

FPC

FOREST PRODUCTS COMMISSION

annual report **2009**

HON TERRY REDMAN MLA 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 2009.



Eva Skira
Chair

27 August 2009



Dr Paul Biggs
General Manager

CONTENTS

FROM THE CHAIR	4
EXECUTIVE SUMMARY	6
ORGANISATIONAL STRUCTURE	7
Commissioners	8
Committees	9
Executive management	11
OVERVIEW OF AGENCY	12
Objectives	13
Segment analysis	14
Performance management framework	14
AGENCY PERFORMANCE	15
South West forests	15
Arid forests	15
Mature plantations	15
New plantations	16
Plant propagation centre	16
Strategic Tree Farming project	16
New industry development plans	16
Strategic Tree Farming project performance report	16
Farm forestry education project	17
Forest industry survey	17
Farm forestry development officers	17
Transitional support for private forestry development committees	17
New contracts	18
Bioenergy development	18
Plantation Energy Australia	18
WA Biomass Pty Ltd	18
SpiritWest Bioenergy Pty Ltd	18
Tender process for low grade native forest logs	18
Significant issues impacting the agency	19
SCIENCE AND RESOURCES	20
Resources and planning	20
Tree breeding and seed technologies	21
Carbon projects	21
New plantations	21
Mature plantations	21
Arid forests	21
Sandalwood	21
Collaborative research	22

Australasian Forest Genetics Conference	22		
Forest health	22		
Partners in research	22		
Cooperative Research Centre for Forestry (CRC Forestry)	22		
Environmental service markets	23		
DISCLOSURES AND LEGAL COMPLIANCE	24		
Statement of Compliance with Public Sector Standards	24		
Certification of performance indicators	25		
Compliance with relevant written laws	25		
Legislation impacting the Commission	26		
ENVIRONMENTAL REVIEW	28		
Environmental policy	28		
Strategic tree farming project	29		
Environmental management	29		
Groundwater monitoring	29		
Carbon sequestration	30		
Environmental incidents	31		
Compliance with Forest Management Plan 2004-2013	31		
KEY PERFORMANCE INDICATORS	33		
Certification of Key Performance Indicators	33		
Key Performance Indicators	34		
REGIONAL DEVELOPMENT AND EMPLOYMENT	38		
Our People	38		
Recruitment	39		
Training	39		
Organisational restructure and cultural change	39		
Leadership development	39		
Occupational safety and health	40		
Code of conduct	40		
PROMOTION AND CONSULTATION	41		
Expenditure	43		
FINANCIAL REVIEW	44		
Certification of the financial statements	44		
Independent audit opinion	45		
Income statement	47		
Statement of changes in equity	48		
Balance sheet	49		
Statement of cash flows	50		
Notes to the financial statements	51		
		APPENDICES	97
		Appendix 1	
		Trends in the area of native forest harvested by the Commission (hectares)	97
		Appendix 2	
		Areas of coniferous (pine) plantations as at 31 December 2008 (hectares)	98
		Appendix 3	
		Areas of broadleaved (eucalypt) plantations as at 31 December 2008 (hectares)	99
		Appendix 4	
		Areas of sandalwood (<i>Santalum.spicatum</i> and <i>S. album</i>) plantations (hectares) as at 31 December 2008	99
		Appendix 5	
		Log production by the Commission from Crown land and private property in 2008/09	100
		Appendix 6	
		Native forest sawlog production by the Commission in 2008/09	101
		Appendix 7	
		Native forest chiplog production by the Commission	101
		Appendix 8	
		Native forest fuelwood production by the Commission	101
		Appendix 9	
		Sandalwood production by the Commission from Crown land	101
		Appendix 10	
		Strategies and Targets	102
		GLOSSARY	103
		ACRONYMS	103
		CONTACT DETAILS	104



1

FROM THE CHAIR

The Forest Products Commission continues to manage a number of initiatives to achieve an “*environmentally sustainable and commercially viable forest products industry providing economic and social benefits to the people of Western Australia*”.

On a positive note, the Commission continued a significant planting program during 2008 which saw the conclusion of plantings as part of the Strategic Tree Farming initiative, targeting salinity and environmental outcomes. Through this program the Commission has planted 18,000 hectares of sharefarms over five years.

The Commission is developing expertise in carbon sequestration markets with a significant planting program during winter 2009, following the signing of a carbon offset project with Synergy. The Commission has built a bank of globally-recognised experience in carbon sequestration over a number of years, signing its first program with BP Kwinana Refinery in 1998.

Also related to expanding carbon markets, the Commission began supplying logging residues from plantations to an Albany-based pellet manufacturer. The pellets are destined for export to Europe for use in electricity generation.

The Commission, along with forest industries, communities and Government is collaborating on options to enhance the long-term viability of wood supply from South West forests to industry. Productive outcomes from this work are expected by the end of 2009.

Financially, the past 12 months has been a challenging time for the Commission and its customers. Revenue decline has been experienced across all sectors, including native and arid forests and plantation timbers.

The impacts of the Varanus Island gas explosion on the Commission’s customers followed by the effects of the global financial crisis resulted in depressed timber markets and lower revenues for the 2008/09 financial year.

The Commission incurred costs from three major bushfires in plantations north of Perth and in the South West and these also had an adverse affect on revenue.

In the interests of the State, the Commission ‘stood aside’ from complying fully with its contractual obligations, allowing for burnt timber from private plantations to be processed first before it lost all its value and could no longer be utilised.

The State Government contributed \$15million in equity to assist the Commission in managing the costs of the wildfires and the impact of gas shortages caused by the Varanus Island gas explosion.

The incipient moves to establish a national sequestration trading scheme has the potential to be of significance for Western Australia and is expected to render assistance with further developing the forestry industry.

During the year, the Board and Senior Executive reviewed its major strategic objectives in the context of both challenges in traditional wood and timber markets and potential growth opportunities in various derivative wood products. The Commission is continually looking at maximising the revenue derived from all parts of the forest resource to ensure a sustainable industry in which all forestry values are recognised and counted, including timber, energy, carbon, environmental and social values.

The year saw further movement in the Board of the Commission. Chairman David Taylor retired at the end of his term on 30 June 2009 and did not seek re-appointment as he had relocated to the eastern states for family reasons.

On behalf of the Board and all staff of the FPC, I would like to thank David for his leadership over the past three years during a time of further growth of the Commission.

The end of July 2009 saw the terms of Ray Curo and Nick Oaks come to a close after nine years on the FPC Board. Both Ray and Nick were inaugural members of the first Board and their contribution and assistance to the Commission over that period has been significant and greatly valued by all their colleagues and staff. I would like to thank them for their wise and considerable deliberations. I would also like to welcome Karen Gadsby as a new member of the Board.

I would like to thank all Senior Executive and Commissioners for their contribution during the year. Dr Paul Biggs has again shown outstanding leadership as General Manager of the organisation. Finally, on behalf of the Board, Management and staff of the Commission I would like to record our appreciation of the support received from both Ministers over the financial year, Hon Terry Redman MLA and Hon Kim Chance MLC (retired). We are grateful to have their constructive and invaluable advice to assist us in progressing the aims of the Commission and forestry in Western Australia.



Eva Skira
Chair



EXECUTIVE SUMMARY

2

During the past financial year, the Commission rolled out a systematic program of staff training and development with emphasis on a culture of teamwork across the organisation. This program recognised the critical importance of Commission staff to the success of the organisation. Simultaneously as the year developed, the qualities of our people became more important and also ever-more visible.

In her report, the Chair has covered the financial impacts of the Varanus Island incident, wildfires and the economic conditions faced by the Commission in 2008/09. The way in which the Commission responded to those challenges is a reflection of the quality of the agency's people. In tough conditions, one really sees the calibre of the individuals and the value of the teamwork which epitomise the agency.

When industry was forced into shutdown during the gas shortage, Commission staff working with harvesting and transport contractors had to reschedule operations, often on a daily basis and with less than twelve hours notice. Their efforts skillfully managed the reduced and fluctuating demand for log products to businesses with access to intermittent gas supplies.

In February, as soon as the three major plantation wildfires were safely under control, the Commission's staff, again working in concord with contractors, rescheduled operations to salvage valuable timber before it started to degrade beyond saleable standards. Agreements were made rapidly with private plantation owners which enabled the Commission's contractors to switch to work on private plantations. Once again, new balancing acts were required to meet the variable demands of different customers.

Reaching agreement on a carbon project with Synergy represented a major achievement in business development. With approval to commence land acquisition and planting only finalised in January, plantations staff achieved an amazing job of securing the entire 5000 hectares of land required for planting during the winter. They have been supported from across the organisation by staff who negotiated with local governments for planning approvals, surveying the plantations for registration with Landgate and of course, supplying the seedlings for planting.

Even under such trying conditions, the Commission's staff refined the procedures necessary under the Australian Forestry Standard and passed the audit required for accreditation of jarrah and pine operations, adding to the certification received last year for our karri operations. Equally, the teams in Corporate Services and Business Development and Technology have been indefatigable in their efforts to secure the Commission's financial position, its contracts, and the science and information underpinning the business.

As we move into 2009/10, we are asking even more of the Commission's staff, such as managing in very uncertain conditions until the future of investment in carbon and forestry is resolved; and while the economy slowly rebuilds out of recession.

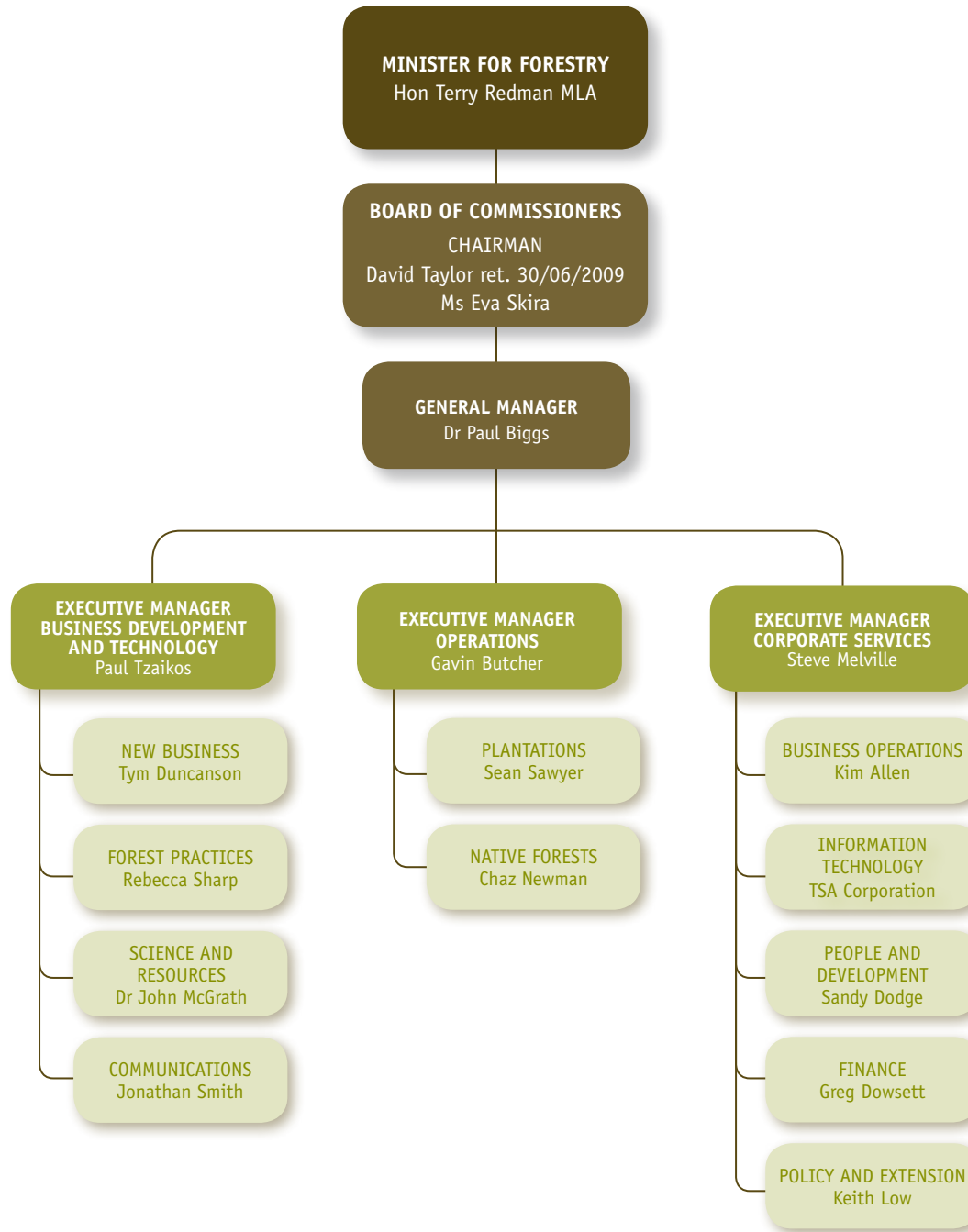
It is the commitment and dedication of our people that gives us confidence in the future of the business, the industry and the community it serves.

A handwritten signature in black ink, appearing to read 'Paul Biggs'.

Dr Paul Biggs
General Manager

ORGANISATIONAL STRUCTURE

3



Commissioners	8
Committees	9
Executive management	11

COMMISSIONERS

The seven-member Board of Commissioners is responsible to the Minister for Forestry and is the governing body of the Commission. Under the *Forest Products Act 2000*, the Commissioners 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 core functions of the Commission.

The 2008/09 financial year saw one Commissioner step-down on 30 June 2009 – Mr David Taylor resigned as Chairman. The FPC acknowledges the Commissioners for their dedication and outstanding contributions.



Mr David Taylor BA (Econ) Dip Pers Man, FAICD

Chairman from 1 July 2006. Term expired 30 June 2009.

Mr Taylor has extensive commercial experience with a distinguished marketing and banking background. He retired from BankWest in 1999 as Head of the Business Bank. He has since furthered his career in corporate governance with appointments to the boards of listed and unlisted public companies and government business enterprises. Mr Taylor is currently a non-executive director of Empired Limited and Agrifood Skills Australia.



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

Deputy Chair from 16 November 2006. Chair from 1 July 2009. Term expires 15 November 2012.

Ms Skira was appointed Chair on July 1, 2009 following the departure of Mr David Taylor. Ms Skira has experience in banking, stockbroking and financial markets. She has served as a non-executive director for a number of government, business and not-for-profit organisations across a range of industries. Ms Skira is a director of Doric Group Holdings Pty Ltd, MDA National Insurance Pty Ltd, RCR Tomlinson Ltd, Deputy Chair of St John of God Health Care Group Inc. and Deputy Chancellor of Murdoch University.



Mr Michael Gurry BSc, FAIM, FAICD, SF Fin.

Commissioner from 16 November 2007. Deputy Chairman from 1 July 2009. Term expires 15 November 2012.

Mr Gurry has extensive commercial experience in Australia and internationally. He was Managing Director of HBF until January 2007, prior to which he was President Asia Pacific for an international information technology and consulting firm. Mr Gurry is a past National President of the Australian Institute of Management and Senior Vice President of the Asian Association of Management Organisations. He has considerable experience in corporate governance, having served on numerous boards. Currently, he is Chairman of Foundation Housing Ltd and Reignite Pty Ltd. In addition, he is a non-executive Director of Joyce Corporation Ltd.



Mr Ray Curo

Commissioner from 16 November 2005. Term expired 31 July 2009.

A self-employed cabinetmaker, Mr Curo has considerable knowledge of the Western Australian hardwood timber industry through more than twenty five years of bush work, contract management, training and management of harvesting operations. His comprehensive skills also includes 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.



Mr Nick Oaks

Commissioner from 16 November 2007. Term expired 31 July 2009.

Mr Oaks is a Board Member of the South West Development Commission. He has a practical industry background having previously worked in the native forest harvesting and milling sectors and has qualifications in timber technology. Mr Oaks represented workers employed in Forest Industries as an Australian Workers' Union organiser for 12 years. He has been a member and Chair of several training and industry development committees.



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

Commissioner from 16 November 2007.

Term expires 15 November 2010.

Ms Bafile has practised law for nearly 30 years. A former Executive at Home Building Society Ltd, she has more than 20 years commercial experience and governance expertise in the banking and finance industry. Ms Bafile has served on a number of boards and her current appointments include the Water Corporation, Corporations and Markets Advisory Committee, and Curtin University and Community First International Ltd.



Mr Bob Smith BScFor (Hons), MBA, MSc, PhD

Commissioner from 16 November 2007.

Term expires 15 November 2009.

Bob Smith is a forester whose knowledge of sustainable and profitable use of natural resources spans more than forty years. Mr Smith has held senior management positions in NSW and Victorian government agencies in forestry, natural resource management and finance, including Managing Director of State Forests (NSW) and Director-General NSW Department of Land and Water Conservation. Mr Smith has worked at all levels of the industry and has been a part of Ministerial Councils for forestry, natural resources and agriculture, as well as a member of the Murray Darling Basin Commission. Mr Smith is currently a Director of VicForests, Victoria; First Superannuation Pty Ltd and LeafCarbon Pty Ltd.



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

Commissioner from 11 August 2009.

Term expires 15 November 2012.

Ms Gadsby is a qualified chartered accountant who has worked in an executive role for a multinational resources company for ten years in the roles of GM Finance, CFO and company secretary.

Ms Gadsby has been involved with boards as a director or in an executive capacity for 15 years. She has held non-executive director positions as Deputy Chair, Chair of Finance, Audit and Risk Management Committees; member of Remuneration Committee; member Nomination Committee; and member Infrastructure Committee. She is currently a non-executive director of the following organisations; Talisman Mining Limited (also Chair of Audit Committee); Perth Home Care Services and Community First International. She previously held directorships in Melbourne with GMHBA, Western Health & AMES.

COMMITTEES

Board meetings are scheduled monthly. The Commissioners met 12 times during the year. Comprehensive monthly reports are provided to the Commissioners to monitor the agency's performance and to assist them with their deliberations.

	Number of Meetings Held	Number of Meetings attended
Mr David Taylor	12	12
Ms Eva Skira	12	11
Mr Ray Curo	12	11
Mr Nick Oaks	12	10
Ms Zelinda Bafile	12	10
Mr Michael Gurry	12	11
Mr Bob Smith	12	9

The Commissioners sit on a number of committees to evaluate and make recommendations on specific aspects of the business. Committees of the Board that operated during 2008/09 were:

Audit and Risk Committee

Ms Eva Skira – Chair

Mr Nick Oaks – (Committee member until 18 November 2008)

Ms Zelinda Bafile – (Committee member from 19 November 2008)

The Audit and Risk Committee is responsible for making recommendations to the Board on the adequacy of internal and external audit arrangements, financial statements, financial administration policies, internal control systems, business policies and practices, compliance with laws, monitoring business risk and reporting procedures.

Harvesting and Marketing Committee

Mr Ray Curo – (Chair until 18 November 2008)

Mr Nick Oaks – (Chair from 19 November 2008)

Mr David Taylor – (Committee member until 18 November 2008)

The Harvesting and Marketing Committee provides 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

Mr Michael Gurry – Chair

Mr David Taylor – (Committee member until 30 June 2009)

Ms Zelinda Bafile – (Committee member from 16 November 2007)

The New Business Committee was formed to provide support to the Commission by reviewing and assessing strategic submissions from Executive in relation to the development of new business opportunities.

Nominations Committee

Ms Eva Skira – Chair

Mr David Taylor

Mr Michael Gurry

The responsibilities of the Nominations Committee include the assessment of Commissioners' competencies, review of Board succession plans, making recommendations for the appointment Commissioners, screening and probity checks.

Board performance measurement

Commissioners completed a Board Performance Measurement Questionnaire as part of the annual evaluation process.

Board of Commissioners' remuneration

Remuneration, travelling expenses and other allowances of the non-executive Commissioners is determined by the Minister for Forestry on the recommendation of the Minister for Public Sector Management.

The Salaries and Allowances Tribunal determines the remuneration for the General Manager.

Codes of conduct and ethical standards

The Board has approved a Code of Conduct for Commissioners which has its foundation in and complements, the *'Western Australian Public Sector Code of Ethics'*. The code's standards apply to the behaviour of members of the Board, requiring members to act with honesty, fairness, integrity and that they display the highest ethical standards at all times.

Disclosure of interest

Schedule 1, Section 17 of the *Forest Products Act 2000* requires Commissioners to disclose any direct and/or indirect pecuniary interests in any matter being considered, or about to be considered, by the Board. All disclosures are required to be recorded in the minutes of Board meetings.

The Commission has established a 'Conflict of Interest' policy for its employees. The aim of the policy is to identify, prevent and/or resolve conflicts of interest. At the time of induction, all employees are made aware that they have access to this policy via the Commission's Intranet website.

In accordance with the policy, employees must declare any personal activities or involvements which may present a conflict of interest relating to their duties on behalf of the Commission.

Financial administration

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

Independent professional advice

The *Forest Products Act 2000* empowers the Commission to engage, under contract, professional and technical services to enable it to carry out its functions. Under these powers, any requests by the Board to seek independent professional advice would be a matter for them to consider at the time in light of the specific circumstances.

Risk management

The Board has in place a number of arrangements to identify and manage risks, which include the following;

- a monthly Strategic Risk Overview prepared by Executive for consideration at the Board's monthly meeting;
- a Risk Register maintained and reviewed to identify, analyse, evaluate and formulate treatment plans for all risks; and
- a Risk Management Framework for the systematic identification, assessment and management of every risk that could prevent the Commission from achieving its strategic initiatives.

The Commission focuses on triple bottom line benefits including positive environmental, financial and social outcomes to the people of Western Australia.

EXECUTIVE MANAGEMENT

Executive meetings are held fortnightly and attended by the General Manager, Executive Manager Operations, Executive Manager Business Development and Technology, and Executive Manager Corporate Services.

Dr Paul Biggs BScFor (Hons), EMBA, PhD *General Manager*

Trained in forestry at the Australian National University and Melbourne University, Dr. Biggs also has business qualifications from UWA. He worked for 10 years in the South West on yield regulation and planning for Western Australia's forests, followed by five years of strategic policy roles in Ministerial and departmental offices. Dr Biggs was the FPC's inaugural Chief Executive and over nine years has led the agency through major changes of Government policy and economic conditions.

Mr Gavin Butcher BScFor *Executive Manager Operations*

Mr Butcher has a career in plantation and native forest management spanning more than 25 years. His particular strengths are in the strategic, analytical and financial fields of forestry management. Mr Butcher holds a Bachelor of Science in Forestry and has lectured at Edith Cowan University. His previous position was Executive Manager Plantation Operations, prior to which he was Plantations Group Manager with the Department of Conservation and Land Management.

Mr Paul Tzaikos BCom, FCPA, MAICD *Executive Manager Business Development and Technology*

Mr Tzaikos is a Certified Practising Accountant whose career in the public sector spans 28-years. He has been involved in audits; corporate and securities regulation; change management; emerging technologies; science and innovation; policy; and business development. Mr Tzaikos is a Fellow of the Financial Services Institute of Australia (FINSIA), member of the Australian Institute of Company Directors (AICD) and is the Honorary Chairman of Wanslea Family Services Inc.

Mr Steve Melville BBus, FCPA, MAICD *Executive Manager Corporate Services*

Mr Melville occupied financial, marketing and management roles in the government and private energy sector before joining the Commission in 2004. His strengths are in strategic planning, financial management and analysis, and the implementation of major IT systems. 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.



From left: Paul Tzaikos, Dr Paul Biggs, Gavin Butcher and Steve Melville.

OVERVIEW OF AGENCY 4

Objectives	13
Segment analysis	14
Performance management framework	14

The Forest Products Commission is a Government trading enterprise (GTE), established in 2000 as a Statutory Authority for the purpose of developing and marketing Western Australia’s renewable timber resources.

The Commission operates four business segments, South West Forests, Arid Forests, Mature Plantations and New Plantations. Each segment has its own operating conditions, market demands and financial characteristics.

The Commission’s operations include the following commercial functions;

- Harvesting and selling forest products from State-owned native forests and plantations.
- Regeneration (replanting) of State-owned native forests and plantations.
- Management of and harvesting of tree farms in partnership with landowners.
- Provides advisory and plantation management services to plantation investors.
- Identifies new ways of funding plantations in low-to-mid rainfall areas.

In addition to growing millions of seedlings each year, the Commission invests in research and development to maximise financial returns on a variety of commercial species including eucalypt sawlogs, maritime pine, sandalwood, jarrah and marri.

The Commission is currently identifying the means by which traditional uses of timber can be extended to provide value-added commercial opportunities. The Commission works closely with local industry, landowners and farmers to ensure land is readily available for future tree crops and plantations.

Prior to seeding, selected tree species are matched with soil types, water availability and climate to ensure the long-term sustainability of Western Australia’s unique hardwood timbers.

The Commission is involved in the marketing of WA timber products in conjunction with organisations such as the Furnishing Industry Association. The agency also assists in promoting the features, and uses, of the State’s timbers (eg. the value of sandalwood in pharmaceutical products and the growth of karri and jarrah in export furniture and manufacturing markets).

Sustainable forest management is the Commission’s commitment to economic, environmental and social benefits for the community through increased employment opportunities, countering carbon dioxide omissions, reversing land degradation and restoring biodiversity.

While Western Australia is home to a diverse range of unique timbers from native forests and plantations, the Commission does not harvest in forests designated as old growth. Rather, the policy is to practice long- term preservation and expansion of Western Australian plantation and native timbers.

VALUES

Environmental responsibility

Our products and services provide renewable resources to meet community needs. We commit to protect and care for the environment and adhere to our Management of the Environment policy.

Accountability

We take responsibility to understand our role and how we contribute to the FPC's objectives. We are accountable for our words and actions, and we maintain processes that are open and transparent.

Achievement

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

Leadership

We commit to providing leadership in the ongoing development of the Western Australian forest industry.

In providing leadership to each other we support the FPC vision, make timely decisions, role model appropriate behaviours, tackle the hard issues, invite and provide feedback, operate as an agency-wide team and focus on what is possible.

Teamwork

We foster a working environment that is supportive and collaborative across the agency to achieve our shared vision.

We strive to be collaborative and innovative in working with our industry partners and community.

Employee fulfilment

We recognise our people are important, and therefore provide a working environment where our staff are recognised and feel valued, can achieve their potential and ultimately make a difference.

Core purpose

To grow a sustainable and prosperous Western Australian forest industry.

VISION

Prosperity for society and our environment by creating and growing a local forest products industry that's at least three times greater by 2023.

OBJECTIVES

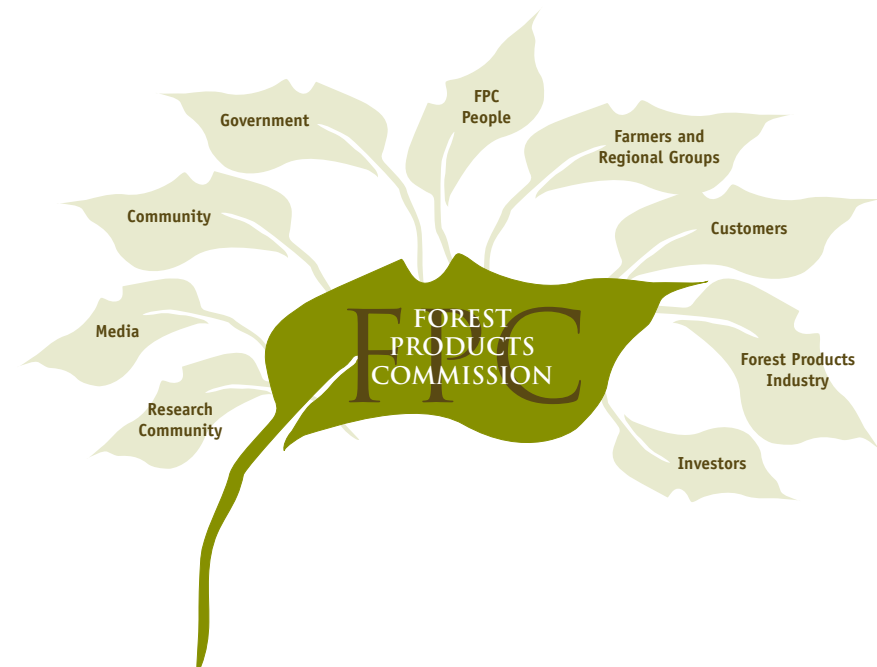
The *Forest Products Act 2000* establishes two principles;

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 endeavour to deliver a profit from forestry industries which is consistent with planned targets, while ensuring that the aforementioned principles 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 is aligned to be consistent with the Government's forest policy. A brief snapshot of the main objectives outlined in the 2007/08 SCI for each of the Commission's relatively distinct business segments is provided below.



SEGMENT ANALYSIS

The Commission operates in the following primary business segments:

- South West Forests (SWF) – jarrah, karri and marri;
- Mature Plantations – radiata, pinaster pine;
- New plantations – developing eucalypts, pine and sandalwood in agricultural regions and;
- Arid Forests – sandalwood.

PERFORMANCE MANAGEMENT FRAMEWORK

The Commission's operational targets are established through the Statement of Corporate Intent at a corporate level, and by customer delivery schedules and project deadlines at the operational level.

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

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

The Commission operates in a dynamic environment, one which is influenced by domestic and global market forces. Timber availability and quality, delivery price, production costs, end user demands, the provision of environmental services and a progressive shift to plantation-based industries, are all factors significant to our operations and ultimately to the Commission's success as a commercial entity.

As a Statutory Authority, the Commission works with industry, the community and other government agencies to help ensure a robust, long-term future for forest products. Major economic drivers for the State are seeded through the Commission's leadership and services.

The Commission's core business is to deliver forest products under existing timber supply contracts to local industries and to expand the overall forest industry. The Commission has also established new markets for native forest and plantation residue products.

SOUTH WEST FORESTS

This segment covers the jarrah, karri, marri and associated native species in the South West. The Commission harvests these timbers for supply to a number of saw mills located in the region. The strategy focuses on the profitable supply of timber to an industry producing high value end products. There is an emphasis on employment and manufacturing within the State of Western Australia.

Main objective: *To develop a profitable native forest products business to produce timber for the high value manufacturing industry in Western Australia.*

ARID FORESTS

Sustainable methodology is the foundation upon which the Commission manages this resource while maintaining an ongoing supply to both the domestic and export markets.

Main objective: *To expand Western Australian sandalwood and desert timbers as a high-value business by demonstrating the sustainability of the native harvest and investing in plantation development.*

MATURE PLANTATIONS

This business segment relates to established plantations from Wanneroo to Manjimup, where both the resource and its processing industry are significantly mature. The Commission employs an ongoing strategy to develop markets for industrial wood and residue products in an effort to improve profitability in this area.

Main objective: *To maximise the commercial return for the Commission's existing products and where viable, expand the resource base supplying the established industry.*

AGENCY PERFORMANCE

5

South West forests	15
Arid forests	15
Mature plantations	15
New plantations	16
Plant propagation centre	16
Strategic Tree Farming project	16
New industry development plans	16
Strategic Tree Farming project performance report	16
Farm forestry education project	17
Forest industry survey	17
Farm forestry development officers	17
Transitional support for private forestry development committees	17
New contracts	18
Bioenergy development	18
Plantation Energy Australia	18
WA Biomass Pty Ltd	18
SpiritWest Bioenergy Pty Ltd	18
Tender process for low grade native forest logs	18
Significant issues impacting the agency	19

NEW PLANTATIONS

The Commission aims to facilitate the development of industry-scale plantations delivering environmental, social and economic benefits to the State. The main strategy is one of integrated investment based on environmental services for issues such as watertable control, salinity and carbon sequestration and the provision of forest products, including timber, fibre, biomass and oils.

Main objective: *To establish commercially viable tree farm estates within identified cells to enable sustainable development of regional timber processing industries and to deliver significant regional environmental services.*

PLANT PROPAGATION CENTRE

The Plant Propagation Centre produces high quality seed and seedlings to support the Commission's core business. This includes providing seedlings to the Commission's new plantations and for replanting areas of harvested plantations as well as seedlings for regenerating post-harvest areas of native forest. The Centre includes the Manjimup Nursery and the Seed Technologies and Tree Breeding Unit.

Main objective: *To maintain throughput at the nursery to achieve financial breakeven and to achieve and maintain commercial viability in the areas of seedlings, seed material and genotypes for tree planting programs.*

STRATEGIC TREE FARMING PROJECT

The \$64 million Strategic Tree Farming Project (STF) is the largest single investment under the National Action Plan for Salinity and Water Quality (NAP). In a partnership between the State and Federal governments, four regional Natural Resource Management (NRM) Groups¹ and the FPC, almost 18,000 hectares of tree crops will be established in the extensively cleared medium rainfall agricultural areas of WA.

The STF project, a major tree planting initiative which commenced in 2005 delivers lasting environmental benefits and contributes toward future industry development. STF plantings serve to meet objectives identified within various Tree Farming and Industry Development Plans (IDPs), produced under the State Government's 2002 'Action Plan for Tree Farming in WA'.

The table below shows the anticipated progress toward minimum resource targets indicated in the IDPs at the completion of STF in winter 2009.

Tree Farming & Industry Development Plan	Pre-STF plantings (ha)	STF plantings (ha)	Min. resource required (ha)	% target achieved on STF completion
Maritime Pine – Midwest	10,000	3,170	70,000	18.8
Maritime Pine – Esperance	2,650	3,155	70,000	8.3
Eucalypt Sawlog – Central Southwest Recovery Catchments	690	4,966	40,000	14.1
WA Sandalwood	5,000	5,699	50,000	21.4

NEW INDUSTRY DEVELOPMENT PLANS

In conjunction with the Australian Sandalwood Network and the Oil Mallee Association, the FPC completed the;

- 'Oil Mallee Industry Development Plan for Western Australia' (November 2008) and;
- 'WA Sandalwood Industry Development Plan 2008-2020' (December 2008).

The IDPs highlight key Government and industry strategies and the actions required to realise the considerable environmental and socio-economic benefits offered by these two promising woody crops.

STRATEGIC TREE FARMING PROJECT

PERFORMANCE REPORT

The STF Project was one of 13 NRM projects chosen nationally by the Australian Government in 2008 to trial the performance story report method as a way of reporting more holistically on the performance of the public investment in NRM projects.

Released in May 2009, the report summarises evidence relating to the project's scientific underpinnings. It also presents evidence from interviews with participating landholders and contractors that STF is achieving many of its socio-economic objectives.

1 Northern Agricultural, Avon and South West Catchment Councils, and South Coast NRM Inc.

FARM FORESTRY EDUCATION PROJECT

Raising awareness and understanding through provision of information, on-ground assistance and community learning opportunities is a key strategy to increase the adoption of farm forestry, with the aim of developing more productive, resilient and sustainable farming systems and resources for new regional industries.

The WA Farm Forestry Education project (WAFFEP) which ran from 2007 to 2009, was a partnership between four regional Natural Resource Management (NRM) Groups, the Forest Products Commission WA and WA Private Forestry Development Committees (PFDCs) and the Australian Master TreeGrower program (MTG). The WAFFEP played an important role in the promotion of the Strategic Tree Farming Project, and provided extension and education for participating landholders.

During 2008/2009, the Education Project has been involved in a range of activities across the four regional NRM groups – Northern Agricultural, Avon, and South West Catchment Councils, and South Coast NRM Inc. including:

- two, 'Introduction to Farm Forestry' courses (2 to 3-days each);
- two, 'Peer Group Mentoring Trials' (Avon and South West);
- one, 'Master TreeGrower Program' (8 days, 21 participants) and;
- participation in several farmer field days and shows.

FOREST INDUSTRY SURVEY

The Commission participated in the Forest Industry Survey, an independent follow-up study to one carried out in 2006.

Conducted by Dr Jackie Schirmer, Project Leader from the Fenner School of Environment and Society at the Australian National University, the report looked at the forestry industry in Western Australia and its social and economic impacts.

Importantly, the report found that in 2005/06 the forestry industry employed in excess of 5,500 people in regional areas of Western Australia and delivered economic benefits of more than one billion dollars annually to the State.

The majority of jobs within forestry were in the South West, where an increase in employment opportunities for younger Western Australians was a key factor for the viability of regional economies.

From evidence gathered, it was confirmed that 18 percent of the labour force resided in Nannup, with 16 percent based in Bridgetown-Greenbushes and 14 percent living in Manjimup. Nearly 40 percent of the total workforce is aged under 35 years and 18 percent are under the age of twenty five.

The report also found that employment in forestry in the Great Southern region had grown rapidly, rising from just 20 people in 1991 to 844 people in 2005/06.

The research reaffirmed that a sustainably grown and managed forest products industry had delivered significant benefits through increased employment and new business growth in regional areas.

The results of the survey were communicated to industry and other interested parties at seminars held in Albany and Bunbury during November 2008. The Commission hosted the Bunbury seminar at which Dr Schirmer presented the results of her research.

FARM FORESTRY DEVELOPMENT OFFICERS

The Commission has continued to support the activities of four regional Farm Forestry Development Officers (FFDOs) who are funded by NAP through the regional NRM groups. Their role is to build landowner confidence and understanding about using commercial trees as part of sustainable farm practice. They also promote the range of tree cropping options available to landowners in their region, including the Commission's STF and carbon eucalypts projects.

Major activities include setting up demonstrations, assisting landowners on a one-to-one basis and supporting education programs. The work of the FFDOs reflects an important partnership between the FPC and the regional NRM groups on community engagement in tree farming.

TRANSITIONAL SUPPORT FOR PRIVATE FORESTRY DEVELOPMENT COMMITTEES

The five WA Private Forestry Development Committees (PFDCs) are exploring funding options to enable them to continue providing forest industry liaison and promotion services that complement those of FPC. Australian Government funding ceased in July 2008.

A review by the WA Government in November 2008, recommended continuation of funding from the FPC and Department of Agriculture and Food (DAFWA) for a transition period through to June 2010.

Currently all PFDCs are operating and expect to continue into 2010. The five committees are Trees Midwest (Moora), Avongro (Northam), Trees South West (Bunbury), Timber 2020 (Albany) and South East Forest Foundation (Esperance).

NEW CONTRACTS

In addition to the impact on FPC's existing customers, the global financial crisis impacted on the Commission's efforts to attract new customers and commercial investment in the processing of forest products and the services offered by the Commission.

Despite the economic downturn and uncertainty about the timing of a national emissions trading scheme, the Commission submitted a successful tender to provide the State-owned energy retailer, Synergy, with carbon offsets from forestry.

The Synergy contract was the catalyst for FPC to establish 5,000 hectares of carbon eucalypts during winter 2009. Synergy has retained options to expand the project in future years.

BIOENERGY DEVELOPMENT

The recognition of carbon dioxide as a fundamental agent of anthropogenic climate change has resulted in the formation of legislation to apply a cost to carbon emissions. In Australia this has taken the form a "cap and trade" policy.

The strategy is to tax emissions beyond a certain volume and apply credits to carbon-neutral energy generating technology. Whilst the Federal Government's *Carbon Pollution Reduction Scheme* Bill is still to be passed, legislation regarding the use of renewable energy is in place.

In effect, the legislation mandates renewable energy production by 2020 at twenty percent of all energy produced. It allows for a fully fungible, market-determined (currently only within Australia) Renewable Energy Credit (REC). Currently, RECs are traded at around \$46 per MWh of produced energy. It is envisaged the price might spiral to as much as \$60 in the future.

It is a general rule that 1.5 tonnes of green biomass produces 1MWh of electrical energy.

From a forestry perspective, the legislation encourages the use of biomass as a source of green, or carbon-neutral, energy. In contrast to solar and wind energy, both of which are constrained by environmental factors, the advantage of biomass is its capability for use in base-load power generation.

From an FPC perspective, two forms of bioenergy are of interest. The first is the use of biomass to generate power. The second is the densification of biomass through pelletisation and the export of this commodity to Europe in order to take advantage of higher energy prices in the EU.

PLANTATION ENERGY AUSTRALIA

A \$25million fuel pellet manufacturing plant operated by Plantation Energy Australia

Pty Ltd (PEA) commenced operation in June 2009. The company intends to export pellets from the port of Albany to Europe early in the 2009/10 financial year. The Commission continues to work with PEA and other interested parties to expand the State's capacity to produce pellets from low-grade and residue plantation material.

Negotiations with PEA to establish a second facility in the Bunbury area are at an advanced stage.

It is interesting to note that within the South West region of WA there is significant interest in the use of biomass as an energy resource. This interest derives from a number of companies currently producing, or about to produce, energy from non-fossil fuel sources. It is assumed that in this situation the production of bioenergy will be necessary to meet CPRS obligations.

WA BIOMASS PTY LTD

FPC recently extended the provisions in the WA Biomass Production Agreement in order to allow WA Biomass time to complete the extensive approvals process required to begin construction at their proposed site near Manjimup.

According to WA Biomass, the process is substantively complete. The unresolved approvals, which are necessary to begin construction, are expected to be received before the end of calendar year 2009.

SPIRITWEST BIOENERGY PTY LTD

FPC has concluded an agreement with SpiritWest for the supply of biomass to fire the company's proposed 30 Megawatt bioenergy power station at Neerabup north of Perth. This agreement is subject to SpiritWest achieving financial close by the end of December 2009. Should SpiritWest be successful, their facility will consume 260,000 tonnes of biomass per year for the first ten years. There is potential for FPC to sell an additional 187,000 tonnes annually for a further ten year period.

Although not currently viable in an Australian context, the prospect of increased carbon prices in the near future is likely and would facilitate tree planting, specifically as an energy source.

TENDER PROCESS FOR LOW GRADE NATIVE FOREST LOGS

The Commission called tenders for the sale of low-grade logs from native forests. To this extent Griffin Energy has been identified as a preferred customer. The sale of low grade native forest logs has been complicated by the difficulty Griffin Energy is experiencing in securing Renewable Energy Credits for this material.

SIGNIFICANT ISSUES IMPACTING THE AGENCY

Since 1827 when Major Edmund Lockyer established a European community at Albany, forestry has been a key renewable natural resource used in the construction of dwellings and important infrastructure throughout Western Australia.

From the earliest days of the Swan River colony, timber has supported the State's industries and communities, but over the past two decades the forestry industry in Western Australia has been changing. Some sawmills and other industry participants are reducing the scale of their operations while in other areas new opportunities are arising.

Today, each section of the forestry industry is confronted by different factors that are influencing its direction but there are positive aspects to consider. Plantations now produce the bulk of Western Australia's building timber needs. Plantation timber is making an increasing contribution to salinity control as well as being a significant export industry through the ports of Albany and Bunbury.

Plantation Energy Australia's (PEA) \$25million fuel pellet manufacturing plant became operational in June. The pellets will be exported to Europe early in the 2009/10 financial year. The Commission is negotiating to expand the State's capacity to produce pellets from low-grade timber and plantation residue material.

Within the South West region there is significant interest in the use of biomass as an energy resource. A number of companies have expressed interest in producing energy from fossil fuel sources. The production of bioenergy will be necessary to meet CPRS obligations.

The settings which hitherto encouraged expansion and investment in the plantation industry have become more difficult. Expansion of newer plantations has stalled while awaiting direction from the Commonwealth Government in relation to the CPRS.

The pine processing industry is still recovering from the effects of the Varanus Island gas explosion in June 2008. The subsequent shortage of gas supplies had repercussions throughout the industry and threatened the viability of the manufacturing sector.

The damage caused by four major wildfires which swept through more than 3,000 hectares of the Commission's pine plantations in summer 2008/09, is estimated at more than \$20million in stumpage value to the State Government. The wildfires destroyed more than 280,000 tonnes of softwood timber, enough to supply two processing facilities for 12 months.

Other significant factors which impacted the agency included;

- credit crisis caused by the global economic meltdown,
- development of new plantations slowed with the collapse of bluegum MIS companies under changed investment conditions,
- termination of Government salinity funding programs before the introduction of greenhouse schemes and;
- low profitability in the native forest sawmill sector from the milling of regrowth timbers into value added products.

The Commission's Board and Executive have imposed comprehensive austerity measures which reflect the changing economic climate and the need to re-examine the way operations are conducted. Every branch within the Commission has been scrutinised in the quest for cost savings. The fruits of those deliberations are being phased in over forthcoming months.

SCIENCE AND RESOURCES

6

Resources and planning	20
Tree breeding and seed technologies	21
Carbon projects	21
New plantations	21
Mature plantations	21
Arid forests	21
Sandalwood	21
Collaborative research	22
Australasian Forest Genetics Conference	22
Forest health	22
Partners in research	22
Cooperative Research Centre for Forestry (CRC Forestry)	22
Environmental service markets	23

RESOURCES AND PLANNING

The Resources and Planning Section continued to deliver positive improvement to the Geographic Information System (GIS) environment. As well as technical developments, the section has initiated a strong strategic focus but with emphasis on delivering and maintaining shorter term operational outcomes.

By building on the strategic resource modelling of the previous year, the Commission has been able to measure operational results against planned outcomes developed from the optimisation modelling program.

This has delivered a set of KPIs against which the harvesting and silvicultural outcomes can be measured. The Section focussed on the delivery of Geographic Information Services (GIS) to the operations group.

During the year the Resources Assessment Group continued to develop the Commission's capacity to lead in the opportunities arising from the imminent CPRS and in particular continued to establish Permanent Sample Plots (PSP) through out the plantation estate to predict carbon sequestration.

The Group provided technical support through the development of biomass and carbon models developed for low rainfall species to new business projects (Carbon 2, Carbon 3). The section also developed an inventory protocol for the Synergy project and progress was made toward Greenhouse Friendly accreditation.

As well as a focus on new business, the resources assessment group provided major inputs into the Commission's current plantation business through the completion of the Resource Inventory for Wesbeam. Subsequently, new growth models for Swan Coastal pinaster were developed and rapidly paid dividends as it was used to validate the volumes of wood lost in the Yanchep/Pinjar fire.

Work has begun in the *radiata* plantations on the development of new planning systems and a pre-harvest inventory plot system to improve utilisation and revenue optimisation.

A major focus for the Planning and Mapping Group during the year was to map the plantations established during the year (P2008) and to begin the data capture and mapping of the remaining STF plantings and new Synergy plantings (P2009).

A key operational outcome was the development of Map Station which enabled regional operations staff to access mapping information. Another advancement was the continued implementation of GeoMapper which enables plantation maps to be produced en-mass and reduces appreciably the manual work required.

Considerable savings in staff hours has enabled work to commence on updating a large number of superseded sharefarm maps.

TREE BREEDING AND SEED TECHNOLOGIES

Seed sales

Seed Technologies section supplied the following quantities of seed to meet internal and industry requirements:

- 105kg of Acacia
- 9080kg of sandalwood
- 528kg of plantation eucalypt
- 41kg of mixed native
- 320kg of pine

The tropical sandalwood industry is using the Commission's services for sandalwood DNA and oil analysis to help with the development of their elite germplasm.

EMS certification has elevated the Commission to the status of a preferred source for native seed collections as higher environmental standards are required by mining and land rehabilitation customers.

Seed Technologies section continues to provide seed orchard management, seed extraction and cleaning services to local industry.

CARBON PROJECTS

In addition to normal seed collecting operations, Seed Technologies section collected an additional two tonnes of seed to support the possible development of up to 30,000 hectares of carbon projects in Western Australia.

NEW PLANTATIONS

Research into drought stress in lower rainfall areas continued with the main objective being to predict lethal water stress levels before they occur, as well as managing the impacts of drought and climate change in plantations.

Relationships between site, age, silviculture, growth-rates and water availability are becoming clearer. Similar work commenced in hardwood plantations where the interactions between growth, plantation stocking and water availability are being examined to optimise site productivity and sawlog production.

The Commission continued its work with a national weed control collaborative group to provide research data on a national scale for the registration of new or existing chemicals in forestry applications. This improves the efficacy of chemical weed control and reduces the amount and cost of chemicals used in plantation establishment.

MATURE PLANTATIONS

The focus of work in mature plantations is the optimisation of productivity and wood quality. Results from long-term research trials have led to changes in fertilising regimes for mature *Pinus radiata* plantations in higher rainfall areas.

Following major fires in the Commission's softwood plantations, research was undertaken to investigate the rate at which wood degrades after tree mortality. Understanding the time frame in which salvage operations must occur facilitates better operational planning and utilisation of the resource.

The Commission is developing a new methodology for large-scale forest inventory using a system of in-forest assessment involving acoustic technology.

ARID FORESTS

A series of trials is determining the impact of using different seed pre-treatments to increase the speed at which sandalwood seeds germinate, thus allowing the sandalwood to establish in winters that have below average rainfall.

The Commission established a new Indian sandalwood irrigation trial in Carnarvon to compare survival and growth rates of different sandalwood species from around the world.

SANDALWOOD

The Commission is investigating commercial opportunities following a major breakthrough which identified the gene responsible for the production of sandalwood oil.

The Australian Research Council (ARC) project, a joint venture project with UWA and the University of British Columbia has produced an enviable outcome with a santalene synthase gene being discovered as a direct result of the research.

The project team extracted nucleic acid from oil-producing tissues in sandalwood and created a library of expressed genes. DNA sequencing of the library revealed several terpene synthase genes. One of these, santalene synthase, was found to be responsible for the biosynthesis of four main essential oil components of sandalwood and in proportions almost identical to those found in nature.

The discovery has been hailed as the catalyst for wide-ranging and significant new opportunities for Western Australia's ever-growing sandalwood industry.

Sandalwood oil is still highly regarded as a base note ingredient in the finest perfumes and acts as a fixative. The oils are also used in medicine, incense and soaps. Sandalwood timber is much sought-after for use in furniture manufacture.

COLLABORATIVE RESEARCH

Seed Technologies section supported the completion of;

- PhD thesis, "Developing systems to identify and deploy saline and waterlogging tolerant lines of *Eucalyptus occidentalis* Endl." by Rina Laksmi Hendrati. UWA.
- honours thesis, "Evaluation of salt and water logging tolerance in provenance/families of *Eucalyptus sideroxylon* spp *sideroxylon* (*E. sideroxylon*) and *Eucalyptus sideroxylon* spp *tricarpa* (*E. tricarpa*)" by Mehta Vivekkumar Shaileshkumar.

The Commission is currently supporting;

- PhD of Ni Luh Arpiwi "*Pongamia pinnata* (L) Pierre, a biodiesel tree for northwestern Australia".
- Dr Chris Jones' Post Doctorate on "*Elucidation of genetic and physiological factors controlling biosynthesis of sesquiterpenoids in sandalwood, Santalum spp.*"
- collaboration with Dr Liz Watkins, Curtin University, investigating high N-fixing rhizobia for the native sandalwood host, *Acacia acuminata*.

AUSTRALASIAN FOREST GENETICS CONFERENCE

The Commission was the lead agency in the organisation of the biennial Australasian Forest Genetics Conference and a platinum sponsor of the event. The conference was attended by more than 100 delegates, half of whom were from overseas.

FOREST HEALTH

The Commission continued its membership of the National Sirex Coordinating Committee. A trapping program was again carried out during the flight season of the sirex wasp (December to April). Western Australia is the only pine growing state to be free of this pest. As part of the sirex trapping program, the Commission collaborated with entomologists at Forestry Tasmania in a simultaneous bark beetle trapping program.

The Commission continued to work with and contribute to the national Research Working Group 7 (Forest Health) and the Industry Pest Management Group on a range of biosecurity and forest health issues.

PARTNERS IN RESEARCH

The UWA/FPC joint-venture known as the 'Advanced Timber Concepts Research Centre', continued to focus on better utilisation of short-length jarrah and uses for regrowth karri.

Development of a light-weight table and chair from this material is complete and options for marketing are being investigated.

Scoping of a new project to re-evaluate the above-ground durability rating for jarrah and other hardwood species grown in WA is currently underway. The aim is to give greater market access to sawmillers for locally grown timbers.

In collaboration with Ensis and local sawmills, the Commission participated in a Forest and Wood Products Australia (FWPA) trial which was designed to investigate the sawmilling and drying performances of wide-spaced plantation-grown eucalypts. The trial was completed in late 2008 with promising results for the tested species.

An extensive wood quality assessment of the Commission's softwood plantations was undertaken during the year. Integral to the success of the FWPA-funded project was the Commission's research staff. The project employed new acoustic technology in assessing wood density and rigidity. Early results show a uniformity in the quality of the resource across the estate.

COOPERATIVE RESEARCH CENTRE FOR FORESTRY (CRC FORESTRY)

Having a significant role in a number of projects within the CRC Forestry, the Commission has combined its broad hydrological monitoring and evaluation activities to understand the processes involved in the volume of water used by tree plantings in the State's medium rainfall zone. This project will provide information to further develop sustainable tree crops and plantations systems in the medium rainfall zone.

The commission partnered the CRC harvesting and logistics program to assess new laser scanning technology for pre-harvest inventory. This project will link with research in South Australia to compare different methods of resource assessments.

The commission hosted a CRC Workshop on maximising value recovery along the forest-to-mill supply chain. The workshop explored ways of achieving optimal value for our products, delivering it to the right customers, in-full, on-time and within specification.

The Commission has continued its involvement in projects which examine the impact of silviculture on inherent wood properties.

ENVIRONMENTAL SERVICE MARKETS

The planting program for the NAP-funded STF project will be completed in winter 2009. Due to a shift in Commonwealth priorities for natural resource management, there are currently limited opportunities for federal funding to extend the STF project.

However, there is a growing recognition of the environmental services provided by tree planting, and markets for these are developing. The most notable Australian example is the proposed CPRS and the related national Renewable Energy Target (nRET).

These legislative initiatives will help create new markets for forest products and help underwrite commercial tree planting to deliver a range of environmental and socio-economic benefits to regional WA.

This came to fruition in October 2008 when the Commission signed a ten-year contract with energy retailer, Synergy, for carbon sequestration.

The project began in winter 2009 with the planting of 5,000 hectares of eucalypts integrated into broadacre farming operations in medium rainfall areas.

DISCLOSURES AND
LEGAL COMPLIANCE

7

Statement of Compliance with Public Sector Standards	24
Certification of performance indicators	25
Compliance with relevant written laws	25
Legislation impacting the Commission	26

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 2008/09.

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



Dr Paul Biggs
General Manager

27 August 2009

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 2009.



Eva Skira
Chair

27 August 2009



Mike Gurry
Deputy Chair

COMPLIANCE WITH RELEVANT WRITTEN LAWS

The Commission must 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 the incurring of liabilities, have been in accordance with legislative provisions. When non-compliance issues are identified, action plans are implemented to address the 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.



Eva Skira
Chair

27 August 2009



Dr Paul Biggs
General Manager

LEGISLATION IMPACTING THE COMMISSION

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

The Commission's operations are bound by the;

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

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 2007/08 SCI performance indicators are denoted by the symbol * and reported in the Annual Report.

Freedom of Information Act

The Commission complies with the requirements of the *Freedom of Information Act* and has its own Information Statement available on request via its Rivervale office. Documents and publications are available from the website: www.fpc.gov.au.

Strategic Development Plan

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

Corruption prevention

The Forest Products Commission complies with the requirements of the *Corruption and Crime Commission Act 2003*. The Commission provides notification to the Corruption and Crime Commission (CCC) on any matter involving suspected misconduct.

The FPC referred two matters to the Corruption and Crime Commission.

1. An allegation of bias by Commission staff which was later withdrawn.
2. An allegation by Mount Romance Australia (MRA) of a potential conflict of interest in the timing and quality of wood deliveries to MRA. The CCC has advised that the matter is considered to be a contractual dispute and did not appear to be either misconduct nor corruption.

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 Technology, Executive Manager of Corporate Services, People and Development Manager and Senior Auditor and Corporate Governance Coordinator, as being responsible for receiving disclosures of public interest and undertaking subsequent internal investigations.

Information management

The Commission complies with the requirements the *State Records Act 2000* and is dedicated to improving recordkeeping practices to achieve optimum business efficiency.

The continuing focus this year has been on the roll-out of the records management system to regional offices. The Manjimup office was completed in the first half of 2008. The roll-out at the Collie office is currently underway.

Due to resources and time constraints, the Commission has extended the time-frame for the conversion program.

The following programs ensure the Commission's compliance with its record-keeping plan and reflect the Records Management Audit conducted in 2007;

- the progressive roll-out of the records management system to all offices, including the conversion of existing files into the new standardised system.
- a move towards electronic records within the agency during 2008/09 and the management of those records over the long-term.
- an annual review of the records management system for efficiency and effectiveness, which is in addition to the ongoing or necessary improvements to the system conducted as part of the continuing roll-out.
- an upgrade of the Commission's retention and disposal schedule to better meet the current functions, ensuring corporate information is retained for the required period of time.

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

- records management induction sessions, which also address employees' roles and responsibilities in regard to their compliance with the Commission's record keeping plan;

- an interactive online record keeping awareness training package for all staff commencing work with the Commission. More than 95 per cent of agency staff have completed this training; and
- an induction course on the importance of the records management system.

Publications

The following publications from the Forest Products Commission are available on request. Those marked with an asterisk (*) can be downloaded from the website at www.fpc.wa.gov.au.

- *'Action Plan for Tree Farming in Western Australia'* *
- *'Forest Products Commission Annual Report 2007-08'* *
- *'Code of Practice for Timber Plantations in WA'*
- *'Forest Industry Statement'* *
- *'Forest Management Plan 2004-2013'* *
- *'Forest Products Commission – an introduction'* *
- *'Integrated tree farming'* *
- *'Managing Timber Production in Western Australia's South West forests'* *
- *'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 2007-2008'* *
- *'Strategic Tree Farming'* *
- *'Industry development with tree farming in Western Australia'* *
- *'Trees to Fight Salinity on Farms'* *
- *'WA Furniture Timber'* *
- *'Western Australia's Strategy for Plantations and Farm Forestry: 2008 – 2012'* *

ENVIRONMENTAL REVIEW 8

Environmental policy	28
Strategic tree farming project	29
Environmental management	29
Groundwater monitoring	29
Carbon sequestration	30
Environmental incidents	31
Compliance with Forest Management Plan 2004-2013	31

ENVIRONMENTAL POLICY

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

- apply the principle of sustainable forest management in all native forest operational activities, in accordance with State and national standards;
- apply the principle of sustainable plantation management, including contributing to global carbon cycles, in accordance with State and National standards;
- seek out opportunities where plantations can be used as a tool for the enhancement of the environment by abating human-induced environmental issues;
- 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. Set objectives and standards to keep potentially significant impacts to acceptable levels, including pollution prevention, waste minimisation and by reducing energy consumption;
- clearly define environmental responsibilities and train staff and contractors in appropriate environmental management practices and;
- communicate with internal and external stakeholders on environmental issues and performance.

STRATEGIC TREE FARMING PROJECT

The Commission is the delivery organisation for the project which commenced in 2005. At the end of the 2008 planting season, 14,930ha had been planted with the remaining 3,009ha to be planted in winter 2009.

STF will assist the Regional NRM Groups to achieve their environmental management targets and will provide the following benefits;

- mitigation of water-logging and salinity by reducing recharge to water tables in extensively cleared landscapes;
- reductions in wind and water erosion;
- removal of carbon dioxide from the atmosphere;
- shelter for stock and crops;
- protection and enhancement of biodiversity and;
- improved landscape amenity.

ENVIRONMENTAL MANAGEMENT

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

The Commission also seeks opportunities to support renewable energies, contribute to carbon sequestration and abate environmental problems such as salinity, water quality and soil erosion.

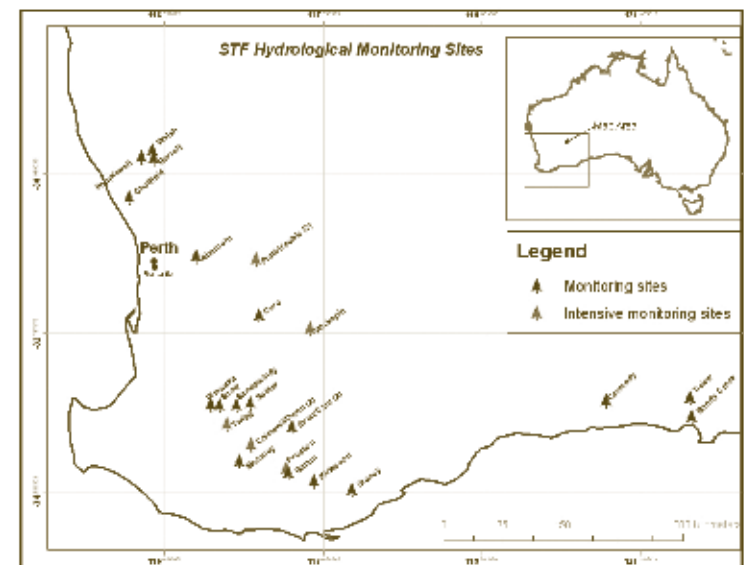
GROUNDWATER MONITORING

A hydrological monitoring program which was established to evaluate and report on the impact of STF Project plantings on local hydrology is ongoing. The structured sampling design provides robust estimates of the effect of the trees on recharge and water tables in cleared landscapes of the medium rainfall zone.

Twenty six sites (see chart below) have been instrumented with piezometers which return data on groundwater pressure. The sites represent a range of major river basins, geographical areas, and rainfall zones associated with the STF Project. A subset of sites, where a sub-catchment is substantially contained within the farm or planting area, was also been equipped with fully automated weather stations and stream discharge gauging points to facilitate future modelling of total water balance.

The oldest of the STF plantings are only four years old and it will be another 6-8 years before the trees have grown sufficiently to allow detailed evaluations of their hydrological impacts.

The design of these hydrological monitoring was the product of collaboration between the Commission and Department of Agriculture and Food, the Cooperative Research Centre for Forestry and the Centre for Ecohydrology at the University of Western Australia.



CARBON SEQUESTRATION

Knowledge acquired from 10 years of research and our work on carbon inventory has been used by the Commission to develop best practice techniques for sampling and estimating carbon sequestration in farm plantations and for forecasting future carbon sequestration.

The information resource has been utilised in projects including the BP project, now into its tenth year.

The Commission brought to fruition a contract with Synergy to provide the energy retailer with a major tree planting project to provide future carbon permits. The permits will be used to acquit Synergy's direct and indirect liabilities under the Federal Government's proposed Carbon Pollution Reduction Scheme.

To secure the contract, the Commission demonstrated its technical expertise, operational capacity and the long-term commitment required to effectively manage such an outstanding project.

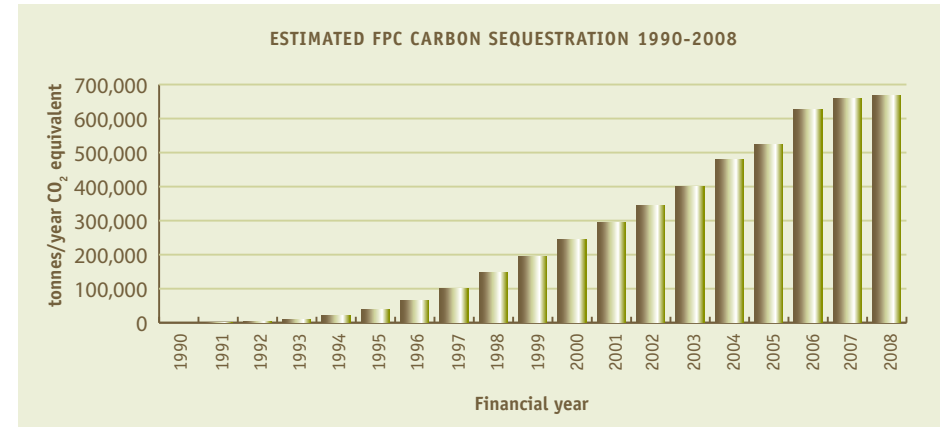
Under the contract, the Commission will plant more than six million eucalypt trees in winter 2009. The program has the potential to deliver more than 190 million trees over the life of the Commission's 30-year planting contract with Synergy.

Synergy retains the option of undertaking additional new plantings until 2018 and subject to market demand for carbon permits, can request the Commission to rapidly expand the scale of the plantings in subsequent years.

The trees will assist with improvement of natural resource management in Western Australia. Plantings will deliver supplementary farm benefits such as shelter for livestock and ongoing support for efforts to address rising water tables and salinity.

While the contract has been hailed as a demonstration of the way Western Australia has responded to global warming and contributed to Synergy's carbon preparedness, the program offers an important additional source of income for Western Australian farming communities.

Synergy will be well placed to address customer needs and minimise any flow-on of costs associated with the impending CPRS.



The graph above shows estimates of carbon sequestration (tonnes carbon dioxide removed from the atmosphere) in FPC-owned plantation forests established 1990 - 2008 on cleared land. The forests include coniferous, broadleaved and sandalwood species.

Water table management

The management of the Commission's maritime pine plantations on the Gngangara Mound and the future options for the use of the land, have been reviewed as part of the current Gngangara Sustainability Strategy. The Commission received funding through the Strategy to contribute to the development of an integrated land use strategy for sustainable management of the Gngangara Mound for environmental, water, recreational and productive purposes.

The draft strategy was released for public comment in July 2009. The Gngangara Task Force intends to deliver on the strategy and submit an implementation plan to the Hon. Minister for Water in December 2009.

The impact of the maritime pine plantations on the mound and the options for mitigating the impact of the plantations on groundwater supplies were assessed.

Key issues to be examined by the implementation plan include the options for post-harvest management of the land and the impact on Carnaby's black cockatoo on liquidating the plantations.

ENVIRONMENTAL INCIDENTS

An integral aspect of the EMS is continuous improvement. Where environmental incidents or audit findings arise, they are dealt with through the Commission's incident reporting procedures. These procedures require an investigation of the incident and its cause, followed by implementation of appropriate corrective and preventative actions.

Incidents are rated into low, moderate and high categories. A summary of the high level incidents for the Commission in 2008/09 is outlined below.

Plantations

The plantations group recorded three high-level incidents for the period. The first of these involved extensive wildfire damage to the Pinjar/Yanchep plantation. Salvage operations were undertaken where practicable and compensation for the losses incurred is being sought by the Commission.

An incident involving significant damage by recreational four wheel drivers in the Brunswick/Wellington Hills State forest was also recorded. Unauthorised four wheel drive access into State forests can result in the spread of weeds and soil-borne pathogens, damage to growing stock, water turbidity and erosion. Where practicable, damaged areas were rehabilitated.

Another incident related to the planting of *Acacia acuminata* seedlings (as sandalwood hosts) which were subsequently diagnosed as having leaf spot disease. The impacted areas are in the process of being replanted with healthy seedlings and the Commission's procedures for monitoring seedling health and implementing preventative disease measures are being reviewed prior to the next planting season.

Native forests

The South West Forest section had two high-level incident reports relating to the removal of timber from areas demarcated as old growth forest. One incident occurred due to a contractor failing to observe the old growth boundary, while the other was due to inconsistencies in guidelines provided by DEC and the Conservation Commission.

The Arid Forest section had a high-level incident relating to insufficient regeneration over a number of sites. The inadequate regeneration was due to a combination of factors, including persistent drought. This incident has maintained the focus on 'Operation Woylie', a research program dedicated to improving regeneration in arid forest zones.

Corporate

No high-level incidents to report.

Science and Resources

One high-level incident, involving a contractor, related to the use of a cherry picker for the collection of maritime pine seed in the Manjimup seed orchard. The operator was seriously injured when the cherry picker toppled over. The incident resulted in a comprehensive review of the condition of the machine, operating procedures and reporting procedures for contractors working alone.

COMPLIANCE WITH FOREST MANAGEMENT PLAN 2004-2013

In accordance with Ministerial conditions attached to the '*Forest Management Plan 2004-2013*', the Conservation Commission completed a mid-term audit of the Commission's compliance with the plan. The report provided information on the status of actions proposed in the FMP, the extent to which key performance indicator targets were achieved and the outcome of audits and compliance monitoring.

The audit highlighted a number of areas in which the FMP has delivered positive outcomes, including the establishment of important national parks; the establishment of an old-growth assessment process; the continuing establishment of a system of fauna habitat zones across the forest, incorporated as part of the planning for timber harvesting; and improved silvicultural practices, such as in the protection of soil and water.²

The audit indicated a number of areas where there are shortfalls and the Conservation Commission is seeking further information and is reviewing the situation where several fauna species, including the phascogale, woylie and red-tailed black-cockatoo have been formally moved to a higher category of threat.

Some key actions addressed included progress toward implementing formal reserves which were proposed under the *Protecting our old-growth forests* policy; implementation of fauna habitat zones; the annual removal of wood products compared to the sustained yield estimated by the plan; soil management and the management of the effects of climate change on forest ecosystems.

The annual level of cut equates to less than one per cent of the estimated standing sawlog volume on that portion of the forest estate which is available for timber production. This yield is obtained by harvesting an area each year equivalent to approximately one per cent of the available forest estate.

² Department of Environment and Conservation '*Mid-term audit report*'

The FMP provides for the removal of a sustained annual yield of 131,000 cubic metres of jarrah sawlog (first and second grade) during the period 2004–2013.

The sustained yield calculation was based on estimates of the sawlog yield when areas of forest are harvested to the various silvicultural objectives specified in the jarrah silviculture guideline (Department of Conservation and Land Management 2004).

There are a range of issues affecting the timber industry. In particular, representatives of the timber industry have raised questions regarding the quality and quantity of logs and their location. The Commission continues to work with the timber industry to resolve those issues.

Australian Forestry Standard

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

AFS certification now applies to the entire forest area available for timber harvesting under the *Forest Management Plan 2004-13*.

AFS certification delivers a guarantee to consumers that wood & wood products covered by the code were harvested responsibly and in accordance with strict environmental and sustainable forest management practices.

Before AFS certification is awarded, the criteria demands that all forest management activities, from preparation through to harvesting, haulage and regeneration, are properly planned, expertly conducted, closely monitored and regularly reviewed.

Sustainability action plan

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

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 31);
- address secondary salinity problems in southern WA by strategic reforestation programs. This will occur through reductions in groundwater and the consequent improvement to groundwater and surface water quality. (see Groundwater monitoring on page 29);
- deliver indirect and/or downstream benefits to biodiversity by reducing threats from reduced water quality and rising water tables on wetlands or reserves of remnant vegetation (see Water table management page 30);
- provide renewable energy sources (see Bioenergy development on page 18) and;
- provide carbon sinks to offset greenhouse emissions; and contribute to the balanced management of public water supplies (see Carbon sequestration on page 30).

The Commission provides leadership in the development of sustainable land use systems for the State. In particular, the Commission seeks to provide direction in areas related to adapting and mitigating the impacts of climate change.

The Commission provides environmental stewardship for its native forest and plantation operations, undertaken with an accredited EMS which applies to the whole organisation.

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

CERTIFICATION OF KEY PERFORMANCE INDICATORS

We hereby certify that the performance indicators of the FPC 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 2009.



Eva Skira
Chair

15 September 2009



Karen Gadsby
Commissioner

KEY PERFORMANCE INDICATORS

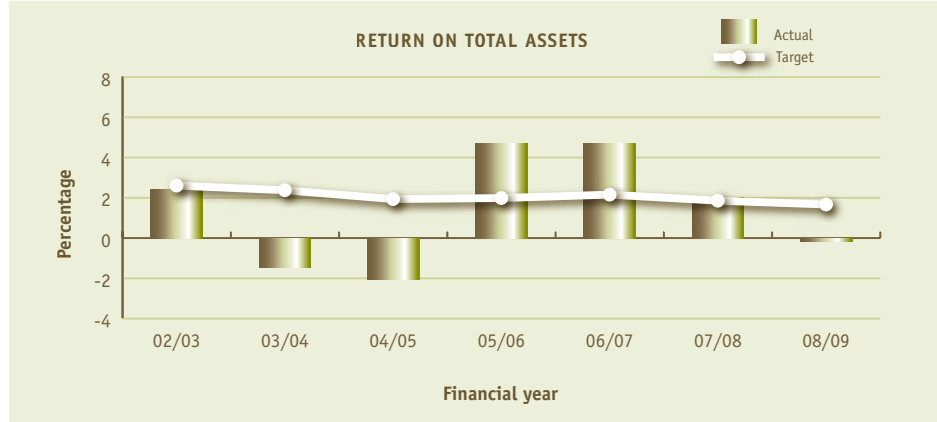
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Certification of Key Performance Indicators	33
Key Performance Indicators	34

KEY PERFORMANCE INDICATORS

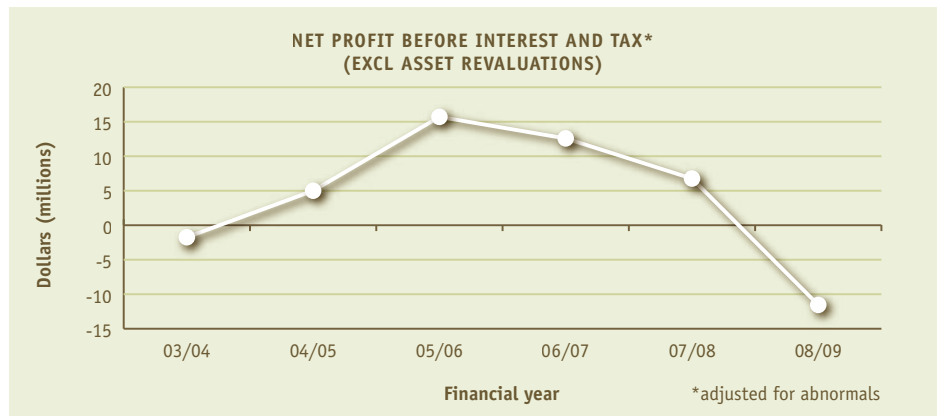
The Commission measures its effectiveness and efficiency through Key Performance Indicators, detailed below.

RATIO OF EARNINGS BEFORE INTEREST AND TAX TO TOTAL ASSETS (RETURN ON TOTAL ASSETS) [☑]



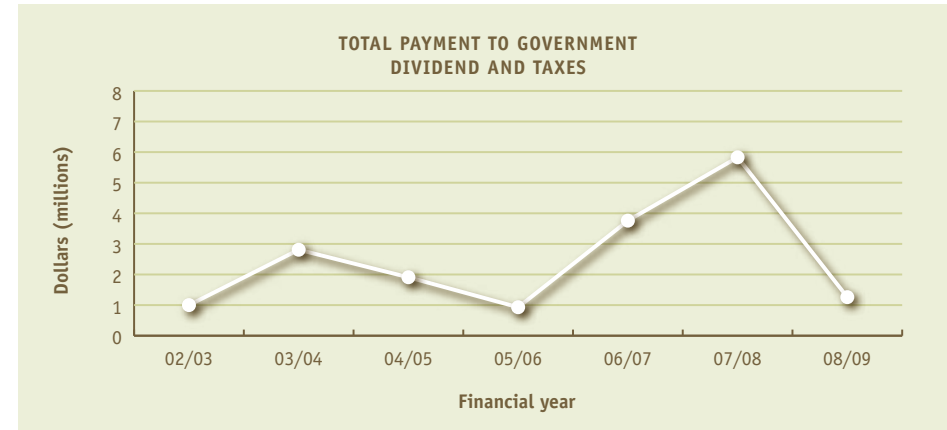
This indicator measures the financial efficiency of the Commission's operations expressed as the percentage return on total assets. The reduced operating result in 2008/09 has seen this percentage ratio drop to just below zero.

NET PROFIT BEFORE INTEREST AND TAX (NORMALISED) [☑]



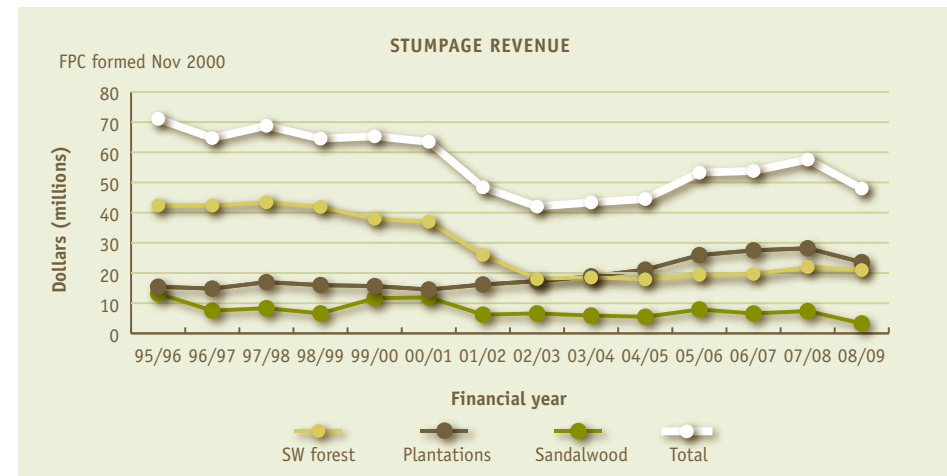
The above result highlights the significant adverse financial impact of the global financial crisis, Varanus Island gas explosion and the January 2009 bushfires on financial performance.

TOTAL PAYMENTS TO GOVERNMENT – DIVIDEND AND TAXES [☑]



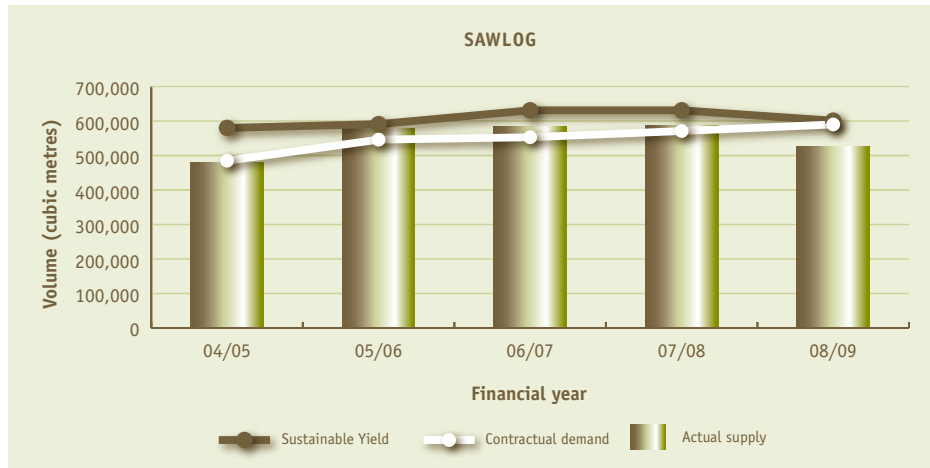
This measure highlights the direct financial return to Government in the form of dividends and taxes. The Commission paid tax of \$1.2m to Government in 2008/09 however, no dividend was paid.

STUMPAGE REVENUE [☑]



Operating revenue fell, due mainly to a reduction in timber deliveries to key customers which experienced difficult trading conditions as a result of the global financial crisis, impact of wildfires and gas shortages. Export sales of sandalwood powder were lower due to increased competition.

PLANTATION LOG PRODUCTION CONSISTENT WITH CONTRACTED SUPPLY TO INDUSTRY [✓]



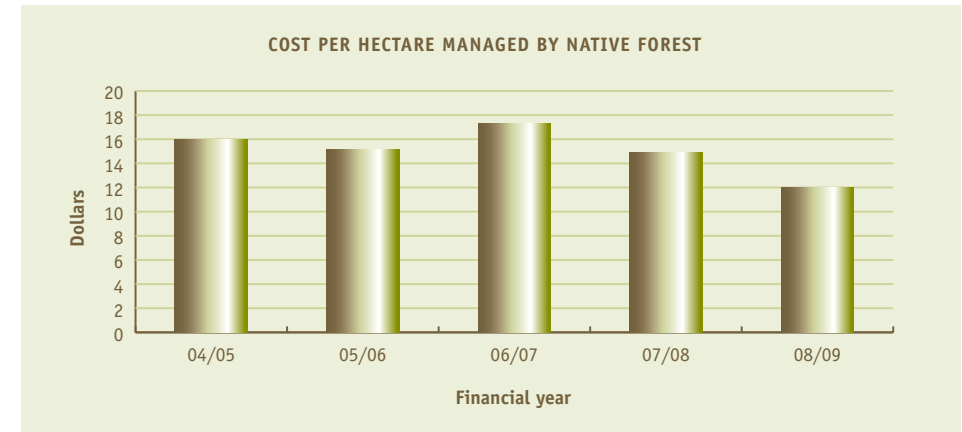
The contractual demand is the total volume the Commission is required to supply its customers. Actual supply is the volume delivered by the Commission against those contracts. Sawlog production in 2008/09 was reduced as a result of the global financial crisis, the impact of wildfires and gas shortages.



The contractual demand represents the year budget for likely customer orders. 2008/2009 actual supply increased to meet new supply contracts for supply of pine resource, primarily from the Albany region. These thinning operations occur irregularly depending on the age structure of the plantation and hence fluctuate above and below the long-term average for sustainable yield.

SILVICULTURAL COST PER MANAGED HECTARE OF NATIVE FOREST [✓]

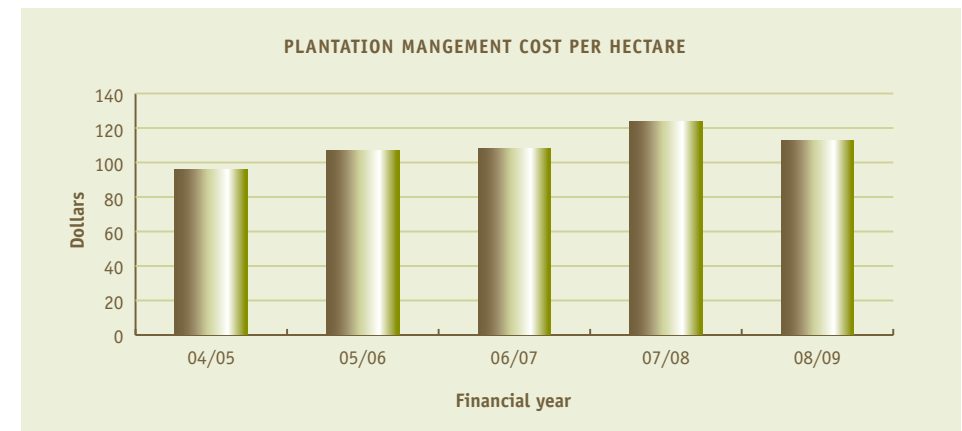
The Commission has access to a total State forest estate of approximately 850,000 hectares and is responsible, with other agencies, for the management of that forest following harvest. This indicator measures the cost efficiency of the Commission’s silvicultural activities in the post-harvest management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



The cost per hectare managed is lower in line with reduced silvicultural expenditure in 2008/09.

PLANTATION MANAGEMENT COST PER HECTARE [✓]

This indicator, which is a variation to the one previously listed, demonstrates the Commission’s cost-efficiency in managing the various plantations for which it is responsible.

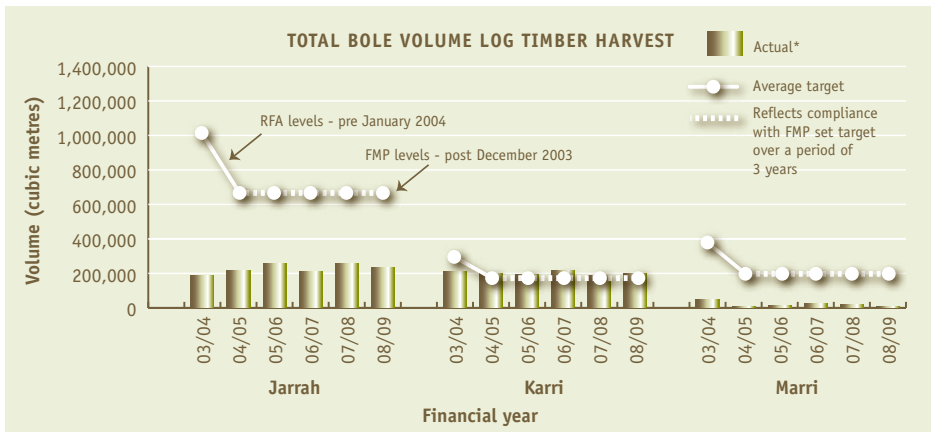


QUANTITY OF NATIVE FOREST HARDWOOD HARVESTED COMPARED WITH SUSTAINABLE YIELDS AND TARGETS [☑]

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

BOLE VOLUME FOR JARRAH, KARRI AND MARRI:

For the period 2004–13, the annual sustainable yield of bole volume (including first and second grade sawlogs) for jarrah and karri is 665,000m³ and 171,000m³ respectively. For all marri bole logs the total is 196,000m³.



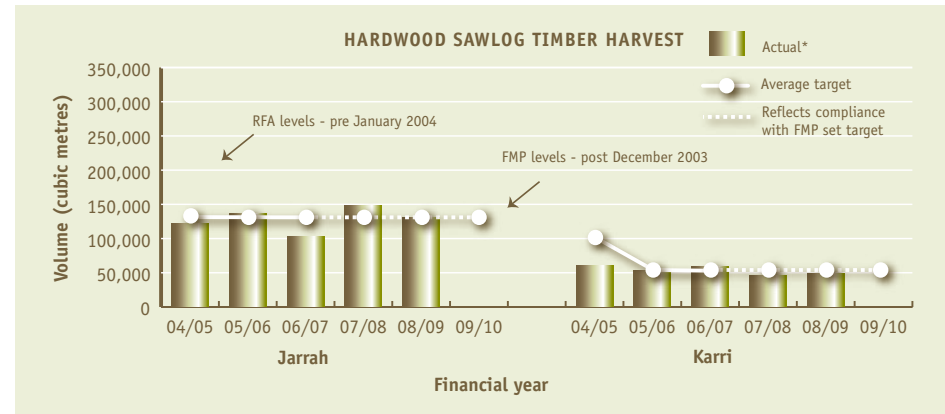
The 2004 targets are an aggregation of harvest activity of the last six months under the 1999 Regional Forest Agreement (RFA) and the first six months of the FMP 2004-13. The target is the average allowable harvest over the 10 years of the FMP.

The reduced actual harvest levels for jarrah and marri are due to a lack of markets for low-grade logs, although several entities are expressing interest in the purchase of low-grade native forest logs for energy purposes.

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

FIRST AND SECOND GRADE SAWLOGS 2004–13

The annual sustainable yield of first and second grade sawlogs for jarrah and karri is 131,000 m³ and 54,000 m³ respectively. (Marri sawlogs are part of the 196,000 m³ identified for marri bole logs).



Note: The 2004 targets are an aggregation of harvest activity of the last six months under the 1999 RFA and the first six months of the current FMP. The target is the average allowable harvest over the 10 years of the FMP. The average annual level of sawlogs harvested is consistent with the allowable quantities in the FMP. The quantity of jarrah sawlogs harvested in 2008/09 was below the allowable cut reflecting reduced customer demand for sawlog during the year.

'GREENWOOD' SANDALWOOD HARVESTED AT A SUSTAINABLE LEVEL³

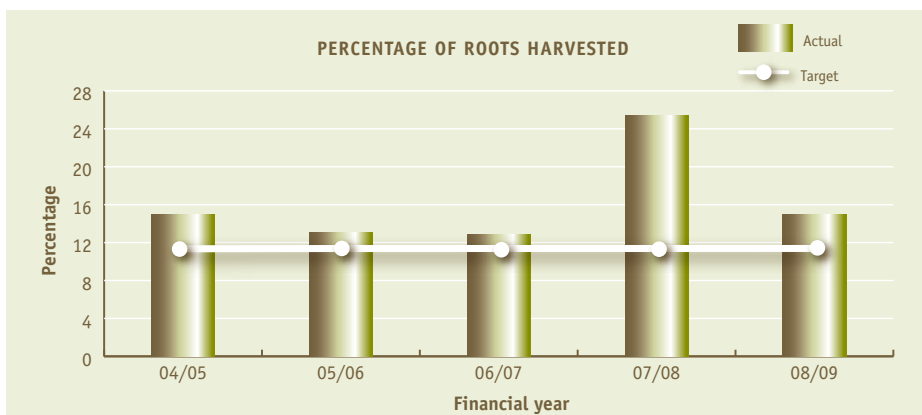
The annual sustainable level of harvest for green sandalwood is set in accordance with relevant legislation and ISO 14001. (In addition to the sustainable green sandalwood harvest, dead wood is also harvested)



Graph shows the actual harvested green sandalwood based on green sandalwood quantities harvested compared with the permissible green harvest level of 1,500 tonnes per annum. The total green harvested volume for 2008/09 was 1,261 tonnes. In addition, harvested volumes included; dead wood 599 tonnes, roots 232 tonnes, and 3rd-grade green wood 249 tonnes.

PROPORTION OF SANDALWOOD ROOTS HARVESTED

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



AREA OF PLANTATION ESTABLISHED AGAINST TARGET [☑]

Plantation establishment straddles the financial year, therefore areas of establishment reported in this Annual Report are those established during winter 2008.

	Second and third rotation pine species (ha)	First rotation pine species (ha)	Eucalypt species (ha)	Sandalwood (ha)	Total
Target	2,000	2,235	2,555	3,304	10,094
Area established	1,644	1,776	900	2,714	7,034
Note:	1	2	3	4	

Note 1: Target not achieved as only 1,644 hectares were clear-felled and ready for replanting.

Note 2: Target not achieved due to difficulties in acquiring suitable land and funding constraints.

Notes 3 & 4: Targets not achieved as the balance of the planting areas were deferred to winter 2009 to best accommodate a sustainable supply of suitable seedlings.

AREA OF NATIVE FOREST REGENERATED

Regeneration treatments in any one year may include parts of areas harvested over a number of preceding years. Annually, the amount of area regenerated may alter and could be above or below the total area harvested. This could be due to unsuitable site conditions or sites that are scheduled for imminent mining activities. The figures reported cover the 2008 calendar year.

Jarrah regeneration

The area of jarrah forest harvested for regeneration was 3,105 hectares, excluding areas cleared for mining or utilities such as roads and power lines. Treatments to achieve regeneration were completed for 223 hectares. Regeneration was lower than target as harvested areas included areas scheduled for mining activities.

Karri regeneration

The area of karri forest clear-felled or partially harvested was 383 hectares. A total of 661ha was thinned. Regeneration was completed on 587ha which was harvested in either the current or previous years.

Wandoo regeneration

No wandoo forest was harvested for regeneration, nor thinned.

REGIONAL DEVELOPMENT AND EMPLOYMENT

10

Our People	38
Recruitment	39
Training	39
Organisational restructure and cultural change	39
Leadership development	39
Occupational safety and health	40
Code of conduct	40

OUR PEOPLE

The Commission has 63 employees working from corporate headquarters in metropolitan Rivervale and 256 employees in 16 regional centres throughout the State. Our employees work closely with industry, local communities and other stakeholders to explore and develop initiatives with the potential to contribute significantly to the sustainable management of our environment and forest resources.

As at 30 June 2009, the Commission's staff numbers and locations were:

Location	By employment type			Total	Gender breakdown	
	Full-Time Salaried Staff	Part-Time Salaried Staff	Casual Employees		Male	Female
Albany	18	1		19	15	4
Bunbury	28	7	3	35	21	14
Carnarvon	1			1	1	
Collie	7	3	2	10	5	5
Esperance	5	1		6	5	1
Gnangara	20	1	1	21	12	9
Harvey	25	3		28	21	7
Kalgoorlie	3			3	3	
Katanning	5	1	2	6	5	1
Kununurra	1			1	1	
Mandurah	1			1	1	
Manjimup	20	3	5	23	14	9
West Manjimup Plant Propagation	18	3	61	21	12	9
Moora	1			1	1	
Nannup	14		1	14	12	2
Northam	1			1	1	
Rivervale	57	6	3	63	36	27
UWA/Shenton Park	2			2	1	1
Totals	227	29	78	256	167	89

RECRUITMENT

The Commission continued to recruit entry-level forestry staff via a pool recruitment program. Fourteen new field recruits were appointed to Level 1/2 Assistant Operations Officer positions in regional centres.

Like most employers, the Commission has experienced the impact of the global financial crisis. In a responsible business strategy, the Commission initiated a halt on recruitment in the latter part of 2008/09.

TRAINING

The prime focus for training continues to be in the operations area. The new recruits entry-level training program is now in its sixth year and enjoys continued success. Fifteen existing field recruits graduated with a Certificate III in Forest Growth and Management awarded by Great Southern TAFE in November 2008. Fourteen new field recruits commenced the program in March 2009.

In 2007/08, the Commission developed an Operational Training Framework which aligns the job-related competencies required for each operational position to the national training package at Certificate III, IV and Diploma levels. In conjunction, a skills recognition program was implemented for the Commission's operations staff. The existing skills of 19 Commission staff were recognised by the award of Certificate III, IV or Diploma in Forestry.

The development of a skills recognition program for the Commission's administration staff commenced. Under the program, successful staff will receive either a Certificate III or IV in Business.

The Commission, in association with Great Southern TAFE, secured government grants for the 2009/10 financial year to develop a curriculum for a Certificate IV in Forest Operations and to develop a formal mentoring program for operational staff.

The Commission was selected as a finalist in the 2009 State Training Awards in the Employer of the Year category for its demonstrated commitment to the ongoing development of its staff.

ORGANISATIONAL RESTRUCTURE AND CULTURAL CHANGE

Following on from the implementation of a new organisational structure in 2007/08, the Commission commenced a cultural values project to provide a process for defining new values, engage all Commission staff and provide the Leadership group with the capability to lead a cultural change across the Commission.

This project was a component of the reGrowth Strategy and a Change Manager was appointed to this project. Working with external consultants, the Commission invited all staff to participate in an online survey which gathered data on individual values, current organisational values and desired organisational values. With an 80 percent staff participation rate, the data gathered was used as a platform to engage extensively with all staff and develop new values for the Commission.

The Commission expects to invite staff to participate in another online survey in late 2009/10 to assess the shift from the current to the desired organisational culture, and will continue to use this data as a baseline for assessing our organisational culture in future years.

LEADERSHIP DEVELOPMENT

Leadership development in 2008/09 followed on from previous leadership programs via a 360 degree feedback process based on leadership behaviours.

The Leadership Group participated in an intensive three day program that focused on building the capability to work together to lead the cultural change across the Commission.

There is commitment to these from all of the leadership group members.

Key behaviours cascaded down to all Commission staff in 2008/09;

Support the vision – clearly communicate roles, responsibilities, outcomes, priorities, focus on the future, be accountable.

Make timely decisions – and communicate them.

Role model agreed leadership behaviours – and support each other.

Operate as an agency-wide team – collaborate, include, engage; talk openly, be positive; use 'we' and 'us' language.

Tackle the hard issues – focus on solutions, avoid avoidance.

Invite and provide feedback – acknowledge, reward, celebrate.

Focus on what's possible – think outside the square; accept new ideas.

OCCUPATIONAL SAFETY AND HEALTH

The Commission's Occupational Safety and Health Policy requires employees to be cognisant of and practise thorough and systematic safety and health management.

Covering all areas of the Commission's activities, this policy encourages employees to operate in a responsible manner, thus ensuring the workplace is safe, healthy and harassment free.

Appropriate Workplace Behaviour training and awareness is provided to all new employees as part of our corporate induction program. The Commission has established formal networks of Peer Supporters and Grievance Officers to assist staff in managing workplace issues.

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

Occupational Safety and Health Performance

Measure	2007/08	2008/09
Number of Lost Time Injuries (LTIs)	8	3
Frequency rate (number LTIs per 1 million hours worked)	14	5

A new Occupational Safety and Health Management Framework was developed during 2007/08 by the People and Development Branch in consultation with Safety and Health Representatives (SHReps). This Framework is based on Australian Standard AS/NZOSH 4801 (Occupational Health and Safety Management Systems) and comprises six key elements;

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

The implementation phase of this framework was delayed in 2008/09 and is now expected to be operational by January 2010. It will be integrated into other standards and systems governing the Commission's operations.

CODE OF CONDUCT

The Commission complies with the Public Sector Code of Ethics and through its own revised Code of Conduct addresses issues such as conflict of interest, corruption, confidentiality, record keeping and equal opportunity and diversity.

During 2008/09, there was one complaint of misconduct which required disciplinary and remedial action.

Six allegations of breaches of the Commission's Code of Conduct were received, of which four are being investigated.

There were no breaches of Public Sector Standards.

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:

Milestone reached on carbon off-setting project with BP Kwinana

Arbor Day 2008, marked the tenth anniversary of the carbon off-set agreement between BP Kwinana Refinery and the Commission. As a result of the project, approximately four million trees have been planted around the Katanning area to offset greenhouse gas emissions and address land degradation.

The Commission celebrated Arbor Day with students and teachers at Denham Primary School and Great Southern Grammar. At Albany, more than 150 seedlings of *Melaleuca raphiophylla*, *Melaleuca preissiana*, *Melaleuca thymoides*, *eucalyptus rudis*, *casuarina obesa* and *eucalyptus occidentalis*, were planted from stock supplied by Bandicoot Nursery, Mt Barker.

Furnitex exhibition

Fewer Western Australian manufacturers exhibited at Furnitex in July 2008, but in keeping with the traditions of this event, those who did submit exhibits made strong impressions. Clarecraft, Lounge Innovations, Jamel and Antry showcased WA furniture. The FIAA exhibited all the winners from the Furniture of the Year Awards, sponsored by the Commission. There was a considerable variety of imported furniture on display which highlighted the intense competition faced by local manufacturers.

WA Wood Show

The Commission again sponsored the Tertiary Student Awards in the 'Out of the Woods' fine woodworking competition at the 2009 WA Wood Show. First prize was awarded to student Megan Christie.

Launch of the Synergy carbon pollution reduction project

Forestry Minister Terry Redman MLA officially launched the carbon pollution reduction project with Synergy in December 2008. The project demonstrates the way Western Australia has responded to the challenges of human-induced climate change.

The project will provide Synergy with carbon permits to partially mitigate its indirect exposure and the exposure of its customers under the proposed CPRS.

Australian Furniture of the Year Awards

For the eighth consecutive year, the Commission was the platinum sponsor of the Furnishing Industries Association of Australia awards. Held at the Perth Convention and Exhibition Centre in October, the prestigious 'Best of the Best' award went to Western Australian company Inglewood Products Group for the 'Foundation Housing Project' produced from FPC-supplied yellow stringybark timber.

PROMOTION AND CONSULTATION

11

Expenditure

43

Launch of the Oil Mallee Industry Development Plan

Launched in November the IDP sets out a clear plan for the industry to expand through involvement in the emerging carbon and renewable energy markets and by maximising returns from value-added processing of mallee plantings.

Launch of the Sandalwood Industry Development Plan

The plan was launched in December as a blueprint to enable product from planted tree farms of WA sandalwood to gain a foothold in already established markets.

Australian School of Fine Wood – final year student awards and exhibition

The Commission again sponsored the ASFW's final year student awards and annual exhibition, this year titled 'Reveal', which was held at the Forest Heritage Centre in Dwellingup in December.

Australasian Forest Genetics Conference

In April 2009, the Commission was involved in organising the Australasian Forest Genetics Conference in Fremantle. The conference showcased advances in genetics and breeding research for plantation species within the Australasian context, particularly for southern pine, eucalypt species and introducing the tropical forestry projects fast developing in the north.

The conference brought together molecular and quantitative geneticists, breeders, propagation specialist, managers and professional foresters to exchange information, technologies and strengthen collaboration between research groups.

Launch of the Plantation Energy plant

Forestry Minister Terry Redman MLA officially opened Plantation Energy's \$25million wood pellet plant in June 2009. The facility, the first of its kind in Australia, converts substantial quantities of the Commission's pine residue and residue from private Tasmanian bluegum plantations, into pellets destined for Europe and used in heating and renewable power.

Forest industry survey

The Commission participated in the Forest Industry Survey, a follow-up survey to one carried out in 2006. Jacki Schirmer, from the Australian National University and with the Cooperative Research Centre in Forestry, is overseeing the survey, which is part of a national research project.

The survey targeted all businesses and organisations involved in the forest industry in the South West of WA. The outcome is expected to be a clearer picture of employment and expenditure by the industry, information which should help FPC promote tree farming to the wider community.

The results of the 2006 survey were communicated to industry and other interested parties at seminars held in Albany and Bunbury during November 2008. FPC hosted the Bunbury seminar which was presented by Ms Schirmer.

Transitional support for Private Forestry Development Committees

The five WA Private Forestry Development Committees are exploring funding options to enable them to continue providing liaison and promotion services that complement those of the Commission.

Australian Government funding ceased in July 2008. A review by the WA Government in November recommended continuation of funding from FPC and WA Department of Agriculture and Food for a transition period through to June 2010.

All Private Forestry Development Committees are currently operating and expect to continue into 2010. Possible sources of future funding include the regional NRM Groups, the Caring for our Country Program and industry. The five committees are Trees Midwest (Moora), Avongro (Northam), Trees South West (Bunbury), Timber 2020 (Albany) and South East Forestry Foundation (Esperance).

Community education

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

- UWA Shenton Park Field Station Agricultural open day;
- WA Wood Show;
- Great Southern Careers Expo;
- Dowerin Field Days;
- Perth Royal Show;
- Mt Romance open day;
- Katanning Show;
- Albany Agricultural Show;
- Esperance Agricultural Show;
- Manjimup Cherry Festival;
- Wagin Woolarama;
- Manjimup Show;
- Harvey Agricultural School open day;
- Arbor Day plantings with Carnarvon and Albany school students and;
- industry tours.

EXPENDITURE

Plantation Industry Ministerial Advisory Committee (PIMAC)

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.

2009

\$'000

6

Forestry Ministerial Advisory Committee (FMAC)

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.

4

Advertising and communication expenditure

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

Expenditure was incurred in the following areas:

Advertising expenditure

Supplier:	Service:	
Marketforce	Tender and Auction Advertising	8
Marketforce Productions	Tender and Auction Advertising	-
Contrywide Signs	Advertising	-
Elite Publishing	Publication	-
Jadeline	Web Enviornment	6
Adcorp Australia	Advertising	18
Agricultural Publishers	Advertising	2
Bulldog Graphics	Graphic Design, Poster Production	2
Media Decisions WA	Media Planning	5
NetRegistry	Web Enviornment	8
Platinum AFGC Sponsorship	Sponsorship Advertising	10
Rural Press Agricultural Publishing	Advertising	1
Southcoast Natural Resource Management Inc	Promotions	1
Sundry other	Various	9
		70
Consultancy:		
Supplier:	Service:	
Media Monitors WA Pty Ltd	Media monitoring, news clippings	21
Professional Public Relations	Public Relations	23
		44
		114
Total		114

FINANCIAL REVIEW 12

Certification of the financial statements	44
Independent audit opinion	45
Income statement	47
Statement of changes in equity	48
Balance sheet	49
Statement of cash flows	50
Notes to the financial statements	51

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 2009 and the financial position as at 30 June 2009.

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



Eva Skira
Chair



Mike Gurry
Deputy Chair



Steve Melville
Executive Manager Corporate Services

INDEPENDENT AUDIT OPINION



Auditor General

To the Parliament of Western Australia

FOREST PRODUCTS COMMISSION

FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS

FOR THE YEAR ENDED 30 JUNE 2009

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 2009, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement of the Commission 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 www.audit.wa.gov.au/pubs/AuditPracStatement_Feb09.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.

Financial Statements and Key Performance Indicators for the year ended 30 June 2009

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 2009 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 2009.



COLIN MURPHY
AUDITOR GENERAL
17 September 2009

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 \$000	2008 * as restated \$000
Income			
Revenue			
Revenue from the sale of goods and services	7.1	103,792	115,995
Recognised revenues from National Action Plan for Salinity and Water Quality Programme	8.0	12,619	12,659
Other revenue	10.0	7,330	5,333
Interest revenue	17.0	1,560	1,379
Gains			
Profit from joint venture	24.0	58	51
Embedded derivatives valuation increment	11.0	1,809	923
Gain on disposal of assets		257	-
Total Income		127,425	136,340
Expenses			
Cost of sales	7.4	62,029	65,649
Employee benefits expense	12.0	21,751	16,779
Supplies and services	13.0	40,819	28,727
Depreciation expense	14.0	1,413	1,163
Accommodation expenses	15.0	1,055	767
Administration expenses	16.0	2,340	2,979
Finance costs	18.0	4,128	6,285
Loss on disposal of assets		-	4
Total Expenses		133,535	122,353
(Loss)/Profit before Natural Resource Assets revaluation increment		(6,110)	13,987
Natural Resource Asset Valuation increment/(decrement)	7.2	4,867	(11,921)
(Loss)/Profit before Grants and Subsidies from State Government		(1,243)	2,066
Grants and Subsidies from State Government	9.0	1,772	1,518
Profit before income tax equivalent expense		529	3,584
Income Tax equivalent benefit/(expense)	41.0	32	(2,576)
(Loss)/Profit after Tax equivalent expense		561	1,008

The Income Statement should be read in conjunction with the accompanying notes.

* Refer Note 34

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

	Note	Contributed Equity	Retained earnings	Hedging reserve	Asset revaluation reserve	Total equity
		\$000	\$000	\$000	\$000	\$000
Opening balance 1 July 2007		237,272	5,842	220	3,775	247,109
Reappropriation from Consolidated Funds	32.0	1,270	-	-	-	1,270
Gain on revaluation of properties		-	-	-	4,033	4,033
Cash flow hedge						
Gain taken to equity		-	-	308	-	308
Prior period correction	34.0	-	8,322	-	-	8,322
Net income prior to income tax recognised directly in equity		1,270	8,322	308	4,033	13,933
Income tax on items taken directly to equity			(2,497)	(92)	(1,210)	(3,799)
Net income after tax recognised directly in equity		1,270	5,825	216	2,823	10,134
Profit after tax for the period		-	6,243	-	-	6,243
Prior period correction	34.0	-	(5,235)	-	-	(5,235)
Profit after tax for the period as per Income Statement	33.0	-	1,008	-	-	1,008
Dividends paid	33.0	-	(2,783)	-	-	(2,783)
Total recognised income and expense for the period	33.0	-	(1,775)	-	-	(1,775)
Closing balance at 30 June 2008		238,542	9,892	436	6,598	255,468
Opening balance 1 July 2008		238,542	9,892	436	6,598	255,468
Reappropriation from Consolidated Funds	32.0	1,199	-	-	-	1,199
Reappropriation from Consolidated Funds - WA State Treasury Equity Injection	32.0	15,000	-	-	-	15,000
Gain on revaluation of properties		-	-	-	1,832	1,832
Cash flow hedge						
(Loss) taken to equity		-	-	(519)	-	(519)
Net income prior to income tax recognised directly in equity		16,199	-	(519)	1,832	17,512
Income tax on items taken directly to equity		-	-	156	(550)	(394)
Net income after tax recognised directly in equity		16,199	-	(363)	1,282	17,118
Profit after tax for the period as per Income Statement		-	561	-	-	561
Dividends paid	33.0	-	-	-	-	-
Total recognised income and expense for the period	33.0	-	561	-	-	561
Closing balance at 30 June 2009		254,741	10,453	73	7,880	273,147

Other movements in equity arising from transactions with owners are set out in note 32

BALANCE SHEET AS AT 30 JUNE 2009

	Note	2009 \$000	2008 * as restated \$000
Assets			
Cash and cash equivalents	35.1	25,367	34,828
Trade and other receivables	19.0	29,099	21,043
Inventories	20.0	8,786	7,625
Natural resource assets	25.0	21,131	29,961
Other assets	21.0	1,436	2,147
Total current assets		85,819	95,604
Deferred tax assets	41.0	319	1,521
Trade and other receivables	19.0	15,948	17,161
Property, plant and equipment	22.0	24,991	23,882
Natural resource assets	25.0	339,766	310,749
Intangible assets	23.0	-	26
Other assets	21.0	8,937	-
Total non-current assets		389,961	353,339
Total assets		475,780	448,943
Liabilities			
Trade and other payables	27.0	18,213	15,748
Interest bearing loans and borrowings	28.0	6,994	13,300
Tax liabilities	41.0	8,142	8,982
Employee benefits	29.0	4,803	3,845
Provisions	31.0	9,660	18,224
Total current liabilities		47,812	60,099
Trade and other payables	27.0	26,837	22,655
Interest bearing loans and borrowings	28.0	84,007	80,161
Employee benefits	29.0	1,942	1,495
Provisions	31.0	42,035	29,065
Total non-current liabilities		154,821	133,376
Total liabilities		202,633	193,475
Net assets		273,147	255,468
Equity			
Contributed equity	32.0	254,741	238,542
Reserves	33.0	7,953	7,034
Retained earnings	33.0	10,453	9,892
Total equity		273,147	255,468

The Balance Sheet should be read in conjunction with the accompanying notes.

* Refer Note 34

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 \$000	2008 \$000
Cash flows from operating activities			
Sale of goods and services		103,456	112,814
Commonwealth Grants & Contributions		1,126	25,149
Other receipts		7,390	5,614
Employee expenses		(20,329)	(17,159)
Supplies & Services		(41,350)	(32,000)
Forest Management Expenditure		(59,331)	(65,941)
Net GST		607	102
Interest paid		(5,395)	(5,104)
Net cash (used in)/from operating activities	35.2	(13,826)	23,475
Cash flows used in investing activities			
Acquisition of property, plant & equipment and intangibles		(487)	(1,488)
Proceeds from asset disposal		-	38
Receipts from investing activities		3,728	-
Investment in new plantations		(15,622)	(12,719)
Investment in joint venture		(325)	(161)
Interest received		1,560	1,379
Net cash used in investing activities		(11,146)	(12,951)
Cash flows from financing activities			
Repayment of borrowings - normal		(4,559)	(3,946)
Net borrowings - discretionary		2,099	5,754
Net cash (to) / from financing activities		(2,460)	1,808
Cash flows from / (to) State Government			
Grants & subsidies	9.0	1,772	1,518
State Contribution (Peel B)	32.0	1,199	1,270
State Contribution (equity injection)	32.0	15,000	-
Dividends paid	33.0	-	(2,783)
NTER tax payments	41.0	0	(1,945)
Net cash from / (to) State Government		17,971	(1,940)
Net (decrease)/ increase in cash and cash equivalents		(9,461)	10,392
Cash and cash equivalents at 1 July	35.1	34,828	24,436
Cash and cash equivalents at 30 June	35.1	25,367	34,828

The Statement of Cash Flows should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

CONTENTS

1.0 Australian equivalents to International Financial Reporting Standards	Accounting Standards not yet operative	23.0 Intangible assets	39.0 Explanatory statement
2.0 Summary of significant accounting policies	7.0 Revenue and expenses from Natural resource assets	24.0 Investment in Joint Venture	39.1 Explanation of significant variations between current and prior year actual results
2.01 General statement	7.1 Revenue from the sale of goods and services	25.0 Natural resource assets	39.2 Comparison of 2008/09 actual results to estimated results
2.02 Basis of preparation	7.2 Revenue from Natural resource assets valuation adjustments	25.1 Hectares under management	
2.03 Reporting entity	7.3 Reconciliation of Increment/ (decrement) from revaluations to Movement of Natural resource assets	26.0 Natural resource assets risk analysis	
2.04 Income	7.4 Cost of sales	26.1 Discount rates	
2.05 Income tax		26.2 Sensitivity analysis	
2.06 Property, plant and equipment, and infrastructure		26.3 Cash flows	
2.07 Intangible assets		26.4 Insurance	
2.08 Impairment of assets	8.0 Recognised revenues from National Action Plan for Salinity and Water Quality Programme	27.0 Trade and other payables	
2.09 Operating lease payments		28.0 Interest bearing borrowings	
2.10 Financial Instruments	9.0 Grants and Subsidies from State Government	29.0 Employee benefits	
2.11 Cash and cash equivalents		30.0 Gold State Superannuation Scheme	
2.12 Inventories	10.0 Other revenue	30.1 Scheme information	
2.13 Receivables	11.0 Embedded derivatives valuation increment	30.2 Nature of liability	
2.14 Investments and other financial assets	12.0 Employee benefits expense	31.0 Provisions	
2.15 Natural resource assets	13.0 Supplies and Services	32.0 Contributed equity	
2.16 Payables	14.0 Depreciation and amortisation	33.0 Reserves	
2.17 Borrowings	15.0 Accommodation Expenses	34.0 Correction of error in prior periods	
2.18 Provisions	16.0 Other Expenses	35.0 Notes to the Statement of Cash Flows	
2.19 Superannuation expense	17.0 Interest Revenue	35.1 Reconciliation of cash	
2.20 Accrued salaries	18.0 Finance Costs	35.2 Reconciliation of profit from ordinary activities after income tax	
2.21 Jointly controlled operations	19.0 Trade and other receivables	35.3 Borrowing facilities	
2.22 Comparative figures	20.0 Inventories	36.0 Commitments for expenditure	
3.0 Other policies	21.0 Other assets	36.1 Expenditure commitments	
3.01 Segment reporting	22.0 Property, plant and equipment	36.2 Lease commitments	
3.02 Foreign currency translation, derivative financial instrument and hedge accounting	22.1 Land and buildings	36.3 Guarantees and undertakings	
3.03 Resources received free of charge or for nominal cost	22.2 Plant, equipment and vehicles	37.0 Contingent assets	
4.0 Key Sources of estimation uncertainty	22.3 Reconciliations	38.0 Events occurring after reporting date	
5.0 Disclosure of changes in accounting policy and estimates			
6.0 Future impact of Australian			
			40.0 Financial instruments
			40.1 Credit Risk, Liquidity Risk and Interest Rate Risk Exposure
			40.2 Forward foreign exchange contracts
			40.3 Sensitivity Analysis
			40.4 Credit risk concentrations
			40.5 Funds held in trust
			40.6 Fair values
			41.0 Taxation
			42.0 Remuneration of members of the Accountable Authority and Senior Officers
			42.1 Remuneration of members of the Accountable Authority
			42.2 Remuneration of Senior Officers
			43.0 Related/affiliated bodies
			43.1 Related bodies
			43.2 Affiliated bodies
			44.0 Remuneration of auditor
			45.0 Supplementary financial information
			45.1 Write-offs
			45.2 Losses through theft, defaults and other causes
			45.3 Gifts of public property
			46.0 Segment Information
			47.0 Change of accounting policy
			48.0 Additional information

NOTES TO THE FINANCIAL STATEMENTS

1.0 Australian equivalents to International Financial Reporting Standards

General

The Commission's financial statements for the year ended 30 June 2009 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 AASB and formerly the Urgent Issues Group (UIG).

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 2009.

2.0 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 Australian Accounting Standards Board as applied by the Treasurer's instructions. Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording.

The Financial Management Act and the Treasurer's instructions (TI's) 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.

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 where otherwise stated.

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 26 Natural resource assets

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 26.1

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 discount rates, fair value of land and buildings, the fair value of foreign exchange contracts and the fair value of embedded derivatives.

2.03 Reporting entity

The reporting entity comprises the Commission and the Related Bodies listed at note 43.

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 the condition that they be expended in 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 using the effective interest rate method.

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 and liabilities settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences

arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not 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, and infrastructure

Capitalisation / Expensing of assets

Items of property, plant and equipment and infrastructure costings \$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).

The Forest Products Commission has obtained an exemption, from the Department of Treasury and Finance, from the required capitalisation threshold of \$5,000 or more. The Forest Products Commission's asset capitalisation threshold has remained at \$1,000 or more.

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. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

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. Professional judgment by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets as described in note 2.06 'Property, plant and equipment, and infrastructure'.

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:

	2009	2008
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 ^(a)	2.5 years	2.5 years

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

2.07 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.

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

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

	2009	2008
Software(a)	2.5 years	2.5 years
<i>(a) Software that is not integral to the operation of any related hardware.</i>		

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.

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.

2.08 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.

2.09 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.

2.10 Financial Instruments

In addition to cash and bank overdraft, the Commission has two categories of financial instrument:

- Loans and receivables;
- Financial liabilities measured at amortised cost.

These have been disaggregated into the following classes:

Financial Assets:

- Cash and cash equivalents
- Receivables
- Amounts receivable for services

Financial Liabilities:

- Payables
- Bank overdraft
- WA Treasury Corporation Long Term Borrowings
- Amounts due to the Treasurer

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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.

2.11 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 bank overdrafts.

2.12 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.

2.13 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 against the allowance account. The allowance for uncollectible amounts (doubtful debts), is raised when there is objective evidence that the Commission will not be able to collect its debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

2.14 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 costs 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2.15 Natural resource assets

Natural resource assets are stated at fair value less estimated point-of-sale costs and costs necessary to get the assets to market. A gain or loss on valuation is recognised in the 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 two years old is carried at cost, as the net market value of those assets is not reasonably assessable.

2.16 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.

2.17 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.

2.18 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 included as part of the Commission's 'Employee benefits expense' and the related liability is included in Employment on-costs provision.

Native Forest Regeneration Provision

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

Onerous contracts

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

Dividends

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

2.19 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.

2.20 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.

2.21 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.

2.22 Comparative figures

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

3.0 Other policies

3.01 Segment reporting

Segment information is prepared in conformity with 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.

3.02 Foreign currency translation, derivative financial instrument and hedge accounting

Transactions denominated in a foreign currency are translated at the rates in existence at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange current at 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.

3.03 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.

4.0 Key Sources of estimation uncertainty

The valuation of Natural resource assets contain key estimates and assumptions made concerning the future, and other estimations of uncertainty at balance sheet date. Variations to these estimates carry a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Calculations performed in assessing the value of the Natural resource assets incorporate uncertainty with discount rates and harvest yields. See note 26 for sensitivity analysis around these estimates.

5.0 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 2008 that impacted on the Commission:

Review of AAS 27 'Financial Reporting by Local Governments', 29 'Financial Reporting by Government Departments' and 31 'Financial Reporting by Governments'. The AASB has made the following pronouncements from its short term review of AAS 27, AAS 29 and AAS 31:

AASB 1004 'Contributions';

AASB 1050 'Administered Items';

AASB 1051 'Land Under Roads';

AASB 1052 'Disaggregated Disclosures';

AASB 2007-9 'Amendments to Australian Accounting Standards arising from the review of AASs 27, 29 and 31 [AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, ASSB 127 & AASB 137];

Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities.

The existing requirements in AAS 27, AAS 29 and AAS 31 have been transferred to the above new and revised topic-based Standards and Interpretation. These requirements remain substantively unchanged. AASB 1050, AASB 1051 and AASB 1052 do not apply to Statutory Authorities. The other Standards and Interpretation make some modifications to disclosures and provide additional guidance, otherwise, there is no financial impact.

6.0 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:

Title	Operative for reporting periods beginning on/after
AASB 101 'Presentation of Financial Statements' (September 2007). This Standard has been revised and will change the structure of the financial statements. These changes will require that owner changes in equity are presented separately from non owner changes in equity. The Commission does not expect any financial impact when the Standard is first applied.	1 January 2009
AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 - Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110]. This Standard amends AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' in respect of the classification, presentation and measurement of non-current assets held for distribution to owners in their capacity as owners. The Commission does not expect any financial impact when the Standard is first applied prospectively.	1 July 2009
AASB 2009-2 'Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]'. This Standard amends AASB 7 and will require enhanced disclosures about fair value measurements and liquidity risk with respect to financial instruments. The Authority does not expect any financial impact when the Standard is first applied.	1 July 2009

	2009	2008
	\$000	\$000
7.0 Revenue and expenses from Natural resource assets		
7.1 Revenue from the sale of goods and services		
Harvesting operations	48,905	57,261
Recovery of harvesting costs	54,258	57,806
Plant Propagation Center Revenue	629	928
Total revenues	103,792	115,995
7.2 Revenue from Natural resource assets valuation adjustments		
Increment/(Decrement) from revaluations	4,867	(11,921)
Revenue from Natural resource assets valuation adjustments	4,867	(11,921)
7.3 Reconciliation of Increment/(decrement) from revaluations to Movement of Natural resource assets		
Gross Movement on Natural resource assets	20,187	(11,577)
Movement in associated softwood liabilities	(2,703)	12,375
Capitalisation of New Plantation Expenditure	(12,617)	(12,719)
	4,867	(11,921)
7.4 Cost of sales		
Harvesting Costs	59,074	58,978
Roading Maintenance and Construction	4,115	5,437
Write Down of Inventory to Net Realisable Value	(1,160)	1,234
Total cost of sales	62,029	65,649
8.0 Recognised revenues from National Action Plan for Salinity and Water Quality Programme		
Recognised revenues from National Action Plan for Salinity and Water Quality Programme	12,619	12,659
	12,619	12,659
9.0 Grants and Subsidies from State Government		
Grants and Subsidies from State Government	1,772	1,518
	1,772	1,518
10.0 Other revenue		
Contracts and Other	2,880	2,190
Revenue from Cost Recovery Operations	4,450	3,143
	7,330	5,333
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.		
11.0 Embedded derivatives valuation increment		
Embedded derivatives valuation increment	1,809	923
	1,809	923

	2009	2008
	\$000	\$000
12.0 Employee benefits expense		
Wages and Salary	14,225	11,592
Fringe Benefits Tax	99	97
Leave Expense	4,260	2,486
Superannuation	1,773	1,560
Payroll Tax	1,159	999
Workers Compensation Insurance	206	92
Actuarial gain/(loss)	29	(47)
	21,751	16,779
13.0 Supplies and Services		
Travel	711	617
Writedown of UWA Joint Venture	383	212
Sundry Supplies and Services	652	254
Operating Lease	2,741	2,315
Other Services	30	164
Legal Fees and Consultants	834	367
DEC Service Level Agreements	10,137	9,061
Materials	1,496	1,463
Forest Management Expenses	17,024	11,438
Fire Salvage and Remedial Works	6,363	2,429
Repairs and Maintenance	391	370
Vehicle Expenses	57	37
	40,819	28,727
14.0 Depreciation and amortisation		
Plant, equipment, vehicles, office equipment and nursery infrastructure	953	916
Buildings	434	203
Amortisation of software	26	44
	1,413	1,163
15.0 Accommodation Expenses		
Lease Rentals and Travel Accomodation	840	573
Other Property	215	194
	1,055	767
16.0 Other Expenses		
Audit Fees	162	105
Increase Provision for Doubtful Debts	831	1,773
Telephone, Postage, Communications	980	853
Other Administration Costs	367	248
	2,340	2,979

	2009	2008
	\$000	\$000
17.0 Interest Revenue		
Interest Revenue	1,560	1,379
	1,560	1,379
18.0 Finance Costs		
Interest on WA Treasury Corporation loans	5,204	5,034
Foreign Exchange (Gain)/Loss	(1,076)	1,251
	4,128	6,285
19.0 Trade and other receivables		
<i>Current</i>		
Treasury Funds Receivable	1,212	1,126
Trade and other receivables	31,285	22,484
Provision for doubtful debts	(3,398)	(2,567)
	29,099	21,043
Movement in provision for doubtful debts:		
Opening balance at 1 July	(2,567)	(794)
Bad debts written off	-	156
Provisions (raised) in the year	(831)	(1,929)
Closing balance at 30 June	(3,398)	(2,567)
<i>Non Current</i>		
Treasury Funds Receivable	15,948	17,161
Treasury Funds Receivable are funds receivable from WA State Treasury in relation to the National Action Plan.		
The National Action Plan supports the Wood Processing (WESFI) Agreement Act 2000 as well as the National Action Plan for Salinity and Water Quality.		
The National Action Plan has been funded by loans from the Western Australian Treasury Corporation, State and Commonwealth Government contributions and internal funding.		
20.0 Inventories		
<i>Current</i>		
Inventories held for resale at cost ¹ :		
- Plant Propagation Centre	5,038	4,565
- Sandalwood	2,026	2,116
- Timber on forest landings	1,722	944
	8,786	7,625

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

	2009	2008
	\$000	\$000
21.0 Other assets		
<i>Current</i>		
Prepayments	321	803
Accrued Revenue	1,009	721
Hedge Contract	106	623
	1,436	2,147
<i>Non Current</i>		
Plantations Carbon Sequestration program	8,937	-
	8,937	-
22.0 Property, plant and equipment		
22.1 Land and buildings		
Freehold land at fair value ¹	11,503	9,421
	11,503	9,421
Buildings at valuation ²	8,058	8,095
Accumulated depreciation	(1,596)	(1,179)
	6,462	6,916
Total land and buildings	17,965	16,337

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

² Commission owned buildings located in the South West of WA were revalued during the 2007/08 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).

	2009	2008
	\$000	\$000
22.2 Plant, equipment and vehicles		
Nursery infrastrucue at fair value at 30 June 2005	12,138	12,130
Accumulated depreciation	(7,218)	(6,988)
Nursery infrastructure at fair value	4,920	5,142
Plant, equipment and vehicles at cost	4,220	4,077
Accumulated depreciation	(3,033)	(2,562)
	1,187	1,515
Office equipment at cost	2,662	2,545
Accumulated depreciation	(1,743)	(1,657)
	919	888
Total plant, equipment and vehicles	7,026	7,545
¹ Nursery infrastructure was revalued at 30 June 2005 on a 'written down replacement value' basis by independent valuers McGarry Associates Pty Ltd. This valuation was updated by the Commission to provide a written down replacement cost as at 30 June 2006 and 30 June 2007.		
Total Property, plant and equipment	24,991	23,882

22.3 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 infrastructure	Plant equipment and vehicles	Office equipment	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Cost						
Balance at 1 July 2007	7,672	4,636	12,130	4,275	2,062	30,775
Reclassifications	25	130	-	(132)	(46)	(23)
Additions	-	805	-	60	623	1,488
Disposals	-	(40)	-	(125)	(94)	(259)
Revaluation increment	1,724	2,564	-	-	-	4,288
Balance at 30 June 2008	9,421	8,095	12,130	4,078	2,545	36,269
Balance at 1 July 2008	9,421	8,095	12,130	4,078	2,545	36,269
Additions	92	15	8	162	308	585
Disposals	-	(71)	-	(20)	(191)	(282)
Revaluation increment	1,990	19	-	-	-	2,009
Balance at 30 June 2009	11,503	8,058	12,138	4,220	2,662	38,581
Depreciation and impairment losses						
Balance at 1 July 2007	-	(988)	(6,785)	(2,298)	(1,416)	(11,487)
Depreciation	-	(203)	(203)	(370)	(343)	(1,119)
Adjustments	-	12	-	106	102	220
Balance at 30 June 2008	-	(1,179)	(6,988)	(2,562)	(1,657)	(12,386)
Balance at 1 July 2008	-	(1,179)	(6,988)	(2,562)	(1,657)	(12,386)
Depreciation	-	(433)	(230)	(490)	(239)	(1,392)
Disposal	-	16	-	19	153	188
Balance at 30 June 2009	-	(1,596)	(7,218)	(3,033)	(1,743)	(13,590)
Carrying Amounts						
At 1 July 2007	7,672	3,648	5,345	1,977	646	19,288
At 30 June 2008	9,421	6,916	5,142	1,516	888	23,883
At 1 July 2008	9,421	6,916	5,142	1,516	888	23,883
At 30 June 2009	11,503	6,462	4,920	1,187	919	24,991

23.0 Intangible assets

Software - cost
 Software - accumulated amortisation

2009	2008
\$000	\$000
488	488
(488)	(462)
-	26

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

	Intangible Assets \$000
Cost	
Balance at 1 July 2007	468
Additions from external sources	26
Disposals	(6)
Balance at 30 June 2008	488
Balance at 1 July 2008	488
Additions from external sources	-
Disposals	(2)
Balance at 30 June 2009	486
Amortisation and impairment losses	
Balance at 1 July 2007	(424)
Amortisation of software costs	(38)
Balance at 30 June 2008	(462)
Balance at 1 July 2008	(462)
Amortisation of software costs	(24)
Balance at 30 June 2009	(486)
Carrying Amounts	
At 1 July 2007	44
At 30 June 2008	26
At 1 July 2008	26
At 30 June 2009	-

24.0 Investment in Joint Venture

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

Entity:	Principal activity:	Reporting date:	Ownership:	
			2009	2008
UWA/FPC Joint Venture	Timber research and product development	31 December ¹	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.

	2009 \$'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:	377	(67)	(34)	115	-	115	58

	2008 \$'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:	161	(284)	(142)	102	-	102	51

	2009 \$'000	2008 \$'000
Share of joint venture profit before income tax	58	51
Share of joint venture net profit accounted for using the equity method	58	51
Reconciliation of movement in investment in joint venture:		
Balance at 1 July	-	-
Contributions to joint venture	325	161
Share of net assets equity accounted	58	51
Investment in joint venture before adjustments:	383	212
Adjustments:		
Write down of investment in joint venture to net recoverable amount	(383)	(212)
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 (2008 \$470,000). As at 30 June 2009 the Commission has no share of liabilities or contingent liabilities associated with its investment in the UWA/FPC Joint Venture, other than as disclosed above.

Note: Under the Joint Venture Agreement with UWA, UWA has responsibility for preparation of the joint venture financial statements. UWA's financial year ends on 31 December. The Commission is able to obtain interim financial statements for equity accounting purposes.

	2009	2008
	\$000	\$000
25.0 Natural resource assets		
Current		
<i>Natural resource assets at valuation</i>		
<i>Native Forest</i>		
Native forest standing timber	12,983	13,359
Standing sandalwood	2,422	2,271
Native forest Natural resource assets at valuation	15,405	15,630
<i>Plantations</i>		
Plantations Natural resource assets at valuation	5,726	14,331
Total Natural resource assets at valuation current	21,131	29,961
Non-Current		
<i>Natural resource assets at valuation</i>		
<i>Native Forest</i>		
Native forest standing timber	92,912	93,442
Standing sandalwood	34,249	33,077
Native forest Natural resource assets at valuation	127,161	126,519
<i>Plantations</i>		
Plantations standing timber	164,305	144,330
Plantations Reforestation program	13,702	12,978
Plantations Afforestation program	34,598	26,922
Plantations Natural resource assets at valuation	212,605	184,230
Total Natural resource assets at valuation non-current	339,766	310,749
Total Natural resource assets at valuation	360,897	340,710
	Hectares under management¹	2008
25.1 Hectares under management	2009	2008
<i>Plantations</i>		
Plantations standing timber	60,741	71,151
Plantations Reforestation program	12,468	12,942
Plantations Afforestation program	18,417	16,802
Total plantation hectares under management	91,626	100,895

26.0 Natural resource assets risk analysis

26.1 Discount rates

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

	2009	2008
30 year discount rate	11.97%	12.30%
50 year discount rate	12.07%	12.30%

The discount rate, which is real and pre-tax, is based on the Commission's weighted average cost of capital (WACC). The WA Treasury Corporation provided an update of the Commission's WACC as at 30 June 2009.

26.2 Sensitivity analysis

The value of Natural resource assets is dependent on assumptions underpinning the Commission's growth models and cash flow assumptions.

Discount rates have been adjusted to take account of significant risk factors not adjusted directly through cash flows.

The following sensitivity analysis has been provided to assist in the assessment of the impact of variances in these assumptions.

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

			2009	2008
			\$000 Increase/ (decrease)	\$000 Increase/ (decrease)
Discount rate:	+300 bpts	Total Natural resource assets at valuation	(59,425)	(34,523)
	- 300 bpts	Total Natural resource assets at valuation	91,500	45,904
Future prices:	+ 3%	Total Natural resource assets at valuation	12,275	10,843
	- 3%	Total Natural resource assets at valuation	(12,275)	(13,780)
Future costs:	+ 3%	Total Natural resource assets at valuation	(4,352)	(6,600)
	- 3%	Total Natural resource assets at valuation	4,352	3,662

26.3 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 26.1 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

26.4 Insurance

The Commission does not insure its Natural resource assets.

	2009	2008
	\$000	\$000
27.0 Trade and other payables		
<i>Current</i>		
Trade payables	6,182	5,052
GST (receivable) / payable	389	(218)
Payroll tax accrual	95	78
Accrued logging costs	2,156	2,626
Other accruals	6,762	4,401
Accrued interest	1,220	1,411
Accrued salaries and wages	333	-
Land annuity obligations	1,076	2,398
	18,213	15,748
<i>Non-Current</i>		
Land annuity obligations	26,837	22,655
	26,837	22,655
28.0 Interest bearing borrowings		
<i>Current</i>		
Western Australian Treasury Corporation loans	6,994	13,300
Total current	6,994	13,300
<i>Non-Current</i>		
Western Australian Treasury Corporation loans	84,007	80,161
Total non-current	84,007	80,161
Total interest bearing borrowings	91,001	93,461

Refer Financial Instruments Note 40.1 for interest rate analysis.

	2009	2008
	\$000	\$000
29.0 Employee benefits		
<i>Current</i>		
Compensated absences - Annual leave	2,393	1,861
Compensated absences - Long service leave	2,410	1,984
	<u>4,803</u>	<u>3,845</u>
<i>Non-current</i>		
Compensated Absences - Long service leave	1,806	1,389
Provision for unfunded superannuation liability ¹	136	106
	<u>1,942</u>	<u>1,495</u>

The Commission has a provision for the unfunded liability associated with those employees who are currently members of Gold State Superannuation Scheme. Refer Note 30 below.

(a) Annual leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after balance sheet date. Assessments indicate that actual settlement of the liabilities will occur as follows:

Within 12 months of balance sheet date	1,629	1,572
More than 12 months after balance sheet date	764	289
	<u>2,393</u>	<u>1,861</u>

(b) Long service leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after balance sheet date. Assessments indicate that actual settlement of the liabilities will occur as follows:

Within 12 months of balance sheet date	260	584
More than 12 months after balance sheet date	2,150	1,400
	<u>2,410</u>	<u>1,984</u>

(c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation premiums and payroll tax. The provision measured at the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is included at note 12 'Employee benefits expense'.

30.0 Gold State Superannuation Scheme

30.1 Scheme information

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

The following disclosures are in respect of the employer-financed benefits only.

Reconciliation of the Present Value of the Defined Benefit Obligation

Financial year ending	30-Jun-09	30-Jun-08
<i>(Gold State Super)</i>		
Present value of defined benefit obligations at the beginning of the year	106	144
Interest costs	7	9
Actuarial losses	29	(47)
Benefits paid	(6)	-
Present value of defined benefit obligations at the end of the year	<u>136</u>	<u>106</u>

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

Reconciliation of the Fair Value of Scheme Assets:

Financial year ending	30-Jun-09	30-Jun-08
Fair value of Scheme Assets at the beginning of the year:	-	-
Employee contributions	6	-
Benefits paid	(6)	-
Fair value of Scheme Assets at the end of the year	<u>-</u>	<u>-</u>

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

Financial year ending	30-Jun-09	30-Jun-08
Defined Benefit Obligation	<u>136</u>	<u>106</u>
Net Liability	<u>136</u>	<u>106</u>

Expense recognised in the Income Statement:

Financial year ending	30-Jun-09	30-Jun-08
Interest cost	7	9
Actuarial gains/(losses)	29	(47)
Superannuation expense	<u>36</u>	<u>(38)</u>

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:

Financial year ending

(Gold State Super)

- Discount rate (active members) per annum
- Discount rate (pensioners) per annum
- Expected salary increase rate per annum
- Expected pension increase rate per annum

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

	30-Jun-09	30-Jun-08
	5.34%	6.06%
	5.34%	6.06%
	4.50%	4.50%
	2.50%	2.50%

Historical Information:

Financial year ending

(Gold State Super)

- Present value of defined benefit obligation
- Fair value of Scheme assets
- (Surplus) / Deficit in Scheme
- Experience adjustments (gain) - Scheme liabilities

	30-Jun-09	30-Jun-08
	136	106
	-	-
	136	106
	(57)	(36)

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

Expected contributions:

(Gold State Super)

- Expected employer contributions

30-Jun-09
\$000
(4)

30.2 Nature of liability

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

		2009	2008
		\$000	\$000
31.0 Provisions			
<i>Current</i>			
Embedded Derivatives		-	9
Provision for regeneration of Native Forest	a	2,819	1,614
Provision for deferred rental		311	674
Unearned revenue	b	6,530	15,927
		9,660	18,224
<i>Non-Current</i>			
Unearned revenue	b	31,418	16,166
Embedded Derivatives		-	1,800
Provision for regeneration of Native Forest	a	3,848	4,537
Deferred rental		6,769	6,562
		42,035	29,065
Explanations:			
a	The Commission has an obligation under the Forest Management Plan (2004 to 2013) to ensure that Re-growth Native Forest harvested are restored.		
b	Unearned Revenue received by the FPC for the delivery of forestry services to be delivered in the future.		
<i>Net movement in provisions</i>			
Opening balance at 1 July 2008		47,289	80,778
<i>Provisions utilised</i>			
Regeneration		1,447	-
Deferred income		12,619	22,460
		14,066	22,460
<i>Provisions reversed</i>			
Embedded Derivatives		1,809	923
Regeneration		-	2,876
Deferred rental		-	10,877
		1,809	14,676
<i>Provisions raised</i>			
Regeneration		1,963	-
Deferred rental		(156)	-
Deferred income		18,474	3,647
		20,281	3,647
Closing balance at 30 June 2009		51,695	47,289

	2009	2008
	\$000	\$000
32.0 Contributed equity		
The following assets and liabilities have been contributed to equity:		
<i>Contributions during the period</i>		
Reappropriation from Consolidated Funds (WA State Government Equity Injection arising from Yanchep and Bridgetown wildfire losses)	15,000	-
Reappropriation from Consolidated Funds (arising out the sale of Peel B' Baldivis)	1,199	1,270
Total contribution by owners	16,199	1,270
Reconciliation:		
Contribution by owners at the beginning of the financial period	238,542	237,272
Amounts contributed during the financial period	16,199	1,270
Contribution by owners at the end of the financial period	254,741	238,542
33.0 Reserves		
Asset Revaluation Reserve		
Opening balance	6,598	3,775
Net revaluation increments:		
Land	1,282	2,823
Nursery Infrastructure	-	-
Closing balance	7,880	6,598
Cashflow Hedge Reserve	73	436
Reserves total	7,953	7,034
Retained earnings		
Opening balance	9,892	5,842
Items recognised directly in equity	-	5,825
Total recognised income and expenses	561	1,008
Dividend paid	-	(2,783)
Closing balance	10,453	9,892
a Revaluations as per Department of Land Information (Valuation Services), net of tax.		
b Dividend is paid out for 2006/2007 financial year and is tax exempted.		

34.0 Correction of error in prior periods**(a) Correction of error in prior year balances**

During the prior period, certain errors have been made in the financial statements. Accordingly, prior period comparative figures have been adjusted.

Adjustment 1: A \$8.322 million adjustment required to Retained Earnings from a deferred income recognition reassessment.

Adjustment 2: A \$7.478 million adjustment required to Natural resource asset valuations.

(b) Re-statement of prior year balances

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

Account	30-Jun-08	Adjustment 1	Adjustment 2	30 June 2008 (restated)
	\$000	\$000	\$000	\$000
Income statement				
Natural Resource Asset Valuation increment/(decrement)	(4,443)		(7,478)	(11,921)
Profit before income tax equivalent expense	11,062		(7,478)	3,584
Income Tax equivalent benefit/(expense)	(4,819)		2,243	(2,576)
(Loss)/Profit after Tax equivalent expense	6,243		(5,235)	1,008
Balance sheet				
Assets				
Deferred tax assets			1,521	1,521
Natural resource assets	318,227		(7,478)	310,749
Total non-current assets	359,296		(5,957)	353,339
Total assets	454,900		(5,957)	448,943
Liabilities				
Tax liabilities	6,485	2,497		8,982
Total current liabilities	57,602	2,497		60,099
Provisions Unearned revenue	40,415	(8,322)		32,093
Deferred tax liabilities	722		(722)	
Total non-current liabilities	142,420	(8,322)	(722)	133,376
Total liabilities	200,022	(5,825)	(722)	193,475
Net assets	254,878	5,825	(5,235)	255,468
Equity				
Retained earnings	9,302	5,825	(5,235)	9,892
Total equity	254,878	5,825	(5,235)	255,468

The restatement of comparative figures in adjustment one has resulted from corrections to the percentage of completion calculations in the prior year for the NAP balance and adjustment two has resulted from corrections to Annuity balances that have been included within the Natural Resource Asset.

	2009	2008
	\$000	\$000
35.0 Notes to the Statement of Cash Flows		
35.1 Reconciliation of cash		
Cash assets:		
Petty Cash	4	4
Commonwealth Bank - Cash Management Account	23,257	29,295
Commonwealth Bank - USD Bank Account	2,106	5,529
	25,367	34,828
35.2 Reconciliation of profit from ordinary activities after income tax to net cash flows provided by operating activities:		
Profit from ordinary activities after income tax	561	1,008
<i>Non-cash items:</i>		
Depreciation and amortisation expense	1,413	1,163
Movement in provision for doubtful debts	831	1,773
Disposal of non-current assets	-	4
Revaluation of land and buildings	(178)	(255)
Change in fair value of Natural resource assets	(4,565)	24,296
Grants and subsidies from State Government	(1,772)	(1,518)
Interest received	(1,560)	(1,379)
<i>Decrease/(increase) in assets:</i>		
Current inventories	(1,161)	1,229
Current receivables	(12,529)	19,678
Other current assets	(8,829)	529
Write down of investment in joint venture	325	161
Other assets	1,213	(153)
<i>Increase/(decrease) in liabilities:</i>		
Payables	6,647	(214)
Employee benefits	1,405	(259)
Unearned revenue and deferred income	5,855	(10,487)
Other liabilities	(1,450)	(14,677)
Movement in tax balances	(32)	2,576
Net cash (used in) / provided by operating activities	(13,826)	23,475

	2009	2008
	\$000	\$000
35.3 Borrowing facilities		
The Commission had access to the following lines of credit as at reporting date:		
Credit cards	750	750
Bank overdraft facility	9,000	9,000
Short term lending facility with WATC	2,317	9,345
WA Treasury Corporation - Portfolio Lending Arrangement	88,684	84,118
	100,751	103,213
Facilities in use as at reporting date:		
Credit cards	148	4
Bank overdraft facility	-	-
Short term lending facility with WATC	2,317	9,345
WA Treasury Corporation - Portfolio Lending Arrangement	88,684	84,116
	91,149	93,465
Available facilities not in use as at reporting date:		
Credit cards	602	746
Bank overdraft facility	9,000	9,000
Short term lending facility with WATC	-	-
WA Treasury Corporation - Portfolio Lending Arrangement	-	2
	9,602	9,748
36.0 Commitments for expenditure		
36.1 Expenditure commitments		
Expenditure commitments, being contracted expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	3,700	28,852
Later than 1 year and not later than 5 years	36,000	15,609
	39,700	44,461
These commitments include planting expenditures for signed carbon contracts as well as the Plantation Afforestation program. The Plantation Afforestation program supports the <i>Wood Processing (WESFI) Agreement Act 2000</i> as well as the National Action Plan for Salinity and Water Quality . The Plantation Afforestation program has been funded by loans from the Western Australian Treasury Corporation, State and Commonwealth Government contributions and internal funding.		

	2009	2008
	\$000	\$000
36.2 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	548	370
Later than 1 year and not later than 5 years	630	394
Later than 5 years	177	-
	1,355	764
Non-cancellable operating leases	1,355	764

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.

36.3 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.

37.0 Contingent 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.

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

38.0 Events occurring after reporting date

There were no events that occurred after balance date other than events for which the financial effects have already been brought to account that will have a material effect on the Income Statement or Balance Sheet as at 30 June 2009.

39.0 Explanatory statement

This statement provides details of significant variation between estimates and actuals for 2009 and between the actual results for 2008 and 2009.

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

	2009	2008	Variance	Explanation
	\$000	\$000	\$000	
Income				
Revenue from the sale of goods and services	103,792	115,995	(12,203)	a
Expense				
Cost of sales	62,029	65,649	(3,620)	b
Employee benefits expense	21,751	16,779	4,972	c
Supplies and services	40,819	28,727	12,092	d

Explanation:

- a 2009 Revenues were affected by reduced customer demand arising from: i) Gas supply interruptions to customer production (due to the Varanus Island explosion), ii) the global economic crisis, and iii) supply interruptions due to wildfires in Yanchep and Bridgetown;
- b the direct costs of production and delivery have fallen in line with the reduction of revenues. Additionally there has been a reduction in necessity to construct additional roading for harvest purposes in 2009 compared to 2008;
- c increased staff numbers, leave provision and public service salary increases (see note 10.0);
- d increase to supplies and services cost in mainly due to fire salvage and suppression costs for the Yanchep and Bridgetown wildfires together with increase expenditures in Forest Management operations.

39.2 Comparison of 2008/09 actual results to estimated results

	2009	2009	Variance	Explanation
	actual	estimate	%	
	\$000	\$000	\$000	
Income				
Revenue from the sale of goods and services	103,792	120,004	(16,212)	a
			-	
Expenses				
Supplies and services	40,819	30,489	10,330	b
Administration expenses	2,340	1,267	1,073	c

Explanation:

- a see note 36.1 (a) above;
- b due to unbudgeted fire salvage operations and increase in provision of Native Forest regeneration;
- c unbudgeted increase in doubtful debts provision.

40.0 Financial instruments

Financial instruments held by the Commission are cash and cash equivalents, trade and other receivables, trade and other payables, loans from WA Treasury, forward exchange contracts for hedging and embedded derivatives. The Commission's financial risk management program focuses on managing the risks identified below.

Credit Risk

Credit risk arises when there is the possibility of the Commission's debtors defaulting on their contractual obligations resulting in financial loss to the Commission. The Commission measures credit risk on a fair value basis and monitors risk on a regular basis. The maximum exposure to credit risk at balance sheet date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment, as shown in the table at 40.1. The Commission trades only with recognised, creditworthy third parties. The Commission has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Commission's exposure to bad debts is minimal. There are no significant concentrations of credit risk, other than amounts due from the WA Department of Treasury and Finance (refer note 19).

The Commission's collection and account management policy includes, the holding of security (cash or bank guarantees), interest charging on overdue accounts and stop supply policies.

Provision for impairment of financial assets is calculated based on past experience, and current and expected changes in client credit ratings. Factors such as customer credit risk, security and the prevailing economic conditions are considered during this process. The maximum exposure to credit risk at balance sheet date in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provision for impairment, as shown in note 40.1.

For financial assets that are either past due or impaired, refer to Note 40.4.

The Commission's bad debt policy is in accordance with the Treasurer's Instruction 807, Financial Administration Regulation 7 and Division 6 of the Financial Management Act 2006.

Liquidity risk

The Commission is exposed to liquidity risk through its trading in the normal course of business. Liquidity risk arises when the Commission is unable to meet its financial obligations as they fall due. The Commission's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, loans and finance leases. The Commission has appropriate procedures to manage cash flows by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Commission's income or the value of its holdings of financial instruments. The Commission's policy in regard to managing foreign exchange risks through the use of financial exchange contracts is dealt with in Note 40.2.

The Commission's exposure to market risk for changes in interest rates relate primarily to the long-term debt obligations. The Commission's borrowings are all obtained through the Western Australian Treasury Corporation (WATC) and are at fixed rates with varying maturities. The risk is managed by WATC through portfolio diversification and variation in maturity dates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Commission enters into derivatives in order to manage market risks. All such transactions are carried out within the guidelines set by the Commission. Generally the Commission seeks to apply hedge accounting in order to manage volatility in profit or loss.

40.0 Financial instruments continued*Currency risk*

The Commission is exposed to currency risk on sales that are denominated in a currency other than the Australian dollar (AUD). The currencies in which these transactions primarily are denominated are the United States of America dollar (USD).

At any point in time the Commission hedges 75 percent of its estimated foreign currency exposure in respect of forecasted sales over the following 18 months. In addition, the Commission hedges at least 75 percent of all trade receivables denominated in a foreign currency. The Commission uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

The Commission also holds a US\$ commercial bank account which exposes the Commission to foreign currency risk. The balance of this account at 30 June 2009 is USD 1.709 million (2008: USD 5.322 million).

Interest rate risk

The Commission adopts a policy of ensuring that 100 percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis.

Categories of Financial Instruments

In addition to cash and bank overdraft, the carrying amounts of each of the following categories of financial assets and financial liabilities at balance sheet date are as follows:

	2009	2008
	\$000	\$000
Financial Assets		
Cash and cash equivalents	25,367	34,828
<i>Loans and receivables:</i>		
Trade Receivables	45,047	38,204
	<u>70,414</u>	<u>73,032</u>
Financial Liabilities		
<i>Financial liabilities measured at amortised cost</i>		
Trade payables	17,137	13,350
Land annuity obligations	27,913	25,054
Interest Bearing Borrowings	91,001	93,461
Forward Exchange Contracts	5,990	8,144
Deferred Land Rental	7,080	7,236
Embedded derivatives	-	1,809
	<u>149,121</u>	<u>149,054</u>

40.1 Credit Risk, Liquidity Risk and Interest Rate Risk Exposure

The following table details the exposure to liquidity risk and interest rate risk as at the balance sheet date. The Commission's maximum exposure to credit risk at the balance sheet date is the contractual cash flows in the following table. Except for Land Annuities Payable and deferred rental, the contractual cash flows is the carrying amount as at balance sheet date. The carrying amount of land annuity payments is \$27.913 million (2008 : \$25.054 million) and deferred rental is \$7.080 million (2008: \$7.236 million)

		2009					
		\$000					
Note	Effective Interest Rate %	Total	0 - 12 months	1 - 2 years	2 - 5 years	More than 5 years	
Financial assets							
Commonwealth Bank Cash Management Account	35.1	4.53%	23,257	23,257	-	-	-
Commonwealth Bank USD Account	35.1	1.09%	2,106	2,106	-	-	-
Treasury Funds Receivable	19.0		17,160	1,212	1,286	4,358	10,304
Trade Receivables	19.0		31,285	31,285	-	-	-
Provision for Doubtful Debts	19.0		(3,398)	(3,398)	-	-	-
Collateral security held - cash	40.4		(1,780)	(1,780)	-	-	-
Collateral security held - non cash			(4,364)	(4,364)	-	-	-
Total credit exposure - Trade Receivables			21,743	21,743	-	-	-
Foreign Exchange Contracts			6,095	6,095			
			70,361	54,413	1,286	4,358	10,304
Financial liabilities							
Trade Payables	27.0		6,182	6,182			
WA Treasury Corporations (long term loan variable)	28.0	5.14%	88,684	4,675	4,739	4,804	74,466
WA Treasury Corporations (short term loan fixed)	28.0	5.46%	2,317	2,317		-	-
Land Annuities Payable			37,181	3,284	4,380	6,467	23,050
Embedded Derivatives	31.0		-	-	-	-	-
Deferred Rental	31.0		29,269	318	1,432	1,800	25,719
			163,633	16,776	10,551	13,071	123,235

40.1 Credit Risk, Liquidity Risk and Interest Rate Risk Exposure continued

		2008				
		\$'000				
Note	Effective Interest Rate %	Total	0 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Financial assets						
Commonwealth Bank Cash Management Account	35.1	29,295	29,295	-	-	-
Commonwealth Bank USD Account	35.1	5,529	5,529	-	-	-
Treasury Funds Receivable	19.0	18,286	1,126	1,211	5,644	10,305
Trade Receivables	19.0	22,484	22,484	-	-	-
Provision for Doubtful Debts	19.0	(2,567)	(2,567)	-	-	-
Collateral security held - cash	40.4	(1,140)	(1,140)	-	-	-
Collateral security held - non cash		(4,371)	(4,371)	-	-	-
Total credit exposure - Trade Receivables		14,406	14,406	-	-	-
Foreign Exchange Contracts		8,767	6,785	1,982		
		76,283	57,141	3,193	5,644	10,305
Financial liabilities						
Trade Payables	27.0	5,052	5,052			
WA Treasury Corporations (long term loan variable)	28.0	84,116	4,173	4,235	13,093	62,615
WA Treasury Corporations (short term loan fixed)	28.0	9,345	9,128	217	-	-
Land Annuities Payable		33,822	2,219	4,070	5,186	22,347
Embedded Derivatives	31.0	3,428	9	33	238	3,148
Deferred Rental	31.0	32,116	715	411	2,232	28,758
		167,879	21,296	8,966	20,749	116,868

40.2 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 an amount up to 75% of its forecasted USD denominated sales. The objective of entering into these forward foreign exchange contracts is to reduce the Commission's exposure, and the impact on projected financial performance, of changes in the USD/AUD exchange rate.

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

Sell currency	Value date	USD sell amount \$'000	Historic forward rate	Buy currency	Buy amount \$'000	Current forward points	Current forward rate	Revalued buy currency 30 June 09	Revalued buy amount 30 June 09 \$'000	Variance currency	Variance amount \$'000
USD	30-Sep-09	1,800	0.9084	AUD	1,982	(0.005479)	0.805924	AUD	2,233	AUD	(251)
USD	31-Dec-09	1,800	0.7706	AUD	2,336	(0.010640)	0.800760	AUD	2,248	AUD	88
USD	31-Mar-10	1,200	0.6749	AUD	1,778	(0.015948)	0.795452	AUD	1,509	AUD	269
		<u>4,800</u>			<u>6,096</u>				<u>5,990</u>		<u>106</u>

40.3 Sensitivity Analysis

The following table represents a summary of the interest rate, currency and other sensitivities of the Commissions financial assets and liabilities at the balance sheet date on the surplus for the period and equity for a 1% change in rates. It is assumed the rates are held constant throughout the reporting period.

	2009				
	Carrying amount	-1% change		+1% change	
		Profit	Equity	Profit	Equity
(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	
<i>Interest rate sensitivity analysis</i>					
Financial Assets					
Cash and cash equivalents	25,363	(178)	(178)	178	178
Financial Liabilities					
WA Treasury Interest bearing loans and borrowings	91,001	637	637	(637)	(637)
Land Annuities Payable	27,913	(1,632)	(1,632)	1,924	1,924
Deferred Rental	7,080	(162)	(162)	635	635
	Carrying amount	-10% change		+10% change	
	Profit	Equity	Profit	Equity	
	(\$000's)	(\$000's)	(\$000's)	(\$000's)	

Currency sensitivity analysis

Financial Assets					
USD Bank Account ¹	2,106	164	164	(134)	(134)

¹ USD rate used in this analysis was the spot rate as at 30 June 2009 - AUD1 = USD .8114

	2008				
	Carrying amount	-1% change		+1% change	
		Profit	Equity	Profit	Equity
(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	
<i>Interest rate sensitivity analysis</i>					
Financial Assets					
Cash and cash equivalents	34,828	(348)	(348)	348	348
Financial Liabilities					
WA Treasury Interest bearing loans and borrowings	93,461	(935)	(935)	935	935
Land Annuities Payable	25,054	(1,852)	(1,852)	1,627	1,627
Deferred Rental	7,236	(696)	(696)	604	604
	Carrying amount	-10% change		+10% change	
	Profit	Equity	Profit	Equity	
	(\$000's)	(\$000's)	(\$000's)	(\$000's)	

Currency sensitivity analysis

Financial Assets					
USD Bank Account ¹	5,529	(345)	(345)	345	345

¹ USD rate used in this analysis was the spot rate as at 30 June 2008 - AUD1 = USD .9696

40.4 Credit risk concentrations

Accounts receivable consists largely of timber debtors, for which deposits and securities equivalent to an average of six weeks' deliveries are required to be lodged in favour of the Commission under timber contracts of sale. These deposits and securities are held in trust until the expiry or default of contracts. As at 30 June 2009, the value of deposits and securities was less than overdue accounts by \$4.541 million (deposits and securities exceeded overdue by \$2.97 million at 30 June 2008).

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 2009 is illustrated by the aged debtors table below:

	2009	2009	2009	2008	2008	2008
	Number of customers	Value overdue ¹ : \$000	Impairment: \$000	Number of customers	Value overdue ¹ : \$000	Impairment: \$000
1 to 30	11	3,173	1,128	19	4,602	1,128
31 to 60	3	1,218	573	4	2,335	573
Greater than 60	43	5,674	866	45	3,533	866
All overdue accounts	57	10,065	2,567	68	10,470	2,567

¹ Overdue beyond the Commission's agreed trading terms.

The likelihood of recovery as at 30 June 2009 was estimated and factored into the amounts provided for impairment of receivables (refer note 17). Where applicable, interest is charged under the terms of the customer's supply contract.

The Commission's debtors are based in Western Australia and as such credit risk is concentrated within the state.

Maximum exposure to credit risk for trade receivables by type of Customer

	2009	2008
Forest Product Manufacture/Supply	17,160	19,918
State Government	27,887	18,286
	45,047	38,204
	1,659	1,580
	293	228
	(170)	(149)
	1,782	1,659

40.5 Funds held in trust

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

Opening balance
Receipts
Payments
Closing balance

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

40.6 Fair values

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

The Commission's long and short term borrowings are valued as per the accounting policy in note 2. The Commission's borrowings of \$91.001 million (\$93.461 million at 30 June 2008) from the Western Australian Treasury Corporation (WATC) have been assessed by the WATC to have a net fair value of \$91.219 million (\$91.332 million at 30 June 2008) as at 30 June 2009. 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.

41.0 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

Income tax calculated at 30% of operating profit

Non-deductible expense

Underprovided / (overprovided) in prior periods

Current tax expense

Current year

Deferred tax expense

Relating to origination and reversal of temporary differences

Total income tax expense in income statement

	2009	2008
	\$000	\$000
	529	3,584
	159	1,075
	-	-
	(191)	1,501
	(32)	2,576
	(840)	10,332
	(840)	10,332
	808	(7,756)
	(32)	2,576
	(32)	2,576

41.0 Taxation continued**Recognised deferred tax assets and liabilities**

	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
	\$000	\$000	\$000	\$000	\$000	\$000
Receivables	(1,019)	(770)	-	-	(1,019)	(770)
Inventories	-	(362)	430	-	430	(362)
Land	-	(50)	3	-	3	(50)
Buildings	(273)	(242)	-	-	(273)	(242)
Nursery infrastructure	(680)	(670)	-	-	(680)	(670)
Plant, equipment and vehicles	(62)	(24)	-	-	(62)	(24)
Investment in Joint Venture	(216)	(129)	-	-	(216)	(129)
Natural resource assets	(5,445)	(5,922)	29,711	23,656	24,266	17,734
Employee provisions	(2,024)	(1,602)	-	-	(2,024)	(1,602)
Legal fee provision	-	-	-	-	-	-
Share farm annuities	(6,882)	(6,293)	-	-	(6,882)	(6,293)
Auditing fees provision	(29)	(30)	-	-	(29)	(30)
Provision for embedded derivatives	-	(543)	-	-	-	(543)
Deferred rental provision	(1,971)	(2,171)	-	-	(1,971)	(2,171)
Restoration provision	(2,000)	(1,845)	-	-	(2,000)	(1,845)
Deferred income	(24)	(24)	-	-	(24)	(24)
Incentive payments provision	(8,374)	(7,516)	-	-	(8,374)	(7,516)
Reserves	-	-	3,410	3,016	3,410	3,016
Tax value of loss carry-forwards recognised	(4,874)	-	-	-	(4,874)	-
Net tax (assets) / liabilities	(33,873)	(28,193)	33,554	26,672	(319)	(1,521)

41.0 Taxation continued**Movement in temporary differences during the year**

	Balance 1 July 07	Recognised in income	Recognised in equity	Balance 30 June 08	Balance 1 July 08	Recognised in income	Recognised in equity	Balance 30 June 09
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Receivables	(387)	(383)	-	(770)	(770)	(249)	-	(1,019)
Performance Security Account - Premium	(92)	92	-	-	-	-	-	-
Plantations 2005	866	(1,228)	-	(362)	(362)	792	-	430
Inventories	(207)	157	-	(50)	(50)	53	-	3
Land	(211)	(31)	-	(242)	(242)	(31)	-	(273)
Buildings	(786)	116	-	(670)	(670)	(10)	-	(680)
Nursery infrastructure	(22)	(2)	-	(24)	(24)	(38)	-	(62)
Plant, equipment and vehicles	(147)	18	-	(129)	(129)	(87)	-	(216)
Investment in Joint Venture	13,429	4,305	-	17,734	17,734	6,532	-	24,266
Natural resource assets	(1,680)	78	-	(1,602)	(1,602)	(422)	-	(2,024)
Employee provisions	(1)	1	-	-	-	-	-	-
Legal fees provision	(371)	(5,922)	-	(6,293)	(6,293)	(590)	-	(6,882)
Share farm annuities	(29)	(1)	-	(30)	(30)	1	-	(29)
Auditing fees provision	(820)	277	-	(543)	(543)	543	-	-
Provision for embedded derivatives	(5,434)	3,263	-	(2,171)	(2,171)	200	-	(1,971)
Deferred rental provision	(2,708)	863	-	(1,845)	(1,845)	(155)	-	(2,000)
Restoration provision	(15)	(9)	-	(24)	(24)	-	-	(24)
Deferred income	(661)	(6,855)	-	(7,516)	(7,516)	(858)	-	(8,374)
Incentive payments provision	1,711	-	1,305	3,016	3,016	(1)	395	3,410
Reserves	-	-	-	-	-	(4,874)	-	(4,874)
Tax value of loss carry-forwards recognised								
Net tax (assets) / liabilities	2,435	(5,261)	1,305	(1,521)	(1,521)	807	395	(319)

Provision for taxation

Opening	8,982	595
Provision raised / (reversed)	(840)	10,332
Tax Paid	-	(1,945)
Closing	8,142	8,982

	2009	2008
42.0 Remuneration of members of the Accountable Authority and Senior Officers		
42.1 Remuneration of members of the Accountable Authority		
The number of Members of the Accountable Authority (Commissioners) whose total of fees, salaries, superannuation ¹ , travel and other benefits received, or which are due and receivable, for the financial year which fall within the following bands, is as follows:		
\$		
0 - 10,000		2
10,000 - 20,000		4
20,000 - 30,000	6	3
30,000 - 40,000		-
40,000 - 50,000		-
50,000 - 60,000	1	1
	7	10
Total remuneration of Members of the Accountable Authority for the financial period was	203,867	207,438
Remuneration of Members of the Accountable Authority was comprised of:		
Short-term employee benefits	175,101	176,599
Allowances	13,007	14,899
Post employment benefits (defined contribution funds)	15,759	15,940
	203,867	207,438
¹ No member of the Accountable Authority is a member of the Pension Scheme.		
42.2 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	-	2
130,001 - 140,000	1	2
140,001 - 150,000	2	-
230,001 - 240,000	1	1
	4	5
Total remuneration of Senior Officers for the financial period was	666,219	620,880
Remuneration of Senior Officers was comprised of:		
Short-term employee benefits	574,983	530,599
Allowances	66,828	64,159
Post employment benefits	24,408	26,122
	666,219	620,880

43.0 Related/affiliated bodies**43.1 Related bodies**

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

43.2 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 24.

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 21 for details of financial transactions.

44.0 Remuneration of auditor

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

Auditing the accounts, financial statements and performance indicators

Provision for remuneration of auditor

Opening balance

Payments made during the period

Amounts provided during the period

Closing balance

	2009	2008
	\$000	\$000
	98	100
	100	95
	(163)	(100)
	161	105
	98	100
	-	-
	-	-
	-	-
	-	42

45.0 Supplementary financial information**45.1 Write-offs**

Debtors

Total

45.2 Losses through theft, defaults and other causes**45.3 Gifts of public property**

46.0 Segment Information

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 (Maintenance) - This sector is responsible for maintenance of plantations in the low rainfall zone. The objective of this arm of the Commission is to maintain establishments that sustain and develop the timber industry; ameliorate salinity and address soil degradation.

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

New plantations (Investment) - This sector is responsible for Establishment of plantations in the low rainfall zone. The objective of this arm of the Commission is to produce timber to sustain the timber industry, to ameliorate salinity and address soil degradation.

Support services:

Corporate & Support Services - This sector provides corporate management and business administration (human resources, contract administration and finance) support to the operating arms of the business as well as the Business Development activities of marketing, expert services in the exploration and analysis of business opportunities.

46.0 Segment Information continued

	2009									
	South West Forest	Arid Forest	Plant Propagation Centre	New Plantations (Maintenance)	Mature Plantations	Corporate & Support Services	New Plantations (Investment)	Capitalisation	Eliminations	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue										
External Segment Revenues	43,574	11,445	1,259	871	50,939	8,233	12,619	-	-	128,940
Inter-Segment Sales	-	-	4,199	-	-	-	-	-	(4,199)	-
Total Revenue	43,574	11,445	5,458	871	50,939	8,233	12,619	-	(4,199)	128,940
Expenses										
Employee Expenses	(3,738)	(620)	(3,658)	(1,666)	(2,061)	(10,008)	(2,548)	2,577	-	(21,722)
External Segment Expenses	(35,047)	(7,946)	(2,971)	(5,713)	(48,909)	(10,135)	(9,834)	9,834	4,199	(106,522)
Interest					(2,014)		(3,020)			(5,034)
Total Expenses	(38,785)	(8,566)	(6,629)	(7,379)	(52,984)	(20,143)	(15,402)	12,411	4,199	(133,278)
Natural Resource Asset Valuation Increment (Decrement)	(906)	1,323	-	(9,012)	13,461	1	-	-	-	4,867
Profit (loss) before Tax	3,883	4,202	(1,171)	(15,520)	11,416	(11,909)	(2,783)	12,411	-	529
Allocation of Income Tax	(1,165)	(1,261)	351	4,656	(3,425)	876	-	-	-	32
Profit for the period	2,718	2,941	(820)	(10,864)	7,991	(11,303)	(2,783)	12,411	-	561
Total Segment Assets	164,058	108,436	14,094	109,814	324,500	(229,814)	-	-	-	491,088

46.0 Segment Information continued

	2008									
	South West Forest	Arid Forest	Plant Propagation Centre	New Plantations (Maintenance)	Mature Plantations	Corporate & Support Services	New Plantations (Investment)	Capitalisation	Eliminations	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue										
External Segment Revenues	45,190	14,543	1,338	1,589	56,968	5,571	12,659	-	-	137,858
Inter-Segment Sales	-	-	4,315	-	-	-	-	-	(4,315)	-
Total Revenue	45,190	14,543	5,653	1,589	56,968	5,571	12,659	-	(4,315)	137,858
Expenses										
Employee Expenses	(2,967)	(646)	(3,286)	(1,041)	(1,574)	(7,265)	(2,702)	2,702	-	(16,779)
External Segment Expenses	(31,137)	(12,653)	(2,457)	(4,095)	(40,651)	(13,864)	(10,018)	10,018	4,316	(100,541)
Interest	-	-	-	-	(2,014)	-	(3,019)	-	-	(5,033)
Total Expenses	(34,104)	(13,299)	(5,743)	(5,136)	(44,239)	(21,129)	(15,739)	12,720	4,316	(122,353)
Natural Resource Asset Valuation Increment (Decrement)	(2,269)	4,700	-	5,331	(7,559)	-	(12,124)	-	-	(11,921)
Profit (loss) before Tax	8,817	5,944	(90)	1,784	5,170	(15,558)	(15,204)	12,720	1	3,584
Allocation of Income Tax	(2,645)	(1,783)	27	(535)	(1,552)	3,912	-	-	-	(2,576)
Profit for the period	6,172	4,161	(63)	1,249	3,618	(11,646)	(15,204)	12,720	1	1,008
Total Segment Assets	116,947	41,686	15,852	28,984	174,026	51,837	25,569	-	-	454,901

47.0 Change of accounting policy

There has been no change of accounting policy for 2009.

48.0 Additional information**Domicile and legal form:**

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

Principal office:

Level 1/117 Great Eastern Highway, Rivervale, Perth, Western Australia, Australia.

Operations and principal activities:

The Forest Products Commission is responsible for the commercial production, allocation and sale of forest products from Western Australia's native forests and from State-owned and managed plantations.

Parent entity:

Government of Western Australia.

APPENDIX 1 Trends in the area of Native Forest harvested by the Commission (hectares)

	Jarrah forest	Mixed Jarrah/Karri forest	Jarrah/wandoo forest	Karri forest	
				Clearfelled or partially cut	Thinned
1976-77	32,320		1,170	2,610	-
1977-78	26,020		740	4,450	-
1978-79	25,540		530	2,710	-
1979-80	25,150		860	2,110	60
1980-81	22,930		1,440	2,080	180
1981-82	24,680		610	2,180	320
1982-83	23,740		330	990	190
1983-84	21,540		580	1,490	260
1984-85	20,010		1,440	2,360	500
1985-86	22,640		650	1,590	340
1986	19,340		1,150	1,090	490
1987	17,180		1,380	1,310	700
1988	23,400		490	1,180	840
1989	15,130		200	1,510	910
1990	12,960		100	1,560	340
1991	10,910		-	1,920	230
1992	13,990		30	1,540	310
1993	14,250		40	1,630	80
1994	14,050		50	1,440	-
1995	17,830		30	2,410	-
1996	22,320		50	1,300	60
1997	18,240		60	1,870	60
1998	19,250		60	1,970	320
1999	14,200		50	1,890	360
2000	20,570		10	1,310	70
2001	*15,130		-	1,380	120
2002	*12,870		30	700	350
2003	8,520		-	720	485
2004	8,860		-	330	920
2005	6,220		30	460	1,070
2006	8,425	33	308	363	1,127
2007	7,189	16	59	547	999
2008	6583	36	0	347	661

APPENDICES 13

Appendix 1	Trends in the area of native forest harvested by the Commission (hectares)	97
Appendix 2	Areas of coniferous (pine) plantations as at 31 December 2008 (hectares)	98
Appendix 3	Areas of broadleaved (eucalypt) plantations as at 31 December 2008 (hectares)	99
Appendix 4	Areas of sandalwood (<i>Santalum.spicatum</i> and <i>S. album</i>) plantations (hectares) as at 31 December 2008	99
Appendix 5	Log production by the Commission from Crown land and private property in 2008/09	100
Appendix 6	Native forest sawlog production by the Commission in 2008/09	101
Appendix 7	Native forest chiplog production by the Commission	101
Appendix 8	Native forest fuelwood production by the Commission	101
Appendix 9	Sandalwood production by the Commission from Crown land	101
Appendix 10	Strategies and Targets	102

APPENDIX 2 Areas of coniferous (pine) plantations as at 31 December 2008 (hectares)

Year	Commission Owned								Commission Managed		Grand Total
	Pinus radiata				Other Pine				Pinus radiata	Other Pine	
	1st Rotation		Subsequent		1st Rotation		Subsequent		1st Rotation	1st Rotation	
	State	Sharefarms	State	Sharefarms	State	Sharefarms	State	Sharefarms	Sharefarms	Sharefarms	
Pre 1970	382	11	26	-	5785	69	47	17	-	-	6337
1970	88	-	-	-	1070	-	19	-	-	-	1177
1971	158	-	1	-	732	-	-	-	-	-	891
1972	281	-	-	-	580	-	-	-	-	-	861
1973	69	-	18	-	487	-	3	-	-	-	576
1974	373	-	-	-	275	-	0	-	-	-	648
1975	343	-	-	-	1177	-	-	-	-	-	1520
1976	432	3	5	-	1101	-	1	-	-	-	1541
1977	424	-	30	-	844	-	-	-	-	-	1297
1978	646	-	8	-	448	-	-	-	-	-	1102
1979	810	2	106	-	364	-	-	-	-	-	1282
1980	1462	-	-	-	742	-	-	-	-	-	2204
1981	1342	-	94	-	861	-	8	-	-	-	2305
1982	1192	-	239	-	457	-	5	-	-	-	1893
1983	1219	-	36	-	583	-	-	-	-	-	1838
1984	1813	-	3	-	497	-	9	-	-	-	2321
1985	1588	40	121	-	477	-	2	-	-	-	2228
1986	876	148	-	-	417	-	-	-	-	-	1441
1987	667	522	148	-	531	57	0	-	-	-	1942
1988	419	1123	121	4	84	87	-	-	-	-	1837
1989	549	358	406	32	22	-	22	-	-	-	1390
1990	138	582	328	-	-	-	16	-	-	-	1064
1991	74	985	509	29	4	-	17	-	-	-	1618
1992	10	1788	516	-	-	-	331	-	-	-	2645
1993	-	661	1008	-	135	5	307	-	-	-	2115
1994	143	405	520	13	-	-	392	-	-	-	1473
1995	4	95	1116	1	-	276	136	-	-	-	1628
1996	14	9	1172	-	160	504	31	-	-	-	1891
1997	3	2	1125	-	-	1188	166	-	-	16	2499
1998	15	75	79	-	-	1499	-	-	-	306	1974
1999	32	42	819	-	6	2220	197	-	-	347	3682
2000	5	198	1162	-	26	3895	13	-	-	257	5575
2001	-	0	929	-	-	2986	-	-	-	349	4264
2002	3	177	734	-	-	656	-	-	-	209	1779
2003	-	627	936	-	-	825	69	-	-	312	2769
2004	5	-	1274	-	432	609	137	-	-	131	2588
2005	12	27	1338	-	120	418	84	-	-	238	2238
2006	4	3	1501	53	48	1458	-	-	-	97	3164
2007	21	-	1505	-	-	2516	49	-	-	241	4331
2008	-	534	1644	9	-	1242	-	-	-	-	3428
Grand Total	15614	8417	19575	140	18466	20507	2062	33	40	2502	87357

APPENDIX 3

Areas of broadleaved (eucalypt) plantations as at 31 December 2008 (hectares)

Pyear	Commission Owned				Commission Managed		Grand Total
	E.globulus		Other eucalyptus		E.globulus		
	State	Sharefarms	State	Sharefarms	State	Sharefarms	
Pre 1988	8	-	6557	1	-	-	6566
1988	-	3	11	-	-	-	14
1989	-	79	2	-	-	-	81
1990	20	7	25	23	-	-	75
1991	0	-	38	-	-	-	39
1992	6	185	-	-	-	-	190
1993	-	62	6	-	-	-	68
1994	-	8	2	-	-	-	9
1995	3	-	-	-	-	-	3
1996	-	4	6	3	-	222	235
1997	17	-	-	12	-	396	425
1998	23	38	-	6	-	676	742
1999	-	-	9	1	-	279	289
2000	-	54	29	2	-	491	576
2001	-	73	-	32	-	-	105
2002	-	27	1	487	-	55	571
2003	-	26	39	306	-	-	372
2004	-	173	160	611	-	-	944
2005	-	-	45	265	-	-	311
2006	-	5	15	1068	-	-	1088
2007	3	-	23	1160	-	-	1186
2008	-	-	-	900	-	-	900
Grand Total	79	745	6967	4878	0	2120	14789

APPENDIX 4

Areas of sandalwood (*Santalum.spicatum* and *S. album*) plantations (hectares) as at 31 December 2008

Pyear	Commission Owned		Commission Managed		Grand Total
	State	Sharefarms	State	Sharefarms	
1997	-	5	-	-	5
1998	-	-	-	19	19
2000	-	19	-	-	19
2001	-	48	-	-	48
2002	-	49	-	12	61
2003	4	55	-	22	80
2004	35	106	-	4	146
2005	39	174	-	-	212
2006	22	510	-	1	533
2007	47	1528	-	-	1575
2008	-	2714	-	-	2714
Grand Total	147	5208	0	58	5413

APPENDIX 5 Log production by the Commission from Crown land and private property in 2008/09

Product type	Crown land		Private property		Total	
	m ³	tonnes	m ³	tonnes	m ³	tonnes
Sawlog timber						
Jarrah	147,149	191,942	-	-	147,149	191,942
Karri	52,141	64,655	-	-	52,141	64,655
Marri	3,885	4,817	-	-	3,885	4,817
Blackbutt	915	1,140	-	-	915	1,140
Wandoo	78	102	-	-	78	102
Sheoak	1,422	1,422	-	-	1,422	1,422
Other	28	34	-	-	28	34
Total native forest sawlogs	205,618	264,112	-	-	205,618	264,112
Karri	64	76	-	-	64	76
Yellow Stringybark	9	11	-	-	9	11
Muellerana	1,608	1,913	-	-	1,608	1,913
Total plantation hardwood sawlogs	1,681	2,000	-	-	1,681	2,000
Pinaster	141,600	141,600	233	233	141,833	141,833
Radiata	305,628	305,628	65,216	65,216	370,844	370,844
Plantation softwood sawlogs and veneer logs	447,228	447,228	65,449	65,449	512,677	512,677
Total sawlogs	654,527	713,340	65,449	65,449	719,976	778,789
Other log material						
Native forests						
Chiplogs	167,805	199,066	-	-	167,805	199,066
Firewood/charcoal logs	138,355	158,554	-	-	138,355	158,554
Sandalwood	2,341	2,341	-	-	2,341	2,341
other *	3,760	4,643	-	-	3,760	4,643
Sub-total native forest other	312,261	364,604	-	-	312,261	364,604
Plantation hardwood						
Chiplogs**	1,805	2,148	-	-	1,805	2,148
Firewood/charcoal logs	716	716	-	-	716	716
other *	2	3	8	10	10	13
Sub-total hardwood plantation other	2,523	2,867	8	10	2,531	2,877
Plantation softwood						
Industrial wood	385,171	385,387	19,127	19,127	404,298	404,514
Woodchips	58,160	58,134	901	865	59,061	58,999
Other	14,125	14,125	-	-	14,125	14,125
Pine rounds	18,773	18,773	395	395	19,168	19,168
Sub-total plantation softwood other	476,229	476,419	20,423	20,387	496,652	496,806
Total other material	791,013	843,890	20,431	20,397	811,444	864,287
TOTAL LOG TIMBER	1,445,540	1,557,230	85,880	85,846	1,531,420	1,643,076

Includes logs from Crown land sold under Minor Production contracts.

* Includes poles, bridge timbers, burls, chopping logs, mining timber, craftwood, pegging logs & fencing material.

** Includes woodchips.

APPENDIX 6

Native forest sawlog production by the Commission in 2008/09

	High quality sawlogs	1st & 2nd grade sawlogs	Bole sawlogs	Other sawlogs	Total
Species	m ³	m ³	m ³	m ³	m ³
Jarrah	535	89,974	36,411	20,229	147,149
Karri	189	48,777	-	3,175	52,141
Marri	116	-	-	3,769	3,885
Other species	717	59	70	1,597	2,443
Total	1,557	138,810	36,481	28,770	205,618

	tonnes	tonnes	tonnes	tonnes	tonnes
Jarrah	664	118,315	47,880	25,083	191,942
Karri	235	60,484	-	3,936	64,655
Marri	144	-	-	4,673	4,817
Other species	854	77	92	1,675	2,698
Total	1,897	178,876	47,972	35,367	264,112

Includes logs from Crown land sold under Minor Production contracts

APPENDIX 7

Native forest chiplog production by the Commission

Species	Crown land 2006/07		Crown land 2007/08		Crown land 2008/09	
	m ³	tonnes	m ³	tonnes	m ³	tonnes
Marri	3,147	3,901	3,973	4,905	5,349	6,627
Karri	153,639	182,093	137,626	163,493	147,459	174,892
Other	6,927	8,106	27,246	31,878	14,997	17,547
Total	163,713	194,100	168,845	200,276	167,805	199,066

APPENDIX 8

Native forest fuelwood production by the Commission

	2006/07	2007/08	2008/09
Product type	tonnes	tonnes	tonnes
Firewood logs	51,160	47,998	67,366
Charcoal logs	82,186	84,004	91,188
Total	133,346	132,002	158,554

APPENDIX 9

Sandalwood production by the Commission from Crown land

	2006/07	2007/08	2008/09
Product type	tonnes	tonnes	tonnes
Green (excl. roots & 3rd grade)	1,178	1,008	1,261
Roots	173	343	232
3rd grade green	99	185	249
Dead	682	656	599
Bark	-	-	-
Total	2,132	2,192	2,341

APPENDIX 10

Strategies and Targets

	Status		
	A1	A2	A3
South West Forests			
• Financial performance meets target.			✓
• Contracts for sale achieve 30% recovery of the available gross timber volume (including residues) by 30 June 2009.	✓		
• Achieve target for delivery of first and second grade sawlogs in accordance with delivery schedule and the FMP allowable harvest.	✓		
• Improved planning and approvals lead times.	✓		
• Regeneration of <i>harvested areas</i> within time limits as specified in the Forest Management Plan.		✓	
• Required percentage of timber resource for value added output is achieved for each contract of sale.		✓	
Arid Forests			
• Financial performance meets target.			✓
• Root recovery to remain above a minimum of 10% of total green sandalwood harvest.	✓		
• Green sandalwood harvest not to exceed 1,500t per annum.	✓		
• Sandalwood sustainability plan completed by January 2009.		✓	
• Markets for lower grade sandalwood established.		✓	
Mature Plantations			
• Financial performance meets target.			✓
• Cost of harvesting and cost of re-establishment not to exceed budget.		✓	
• Economic returns from plantations to increase to meet FPC hurdle rate.		✓	
• Establish 300 ha of second rotation backlog.	✓		
• Pre Harvest Inventory (PHI) introduced and applied in harvest operation for 30% of clearfall harvest areas.		✓	
New Plantations			
• Establish plantings within budget and in accordance with agreed program (100% of land acquired for planting and 75% of target areas established within the financial year).	✓		
• Appropriate funding strategy for ongoing plantation maintenance established.		✓	
• Unit cost of plantation establishment meets target.		✓	
• Systems implemented to measure reduction achieved in salinity and improvements achieved in water quality on 10 sites identified in the Monitoring and Evaluation Reporting Plan.	✓		
• Greenhouse Friendly accreditation attained.		✓	
Plant Propagation			
• 95% of orders filled on time and to specification.		✓	
• Unit cost of seed and seedlings not to exceed budget unit cost.		✓	
• Achieve species targets for seed collection.	✓		
• Achieve budget target for seed sales.	✓		

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
Clearfelling	A silvicultural system in which all trees in an area are removed at one time to allow regeneration to establish and develop as an even-aged stand
Coniferous	Softwood, cone bearing species
Crown	A tree's canopy or foliage
Cubic metre (m ³)	Measure of timber volume
Exotic species	A species not native to a region
Falling or felling	Cutting down trees
Flitches	Partly sawn log for further processing
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
Low grade logs	Logs unsuitable for sawmilling, but suitable for other uses including manufacturing of reconstituted wood products, wood chipping, charcoal and energy generation
Plantation	A planted forest
Residues	Part of trees other than bole or trunk including branches, needles and tree stumps
Share-farming	Contractual agreement with a farmer or landowner over an agreed period of years to use cleared land for commercial tree cropping
Silviculture	Theory and practice of managing stands of trees for establishment, quality and growth
Softwood	Tree species, of the gymnosperm group, or the timber from it. Most commonly conifers (cone-bearing)
Thinning	Felling of a proportion of the trees in an immature stand for the purpose of improving the growth of trees that remain without permanently breaking the canopy and encouraging regeneration
Timber	General term used to describe sawn wood suitable for building, furniture construction and other purposes
Sustainable yield	Sustainable yield of a forest is the maximum level of commercial harvest that can be maintained under a given management regime
Veneer logs	High quality logs that can be sliced or peeled to produce veneer

ACRONYMS

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 ₂	Carbon dioxide
CRC	Cooperative Research Centre
DEC	Department of Environment and Conservation
EMS	Environmental Management Systems
FIAA	Furnishing Industry Association of Australia
FIFWA	Forestry Industry Federation (WA)
FMP	Forest Management Plan 2004-2013
FPC	Forest Products Commission
IFRS	International Financial Reporting Standards
GST	Goods and Services Tax
ISO 14001	International Standards Organisation 14001. The international standard for environmental management systems
KPI	Key Performance Indicator
LTI	Lost Time Incident
LVL	Laminated veneer lumber
NAP	National Action Plan for Salinity and Water Quality
NREP	National Renewable Energy Target
NRM	Natural Resource Management
NTER	National Tax Equivalent Regime
PEFC	Program for the Endorsement of Forest Certification schemes
RFA	Regional Forest Agreement
RIRDC	Rural and Industries Research and Development Council
SCI	Statement of Corporate Intent
SGARA	Self Generating and Regenerating Assets
STF	Strategic Tree Farming project
UIG	Urgent Issues Group
WATC	Western Australian Treasury Corporation

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