007, recommending that risk relative to each sub-set of the Commission's natural resource assets be adjusted for via cash flows for that class of assets, rather than via discount rates as was the Commission's practice in 2005/06 and prior years. This change in practice does not materially influence movements in the Commission's natural resource asset valuations.

### 18.2 Source of valuation of natural resource assets

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

### 18.3 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:

			2007	2006
			\$000	\$000
			Increase/ (decrease)	Increase/ (decrease)
Discount rate:	+ 3%	Total natural resource assets at valuation	(54,366)	(66,074)
	- 3%	Total natural resource assets at valuation	82,325	102,207
Future costs:	+ 3%	Total natural resource assets at valuation	(10,078)	(6,786)
	- 3%	Total natural resource assets at valuation	10,078	6,648
Future income:	+ 3%	Total natural resource assets at valuation	19,538	15,026
	- 3%	Total natural resource assets at valuation	(19,538)	(15,026)

### 18.4 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 17.1 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

### 18.5 Insurance

The Commission does not insure its natural resource assets.

			2007	2006
			\$000	\$000
<b>19. Trade and other payables</b>				
<i>Current</i>				
Trade payables			3,218	5,326
GST (receivable) / payable			(320)	547
Payroll tax accrual			200	95
Accruals:			-	-
~ Accrued logging costs			3,069	2,651
~ Other accruals			4,420	7,539
Accrued interest			1,481	1,477
Embedded derivatives			55	29
Accrued salaries and wages			-	285
			<b>12,123</b>	<b>17,949</b>
<i>Non-Current</i>				
Embedded derivatives			2,677	1,803
			<b>2,677</b>	<b>1,803</b>

	2007	2006
	\$000	\$000
<b>20. Interest bearing borrowings</b>		
<i>Current</i>		
Western Australian Treasury Corporation loans	13,004	3,755
<b>Total current</b>	<b>13,004</b>	<b>3,755</b>
<i>Non-Current</i>		
Western Australian Treasury Corporation loans	78,649	86,706
<b>Total non-current</b>	<b>78,649</b>	<b>86,706</b>
<b>Total interest bearing borrowings<sup>1</sup></b>	<b>91,653</b>	<b>90,461</b>

<sup>1</sup> Refer Financial Instruments note 32.1 for interest rate analysis.

## 21. Employee benefits

<i>Current</i>		
Compensated absences - Annual leave	1,984	1,936
Compensated absences - Long service leave	2,156	1,979
	<b>4,140</b>	<b>3,915</b>
<i>Non-current</i>		
Compensated absences - Long service leave	1,315	1,319
Provision for unfunded superannuation liability <sup>1</sup>	144	138
	<b>1,459</b>	<b>1,457</b>

<sup>1</sup> The Commission has a provision for the unfunded liability associated with those employees who are currently members of Gold State Superannuation Scheme. Refer note 22 below.

## 22. Gold State Superannuation Scheme

### 22.1 Scheme information

Some former Pension Scheme members have transferred to Gold State Super. In respect to 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.

Present value of defined benefit obligations at the beginning of the year	138	107
Interest costs	8	6
Actuarial losses	(2)	50
Benefits paid	-	(25)
Present value of defined benefit obligations at the end of the year	144	138

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	-	-



	2007	2006
	\$000	\$000
<i>Reconciliation of the assets and liabilities recognised in the balance sheet:</i>		
Defined benefit obligation	144	138
Net liability	144	138
<i>Expense recognised in the income statement:</i>		
Interest cost (refer note 10)	8	6
Actuarial loss (refer note 8)	(2)	50
Superannuation expense	6	56

### Gold State Superannuation Scheme continued

#### *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-07	30-Jun-06
Discount rate	6.06%	5.81%
Discount rate (pensioners)	6.06%	5.81%
Expected salary increase rate	4.50%	4.50%
Expected pension increase rate	2.50%	2.50%

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

#### *Historical Information:*

Present value of defined benefit obligation	144	138
Fair value of Scheme assets	-	-
Deficit in Scheme	144	138
Experience adjustments loss - Scheme liabilities	45	45

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).

#### *Expected contributions:*

	30-Jun-08
	\$000
Expected contributions	(7)

#### *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.

	30-Jun-07
	(\$'000)
As at	
Accrued benefits:	4,566,281
Net market value of Scheme assets	2,228,181
Net deficit	2,338,100

	2007	2006
	\$000	\$000

(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 2006 of the Scheme were:

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

## 22.2 Nature of liability

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

## 23. Provisions

Note:

### Current

Provision for land acquisition payments	a	1,712	1,875
Provision for restoration costs	b	3,452	5,526
Provision for deferred rental	c	206	96
Unearned revenue			
~ Manjimup nursery	d	234	84
~ South West share farm project	e	453	487
Deferred income - PSA	f	186	471
		<b>6,243</b>	<b>8,539</b>

### Non-Current

Unearned revenue	g		
~ Plantation Establishment Deed	a	5,280	4,166
Provision for land acquisition payments	b	493	276
Provision for restoration costs	c	5,575	9,389
Provision for deferred rental	f	17,907	13,172
Deferred Income	h	44,746	1,341
		<b>74,001</b>	<b>28,344</b>

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

	2007	2006
	\$000	\$000
<b>Net movement in provisions</b>		
Opening balance at 1 July	36,883	31,136
<i>Provisions raised on adoption of AIFRS</i>		
Provision for restoration costs	-	1,913
Provision for deferred rental	-	3,484
	-	<b>5,397</b>
<i>Provisions utilised</i>		
Provision for land acquisition payments	(1,494)	(558)
Unearned revenue		
~ Manjimup nursery	-	(471)
~ Specific purpose grant money and externally funded projects	(34)	(1,298)
Provision for restoration costs	(5,888)	-
Provision for deferred rental	-	(1,622)
Deferred income	(12,911)	(668)
	<b>(20,327)</b>	<b>(4,617)</b>
<i>Provisions raised in the period</i>		
Provision for land acquisition payments	1,548	1,869
~ Manjimup nursery	150	340
~ Specific purpose grant money and externally funded projects	-	1,541
Provision for deferred rental	4,845	-
Unearned revenue - Plantation Establishment Deed	1,114	1,106
Deferred Income	56,031	111
	<b>63,688</b>	<b>4,967</b>
Closing balance at 30 June	<b>80,244</b>	<b>36,883</b>

## 24. 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
State contribution to NAP <sup>2</sup>	1,000	
Reappropriation from Consolidated Funds <sup>1</sup>	1,270	1,270
<b>Total contribution by owners</b>	<b>2,270</b>	<b>1,418</b>

### Reconciliation:

Contribution by owners at the beginning of the financial period	235,002	233,584
Amounts contributed during the financial period	2,270	1,418
<b>Contribution by owners at the end of the financial period</b>	<b>237,272</b>	<b>235,002</b>

<sup>1</sup> Reappropriation from Consolidated Funds arising out of the sale of Peel 'B' Baldivis plantation land sale proceeds.

<sup>2</sup> Please refer to note 17.1

	2007	2006
	\$000	\$000
<b>25. Reserves</b>		
<b><i>Asset Revaluation Reserve</i></b>		
Opening balance	2,783	2,026
Net revaluation increments <sup>1</sup> :		
Land	703	419
Nursery Infrastructure	289	358
Buildings	-	(20)
Closing balance	<b>3,775</b>	<b>2,783</b>
<b><i>Cashflow Hedge Reserve</i></b>	<b>220</b>	<b>88</b>
<b><i>Reserves total</i></b>	<b>3,995</b>	<b>2,871</b>
<b><i>Retained earnings</i></b>		
Opening balance	27,047	5,159
Change in accounting policy (refer note 40)	-	(1,547)
Total recognised income and expenses	(18,505)	23,435
Dividend paid <sup>2</sup>	(2,700)	-
Closing balance	<b>5,842</b>	<b>27,047</b>

<sup>1</sup> Revaluations as per Department of Land Information (Valuation Services), net of tax.

<sup>2</sup> Dividend is paid out for 2005/2006 financial year and is tax exempted.

## 26. Notes to the cash flow statement

### 26.1 Reconciliation of cash

#### Cash assets:

Petty Cash	4	4
Commonwealth Bank - Cash Management Account	23,377	7,110
Commonwealth Bank - USD Bank Account	1,055	2,302
Short term deposit with WA Treasury Corporation	-	2,193
	<b>24,436</b>	<b>11,609</b>

### 26.2 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	<b>1,270</b>	<b>1,418</b>

	2007 \$000	2006 \$000
<b>26.3 Reconciliation of profit from ordinary activities after income tax to net cash flows provided by operating activities:</b>		
Profit / (Loss) from ordinary activities after income tax	(18,505)	23,435
<i>Non-cash items:</i>		
Depreciation and amortisation expense	1,434	1,460
Movement in provision for doubtful debts	58	(1,060)
Amounts from Commonwealth grants and contributions	(339)	(364)
Disposal of non-current assets	(90)	(5)
Revaluation of land and buildings	-	494
Change in fair value of natural resource assets	45,745	(13,963)
Grants and subsidies from Government	(2,370)	(1,070)
Interest received	(331)	(60)
<i>Decrease / (increase) in assets:</i>		
Current inventories	(100)	(2,412)
Current receivables	(1,931)	(97)
Other current assets	6,697	(321)
Write down of investment in joint venture	-	39
Other assets	-	46
<i>Increase / (decrease) in liabilities:</i>		
Payables	(4,952)	(4,901)
Employee benefits	227	223
Unearned revenue and deferred income	(8,839)	1,106
Other liabilities	(2,672)	206
Movement in tax balances	(6,418)	9,761
Net cash provided by operating activities	<b>7,614</b>	<b>12,517</b>
<b>26.4 Borrowing facilities</b>		
<b>The Commission had access to the following lines of credit as at reporting date:</b>		
Credit cards	853	750
Bank overdraft facility	8,000	8,000
Short term lending facility with WATC	10,000	10,000
WA Treasury Corporation - Portfolio Lending Arrangement	92,282	89,443
	<b>111,135</b>	<b>108,193</b>
<b>Facilities in use as at reporting date:</b>		
Credit cards	97	97
Bank overdraft facility	-	-
Short term lending facility with WATC	9,758	1,018
WA Treasury Corporation - Portfolio Lending Arrangement	81,895	89,443
	<b>91,750</b>	<b>90,558</b>
<b>Available facilities not in use as at reporting date:</b>		
Credit cards	756	653
Bank overdraft facility <sup>1</sup>	8,000	8,000
Short term lending facility with WATC <sup>1</sup>	242	8,982
WA Treasury Corporation - Portfolio Lending Arrangement	10,387	-
	<b>19,385</b>	<b>17,635</b>

<sup>1</sup> 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.

	2007	2006
	\$000	\$000

## 27. 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.

## 28. Commitments for expenditure

### 28.1 Expenditure commitments

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

Within 1 year	28,852	24,551
Later than 1 year and not later than 5 years	15,609	25,070
	<b>44,461</b>	<b>49,621</b>

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

### 28.2 Lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, are payable as follows:

Within 1 year	2,153	1,915
Later than 1 year and not later than 5 years	7,048	6,966
Later than 5 years	15,910	12,316
	<b>25,112</b>	<b>21,198</b>
Non-cancellable operating leases	<b>25,112</b>	<b>21,198</b>

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.

### 28.3 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.

## 29. Contingent assets and liabilities

### 29.1 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 2007/08 financial year.

#### *Claims against the Commission*

As at 30 June 2006 the Commission had a number of claims for compensation and/or performance arising from disputes under contracts issued by the Commission. These claims have subsequently been resolved. A claim outstanding at 30 June 2007 has been resolved subsequent to the financial year end - refer note 30.1.



	2007	2006
	\$000	\$000

*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 the 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 \$21.7 million that may arise as consequence of these negotiations.

**29.2 Assets**

Under the "Wood Processing (Wesbeam) Agreement Act 2002", Wesbeam has a commitment to pay to the Commission \$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.

**30. Events occurring after reporting date**

**30.1 Resolution of claim for compensation**

A claim for compensation arising out of an alleged inability for the Commission to meet contractual commitments has been settled subsequent to the financial year end, with no adverse impact on the Commission's financial position as at 30 June 2007.

**30.2 Other events occurring after reporting date**

Other than the matter mentioned at note 30.1 above and the post year end dividend disclosed in note 25, 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 2007.

	2007	2006
	\$000	\$000

### 31. Explanatory statement

Explanations on any line item with a variance of greater than 10% have been provided.

#### 31.1 Explanation of significant variations between current and prior year actual results

	2007	2006	Variance	Explanation	
	\$000	\$000	%		
<b>Income statement</b>					
Revenue from sale of goods and services	110,305	107,718	2%		
Cost of sales	(57,984)	(53,276)	9%		
Gross profit	52,321	54,442			
Revenue from standing timber valuation adjustments	(45,757)	13,080	(450%)	31.1	(a)
Other revenue	21,001	9,940	111%	31.1	(b)
Other expenses	(46,104)	(38,017)	21%	31.1	(c)
Administration	(1,106)	(482)	129%	31.1	(d)
Results from operating activities	(19,645)	38,963			
Financial income	331	110	201%	31.1	(e)
Financial expenses	(5,703)	(5,916)	(4%)		
Net financing costs	(5,372)	(5,806)			
Share of profit of investment in joint venture	94	39	100%	31.1	(f)
(Loss) / profit before tax	(24,923)	33,196			
Income tax	6,418	(9,761)	(166%)	31.1	(g)
(Loss) / profit for the year	(18,505)	23,435			

#### Explanation:

- 31.1 (a) Major drivers are a (1) decrease in Mature Plantation Estate valuation due to reduction in harvestable areas and the negative influence of selling pricing indexes (2) a decrease in Standing Sandalwood valuation due to projected reductions in volumes available for harvest. Refer segment Note 40.
- 31.1 (b) Variance due mainly to revenue on NAP - refer Income Statement Note 6.
- 31.1 (c) 2005/06 expenses affected by the reversal of a provision for claim made against the Commission - refer Income Statement Note 8.
- 31.1 (d) 2005/06 expenses low due to reversal of provision for doubtful debts.
- 31.1 (e) Increase in interest income due to favourable operating cash position in the 2006/07 financial year.
- 31.1 (f) Increased activities in the first full year of operation of the UWA joint venture.
- 31.1 (g) Movements in deferred tax balances due mainly to decrease in natural resource asset valuations.

### 31.2 Comparison of 2006/07 actual results to estimated results

Explanations for significant variations greater than 10% between estimated and actual revenues and expenditures have been provided.

	2007	2007	Variance	Explanation:	
	actual	estimate	%		
	\$000	\$000			
<b>Income statement</b>					
Revenue from sale of goods and services	110,305	106,604	3%		
Cost of sales	(57,984)	(51,618)	12%	31.2	(a)
Gross profit	52,321	54,986			
Revenue from standing timber valuation adjustments	(45,757)	-	(100%)	31.2	(b)
Other revenue	21,001	4,109	411%	31.2	(c)
Administration	(1,106)	(1,367)	(19%)	31.2	(d)
Other expenses	(46,104)	(50,126)	(8%)		
Results from operating activities	(19,645)	7,602			
Financial income	331	-	(100%)	31.2	(e)
Financial expenses	(5,703)	(5,800)	(2%)		
Net financing costs	(5,372)	(5,800)			
Share of profit of investment in joint venture	94	-	(100%)	31.2	(f)
(Loss) / profit before tax	(24,923)	1,802			
Income tax	6,418	-	(100%)	31.2	(g)
(Loss) / profit for the year	(18,505)	1,802			

#### Explanation:

- 31.2 (a) Variance attributed to unbudgeted stock provisions, mainly Sandalwood.
- 31.2 (b) Standing timber valuation adjustments not budgeted.
- 31.2 (c) Variance attributable mainly to NAP income not included in the budget.
- 31.2 (d) Sundry cost savings.
- 31.2 (e) Interest received not budgeted.
- 31.2 (f) UWA joint venture profits not budgeted .
- 31.2 (g) Actual tax expense vs. budget affected by comments (a) to (e) above.

### 32. 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.

#### 32.1 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.

		2007					
		\$000					
Note	Effective interest rate %	Total	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
<b>Financial assets</b>							
Commonwealth Bank Cash Management Account	26.1	5.94%	23,377	23,377	-	-	-
Commonwealth Bank USD Account	26.1	4.53%	1,055	1,055	-	-	-
Performance Security deposit account	13	6.11%	993	-	271	118	286
			<b>25,425</b>	<b>24,432</b>	<b>271</b>	<b>118</b>	<b>286</b>
							<b>318</b>
<b>Financial liabilities</b>							
WA Treasury Corporations (long term loan variable)	20	6.15%	90,895	10,916	1,825	3,697	12,451
WA Treasury Corporations (long term loan fixed)	20	5.46%	758	130	133	278	217
			<b>91,653</b>	<b>11,046</b>	<b>1,958</b>	<b>3,975</b>	<b>12,668</b>
							<b>62,006</b>

		2006					
		\$000					
Note	Effective interest rate %	Total	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
<b>Financial assets</b>							
Commonwealth Bank Cash Management Account	26.1	5.51%	7,110	7,110	-	-	-
Commonwealth Bank USD Account	26.1	3.70%	2,302	2,302	-	-	-
WA Treasury Corporation - short term deposit	26.1	5.85%	2,193	2,193	-	-	-
Performance Security deposit account	13	5.52%	1,081	-	46	46	138
Prepayment of WA Treasury Corporation debt	13	5.85%	6,809	2,269	4,540	-	-
			<b>19,495</b>	<b>13,874</b>	<b>4,586</b>	<b>46</b>	<b>138</b>
							<b>851</b>
<b>Financial liabilities</b>							
WA Treasury Corporations (long term loan)	20	6.12%	89,454	1,731	1,775	3,596	11,157
WA Treasury Corporations (long term loan fixed)	20	5.46%	1,007	123	126	263	495
			<b>90,461</b>	<b>1,854</b>	<b>1,901</b>	<b>3,859</b>	<b>11,652</b>
							<b>71,195</b>

### 32.2 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 07	Revalued buy amount 30 June 07 \$'000	Variance currency	Variance amount \$'000	
USD	28/9/07	1,140	0.8007	AUD	1,424	-0.000800	0.846640	AUD	1,346	AUD	78	
USD	31/12/07	1,140	0.7975	AUD	1,429	-0.001630	0.843989	AUD	1,351	AUD	78	
USD	31/3/08	1,140	0.7940	AUD	1,436	-0.001630	0.840960	AUD	1,356	AUD	80	
USD	30/6/08	1,140	0.7903	AUD	1,442	-0.002600	0.837717	AUD	1,361	AUD	81	
USD	30/9/08	1,423	0.8361	AUD	1,702	-0.003640	0.834311	AUD	1,706	AUD	(4)	
					<b>7,433</b>				<b>7,119</b>			<b>314</b>

### 32.3 Credit risk exposure

Accounts receivable consists largely of timber debtors, for which deposits and securities equivalent to an average of six weeks deliveries are required to be lodged in favour of the Commission under timber contracts of sale. These deposits and securities are held in trust until the expiry or default of contracts. As at 30 June 2007, the value of deposits and securities exceeded overdue accounts by \$2.97 million (\$2.6million at 30 June 2006).

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 2007 is illustrated by the aged debtors table below:

	2007 Number of customers	2007 Value overdue <sup>1</sup> : \$'000	2006 Number of customers	2006 Value overdue <sup>1</sup> : \$'000
1 to 30	25	2,236	18	2,198
31 to 60	3	402	11	210
Greater than 60	35	1,579	30	1,295
All overdue accounts	63	4,217	59	3,703

<sup>1</sup> Overdue beyond the Commission's agreed trading terms.

The likelihood of recovery as at 30 June 2007 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.

### 32.4 Fair values

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

The Commission's long and short term borrowings are valued as per the accounting policy in note 2. The Commission's borrowings of \$91.653 million (\$90.461 million at 30 June 2006) from the Western Australian Treasury Corporation (WATC) have been assessed by the WATC to have a net fair value of \$91.332 million (\$91.382 million at 30 June 2006) as at 30 June 2007. 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.

	2007	2006
	\$000	\$000

### 33. Taxation

The prima facie income tax on pre-tax accounting profit reconciles to the income tax equivalent in the statement of financial performance as follows:

Profit from ordinary activities before income tax	(24,923)	33,196
Income tax calculated at 30% of operating profit	(7,477)	9,959
Non-deductible expense	-	(198)
Underprovided in prior periods	1,059	-
	(6,418)	9,761
<b>Current tax expense</b>		
Current year	595	-
	595	-
Deferred tax expense		
Relating to origination and reversal of temporary differences	(7,013)	9,761
	(6,418)	9,761
<b>Total income tax expense in income statement</b>	<b>(6,418)</b>	<b>9,761</b>

#### Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
	\$000	\$000	\$000	\$000	\$000	\$000
Doubtful debts	(387)	(370)	-	-	(387)	(370)
Performance Security Account - Premium Plantations 2005	(92)	-	-	-	(92)	-
Land	(207)	(147)	529	224	322	77
Buildings	(211)	(202)	741	733	530	531
Nursery infrastructure	(786)	(564)	348	224	(438)	(340)
Plant, equipment and vehicles	(22)	-	-	-	(22)	-
Investment in joint venture	(147)	-	-	-	(147)	-
Natural resource assets	(6,397)	(6,874)	20,691	31,302	14,294	24,428
Employee provisions	(1,637)	(1,570)	-	-	(1,637)	(1,570)
Legal fee provision	(1)	-	-	-	(1)	-
Share farm annuities	(371)	(371)	-	-	(371)	(371)
Superannuation provision	(43)	(41)	-	-	(43)	(41)
Auditing fees provision	(29)	(36)	-	-	(29)	(36)
Provision for embedded derivatives	(820)	(549)	-	-	(820)	(549)
Deferred rental provision	(5,434)	(3,980)	-	-	(5,434)	(3,980)
Restoration provision	(2,708)	(4,475)	-	-	(2,708)	(4,475)
Deferred income	(15)	(218)	-	-	(15)	(218)
Incentive payments provision	(661)	(645)	-	-	(661)	(645)
Cashflow Hedge Reserve	-	-	94	-	94	-
Tax value of loss carry- forwards recognised	-	(3,522)	-	-	-	(3,522)
<b>Net tax (assets) / liabilities</b>	<b>(19,968)</b>	<b>(23,564)</b>	<b>22,403</b>	<b>32,483</b>	<b>2,435</b>	<b>8,919</b>



**Movement in temporary differences during the year**

	Balance 1 July 05	Recognised in income	Recognised in equity	Balance 30 June 06	Balance 1 July 06	Recognised in income	Recognised in equity	Balance 30 June 07
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Doubtful debts	(688)	318	-	(370)	(370)	(17)	-	(387)
Prepayments	179	(179)	-	-	-	-	-	-
Performance Security Account - Premium Plantations 2005	-	-	-	-	-	(92)	-	(92)
Land	36	(139)	180	77	77	(56)	301	322
Buildings	572	(32)	(9)	531	531	(1)	-	530
Nursery infrastructure Plant, equipment and vehicles	(611)	118	153	(340)	(340)	(222)	124	(438)
Investment in joint venture	-	-	-	-	-	(147)	-	(147)
Natural resource assets	17,165	7,263	-	24,428	24,428	(10,134)	-	14,294
Employee provisions	(1,512)	(58)	-	(1,570)	(1,570)	(67)	-	(1,637)
Legal fees provision	(3,000)	3,000	-	-	-	(1)	-	(1)
Share farm annuities	-	(371)	-	(371)	(371)	-	-	(371)
Road construction	-	-	-	-	-	-	-	-
Superannuation provision	(32)	(9)	-	(41)	(41)	(2)	-	(43)
Deferred liabilities	-	-	-	-	-	-	-	-
Borrowing costs	-	-	-	-	-	-	-	-
Auditing fees provision	(23)	(13)	-	(36)	(36)	7	-	(29)
Provision for embedded derivatives	(663)	114	-	(549)	(549)	(271)	-	(820)
Deferred rental provision	(3,422)	(558)	-	(3,980)	(3,980)	(1,454)	-	(5,434)
Restoration provision	(3,904)	(571)	-	(4,475)	(4,475)	1,767	-	(2,708)
Deferred income	-	(218)	-	(218)	(218)	203	-	(15)
Incentive payments provision	(252)	(393)	-	(645)	(645)	(16)	-	(661)
Cashflow Hedge Reserve	(2)	(36)	38	-	-	37	57	94
Tax value of loss carry- forwards recognised	(5,010)	1,488	-	(3,522)	(3,522)	3,522	-	-
<b>Net tax (assets) / liabilities</b>	<b>(1,167)</b>	<b>9,724</b>	<b>362</b>	<b>8,919</b>	<b>8,919</b>	<b>(6,966)</b>	<b>482</b>	<b>2,435</b>

	2007	2006
	\$000	\$000
<b>Provision for taxation</b>		
Opening	-	-
Provision raised	595	-
Closing	<b>595</b>	-

	2007	2006
	\$000	\$000

### 34. Provision for dividend

Provision for dividend<sup>1</sup>

-	-
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<sup>1</sup> The Commissioners declared and paid a dividend of \$2.7million subsequent to 30 June 2006. A dividend of \$2.8 million will be paid in 2007/08 in respect to the 2006/07 financial year

### 35. Remuneration of members of the Accountable Authority and Senior Officers

2007	2006
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#### 35.1 Remuneration of members of the Accountable Authority

The number of Members of the Accountable Authority (Commissioners) whose total of fees, salaries, superannuation<sup>1</sup>, 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	2	3
20,000 - 30,000	5	1
30,000 - 40,000	-	2
40,000 - 50,000	1	-
50,000 - 60,000	-	1
	8	7

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

194,547	200,263
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#### Remuneration of Members of the Accountable Authority was comprised of:

Short-term employee benefits	160,828	164,708
Allowances	19,397	21,837
Post employment benefits (defined contribution funds)	14,322	13,718
	194,547	200,263

<sup>1</sup> No member of the Accountable Authority is a member of the Pension Scheme.

#### 35.2 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:

\$

10,000 - 80,000	1	1
80,000 - 90,000	-	-
100,001 - 110,000	-	-
110,001 - 120,000	-	-
120,001 - 130,000	-	3
130,001 - 140,000	3	-
140,001 - 150,000	-	-
200,001 - 210,000	-	-
210,001 - 220,000	-	1
220,001 - 230,000	-	1
230,001 - 240,000	1	1
	5	7

Total remuneration of Senior Officers for the financial period was

717,138	617,569
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#### Remuneration of Senior Officers was comprised of:

Short-term employee benefits	606,994	516,834
Allowances	66,990	43,424
Post employment benefits	43,154	57,311
	717,138	617,569

	2007	2006
	\$000	\$000

### 36. Related/affiliated bodies

#### 36.1 Related bodies

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

#### 36.2 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 16.

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 16 for details of financial transactions.

### 37. 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	95	120
Provision for remuneration of auditor		
Opening balance	120	76
Payments made during the period	(110)	(93)
Amounts provided during the period	85	137
Closing balance	95	120

### 38. Funds held in trust

Funds held in trust<sup>1</sup> as security for contract obligations. These funds are repayable upon completion of contracts.

Opening balance	1,162	1,062
Receipts	538	200
Payments	(120)	(100)
Closing balance	1,580	1,162

<sup>1</sup> 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.

### 39. Write-offs, losses and gifts

#### 39.1 Write-offs

Debtors <sup>1</sup>	-	497
Seedlings <sup>2</sup>	-	37
Other	-	-
Total	-	534

<sup>1</sup> \$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.

<sup>2</sup> Seedlings disposed of during the financial period due to reduction in planting levels.

#### 39.2 Losses through theft, defaults and other causes

-	20
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#### 39.3 Gifts of public property

42	4
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#### 40. 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.

##### 40.1 Segment information by business segment

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

###### **Main operating segments:**

*South West Forest* - Responsible for harvesting and regeneration activities associated with Native Forest other than Sandalwood.

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

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

*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 estate plantations.

###### **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 sector 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 the delivery of services that in the Commission's opinion, would not be undertaken were the Commission to be focused purely on generating commercial returns.

	2006/07									
	South West Forest	Arid Forest	Plant Propagation Centre	New Plantations	Mature Plantations	Business Development	Corporate & Support Services	Non Commercial Revenue & Expenses	Eliminations	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>m<sup>3</sup> harvested</b>	519,551	2,132			913,465					1,435,148
Sales from harvest of natural resource assets	41,292	14,943	2,570	88	50,384	3	439	587	-	110,305
Internal sales	-	-	2,349	-	-	-	-	-	(2,349)	-
Production and delivery of natural resource assets	(24,129)	(7,167)	(1,014)	(22)	(25,652)	-	-	-	-	(57,984)
<b>Gross profit</b>	<b>17,163</b>	<b>7,776</b>	<b>3,905</b>	<b>66</b>	<b>24,732</b>	<b>3</b>	<b>439</b>	<b>587</b>	<b>(2,349)</b>	<b>52,321</b>
<b>Other revenue</b>										
Revenue from commercial share farm operations	-	-	-	17	-	-	-	-	-	17
Commonwealth grants & contributions	-	-	-	-	-	-	-	339	-	339
Commonwealth Government contribution to NAP	-	-	-	12,911	-	-	-	-	-	12,911
Other revenue from ordinary activities	492	44	229	471	975	1,558	1,389	1,107	-	6,264
Grants and subsidies from State Government	-	-	-	-	-	-	1,300	1,070	-	2,370
Embedded derivatives	-	-	-	-	(900)	-	-	-	-	(900)
<b>Total other revenue</b>	<b>492</b>	<b>44</b>	<b>229</b>	<b>13,399</b>	<b>75</b>	<b>1,558</b>	<b>2,689</b>	<b>2,516</b>	<b>-</b>	<b>21,001</b>
<b>Other expenses</b>										
Administration	(113)	(295)	(54)	(13)	257	(6)	(826)	(56)	-	(1,106)
Employee expenses	(2,797)	(572)	(2,417)	(905)	(1,472)	(1,121)	(3,808)	(3,271)	-	(16,362)
Contracts and other expenses	(6,498)	(1,841)	(1,579)	(3,126)	(11,192)	(1,401)	(2,334)	(1,904)	1,582	(28,292)
Deferred rental	-	-	-	(4,846)	-	-	-	-	-	(4,846)
Provision for forest restoration	5,887	-	-	-	-	-	-	-	-	5,887
Depreciation	(123)	(35)	(743)	(108)	(49)	(18)	(225)	(132)	-	(1,434)
Write-down of UWA joint venture	-	-	-	-	-	-	(186)	(186)	-	(371)
Accommodation expenses	(46)	(13)	(107)	(7)	(2)	-	(478)	(33)	-	(686)
<b>Total other expenses</b>	<b>(3,690)</b>	<b>(2,756)</b>	<b>(4,899)</b>	<b>(9,005)</b>	<b>(12,458)</b>	<b>(2,546)</b>	<b>(7,856)</b>	<b>(5,583)</b>	<b>1,582</b>	<b>(47,210)</b>
<b>Results from operating activities</b>	<b>13,965</b>	<b>5,064</b>	<b>(765)</b>	<b>4,460</b>	<b>12,349</b>	<b>(986)</b>	<b>(4,728)</b>	<b>(2,481)</b>	<b>(767)</b>	<b>26,112</b>
Financial income	-	-	-	-	-	-	330	1	-	331
Financial expenses	-	-	-	(1,390)	(3,243)	-	-	(1,070)	-	(5,703)
<b>Net financing costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,390)</b>	<b>(3,243)</b>	<b>-</b>	<b>330</b>	<b>(1,069)</b>	<b>-</b>	<b>(5,372)</b>
Share of profit of investment in joint venture	-	-	-	-	-	-	47	47	-	94
<b>Profit before tax and before Business Development and Corporate &amp; Support allocation<sup>1</sup></b>	<b>13,965</b>	<b>5,064</b>	<b>(765)</b>	<b>3,070</b>	<b>9,106</b>	<b>(986)</b>	<b>(4,351)</b>	<b>(3,503)</b>	<b>(767)</b>	<b>20,834</b>
Business Development and Corporate & Support allocation <sup>1</sup>	(1,549)	(476)	(806)	(868)	(1,638)	986	4,351	-	-	-
<b>Profit before tax and natural resource asset valuations</b>	<b>12,416</b>	<b>4,588</b>	<b>(1,571)</b>	<b>2,202</b>	<b>7,468</b>	<b>-</b>	<b>-</b>	<b>(3,503)</b>	<b>(767)</b>	<b>20,834</b>
Revenue from natural resource asset valuations	1,135	-	1,603	-	-	-	-	-	-	2,738
Expenses from natural resource asset valuations	-	(22,433)	-	(3,046)	(23,016)	-	-	-	-	(48,495)
<b>Net revenue / (expenses) from natural resource asset valuations</b>	<b>1,135</b>	<b>(22,433)</b>	<b>1,603</b>	<b>(3,046)</b>	<b>(23,016)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(45,757)</b>
<b>Profit before tax</b>	<b>13,551</b>	<b>(17,845)</b>	<b>32</b>	<b>(844)</b>	<b>(15,548)</b>	<b>-</b>	<b>-</b>	<b>(3,503)</b>	<b>(767)</b>	<b>(24,923)</b>
Income tax expense	3,490	(4,595)	8	(217)	(4,004)	-	-	(902)	(198)	(6,418)
<b>Profit for the period</b>	<b>10,061</b>	<b>(13,250)</b>	<b>24</b>	<b>(626)</b>	<b>(11,544)</b>	<b>-</b>	<b>-</b>	<b>(2,601)</b>	<b>(569)</b>	<b>(18,505)</b>
<b>Other segment information:</b>										
<b>Assets</b>	<b>117,100</b>	<b>38,062</b>	<b>14,632</b>	<b>89,674</b>	<b>156,592</b>	<b>-</b>	<b>26,464</b>	<b>678</b>	<b>(767)</b>	<b>442,435</b>
<b>Capital expenditure</b>	<b>18</b>	<b>79</b>	<b>222</b>	<b>8,922</b>	<b>13</b>	<b>19</b>	<b>1,014</b>	<b>-</b>	<b>-</b>	<b>10,287</b>
<b>Major non cash items included in operating profit</b>	<b>5,764</b>	<b>(35)</b>	<b>(743)</b>	<b>(4,954)</b>	<b>(49)</b>	<b>(18)</b>	<b>(411)</b>	<b>(318)</b>	<b>-</b>	<b>(764)</b>

<sup>1</sup> Allocation based on Massachusetts Formula.

	2006/07									
	South West Forest	Arid Forest	Plant Propagation Centre	New Plantations	Mature Plantations	Business Development	Corporate & Support Services	Non Commercial Revenue & Expenses	Eliminations	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Assets</b>										
Cash and cash equivalents	-	-	-	-	-	-	24,436	-	-	24,436
Trade and other receivables	6,493	2,350	404	14	7,923	-	69	92	-	17,345
Inventories	222	4,466	1,060		129	-	-	94	-	5,971
Natural resource assets	13,510	4,865	363	337	40,570	-	-	-	-	59,645
Other investments		235		25,420	781		1,081			27,517
<b>Total current assets</b>	<b>20,225</b>	<b>11,916</b>	<b>1,827</b>	<b>25,771</b>	<b>49,403</b>	<b>-</b>	<b>25,586</b>	<b>186</b>	<b>-</b>	<b>134,914</b>
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	1,315	363	8,848	7,171	264	-	834	492	-	19,287
Natural resource assets	95,560	25,783	3,957	39,724	106,925	-	-	-	(767)	271,182
Intangible assets	-	-	-	-	-	-	44	-	-	44
Other investments	-	-	-	17,008	-	-	-	-	-	17,008
<b>Total non-current assets</b>	<b>96,875</b>	<b>26,146</b>	<b>12,805</b>	<b>63,903</b>	<b>107,189</b>	<b>-</b>	<b>878</b>	<b>492</b>	<b>(767)</b>	<b>307,521</b>
<b>Segment assets</b>	<b>117,100</b>	<b>38,062</b>	<b>14,632</b>	<b>89,674</b>	<b>156,592</b>	<b>-</b>	<b>-</b>	<b>678</b>	<b>(767)</b>	<b>416,738</b>
<b>Unallocated assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,464</b>	<b>-</b>	<b>-</b>	<b>26,464</b>
<b>Total assets</b>	<b>117,100</b>	<b>38,062</b>	<b>14,632</b>	<b>89,674</b>	<b>156,592</b>	<b>-</b>	<b>26,464</b>	<b>678</b>	<b>(767)</b>	<b>443,202</b>
<b>Liabilities</b>										
Trade and other payables	3,613	839	167	1,924	4,229	80	1,206	65	-	12,123
Interest bearing loans and liabilities		-	-	10,143	2,861	-	-	-	-	13,004
Employee benefits	708	145	611	229	372	284	963	828	-	4,140
Provisions	3,452	-	-	2,791	-	-	-	-	-	6,243
<b>Total current liabilities</b>	<b>7,773</b>	<b>984</b>	<b>778</b>	<b>15,087</b>	<b>7,462</b>	<b>364</b>	<b>2,169</b>	<b>893</b>	<b>-</b>	<b>35,510</b>
Trade and other payables	-	-	-	-	2,677	-	-	-	-	2,677
Interest bearing loans and liabilities	-	-	-	61,346	17,303	-	-	-	-	78,649
Deferred tax (assets) / liabilities	4,846	(1,146)	121	507	(2,071)	-	(19)	-	198	2,435
Employee benefits	249	51	215	81	131	100	340	292	-	1,459
Provisions	5,575	-	-	63,146	5,280	-	-	-	-	74,001
<b>Total non-current liabilities</b>	<b>10,670</b>	<b>(1,095)</b>	<b>336</b>	<b>125,080</b>	<b>23,319</b>	<b>100</b>	<b>321</b>	<b>292</b>	<b>198</b>	<b>159,221</b>
<b>Segment liabilities</b>	<b>18,443</b>	<b>(111)</b>	<b>1,114</b>	<b>140,167</b>	<b>30,781</b>	<b>464</b>	<b>-</b>	<b>1,185</b>	<b>198</b>	<b>192,241</b>
<b>Unallocated liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,490</b>	<b>-</b>	<b>-</b>	<b>2,490</b>
<b>Total liabilities</b>	<b>18,443</b>	<b>(111)</b>	<b>1,114</b>	<b>140,167</b>	<b>30,781</b>	<b>464</b>	<b>2,490</b>	<b>1,185</b>	<b>198</b>	<b>194,731</b>
Operating return on total assets (excluding natural resource asset valuations)	11.93%	13.30%	(5.23%)	3.42%	5.82%					4.70%
Return on total assets (excluding natural resource asset valuations, after overhead allocations)	10.60%	12.05%	(10.73%)	2.46%	4.77%					4.70%



#### 40.2 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 sold 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.

	2006/07			2005/06		
	Western Australia	Southeast Asia	Total	Western Australia	Southeast Asia	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Sales from harvest of natural resource assets	96,531	13,774	110,305	94,764	12,954	107,718
<b>Other segment information:</b>						
<b>Assets</b>	443,202	-	443,202	426,307	-	426,307
<b>Capital expenditure</b>	(10,287)	-	(10,287)	(8,138)	-	(8,138)
<b>Major non cash items included in operating profit</b>	(764)	-	(764)	5,675	-	5,675

Segment information

	2005/06									
	South West Forest	Arid Forest	Plant Propagation Centre	New Plantations	Mature Plantations	Business Development	Corporate & Support Services	Non Commercial Revenue & Expenses	Eliminations	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>m<sup>3</sup> harvested</b>	537,733	2,282	-	-	870,413	-	-	-	-	1,410,428
Sales from harvest of natural resource assets	39,234	16,128	3,988	803	47,346	-	118	101	-	107,718
Internal sales	-	-	1,677	-	-	-	-	-	(1,677)	-
Production and delivery of natural resource assets	(23,619)	(6,651)	-	(412)	(22,594)	-	-	-	-	(53,276)
<b>Gross profit</b>	<b>15,615</b>	<b>9,477</b>	<b>5,665</b>	<b>391</b>	<b>24,752</b>	<b>-</b>	<b>118</b>	<b>101</b>	<b>(1,677)</b>	<b>54,442</b>
<b>Other revenue</b>										
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
<b>Total other revenue</b>	<b>541</b>	<b>(136)</b>	<b>484</b>	<b>3,721</b>	<b>571</b>	<b>467</b>	<b>3,184</b>	<b>1,108</b>	<b>-</b>	<b>9,940</b>
<b>Other expenses</b>										
Administration expenses	632	(332)	(44)	(536)	246	(19)	(425)	(4)	-	(482)
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)	1,320	(16,798)
Deferred rental	-	-	-	(1,861)	-	-	-	-	-	(1,861)
Provision for forest restoration	(1,912)	-	-	-	-	-	-	-	-	(1,912)
Depreciation expense	(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)
<b>Results from operating activities</b>	<b>16,261</b>	<b>7,077</b>	<b>1,113</b>	<b>(1,247)</b>	<b>14,530</b>	<b>(1,516)</b>	<b>(8,464)</b>	<b>(1,514)</b>	<b>(357)</b>	<b>25,883</b>
Financial income	-	-	-	-	-	-	110	-	-	110
Financial expenditure	-	-	-	(1,500)	(3,340)	-	(6)	(1,070)	-	(5,916)
<b>Net financing costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,500)</b>	<b>(3,340)</b>	<b>-</b>	<b>104</b>	<b>(1,070)</b>	<b>-</b>	<b>(5,806)</b>
Share of profit of investment in joint venture	-	-	-	-	-	-	-	39	-	39
<b>Profit before Business Development and Corporate &amp; Support allocation<sup>1</sup></b>	<b>16,261</b>	<b>7,077</b>	<b>1,113</b>	<b>(2,747)</b>	<b>11,190</b>	<b>(1,516)</b>	<b>(8,360)</b>	<b>(2,545)</b>	<b>(357)</b>	<b>20,116</b>
Business Development and Corporate & Support allocation <sup>1</sup>	(3,208)	(1,178)	(744)	(1,334)	(3,414)	1,516	8,360	-	-	(0)
<b>Profit before tax and natural resource asset valuations</b>	<b>13,053</b>	<b>5,899</b>	<b>369</b>	<b>(4,081)</b>	<b>7,776</b>	<b>-</b>	<b>-</b>	<b>(2,545)</b>	<b>(357)</b>	<b>20,116</b>
Revenue from natural resource assets valuations	-	1,364	191	2,234	21,778	-	-	-	-	25,567
Expenses from natural resource assets valuations	(12,487)	-	-	-	-	-	-	-	-	(12,487)
<b>Net revenue / (expenses) from natural resource asset valuations</b>	<b>(12,487)</b>	<b>1,364</b>	<b>191</b>	<b>2,234</b>	<b>21,778</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,080</b>
<b>Profit before tax</b>	<b>566</b>	<b>7,263</b>	<b>560</b>	<b>(1,847)</b>	<b>29,554</b>	<b>-</b>	<b>-</b>	<b>(2,545)</b>	<b>(357)</b>	<b>33,196</b>
Income tax expense	170	2,179	168	(554)	8,668	-	-	(764)	(107)	9,761
<b>Profit for period</b>	<b>396</b>	<b>5,084</b>	<b>392</b>	<b>(1,293)</b>	<b>20,886</b>	<b>-</b>	<b>-</b>	<b>(1,782)</b>	<b>(250)</b>	<b>23,435</b>
<b>Other segment information:</b>										
<b>Assets</b>	<b>114,985</b>	<b>59,236</b>	<b>13,291</b>	<b>32,723</b>	<b>187,230</b>	<b>1</b>	<b>19,554</b>	<b>607</b>	<b>(1,320)</b>	<b>426,307</b>
<b>Capital expenditure</b>	<b>155</b>	<b>20</b>	<b>62</b>	<b>7,370</b>	<b>130</b>	<b>21</b>	<b>380</b>	<b>-</b>	<b>-</b>	<b>8,138</b>
<b>Major non cash items included in operating profit</b>	<b>8,451</b>	<b>(31)</b>	<b>(793)</b>	<b>(1,971)</b>	<b>455</b>	<b>(39)</b>	<b>(166)</b>	<b>(231)</b>	<b>-</b>	<b>5,675</b>
<b>Impairment losses</b>	<b>500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500</b>	<b>-</b>	<b>60</b>	<b>-</b>	<b>-</b>	<b>1,060</b>

<sup>1</sup> Allocation based on Massachusetts Formula.

	2005/06									
	South West Forest	Arid Forest	Plant Propagation Centre	New Plantations	Mature Plantations	Business Development	Corporate & Support Services	Non Commercial Revenue & Expenses	Eliminations	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Assets</b>										
Cash and cash equivalents	-	-	-	-	-	-	11,609	-	-	11,609
Trade and other receivables	5,635	2,316	573	115	6,800	-	16	16	-	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	6,947	-	-	8,614
<b>Total current assets</b>	<b>18,624</b>	<b>12,509</b>	<b>2,645</b>	<b>905</b>	<b>50,513</b>	<b>1</b>	<b>18,572</b>	<b>166</b>	<b>-</b>	<b>103,935</b>
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
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	24,357	136,480	-	-	-	(1,320)	303,819
Intangible assets	-	-	-	-	-	-	234	-	-	234
Other investments	-	-	-	1,035	-	-	-	-	-	1,035
<b>Total non-current assets</b>	<b>96,361</b>	<b>46,727</b>	<b>10,646</b>	<b>31,818</b>	<b>136,717</b>	<b>-</b>	<b>982</b>	<b>441</b>	<b>(1,320)</b>	<b>322,372</b>
<b>Segment assets</b>	<b>114,985</b>	<b>59,236</b>	<b>13,291</b>	<b>32,723</b>	<b>187,230</b>	<b>1</b>	<b>-</b>	<b>607</b>	<b>(1,320)</b>	<b>406,753</b>
<b>Unallocated assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,554</b>	<b>-</b>	<b>-</b>	<b>19,554</b>
<b>Total assets</b>	<b>114,985</b>	<b>59,236</b>	<b>13,291</b>	<b>32,723</b>	<b>187,230</b>	<b>1</b>	<b>19,554</b>	<b>607</b>	<b>(1,320)</b>	<b>426,307</b>
<b>Liabilities</b>										
Trade and other payables	3,935	965	255	6,394	4,270	47	2,018	65	-	17,949
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
	10,105	1,134	989	11,690	6,183	425	3,179	453	-	34,158
<b>Non current liabilities</b>										
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
	28,951	(4,507)	724	56,550	30,215	141	355	14,800	-	127,229
<b>Segment liabilities</b>	<b>39,056</b>	<b>(3,373)</b>	<b>1,713</b>	<b>68,240</b>	<b>36,398</b>	<b>566</b>	<b>-</b>	<b>15,253</b>	<b>-</b>	<b>157,853</b>
<b>Unallocated liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,534</b>	<b>-</b>	<b>-</b>	<b>3,534</b>
<b>Total liabilities</b>	<b>39,056</b>	<b>(3,373)</b>	<b>1,713</b>	<b>68,240</b>	<b>36,398</b>	<b>566</b>	<b>3,534</b>	<b>15,253</b>	<b>-</b>	<b>161,387</b>
Operating return on total assets (excluding natural resource assets valuations)	14.14%	11.95%	8.37%	(8.39%)	5.98%					4.72%
Return on total assets (excluding natural resource assets valuations, after overhead allocations)	11.35%	9.96%	2.78%	(12.47%)	4.15%					4.72%

	2007	2006
	\$000	\$000
<b>41. Research Expenditure</b>		
<b>41.1 Research expenditure</b>		
Expenses associated with research and development are included in expenses from ordinary activities	2,754	2,624
<b>41.2 Plantation Industry Ministerial Advisory Committee (PIMAC)</b>	5	15
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.		
<b>41.3 Forestry Ministerial Advisory Committee (FMAC)</b>	2	30
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.		
<b>42. Advertising and communication expenditure</b>		
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:		
<b>Advertising expenditure:</b>		
<b>Supplier:</b>	<b>Service:</b>	
Marketforce	Infinintree™	-
	Tender and Auction Advertising	2
Esperance Express	Infinintree™ Advertising and Brochures	-
Marketforce Productions	Productions - Infinintree™	-
	Tender and Auction Advertising	11
Media Decisions - TV Advertising	TV Advertising (Infinintree™)	-
Elite Publishing	FIAA (WA) Awards booklet - 2004 inside front cover	-
Perth Expo Hire	Sales signage	-
Sundry other (less than \$1,600 per supplier)	Various	8
<b>Total</b>		<b>21</b>
<b>Consultancy:</b>		
<b>Supplier:</b>	<b>Service:</b>	
Media Monitors WA Pty Ltd	Media monitoring, news clippings	13
<b>Total</b>		<b>13</b>
		<b>34</b>
		<b>33</b>

#### 43. Change of 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.

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% 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	\$000	\$000
<i>Payables</i>	1	-	2,210	2,210
Deferred tax asset			663	663
<i>Reserves</i>				
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:

<sup>1</sup> 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 the balance sheet at fair value, with changes in fair value recorded through the income statement.

<sup>2</sup> 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 30 June 2005, the Commission had no deferred gains or losses as all forward exchange contracts had been closed out prior to that date.

#### 44. 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.

##### 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:

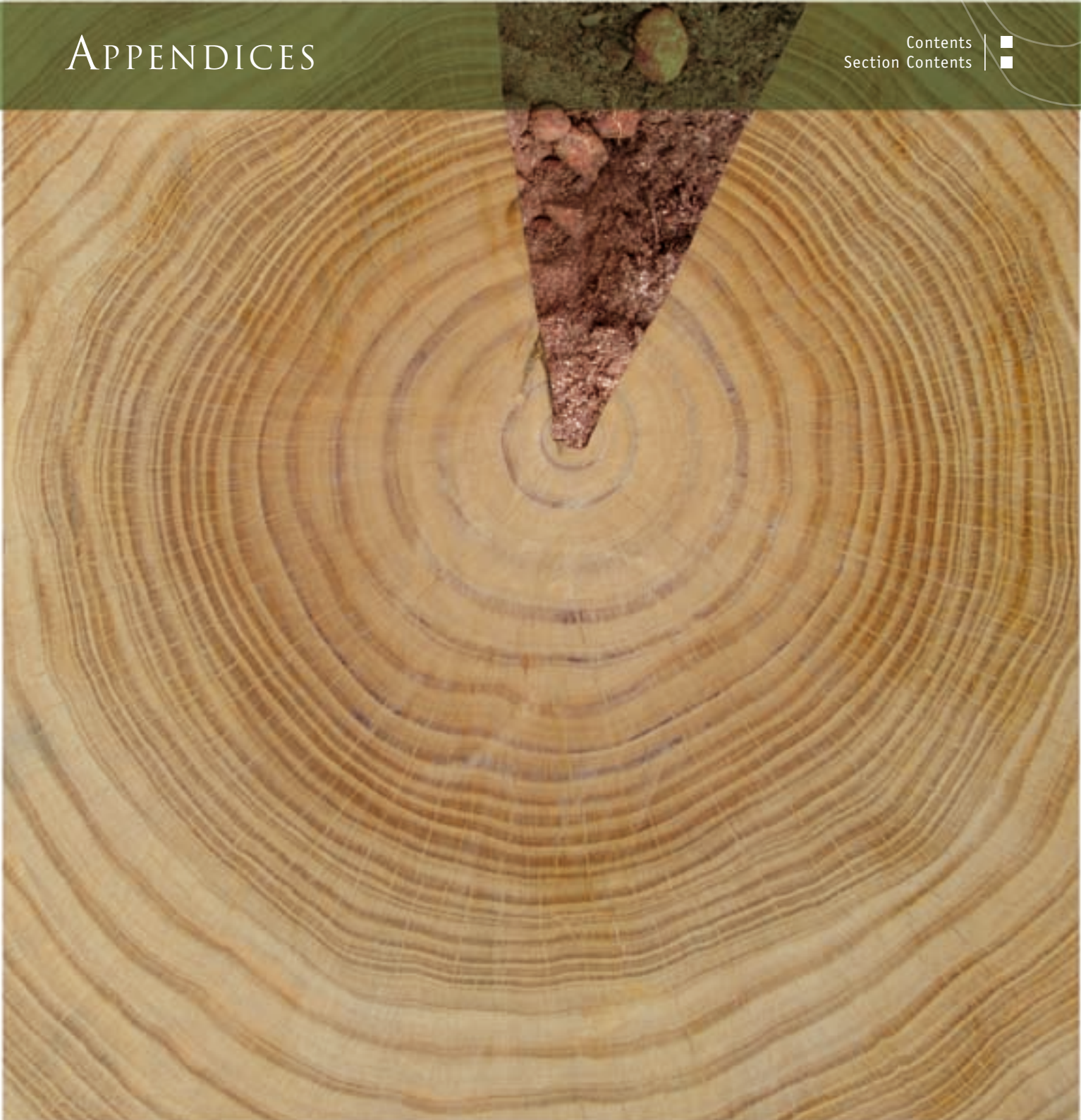
Government of Western Australia.



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## APPENDIX 1

### Trends in the areas of native forest harvested by the Commission (hectares)

Year	Jarrah forest	Jarrah/wandoo forest	Karri forest	
			Clearfelled or partially cut	Thinned
1976-77	32,320	1,170	2,610	-
1977-78	26,020	740	4,450	-
1978-79	25,540	530	2,710	-
1979-80	25,150	860	2,110	60
1980-81	22,930	1,440	2,080	180
1981-82	24,680	610	2,180	320
1982-83	23,740	330	990	190
1983-84	21,540	580	1,490	260
1984-85	20,010	1,440	2,360	500
1985-86	22,640	650	1,590	340
1986	19,340	1,150	1,090	490
1987	17,180	1,380	1,310	700
1988	23,400	490	1,180	840
1989	15,130	200	1,510	910
1990	12,960	100	1,560	340
1991	10,910	-	1,920	230
1992	13,990	30	1,540	310
1993	14,250	40	1,630	80
1994	14,050	50	1,440	-
1995	17,830	30	2,410	-
1996	22,320	50	1,300	60
1997	18,240	60	1,870	60
1998	19,250	60	1,970	320
1999	14,200	50	1,890	360
2000	20,570	10	1,310	70
2001	*15,130	-	1,380	120
2002	*12,870	30	700	350
2003	8,520	-	720	485
2004	8,860	-	330	920
2005	6,220	30	460	1,070
2006	8,425	308	363	1,127

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

- The increase in jarrah forest harvested is due to a higher proportion of 'eastern' coupes yielding lower volumes and an increase in the area of dieback affected forest retained at 15m<sup>2</sup>/ha basal area.
- The increase in the amount of harvesting of jarrah/wandoo forest is due to the addition of northern coupes to the harvest plan which contain a mixture of jarrah and wandoo.
- Forests are regenerated according to the principles of ecologically sustainable forest management in the FMP 2004-2013.
- An additional 33 ha of mixed jarrah/karri forest was harvested over and above the areas tabled above.

## APPENDIX 2

### Areas of coniferous (pine) plantations as at 31 December 2006 (hectares)

PYEAR	Commission owned								Commission managed		Grand Total
	<i>Pinus radiata</i>				Other pine species				<i>Pinus radiata</i>	Other pine species	
	1st Rotation		2nd & 3rd Rotation		1st Rotation		2nd & 3rd Rotation		1st Rotation	1st Rotation	
	State	Sharefarm	State	Sharefarm	State	Sharefarm	State	Sharefarm	Sharefarm	Sharefarm	
Pre 1970	436	11	25	-	7,325	83	47	17	-	-	7,944
1970	119	-	-	-	1,096	-	19	-	-	-	1,234
1971	212	-	1	-	736	-	-	-	-	-	949
1972	373	-	-	-	587	-	-	-	-	-	960
1973	162	-	18	-	485	-	3	-	-	-	668
1974	598	-	-	-	307	-	-	-	-	-	905
1975	699	-	-	-	1,175	-	-	-	-	-	1,874
1976	725	3	5	-	1,111	-	1	-	-	-	1,845
1977	1,141	-	30	-	851	-	-	-	-	-	2,022
1978	1,229	8	10	-	450	-	-	-	-	-	1,697
1979	1,237	2	204	-	364	-	-	-	-	-	1,807
1980	1,474	-	-	-	742	-	-	-	-	-	2,216
1981	1,353	-	94	-	841	-	6	-	-	-	2,294
1982	1,192	-	254	-	457	-	5	-	-	-	1,908
1983	1,220	-	36	-	583	-	-	-	-	-	1,839
1984	1,817	-	3	-	505	-	9	-	-	-	2,334
1985	1,599	26	121	-	477	-	2	-	-	-	2,225
1986	883	164	-	-	480	-	-	-	-	-	1,527
1987	663	597	148	-	542	57	-	20	-	-	2,027
1988	420	1,155	120	1	84	87	-	-	-	-	1,867
1989	555	418	416	32	22	-	22	-	-	-	1,465
1990	138	741	335	-	-	-	6	-	-	-	1,220
1991	74	1,028	502	1	4	-	16	-	-	-	1,625
1992	6	1,781	508	-	-	118	337	-	-	-	2,750
1993	-	655	1,008	-	135	6	305	-	-	-	2,109
1994	143	402	519	13	-	-	392	-	-	-	1,469
1995	36	63	1,117	1	-	279	136	-	-	-	1,632
1996	6	9	1,179	-	160	599	32	-	-	-	1,985
1997	3	-	1,132	-	-	1,121	176	-	-	16	2,448
1998	12	75	79	-	-	1,598	-	-	-	288	2,052
1999	31	19	818	-	6	2,199	197	-	15	449	3,734
2000	5	198	1,167	-	26	3,961	13	-	19	261	5,650
2001	-	-	938	-	-	2,981	-	-	-	326	4,245
2002	3	177	735	-	-	656	-	-	-	210	1,781
2003	-	629	942	-	-	830	69	-	-	312	2,782
2004	5	-	1,276	-	431	612	142	-	-	131	2,597
2005	12	27	1,338	-	120	424	80	-	-	238	2,239
2006	4	5	1,506	49	48	1,474	-	-	-	78	3,164
<b>Grand total</b>	<b>18,585</b>	<b>8,193</b>	<b>16,584</b>	<b>97</b>	<b>20,150</b>	<b>17,085</b>	<b>2,015</b>	<b>37</b>	<b>34</b>	<b>2,309</b>	<b>85,089</b>

## APPENDIX 3

### Areas of broadleaved (eucalypt) plantations as at 31 December 2006 (hectares)

PYEAR	Commission owned				Commission managed			Grand Total
	<i>E. globulus</i>		Other eucalypts		<i>E. globulus</i>		Other eucalypts	
	State	Sharefarm	State	Sharefarm	State	Sharefarm	Sharefarm	
Pre 1988	10	-	6,579	2	-	-	-	6,591
1988	-	5	11	-	-	-	-	15
1989	-	38	2	-	-	-	-	40
1990	20	7	25	-	-	-	-	52
1991	-	1	38	-	-	-	-	39
1992	8	209	-	-	-	-	-	217
1993	-	62	6	-	-	-	-	68
1994	-	7	2	-	-	-	-	8
1995	3	-	-	-	-	-	-	3
1996	-	-	-	3	94	392	-	489
1997	17	-	-	7	-	398	-	422
1998	26	61	-	5	411	711	-	1,214
1999	-	-	9	1	-	278	-	288
2000	-	57	29	2	-	492	-	579
2001	-	76	-	30	-	-	-	106
2002	-	27	1	483	-	56	-	567
2003	-	31	26	308	-	-	-	365
2004	-	1	144	594	-	-	-	739
2005	-	-	52	259	-	-	-	311
2006	18	-	7	1,066	-	321	327	1,739
<b>Grand total</b>	<b>102</b>	<b>581</b>	<b>6,930</b>	<b>2,760</b>	<b>505</b>	<b>2,647</b>	<b>327</b>	<b>13,851</b>

## APPENDIX 4

### Areas of sandalwood (*Santalum. spicatum* and *S. album*) plantations as at 31 December 2006 (hectares)

PYEAR	Commission owned		Commission managed		Grand Total
	State	Sharefarm	State	Sharefarm	
1997	-	5	-	-	5
1998	-	-	-	19	19
1999	-	-	-	-	-
2000	-	19	-	-	19
2001	-	48	-	-	48
2002	-	49	-	12	62
2003	-	55	-	22	77
2004	35	40	-	1	77
2005	39	176	-	-	215
2006	30	590	-	-	620
<b>Grand total</b>	<b>103</b>	<b>983</b>	<b>-</b>	<b>55</b>	<b>1,141</b>

## APPENDIX 5

### Log production by the Commission from Crown land and private property in 2006/07

Product type	Crown land		Private property		Total	
	m <sup>3</sup>	tonnes	m <sup>3</sup>	tonnes	m <sup>3</sup>	tonnes
<b>Sawlog timber</b>						
Jarrah	123,917	161,677	-	-	123,917	161,677
Karri	63,029	78,155	-	-	63,029	78,155
Marri	12,542	15,551	-	-	12,542	15,551
Blackbutt	1,661	2,027	-	-	1,661	2,027
Wandoo	269	304	-	-	269	304
Sheoak	1,617	1,617	-	-	1,617	1,617
Other	925	1,146	-	-	925	1,146
<b>Total native forest sawlogs</b>	<b>203,960</b>	<b>260,477</b>	<b>-</b>	<b>-</b>	<b>203,960</b>	<b>260,477</b>
Brown mallet	-	-	-	-	-	-
Yellow stringybark	8	10	-	-	8	10
<b>Total plantation hardwood sawlogs</b>	<b>8</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>10</b>
Pinaster	125,195	125,195	162	162	125,357	125,357
Radiata	435,342	435,342	12,672	12,672	448,014	448,014
<b>Plantation softwood sawlogs and veneer logs</b>	<b>560,537</b>	<b>560,537</b>	<b>12,834</b>	<b>12,834</b>	<b>573,371</b>	<b>573,371</b>
<b>Total sawlogs</b>	<b>764,505</b>	<b>821,024</b>	<b>12,834</b>	<b>12,834</b>	<b>777,339</b>	<b>833,858</b>
<b>Other log material</b>						
<b>Native forests</b>						
Chiplogs	170,328	202,303	-	-	170,328	202,303
Firewood/charcoal logs	118,093	133,346	-	-	118,093	133,346
Sandalwood	2,132	2,132	-	-	2,132	2,132
Other *	27,170	33,369	-	-	27,170	33,369
<b>Sub-total native forest other</b>	<b>317,724</b>	<b>371,150</b>	<b>-</b>	<b>-</b>	<b>317,724</b>	<b>371,150</b>
<b>Plantation hardwood</b>						
Chiplogs**	-	-	-	-	-	-
Firewood/charcoal logs	665	665	-	-	665	665
Other *	2	2	-	-	2	2
<b>Sub-total hardwood plantation other</b>	<b>667</b>	<b>667</b>	<b>0</b>	<b>0</b>	<b>667</b>	<b>667</b>
<b>Plantation softwood</b>						
Industrial wood	192,818	192,818	3,831	3,831	196,649	196,649
Woodchips	106,925	107,083	420	424	107,345	107,507
Other	11,550	11,550	-	-	11,550	11,550
Pine rounds	23,883	23,883	-	-	23,883	23,883
<b>Sub-total plantation softwood other</b>	<b>335,176</b>	<b>335,334</b>	<b>4,251</b>	<b>4,255</b>	<b>339,427</b>	<b>339,589</b>
<b>Total other material</b>	<b>653,567</b>	<b>707,151</b>	<b>4,251</b>	<b>4,255</b>	<b>657,818</b>	<b>711,406</b>
<b>Total log timber</b>	<b>1,418,072</b>	<b>1,528,175</b>	<b>17,085</b>	<b>17,089</b>	<b>1,435,157</b>	<b>1,545,264</b>

Includes logs from Crown land sold under minor production contracts.

\* 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 2006/07

Species	High quality sawlogs	1st & 2nd grade sawlogs	Bole sawlogs	Other sawlogs	Total
	m <sup>3</sup>	m <sup>3</sup>	m <sup>3</sup>	m <sup>3</sup>	m <sup>3</sup>
Jarrah	794	91,521	15,389	16,213	123,917
Karri	58	58,269	-	4,702	63,029
Marri	795	-	-	11,747	12,542
Other species	1,743	140	269	2,320	4,472
<b>Total</b>	<b>3,390</b>	<b>149,930</b>	<b>15,658</b>	<b>34,982</b>	<b>203,960</b>

	tonnes	tonnes	tonnes	tonnes	tonnes
Jarrah	984	120,351	20,237	20,105	161,677
Karri	72	72,252	-	5,831	78,155
Marri	985	-	-	14,566	15,551
Other species	2,065	173	304	2,552	5,094
<b>Total</b>	<b>4,106</b>	<b>192,776</b>	<b>20,541</b>	<b>43,054</b>	<b>260,477</b>

Includes logs from Crown land sold under Minor Production contracts

**Note:** The quantity of 1st and 2nd grade jarrah sawlog harvested in 2006/07 was 102,293m<sup>3</sup> (91,521m<sup>3</sup> of 1st & 2nd grade sawlogs plus 70 per cent of 10,772m<sup>3</sup> of bole sawlogs). The shortfall of 28,707m<sup>3</sup> from 131,000m<sup>3</sup> was due to a range of issues associated with low yielding harvest areas.

## APPENDIX 7

### Native forest chiplog production by the Commission

Species	Crown land 2004/05		Crown land 2005/06		Crown land 2006/07	
	m <sup>3</sup>	tonnes	m <sup>3</sup>	tonnes	m <sup>3</sup>	tonnes
Marri	2,907	3,600	5,572	6,909	9,762	12,104
Karri	134,534	159,376	136,490	161,771	153,639	182,093
Other	2027	2377	392	459	6,927	8,106
<b>Total</b>	<b>139,468</b>	<b>165,353</b>	<b>142,454</b>	<b>169,139</b>	<b>170,328</b>	<b>202,303</b>

- Increase in karri chiplog production is primarily due to increased sale of karri thinning operations in accordance with the FMP.
- Increase in marri chiplog production is due to increased sale of marri residue logs resulting from production of marri sawlogs.

## APPENDIX 8

### Native forest fuelwood production by the Commission

Product type	2004/05	2005/06	2006/07
	tonnes	tonnes	tonnes
Firewood logs	66,563	86,680	51,160
Charcoal logs	76,181	75,981	82,186
<b>Total</b>	<b>142,744</b>	<b>162,661</b>	<b>133,346</b>

Decrease in firewood production of 29,315 tonnes, for the period 2006/07, was due to a decrease in stockpiling of green firewood logs for drying and later sale.

## APPENDIX 9

### Sandalwood production by the Commission from Crown land

Product type	2004/05	2005/06	2006/07
	tonnes	tonnes	tonnes
Green (excl. roots & 3rd grade)	1,131	1,369	1,178
Roots	199	205	173
3rd grade green	-	17	99
Dead	626	653	682
Bark	-	38	-
<b>Total</b>	<b>1,956</b>	<b>2,282</b>	<b>2,132</b>



## APPENDIX 10

Audited KPIs <input checked="" type="checkbox"/>	Page
Quantity of native forest hardwood log timber harvested compared to sustainable levels and targets	25
Area of native forest hardwood regenerated	27
The harvest of 'greenwood' sandalwood will be maintained at a sustainable level	27
Percentage of sandalwood roots as a percentage of green sandalwood harvested	28
Area of plantation established against target	31
Ratio of profit before interest and tax to total assets (return on total assets)	55
<b>Native Forest</b>	58
Cost of harvesting – Native Forest hardwood	
Ratio of revenue to harvesting cost – Native Forest	58
Cost of harvesting – sandalwood	59
Ratio of revenue to management and harvesting cost – sandalwood	59
Silvicultural cost per hectare managed of native forest.	60
<b>Plantations</b>	60
Cost of harvesting	
Ratio of revenue to harvesting costs	61
Operating cost per hectare managed	61
Cost per hectare re-established	62
Plantation log production is consistent with contracted levels of supply to industry	62

## APPENDIX 11

Statement of Corporate Intent Strategies and Targets		Status <sup>1</sup>			Not currently measured
		A1	A2	A3	
<b>New Tree Farms and Plantations</b>					
Finance	Expenditure not to exceed approved funding. Increase investment in tree crops.	✓			
Establishment success	Less than 10% of planted estate requires infilling.		✓		
Carbon	Develop forestry based carbon product.		✓		
Industry development	Tree Farming Industry Development Plans completed for all planting regions in 2006/07.	✓			
Research and development	Annual review of research programs.	✓			
Environment	Measurable reduction of water table height in salt affected areas.				☒
Stakeholder communication	Strategic Tree Farming to be included in Regional Investment Plans.	✓			
<b>Mature Plantations</b>					
Sales	Plantation product sales to increase to 0.9 million tonnes by 2007.	✓			
Plantation Estate	Funding secured to enable expansion of P. radiata estate by 2,500 ha by 2010.			✓	
Returns	Sawlog stumpage returns increase sufficient to encourage new investment in radiata estate.			✓	
Operating performance	Financial performance meets approved targets.	✓			
Establishment success	Less than 10% of the planted estate requires infilling each year.		✓		
Replanting	At least 70% of clearfell area replanted in current year.	✓			
Deliveries	Deliveries meet customer orders.		✓		
Water quantity	Prioritise removal of pine plantations in Gngangara Mound.	✓			
Water quality	Compliance with Public Water Catchment requirements.	✓			
Renewable energy	Quantity of renewable energy produce sold will be maintained or increased.		✓		
Sustainability	Compliance with Forest Management Plan.		✓		
<b>South West Forests</b>					
Sales	Contracts for sale of 60% of the allowable gross volume by 2010. Fully achieve contract commitments.	✓			
Operating performance	Financial performance meets approved targets.	✓			
Regeneration	Regeneration of harvested areas within time limits.	✓			
Forest access	Access to forest areas without exceeding soil disturbance thresholds.	✓			
Value adding and employment	Ensure compliance with value adding commitments.		✓		
Sustainability	Compliance with Forest Management Plan.		✓		
Deliveries	100% of deliveries against annual orders.		✓		
Community consultation	Consultation on 100% of areas harvested.	✓			
<b>Arid Forests</b>					
Operating performance	Financial performance meets approved targets. Optimise the product mix.		✓		✓
Utilisation	Maintain utilisation of roots at least at 7% of green production.	✓			
Sustainability	100% of green harvest operations receive regeneration treatment Complete sandalwood sustainability plan.	✓			✓
Local industry	Supply at least 50% of green production for local processing. Incremental local sales to be export parity prices.		✓		
Deliveries	98% of deliveries to specification.	✓			
Community consultation	Consultation on 100% of areas harvested.	✓			

<sup>1</sup> A1 = Achieved

A2 = Partially achieved

A3 = Not achieved

Statement of Corporate Intent Strategies and Targets		Status <sup>1</sup>			Not currently measured
		A1	A2	A3	

**Plant Propagation and Operational Support**

Annual operating profit	Financial performance meets approved targets.	✓			
Commercial benefits	Tree breeding programs will demonstrate commercial viability over the period 2006/07.				☒
Environmental management	EMS to ISO standard 14001 will be applied to all activities undertaken by the Commission.	✓			
	Certification to the Australian Forestry Standard (AS4708) will be achieved.			✓	
Production capacity	Production to increase towards nursery capacity.	✓			
Asset management	Seed sales meet or exceed targets.		✓		
	Seed collections meets target.		✓		
Operational controls	Codes, manuals and procedures are developed.	✓			
Environmental management	New genotypes meet pest, weed and disease tolerance standards.				☒
Quality assurance	Product sales meet stated quality standards.		✓		
Seed delivery	Seed delivered on time.		✓		
Forest management	FMP implemented in native forests and plantations.	✓			
Genetic quality	New genotypes demonstrate improvements in commercial and environmental traits.				☒

**Corporate Services**

Corporate earnings	Financial performance meets approved targets.	✓			
	Dividend meets projected target.	✓			
	Return on net assets meets projected target.	✓			
Information technology	99% "uptime".	✓			
Human resource	100% compliance with Public Sector Standards.	✓			
Contract management	100% compliance with appropriate standards.		✓		
OSH	Implementation of a regular OSH monitoring system for Commission contractors.	✓			
	Nil lost time injuries.			✓	
Employee satisfaction	Employee satisfaction index improves over 2004/05 result.				☒
Customer satisfaction	Services meet internal customer expectations.				☒
Recycling	Compliance with State Government's waste paper recycling program.	✓			
Energy conservation	To reduce dependence on fossil fuels by at least 12%.			✓	
Staff skills	All staff participate in the 'Performance & Development Review System'.		✓		
	Training and development programs developed for all staff.		✓		
	Identified training is provided for staff and contractors.		✓		
	Human Resource Strategic Plan developed which addresses planning, staff retention, training, succession planning etc.	✓			

**Research and Development**

External funding	Increase proportion of external funding to 25% of R&D expenditure.	✓			
Financial management	Implement systems to ensure robust project costing tracking and performance monitoring		✓		
Alignment	Research projects are aligned with strategic goals.	✓			
Customer satisfaction	The Commission is recognised as a provider of high quality R&D.				☒

<sup>1</sup> A1 = Achieved

A2 = Partially achieved

A3 = Not achieved

Statement of Corporate Intent Strategies and Targets		Status <sup>1</sup>			Not currently measured
		A1	A2	A3	
<b>Strategic Business Development</b>					
New plantation establishment	Increase investment and funding for tree crops.		✓		
Efficiency of Commission resource deployment	Implemented Program Office and Project Management processes.	✓			
Value adding and employment	Ensure customer compliance with contractual value adding commitments.		✓		
Stakeholder engagement	Creation of beneficial partnerships for the Commission and the Government.	✓			
Regional WA	Government endorsed Tree Farming Industry Development Strategy.		✓		
Supply chain	Create financial and economic strength for industry participants.				☒
Fee-for-service	Strengthen existing relationships.		✓		
Business analysis	Establish corporate standards.		✓		
NAP for Salinity and Water Quality	Strategic Tree Farming included in all relevant Regional Investment Plans.	✓			
Corporate sector	Deliver opportunities for Government consideration.		✓		
<b>Resource Inventory and Planning</b>					
Systems	Develop and implement new plantation inventory systems.	✓			
Biometrics	Develop biometric support tools for inventory and planning.	✓			
Management	Manage delivery of plantation inventory and GIS services provided by DEC.	✓			
Utilisation	Identify opportunities for the improved utilisation of the State's timber resources.	✓			
Sustainability	Knowledge of the State's timber resources is used to develop sustainable native and plantation systems.		✓		
Carbon inventory	Carbon resources are measured and available for commercialisation.		✓		
Timber industry	Delivery of accurate information to enable strategic investment in timber processing infrastructure.	✓			
Operations managers	Delivery of resource information to enable planning decisions on plantation management.		✓		
Environmental systems	Establishment of a hydrological monitoring system to measure hydrological benefits.	✓			
<b>Environmental Management System (EMS)</b>					
EMS	100% of EMS incidents are closed on time.				✓

<sup>1</sup> A1 = Achieved

A2 = Partially achieved

A3 = Not achieved

## 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.
Chiplog	Log destined to be processed into woodchips.
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 <sup>3</sup> )	Measure of timber volume.
Exotic species	A species not native to a region.
Falling or felling	Cutting down trees.
Flitches	Partly sawn log for further processing
Genotype	Genetic makeup of an organism.
ha	Hectares
Hardwood	Tree species which is a flowering plant or angiosperm, or the timber from it.
Harvesting	Felling of trees as part of a silvicultural operation.
Plantation	A planted forest.
Salinity amelioration	Activity designed to reduce salinity.
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.

## ABBREVIATIONS

AASB	Australian Accounting Standards Board
ACT	Australian Craftwood and Timbers
AFS	Australian Forestry Standard
ASFW	Australian School of Fine Wood
CALM	Department of Conservation and Land Management, (as of 1 July 2006 Department of Environment and Conservation).
CO <sub>2</sub>	Carbon dioxide
CRC	Cooperative Research Centre
DEC	Department of Environment and Conservation
EMS	Environmental Management Systems
ESL	Engineered Strand Lumber
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
FWPRDC	Forest and Wood Products Research and Development Corporation
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	Minor Treatment Incident
MW	Megawatt
NAP	National Action Plan for Salinity and Water Quality
NBC	New Business Committee
NRM	Natural Resource Management
NTER	National Tax Equivalent Regime
OSH	Occupational Safety and Health
PIMAC	Plantation Industry Ministerial Advisory Committee
RFA	Regional Forest Agreement
RIRDC	Rural and Industries Research and Development Council
RTO	Registered Training Organisation
S/F	Share farm
SCI	Statement of Corporate Intent
SDP	Strategic Development Plan
SGARA	Self Generating and Regenerating Assets
STF	Strategic Tree Farming project
UIG	Urgent Issues Group
UFRO	International Union of Forest Research Organisation
WATC	Western Australian Treasury Corporation
WFFEP	WA Farm Forestry Education Project



## 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

#### Carnarvon

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

#### Collie

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

#### Esperance

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

#### Gnangara

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

#### Harvey

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

#### Harvey Mill

#### (formerly Timber Technology Centre) 1

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

#### 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

#### Internet

[www.fpc.wa.gov.au](http://www.fpc.wa.gov.au)