



Forest Products Commission ▪

Annual Report - Volume 1

▪ July 2001 – June 2002





The Commission

The Forest Products Commission is a Government enterprise working with industry and the community to develop and promote the use of Western Australia's renewable timber resources.

The business

We harvest and market the State's plantation and native timber in a sustainable way, grow and expand plantations, and develop and promote the forest products industry.

How we operate

We operate at international standards of environmental management to maximise the value of forest products in a renewable and balanced way.

Shaping the future

We are shaping a modern and innovative forest products industry, creating regional employment and generating export income for the benefit of all Western Australians.

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This publication is the first of two volumes, which together form the Forest Products Commission Annual Report 2001-02.

For information on corporate services and compliance, key performance indicators and financial statements refer to Volume 2 of the Annual Report.

For a copy of the full report visit www.fpc.wa.gov.au or contact the Forest Products Commission on (08) 9475 8888.

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

In accordance with Section 66 of the *Financial Administration and Audit Act*, I hereby submit for your information and presentation to Parliament, the Annual Report of the Forest Products Commission Western Australia for the year ended 30 June 2002.



Murray Jorgensen
Chairman, Forest Products Commission Western Australia



The year 2001-02 was the first full year of operation as a Commission. Commissioners and the management team are proud of the way in which the agency has stabilised following the challenges of separation from the previous departmental structure, and responding as a commercial enterprise to changes in forest policy.



The Commission has a very clear focus on development of the new South-West timber industry that will deliver high rates of employment, high value production and export revenue from the available jarrah, karri and marri resource. Initiatives to assist the development of export markets are highlighted later in this report. The end products will depend almost entirely on the outcomes of the request for proposals for jarrah sawlog contracts, and our staff have worked tirelessly during the year to design the request, then work through the intricacies of the proposals that were submitted. This time has also been very difficult for businesses and their employees in the forest products/timber industry, and the Commission appreciates the professional and cooperative manner in which industry has worked with Government to create the conditions which we all hope will produce a new and vibrant, high-value industry in the coming years.

During the year, the Commission has also turned its attention from establishment of the organisation to the strategic direction for development of the forest products business in Western Australia. In addition to the restructuring of the South-West industry, the main direction is development and expansion of the plantations and related industry.

The Commission has now secured approval from the Government for capital investment into new plantations over the next four years. The Commission's priorities are targeted at meeting the growth projections for the existing and proposed softwood industries, and developing new opportunities for Western Australia. In a cohesive and coordinated way, the Commission is looking to develop plantations that will supply identified processing industries in relevant regions - the right trees in the right place for the right industries.

Running on solar power, these plantations will deliver:

- timber;
- salinity control;
- biomass energy;
- carbon sequestration; and
- protection and enhancement of biodiversity

This is a five star investment product.

The Commission's philosophy recognises trees and plantations provide much more to Western Australia than financial returns - they are a renewable resource that helps to deliver on truly sustainable development. We are proud of our role in delivering these benefits to Western Australia.

The Commission wishes to acknowledge the professional dedication of the staff in responding to the challenges of becoming a more commercially focused enterprise during a significant period of change in forestry in Western Australia.



Murray Jorgensen
CHAIRMAN

Paul Biggs
GENERAL MANAGER

Values and Objectives

Our vision

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

The Forest Products Commission was created on 16 November 2000 as the State's trading enterprise responsible for the allocation and sale of forest products from State-owned and State-managed plantations and from the State's native forests and woodlands. The Commission works with industry and the community to develop and promote the use of Western Australia's renewable timber resources.



Our mission

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

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

Values

Achievement

We will deliver best practice service.

Innovation

We will be creative and innovative in meeting our objectives.

Leadership

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

Customer focus

We will understand and meet our customers' needs.

Environmental responsibility

We will adhere to ecologically sustainable management.

Accountability

We will adhere to processes that are understood and measured.

Integrity

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

Objectives

The values of the Forest Products Commission underpin all our activities as we work to:

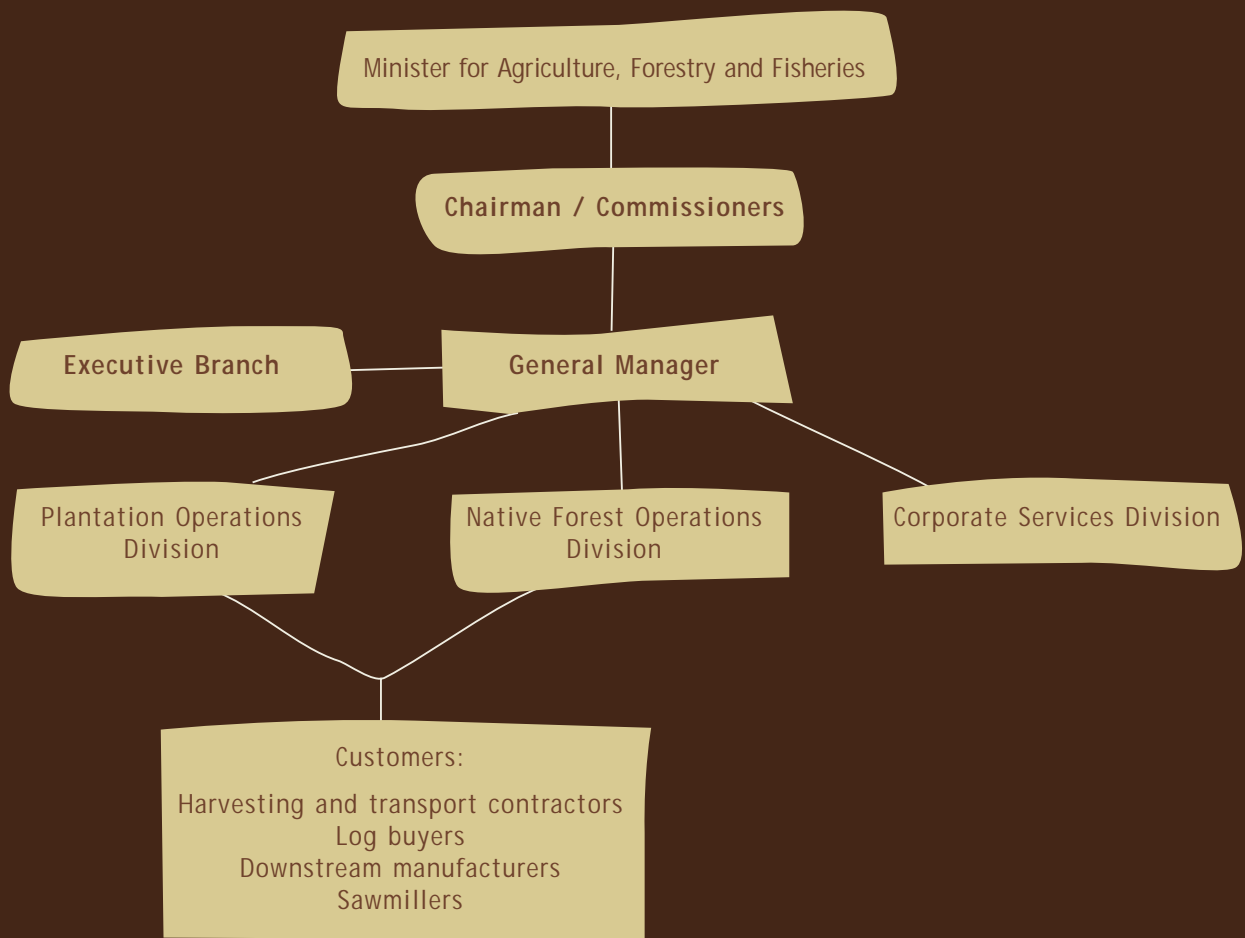
- Provide forest products to industry from publicly owned and managed plantations and native forests, consistent with management plans.
- Increase the areas of hardwood and softwood plantations to meet regional development opportunities and environmental objectives.
- Promote increased levels of economic return to Western Australia from the use of forest products by:
 - increasing the level of value added production and downstream manufacturing in Western Australia through Government assistance, setting conditions on contracts of sale and providing security for investment;
 - contributing to the marketing of forest products;
 - contributing to the research and development of new products and techniques for processing Western Australian timbers;
 - providing leadership in the restructure of the native forest products industry; and
 - promoting the environmentally sustainable sale and use of lower grade and residue material.

Organisational Structure

During the year, the Commission revised its structure in response to the reduced level of activity and revenue from native forests. The Division of Industry Development and Marketing was suspended and

its functions transferred to the two operational divisions. Within Native Forest Operations, two branches operating from Harvey and Manjimup were amalgamated into a single South-West branch based in

Harvey. These changes helped the Commission to reduce operational costs and staffing to levels appropriate for the current native forest business.



O u r O r g a n i s a t i o n

T h e C o m m i s s i o n e r s

The Commissioners are appointed for their expertise in commercial activities, the plantation timber industry or in the labour relations field, as is relevant to the functions of the Forest Products Commission.



Murray Jorgensen - Chairman

Mr Jorgensen is the Principal of a management and business consultancy for a wide range of local Government and commercial clients. He has extensive experience in local Government, including five years as the Shire Clerk at the Shire of Manjimup and 10 years as the Chief Executive Officer of the Town of Albany. He was Deputy Chair of Commissioners at the City of Cockburn between April 1999 and December 2000.

Dr Per Christensen - Deputy Chairman

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

Sandy Breeze

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

John Castrilli

Mr Castrilli has been Mayor of the City of Bunbury since May 1997. He has extensive experience in accounting, financial management and commerce and is a board member on a wide range of Government, business, educational and community groups.

Dr Marilyn Clark-Murphy

Dr Clark-Murphy is a senior lecturer in finance at Edith Cowan University (ECU). Prior to joining ECU she had a long career in industry and has broad experience in financial management and stock broking. Dr Clark-Murphy has served as a board member of several Government instrumentalities/agencies. She was a Commissioner to the City of Wanneroo from November 1997 to December 1999, overseeing the creation of two separate local Government authorities, and member of the Metropolitan Cemeteries Board from 1994 to 2002.



Forest Products Commissioners. Pictured from left to right (background) are John Castrilli, Sandy Breeze, Ray Curo, Dr Per Christensen (Deputy Chairman), Nick Oaks, and (front) Murray Jorgensen (Chairman) and Dr Marilyn Clark-Murphy.

Ray Curo

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

Nick Oaks

Mr Oaks is currently employed as a Workers Employment Adviser supporting the implementation of the Workers Assistance Program, a part of the Government's "Protecting Our Old Growth Forests" policy. He was previously the South-West organiser of the Australian Workers' Union for 11 years. Mr Oaks is a board member of the Forest Heritage Centre, President of the Bridgetown-Greenbushes Shire Council, Chair of the Timber Training Group, Chair of the WA Primary Industries Training Council and Deputy Chair of the Warren Blackwood Economic Alliance.

The Board of Commissioners met 17 times during the year with all Commissioners attending 14 or more meetings.

<i>Murray Jorgensen</i>	<i>14</i>
<i>Dr Per Christensen</i>	<i>16</i>
<i>Sandy Breeze</i>	<i>16</i>
<i>John Castrilli</i>	<i>14</i>
<i>Dr Marilyn Clark-Murphy</i>	<i>14</i>
<i>Ray Curo</i>	<i>17</i>
<i>Nick Oaks</i>	<i>16</i>

C o m m i t t e e s

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

Risk Management and Audit Committee

Dr Marilyn Clark-Murphy - Chairperson
Mr John Castrilli
Mr Ray Curo

Bole Log Utilisation Sub-Committee

Mr Ray Curo - Chairperson
Dr Per Christensen
Mr Nick Oaks

Finance Committee

Dr Marilyn Clark-Murphy - Chairperson
Mr John Castrilli
Mr Ray Curo

Communications Committee

Ms Sandy Breeze
Dr Per Christensen

In addition, Mr Murray Jorgensen is a member of the Forest Management Plan Steering Committee with members of the Conservation Commission and staff of the Department of Conservation and Land Management. The General Manager and staff of the Commission also attended meetings of the Steering Committee.

The Executive

The Commission Executive, headed by Dr Paul Biggs, takes responsibility for the three divisions of the organisation - Native Forest Operations, Plantation Operations and Corporate Services.



Dr Paul Biggs - General Manager

Paul Biggs holds a Bachelor of Science (Hons) in Forestry and a PhD in Forestry from Melbourne University. He has a strong technical background in forest measurement and has been recognised for scientific writing with awards from the American Society of Photogrammetry and the Institute of Foresters of Australia. He worked in a range of senior positions with the Department of Conservation and Land Management and has been a Policy Adviser to previous Ministers for the Environment and Forest Products.

Gavin Butcher - Divisional Manager Plantation Operations

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

Jon Murch - Divisional Manager Native Forest Operations

Jon Murch has been involved in the management of forest resources in Western Australia for nearly 30 years, and has specialist experience in managing native forest and plantation contracts and the selling of timber products. Before being appointed to his current position, he was the Manager for Forest Resources with the Department of Conservation and Land Management. He holds a Bachelor of Science (Hons) in Forestry, specialising in harvest management and the selection of harvesting systems.

Gary Downes - Divisional Manager Corporate Services

Gary Downes has occupied the position of Chief Financial Officer for a number of boards of management and has extensive executive experience in business analysis, information technology, legal issues, strategic positioning and company secretarial matters. He holds a Bachelor of Business degree, is a Fellow of CPA Australia and is a member of the Australian Institute of Company Directors. He was Deputy Chair of Uniting Church Homes and Chair of the Board's Finance and Audit Committee.

The Forest Products Commission Executive (left to right) Gary Downes, Gavin Butcher, Jon Murch and Dr Paul Biggs (General Manager)



B u s i n e s s P r o f i l e

The year 2001-02 was the first full year of operations for the Forest Products Commission which has responsibility for the commercial production, allocation and sale of forest products from Western Australia's State-owned and managed plantations and native forests.

Established by the Western Australian Government in November 2000, the Commission reports to the Minister for Agriculture,

Forestry and Fisheries through a seven-member Commission. It operates as a Government Trading Enterprise and is expected to operate profitably and return dividends to its shareholders - the people of Western Australia.

The agency's day-to-day operations is led by a General Manager who oversees divisions for Plantation Operations, Native Forest Operations and Corporate Services.

As required under the *Forest Products Act 2000*, the Commission aims to ensure that a profit consistent with planned targets is made from the use of forest products while ensuring:

- the long-term viability of the forest products industry; and
- the principles of ecologically sustainable forest management are applied in the management of indigenous forests located on public land.

O u r F o r e s t R e s o u r c e s

Western Australia produces an array of unique timbers from native forests as well as sought-after timbers from an increasing number of plantations.

There are approximately 2.5 million hectares of publicly-managed native forest in the South-West region and the Commission has access to approximately 990,000 hectares of native forest. Consistent with Government policy, all old growth forest has been placed in reserves, or is otherwise "protected" and unavailable for timber production.

The forest sector extends across the South-West of Western Australia. These areas include native forest species such as karri and jarrah, which have a dark colour and consistent grain pattern that make them significantly different from other Australian eucalypt timbers. Their distinct features have great appeal in highly visible products such as furniture and flooring.

Increasing amounts of softwood resources are now being developed on plantations in the South-West. These timbers are used primarily in structural applications such as roofing or in panels such as medium density fibreboard and particleboard. Extensive areas of privately-owned hardwood plantations for export pulpwood markets are also being established in the State's South-West and South Coast regions.

Sandalwood and arid timbers grow throughout the semi-arid to dry areas of the State and there is considerable potential for development of this resource. Sandalwood, for instance, is found over an area of 161 million hectares, with 79 million hectares totally excluded from any form of harvesting. New research indicates strong potential for new pharmaceutical applications, which could provide the basis for new, high-technology industries in Western Australia.

Tropical plantations are also being established in the Ord River irrigation area near Kununurra.

O u r C u s t o m e r s

The Commission supplies forest products to a wide range of businesses in Western Australia and, to a lesser extent, overseas.

In producing and delivering these products, the Commission uses the services of a large number of contractors for harvesting, transport, road construction and maintenance, plantation establishment and tending.

Ultimately, the Commission and our clients work together to serve the needs of our end customers - the community of Western Australia and its trading partners.



Measuring moisture levels of timber.

O u r L i n k s w i t h G o v e r n m e n t



Maritime pine plantation at Pinjar with timber destined for the new laminated veneer lumber plant at Neerabup.

The Commission interacts with a number of Government agencies on common issues, but is also a customer of the:

- Conservation Commission;
- Department of Conservation and Land Management;
- Water and Rivers Commission;
- Water Corporation;
- Department of Industry and Technology;
- Department of Petroleum and Mineral Resources Office of Major Projects;
- Austrade; and
- WA Government Trading Office.

2 0 0 2 H i g h l i g h t s

In its first full year of operation, the Forest Products Commission has achieved or played an important role in:

- ISO14001 certification for environmental management systems, which validates the fact that the Commission assesses its impact on the environment, has objectives to manage that, is effective in implementing its environmental systems, and monitors and reviews its performance.
- The first shipment of plantation woodchips from Commission - managed plantations from Albany to Japan. The shipment heralded the establishment of a new timber industry and export income for Western Australia with positive flow-on effects in terms of employment and economic activity for the industry and the region.
- Final negotiations to establish a laminated veneer lumber plant at Neerabup, which will enable the Forest Products Commission to move ahead with the clearing of the Gnangara mound, increasing water production and opening up the area for conservation and recreation purposes.
- Working with farmers and water and land management agencies to make considerable progress in developing new eucalypt sawlog plantations. The first of the project's trees were planted in winter 2002 in the lower rainfall areas of the water resource recovery catchments in the Warren-Tone and Kent River catchments.
- The development of eucalypt hybrid cuttings at the Plant Propagation Centre that will provide greater profit when established in plantations on marginally saline lands, with greater survival and growth in drier climates and stronger disease resistance.
- The successful negotiation to secure a research partnership between Western Australia and Canada with the potential to greatly improve the profitability and productivity of pine plantations. The Commission's reputation was a major factor in the Canadian forest biotechnology company's decision to select Western Australia to test its leading edge tissue culture technology.
- The selection of short-listed proponents for the future use of jarrah sawlogs, each demonstrating a commitment to value adding, employment and maximum recovery at every stage of the supply chain.
- The implementation of the Government's "Protecting Our Old Growth Forests" policy and the industry restructuring required within it.
- Providing assistance to the Furniture Industry Association of Australia (FIAA) in developing international markets, in particular sponsoring the National Furniture Awards held at the Burswood International Resort in November 2001, and in participating in the FIAA tradeshow at the San Francisco Furniture Mart in January 2002.
- Arranging the sale through auction of 15 tonnes of sawn specialty Goldfields timbers (including gimlet, native currant and beefwood and specialty timbers from the South-West including curly jarrah, sheoak, peppermint and jarrah burl) at the Commission's first specialty timber auction. The auction was aimed at people who might otherwise have trouble obtaining the harder-to-find timbers.
- Collaboration with Murdoch University to establish a study into the relationship between native marsupials such as the woylie and the distribution of sandalwood seed. Information from the 12-month study will build on knowledge and the silvicultural practices used by the Commission.



Planting eucalypt plantations in the Kent River catchment.



The first shipment of woodchips for Japan from the Albany port.

T h e F u t u r e

In the year ahead, the Forest Products Commission expects to:

- Progress, in association with Commonwealth Government programs and industry partners, a farmland reforestation program which will deliver a range of environmental management benefits as well as providing a long-term and sustainable alternative timber source.
- Work with communities and other stakeholders to develop an action plan to battle salinity and achieve other objectives within a viable industry structure.
- Continue to restructure the indigenous forest products industry under the Government's forest policy.
- Develop contracts for the Pemberton Sawmill to maintain employment levels.
- Develop contracts from some or all of the 10 industry proposals for the future use of jarrah sawlogs.
- Increase production from the State's managed softwood plantations.
- Hold more specialty timber auctions in regional areas to improve access to Western Australia's valuable timber resources.



Plantations provide diversification and multiple benefits for farmers in terms of shade and shelter for stock and crops, income from grazing, better control of salinity and improved visual appearance.



F i n a n c i a l O v e r v i e w 2 0 0 1 - 0 2

The 2001-2002 financial year was the first full year of operations for the Commission. We are pleased to advise that the Commission was able to return good operating profits for the year, despite difficult trading conditions.

The summary of financial performance and ratios reflect the results after adjusting for matters detailed in Note 4 to the Financial Statements - Volume 2 of the Annual Report.

	2002	2001 (33 weeks)
Summary of financial performance:	(\$'000)	(\$'000)
Total revenue from ordinary activities*	113,892	80,921
Profit after income tax equivalents*	3,105	7,790
Summary of financial position:	2002 (\$'000)	2001 (\$'000)
Current assets	31,462	25,531
Non current assets	308,460	302,529
Total assets	339,922	328,060
Current liabilities	20,207	24,355
Non current liabilities	79,930	78,958
Total liabilities	100,137	103,313
Net assets / total equity	239,785	224,747

The following ratios reflect the financial performance of the Commission:

	2002	2001
Return on equity after adjustments*	1.29%	3.47%
Return on assets after adjustments*	3.43%	4.47%
Debt to equity	34.36%	34.26%

Natural resource assets:

The net carrying value of the Commission's natural resource assets has decreased by \$1.2m this year. This is mainly attributable to a decrease in the valuation of the plantation reforestation program due to a change in accounting methodology. This decrease has been offset by an increase in native forest's valuation, due to a decrease in costs previously attributed to the Commission.

Debt to equity:

The debt to equity ratio continues to be adversely affected by \$75m interest-bearing liabilities transferred to the Commission from the Department of Conservation and Land Management on the Commission's inception in 2000, for which the Commission received no compensating assets. Showing a compensating increase in assets for these liabilities improves the Commission's debt to equity ratio to 26%. Negotiations are underway with the department for the transfer of these assets.

* See Note 4 Volume 2

Plantations play a vital role in mitigating land degradation and salinity and contribute to a reduction in carbon in the atmosphere.



E n v i r o n m e n t a l S e r v i c e s



The Commission has worked with the Conservation Commission and the Department of Conservation and Land Management throughout the year to develop the new Forest Management Plan for release as a draft in August 2002. The plan is the blueprint for native forest and plantation management for the next 10 years and includes the quota of timber available for harvesting each year.

The Commission is also actively taking up the increasing opportunities to work in partnership with both private and public sector businesses and organisations to support tree planting.

The Commonwealth Government is potentially a major partner and during the year the Commission has been part of the State negotiating team to develop possibilities for Commonwealth funding to plant more trees. Particular emphasis has been placed on opportunities that would be eligible for funding from Commonwealth grant schemes including the National Action Plan for Salinity and Water Quality, the Natural Heritage Trust (Part 2) and the Greenhouse Gas Abatement Program.

The Commission has therefore taken a strategic approach to developing plantations and farm forestry in the South-West and is identifying and establishing plantations in areas close to regional centres that would also attract new industries.

The focus has also involved planting a broader range of tree species, matching the different types of trees to the diverse conditions. A range of eucalypts and sandalwood, as well as pine trees, was established in plantations during the year.

Potential benefits from the new plantations include the development of new regional industries based on the supply of timber. The trees also provide environmental benefits including carbon sequestration and help to control the groundwater table with associated effects on salinity, biodiversity and land degradation. They also provide broader land management benefits such as countering wind erosion, providing shelter for livestock and adding to the appeal of the land.

Environmental Management Standard

The Commission was independently audited in July 2001 and certified as having environmental management systems (EMS) that meet the international standard ISO14001.

The standard ensures that environmental management is systematic and thorough.

Having an effective EMS in place provides benefits including:

- protection of the environment;
- conservation of natural resources;
- an equal competitive basis between companies in relation to environmental investment;
- demonstrated compliance with regulations;
- reduced costs from inefficient procedures and corrections;
- improved community relations;
- improved customer trust/satisfaction;
- improved senior management attention; and
- an ability to be environmentally proactive rather than reactive.



Commission Plant Propagation Centre grows a wide range of species for the establishment of plantations, farm forestry and forest regeneration.

Battling salinity

The Commission continued its work - independently and with BP - to establish maritime pine (*Pinus pinaster*) and other species on cleared farmland in the Katanning and Mount Barker region - areas threatened by salinity caused by rising groundwater tables. The BP project, in partnership with landowners, is believed to be the first tree-planting program in Australia with the twin goals of correcting land degradation problems and offsetting carbon emissions.

BP became involved in the project in 1999 and originally planned to establish 300 hectares of plantation each year until 2010. The company increased this figure to 350 hectares in 2001 and has set a higher target again for the 2002 planting season. The acquisition of land for the planting season is well underway.

Meeting the silviculture challenge

Silviculture - the regeneration, growing and tending of trees - is one of the key functions of the Forest Products Commission. Natural regeneration, supplemented by an appropriate planting regime, is the primary outcome of the Commission's silvicultural program in all previously harvested forest areas.

During the year the Commission:

- Completed regeneration on 1340 hectares of harvested karri forest and prepared 1250 hectares of harvested karri forest for regeneration.
- Treated for regeneration 8120 hectares of previously harvested jarrah forest, non-commercially thinned 1740 hectares of forest (including 710 hectares achieved through the jarrah forest enhancement program involving displaced timber workers.

Forest Management Plan

The Commission has worked with the Conservation Commission and the Department of Conservation and Land Management throughout the year to develop the new Forest Management Plan for release as a draft in August 2002. The plan is the blueprint for native forest and plantation management for the next 10 years and includes the amount of timber available for harvesting each year. A draft of the plan is due to be released early in the new financial year.

The reduced level of harvesting in native forests will result in a significantly reduced native forest-based industry with a strong focus on increased manufacturing into value added products such as outdoor and indoor furniture, flooring and joinery.

The Commission will work with industry to make the best use of the resource that is made available.

Implementation of the Regional Forest Agreement

The Commission is responsible for implementation of four of the commitments made under the Regional Forest Agreement (RFA) between the Western Australian and Federal Governments signed in May 1999.

The following have been completed:

- development of a Memorandum of Understanding for a Forest Industry Structural Adjustment Program; and
- review of timber harvesting documents with a view to improve understanding by field operators and field staff.

Substantial progress has been made on the following:

- legislative review and competitive neutrality review in relation to wood-based businesses; and
- pre-logging fauna assessment.

Murdoch studies woylie link

Following an approach by the Commission's Arid Forest Branch in November 2001, Murdoch University is now undertaking a funded research project into the relationship between native marsupials and the distribution of sandalwood seed.

The 12-month study commenced in January and is examining the caching behaviour of the woylie (pictured opposite). The study will focus on the relationship between the marsupial and sandalwood with the aim of determining the role woylies have in the dispersal and recruitment of the important tree species.

Information from the study will build on the knowledge and silvicultural practices used by the Commission.

Nursery innovation

The Commission's 226-hectare nursery at Manjimup is the base for commercial production and sale of tree seedlings, the sale and deployment of native and genetically improved seed, and the research and development of tree species for commercial production.

During the year the Plant Propagation Centre, which is based at the Manjimup nursery, developed eucalypt hybrid cuttings that will provide greater profit when established in plantations on marginally saline lands, greater survival and growth in drier climates and disease resistance.

The hybrids, which could be dispersed among regular seedlings in plantations, are mainly used for sawlog production. The wastage is suitable for pulpwood.

Tree seedling production at the nursery has been reduced by 50 percent as a result of a drop in demand for tree seedlings - primarily due to cutbacks in plantings of blue gums. Production is expected to drop from a peak of 35 million in the late 1990s, to about 18 million in 2002.

The nursery is pursuing a diversification of opportunities to respond to this drop, and be well placed to service an increase in activity from new tree-farm developments in mid to low rainfall zones.

Feral goat management

A pilot program that could have a dramatic impact on managing feral goats was started in the North-East Goldfields in May.

The Commission is working with a pastoralist and the Department of Agriculture to develop better grazing control processes that will also reduce the impact of feral goats grazing on sandalwood trees and allow greater regeneration of the trees.

The Commission is funding the establishment of trap yards on the property, which will contain the goats within certain areas, reducing the costs of mustering stock and improving livestock management.

The Year Ahead

In the year ahead the Commission plans to:

- *Contribute to a final agreement with the Commonwealth Government for new investment in the battle against salinity, through the National Action Plan for Salinity and Water Quality, and the Natural Heritage Trust.*
- *Offer plantation developments, both through the Greenhouse Gas Abatement Statement Program and individually, to corporate investors to assist in removing carbon dioxide from the atmosphere, while also combating rising water tables and providing regional development in timber growing and processing.*
- *Develop regional reforestation plans with Regional NRM (Natural Resource Management) groups to address the environmental needs of each area by matching them with prospective plantation developments and industries, which also have the capacity to deliver economic and social benefits.*
- *Develop the hardwood sawlog program in catchment headwaters.*
- *Develop harvesting plans for removal of pines from Gnangara, taking into account the protection of wetlands and cave systems and Perth's water needs.*



Commission Manjimup Nursery overseer Yvonne Nicol (left) and nursery worker Wendy Dudley tending to seedlings.



The Forest Products Commission is committed to working with the private sector and other relevant Government agencies to help create a modern, vibrant and prosperous industry, which maximises the value of our unique native timbers and our plantation timbers through downstream processing and generates fresh employment opportunities. The Commission's focus is on encouraging and promoting greater levels of value adding of Western Australia's unique and world-class forest resources.

Old growth policy

The Commission worked with other Government agencies - the Departments of Conservation and Land Management; Industry and Technology; Employment and Training; and Treasury - and the private sector during the year to further progress the restructuring of the timber industry following the introduction of the State Government's policy "Protecting Our Old Growth Forests" in 2001.

The restructuring plans aim to maximise the use of the reduced amount of timber available, provide compensation to help businesses leaving the industry, assist workers affected by the changes, and to develop new opportunities for the industry.

In 2001-02, the Government assessed the areas of State forest where logging had been stopped, taking into account scientific, economic and community values and the impact of logging on salinity. The assessment identified areas that will be retained as part of the Wellington National Park, and the moratorium on three other forest areas at the Palmer and Leach blocks near Collie and at Helms Block near Nannup was lifted. These areas will be available for harvesting in the future.

The Department of Industry and Technology (DoIT) and the Commission worked closely to assess the eligibility of applications for Business Exit Assistance as part of the industry restructuring. DoIT received 86 applications in 2001-02. At June 30, \$28,429,441 in assistance had been approved of which \$15,366,507 had been paid to 26 businesses.

As part of industry development, the Commission has also worked with industry groups to help them achieve greater value from the timber available - making the most use of the timber and creating alternative jobs.

Jarrah sawlogs proposals

The plan to restructure the timber industry and bring certainty for the people and communities involved reached a major milestone during the year.

The first stage of the process to determine the future use of jarrah sawlogs was completed and 10 industry proposals were selected for final consideration. All proposals incorporated the vision of the new timber industry in Western Australia with the focus on value adding and creating employment opportunities, including producing outdoor or fine furniture, timber flooring, joinery or woodcraft.

The critical factor in the selection of the final 10 proposals was that each showed a commitment to maximum recovery from the timber in the forest, in the mill, and at all stages of the supply chain.

Detailed business plans from each of the final proponents were analysed by representatives from the Commission, Department of Industry and Technology, Treasury and independent financial experts to confirm their financial viability and eligibility for Government assistance.

The timber contracts that will be developed from the proposals will be in line with the final sustained yield set for the next 10 years. This will be determined by the new Forest Management Plan, which is currently being finalised.

First Albany blue gum plantation exports

The first shipment of plantation woodchips was exported from Albany to Japan in March 2002. The Commission is planting and managing about 26,000 hectares of blue gums in the region for this project.

The Albany Plantation Export Company's mill is expected to be processing one million tonnes of blue gum a year by 2007, creating about 630 jobs and earning \$80 million in export earnings.

The first shipment of woodchips from Albany was the culmination of a project that started in 1993 and stimulated the planting of over 150,000 hectares by a number of companies privately or with the Commission. The result is new timber industry and export income for Western Australia with flow-on effects to the industry and the region including increased employment and economic activity.



Loading of woodchips from the Albany port.

Expansion of furniture exports

A crucial element of restructuring the native forest timber industry is the development and expansion of furniture manufacturing - an industry sector that can employ larger numbers of workers in the South-West and create maximum value from the reduced quantity of timber now being extracted from the State's forests.

Jarrah provides a world-class timber for furniture - hardwood which is durable as well as even-grained for finishing. Western Australian furniture is making an impression in export markets because of these features.

Outdoor jarrah furniture has made the largest gains, with substantial exports to both USA and Europe, estimated to be worth up to \$20 million. The Commission provides technical backup and assistance to timber furniture manufacturers. It also provides information on the management and sustainability of the forests from which the timber comes, to give customers confidence in the environmental aspects of timber harvesting.

Currently the indoor furniture sector is pursuing a similar increase in export markets. Access to those markets will provide the necessary financial return to allow the high-value industry to stand strongly and provide stable employment in Western Australia.

The Commission is proud to assist the Furnishing Industry Association of Australia (FIAA) in developing these markets. During the year the Commission was a Platinum sponsor of the National Furniture Awards in November 2001 and participated in the FIAA tradeshow at the San Francisco Furniture Mart in January 2002.



The Hon Kim Chance, Minister for Agriculture, Forestry and Fisheries taking a closer look at newly established maritime pine plantations in Moora.

Expanding pine plantations

The plantation estate between Moora and Esperance was expanded during the year, with the Commission establishing 3234 hectares of first rotation sharefarm plantings and replanting another 943 hectares of second rotation land. Particular emphasis was given to maximising regional employment opportunities and the environmental benefits from the plantation sources.

Increasing demand in the softwood timber markets has resulted in Wespine planning to take 300,000 cubic metres in 2002-03 compared with 275,000 cubic metres in 2001-02.

Wespine is also working with the Commission on a joint sawmilling study to investigate the different traits involved in tree breeding to develop the most profitable, rather than the biggest trees. The study is looking at factors including growth rate, stem straightness, branch size and wood density and how they affect the quality of the sawn product. Preliminary results during the year show an improvement in grade yields from the timber in the trials.

Laminated veneer lumber plant

Negotiations to establish a laminated veneer lumber (LVL) plant at Neerabup were largely completed during the year and the new plant is expected to be built and operational in 12 to 18 months. The plant will produce laminated veneer for targeted export markets including Japan and the United States of America.

The agreement between the State Government and Wesbeam includes 25 years access to the State pine resources in the Gngangara plantations. This will enable the Forest Products Commission to move ahead with the clearing of the Gngangara mound more quickly, opening up the area for water production, conservation and recreation purposes.

The LVL process involves peeling pine logs, cutting them to a thickness of three millimetres and then layering them with resin before being re-sawn into boards. The end product has high strength and is capable of replacing native timbers in structural uses.



Close up of laminated veneer lumber (LVL) (top) and one of the many uses of LVL.

New eucalypt sawlog industry

Considerable progress was made during the year to develop a new industry based on the commercial growing of eucalypt farmland, and the first trees in the project will be planted in winter 2002. The key objectives are to:

- improve farm profitability and sustainability;
- improve water quality in key water catchments;
- establish a core resource for a new eucalypt sawlog industry; and
- create new commercial opportunities for rural communities including downstream processing to add value.

Under the scheme, landowners provide land in exchange for up-front incentive payments and a share of the timber crop at harvest time. The first projects are centred on the lower rainfall areas of the water resource recovery catchments in the Collie, Warren-Tone and Kent River catchments, and Commission staff are working closely with farmers to help plan their individual requirements.

More than 400 hectares are expected to be planted in the Warren-Tone and Kent catchment areas this winter as part of a joint initiative with the Waters and Rivers Commission, supported by funding from the National Heritage Trust.

Negotiations are underway for other areas to be involved in the new eucalypt sawlog industry which aims to establish about 1000 hectares a year, subject to future funding.



The Forest Products Commission is working closely with farmers in establishing a new eucalypt sawlog industry.



Timber Advisory Centre

The Commission was a key contributor to the development of a new timber products building display centre opened at the Home Base Complex in Wembley in June 2002. The Timber Advisory Centre's Lifestyle Home and Exhibition Centre features an architect-designed timber home that combines plantation softwoods, native hardwoods and modern building materials.

It also includes displays highlighting timber products in features including joinery, floors, decking, pergolas and furniture, with experts available to provide advice on timber and its uses.

The centre is a project of the Forest Industries Federation of Western Australia (FIFWA) following a proposal from one of its sub-committees, the Timber Promotion Council. The Commission is represented on the Council's advisory panel and will provide \$20,000 funding towards the Centre's operation each year.



Value adding of sandalwood has increased significantly this financial year, in particular, with the production of New Mountain mosquito sticks.

Sandalwood

Sandalwood is found across an estimated 161 million hectares of Western Australia with an area of 79 million hectares excluded from any form of harvesting. The reserved sandalwood area is equivalent to about the size of England and France combined. The current annual harvest of green sandalwood is between 1000 and 1200 tonnes each year, and a similar volume of dead sandalwood is harvested.

During the year the Commission signed a contract with New Mountain, part of the Wescorp group, to use Western Australian sandalwood powder in a range of new incense products including mosquito-repellent sticks.

The contract allows for 200 tonnes of sandalwood powder to be purchased annually from the Forest Products Commission. This figure has been achieved without increasing harvest levels, but by using powder extracted from sandalwood oil production or by using dead sandalwood.

At full capacity, New Mountain's new factory in Bibra Lake is expected to produce more than one million sticks a week and create about 50 new full-time jobs.

The Commission has set a target of half the sandalwood production in Western Australia being value added within the next five years. The New Mountain contract lifts the value adding component of the current annual sandalwood production from 25 percent to 30 percent.

The Commission has also continued to support Mount Romance Australia, based near Albany, which is Australia's major producer of sandalwood oils with value added markets based on perfumery and pharmaceutical products.

Small-scale plantations of WA sandalwood are being established alongside farms being planted with maritime pine and will provide additional sandalwood resources in 20 to 30 years.

Timber technology

The Timber Technology Centre is funded and directed by Government to “support the development of products and processes that motivate the industry to use Western Australian timbers in higher value products”. The focus of the Timber Technology Centre in the past year has been on plantation timber research.

While eucalypts grow well as plantations, studies undertaken at the Centre in Harvey show that knots from unpruned branches seriously limit the value of unmanaged stands of eucalypt trees. Utilisation studies on trees that are pruned at an early age show the effect of silviculture on the quality of sawlogs. The work is aimed at being able to provide silvicultural recommendations for growers so they can achieve the best results.

Western Australia also joined the Cooperative Research Centre (CRC) for Wood Innovations, which is based at the University of Melbourne with partners in other States. This is a seven-year national research project that developed from an earlier project initiated by the University. The new project aims to control the use of microwaves to modify the cell structure of wood. Involvement in the work means Western Australia will have a share of the intellectual property from the project and that species of interest to the State can be evaluated.

Work on native timbers, which has been the major focus of Timber Technology for the past 15 years, is also continuing. The Commission works with buyers of native logs to help solve technical problems in producing value added products. The aim of the research is to maximise the use of the native timber to help improve business and create additional jobs.

The Commission has also completed the third year of its involvement with the CRC for Carbon Accounting, quantifying carbon stocks and changes associated with timber use in building and construction. An assessment of a single-storey home this year will be followed by a similar assessment of a two-storey home the following year. The project aims to enable the forest products industry to demonstrate the advantages of using timber for building.



Commission Technical Officer, Justine Murphy and Research Scientist, Martin Beel inspecting timber that has been passed through a planing machine.



Tree research

Work has continued on a National Heritage Trust funded project to improve the drought tolerance of commercial tree crop species. The project, involving the major conifers (*Pinus pinaster*, *Pinus radiata* and *Pinus brutia*), is particularly relevant to commercial forestry in medium rainfall areas and all of the trials have shown more than 95 percent survival.

As part of the project, trials of *P. pinaster* are continuing on farms from Moora to Esperance and research plots using *P. brutia* were established at Esperance and Dandaragan. *P. brutia* has a capacity to survive drought and is potentially a very important species for Western Australia.

The Commission is a partner in the Australian Low Rainfall Tree Improvement Group, which has established trials on 10 sites across Southern Australia. As part of this project, large family trials of important species of low-rainfall eucalypts were established at Moora and Esperance during the year.

Encouraging early results were also obtained from the trials of various forms of western blue gum seedlings planted at Rocky Gully and Denmark during the previous year. The one-year-old trees at Denmark had an average height of 3.6 metres compared with three metres for a tree grown in its usual place of origin.

The Year Ahead

Introducing treejacking

One of the challenges facing the Commission is to continue to develop harvesting methods and, during the year, treejacking was introduced to help achieve this. Treejacking involves felling trees 180 degrees against their lean using special hydraulic jacks. Trials have shown that treejacking can increase the coupe utilisation and environmental protection, enabling falling of trees that would otherwise be left standing or risk falling into sensitive reserve areas. The process also has safety advantages as well as benefits for fire control and silviculture.

The Commission bought two jacks and trained two staff in the first stage of introducing treejacking into Western Australia. The Commission demonstrated the use of the equipment to its harvesting contractors in the Manjimup area in December.

Safer felling

Tree harvesters are a safer way of felling trees and are being used increasingly in plantation areas and native forest. The Commission brought an assessor to Western Australia in December and 30 contractor staff were certified as meeting the National Australian Standards to operate tree harvester machines.

WA selected for new research project

The Commission's worldwide reputation as a leader in improving the genetics of *Pinus radiata* has resulted in Canadian forest biotechnology company, CellFor, selecting Western Australia to test its new tissue culture technology.

The technology, which involves a sophisticated propagation and freezing process, opens new opportunities for *P. radiata* and has the potential to greatly improve the profitability and productivity of plantations. It would mean a greater supply of wood with more desirable characteristics such as straight grain, consistent size, increased wood fibre and superior overall quality.

Trial plantings will be established at Jarrahwood, near Busselton, next year.



Commission Technical Officer, Natalie Broadbent, transferring seedlings from CellFor.

In the year ahead the Commission expects to:

- *Gear up harvesting contracts and finalise logging plans to supply the proposed new laminated veneer lumber plant as soon as it is built.*
- *Develop opportunities for marketing surplus industrial wood from Albany and Bunbury.*
- *Develop contracts for the Pemberton sawmill to maintain or increase employment levels through value adding opportunities.*
- *Develop contracts, from some or all of the 10 industry proposals for the future use of jarrah sawlogs, that will lead to new processing industries in the South-West.*
- *Increase the proportion of sawlog sales constituted by bole sawlogs and third grade sawlogs.*
- *Increase prospects for the marri furniture industry through the development of new markets for marri residues.*

Loading timber at the Pemberton Mill site.



R e g i o n a l D e v e l o p m e n t



The Commission is committed to providing leadership in the restructure of the native forest products industry, and increasing the level of value added production and downstream manufacturing. A key challenge for the Commission has been to work within the changing nature of the resource base as a result of the Government's policy to protect the State's old growth forests. It is working with communities and industry to create employment opportunities in the timber industry.

Greenbushes Sawmill

Sale contract arrangements put into place for Greenbushes in 2000 continued to prove successful, with on-site value adding and manufacturing conditions in 2001-02 exceeding the target set as part of the contracts agreed with the Commission.

During the year an outdoor furniture manufacturer, Stallwood Furniture, was established on-site at Greenbushes, co-existing with its wood supplier, Whittakers Timber Products. Stallwood can now control and reduce large timber inventories because of its relationship with the mill and is able to practise 'just-in-time' manufacturing. This means they do not have to hold unnecessary levels of materials. Whittakers is also able to better plan to meet customers' processing and stock requirements.

Following Stallwood's relocation from Perth, a stable workforce of 16 has been established with another 19 full-time jobs available during peak months. Up to 87 contractors are employed in related areas such as transport, security and maintenance.

Timber and furniture from Greenbushes is selling locally, nationally and internationally and Whittakers Timber Products has become recognised in the sawmilling and value adding community as a fully integrated sawmill and processing site, working with the Commission to achieve the greatest value from local timbers.

Nannup Sawmill

The Nannup Sawmill, which changed ownership in May 2001, has exceeded its agreed employment numbers with a high of 63 people employed during the year. The employment number is expected to remain steady at 55 - still higher than the agreed minimum level of 43.

This was despite the mill's timber supply being reduced by almost half in response to the new reserve levels under the Regional Forest Agreement.

During the year the new owners, Nannup Timber Processing, relocated significant timber processing equipment and operations to create a more fully integrated site at Nannup and have invested more than \$1 million in kiln drying and processing operations.

Pemberton Sawmill

The workforce at the Pemberton Sawmill was reduced by nearly half to 55 late in 2001. The Commission is continuing to work with other Government agencies (including the Department of Industry and Technology) and the South-West community to achieve a sustainable working wood resource for the karri sawmill. The sawmill is currently owned by Sotico, which is negotiating to sell the mill.

The sale is expected to take place in the new financial year and the Commission will manage the supply of karri sawlogs to the new owner as part of the contract arrangement.



The Commission fosters the timber industry by participating in events such as the Manjimup Expo (far left) and Perth Wood Show (right).

The contract would require the new owner to commit to value adding, downstream processing and manufacturing on the site, creating local employment opportunities and support to the community.

As part of the negotiations, the potential buyer has submitted a business plan to Government, which includes a commitment to significant capital injections, market research and marketing programs, and the employment of a large local workforce - creating a mill which demonstrates best practice in the use of karri and other resources.

The longer-term aim is to position the use of karri in a structural application, establishing it as a market leader in flooring, indoor and outdoor furniture manufacturing, and architectural and commercial applications.

Promoting the industry

The Commission has adopted a more integrated approach to promoting the manufacturing, downstream processing and value adding industries that use the State's timber resources and nursery.

Staff from all branches has taken part in informative and vibrant exhibitions, expos and shows across the State. This included both the annual timber and woodworking shows held at the Claremont showgrounds in August 2001 and March 2002. Large crowds attended and enormous interest was shown in the timber samples and furniture displayed by the Commission from both WA native forests and plantations.

Rural shows covering an area from Dowerin in the North to Esperance in the South-East and to Manjimup in the South-West, promoted the benefits of plantations, sharefarming and value adding, and explained and the Commission's role.

Other information sessions, workshops and displays have also been staged for woodturning and woodcraft groups of all sizes.

Specialty timber auction

The Commission's first specialty timber auction was held in Kalgoorlie in March 2002. About 15 tonnes of sawn specialty Goldfields timbers (including gimlet, native currant and beefwood, and specialty timbers from the South-West including curly jarrah, sheoak, peppermint and jarrah burl) were auctioned.

The auction was part of the Commission's commitment to provide access to the State's unique forest products to as many people as possible.

Information and tips on how to work with and care for the timbers were also provided. Most of the timber was sold and similar events are planned for other regional areas.

The Year Ahead

In the year ahead the Commission expects to:

- *Develop further plans based on new plantation/tree farming developments across the broad agricultural region.*
- *Continue to restructure the indigenous forest products industry under the Government's forest policy with a view to maximising regional benefits.*
- *Hold more specialty timber auctions in regional areas to improve access to Western Australia's valuable timber resources.*

Improving tree species (left) and siculture planning (right) are two important aspects of Commission business.



Our People

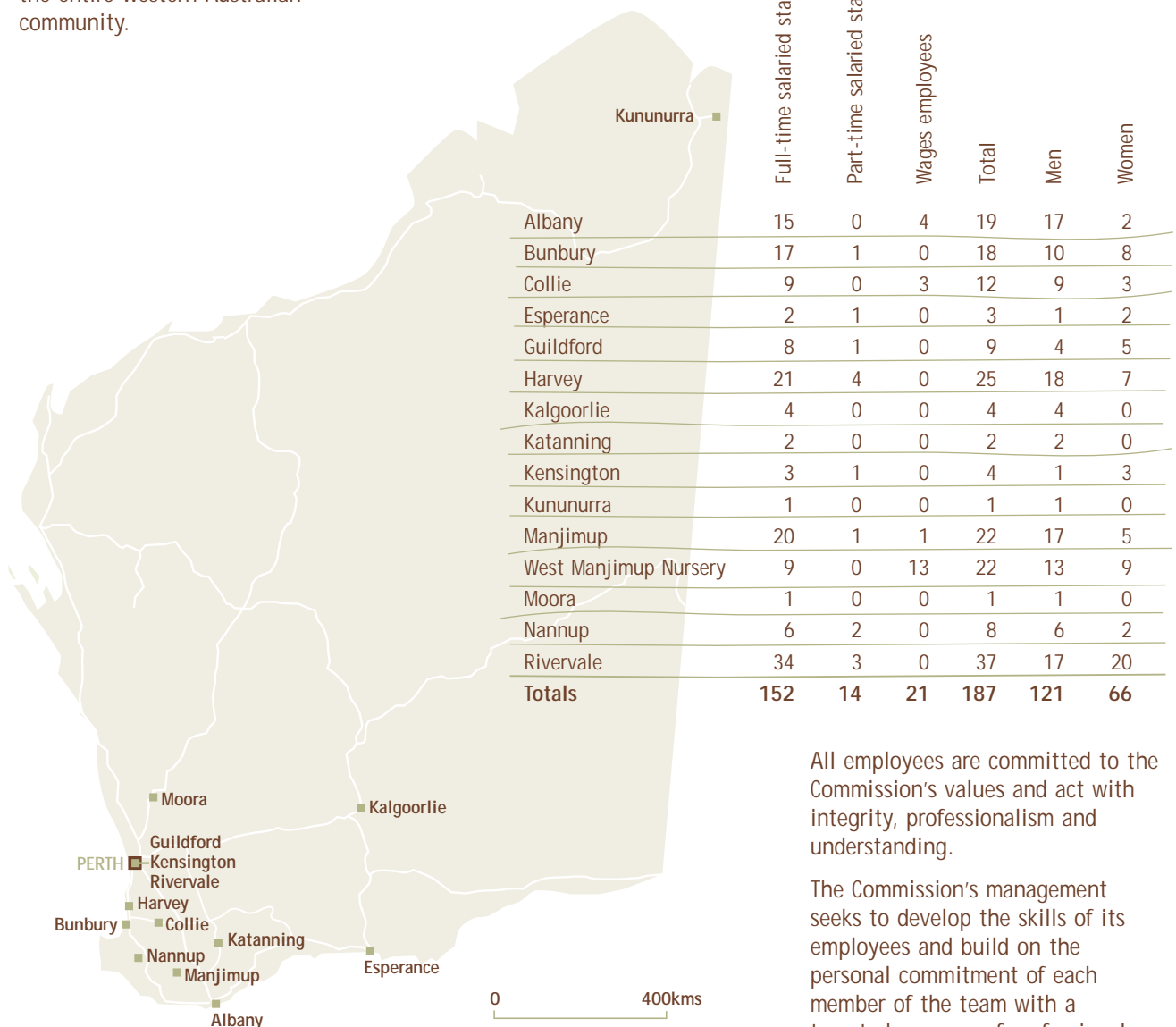
The Commission has 187 employees working from the corporate headquarters in metropolitan Rivervale and 12 regional offices around the State.

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

The Commission has a total of 225 positions within its approved structure. However, a number of these are vacant as a result of restructuring and downsizing that has taken place as a consequence of the reduction in native forest harvesting. Following the inception of a new organisational structure

early in the new financial year, these positions will be abolished, as current industry projections indicate that there is no further need for these positions.

As at 30 June 2001, staff numbers and their locations were:



All employees are committed to the Commission's values and act with integrity, professionalism and understanding.

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

Industry development training

During its first full year of operation, the Commission applied to become a Registered Training Organisation (RTO). The status as an RTO will confirm the organisation complies with nationally agreed standards for the quality of its training delivery, assessment and recognition, which contributes to community confidence in the products and services that it provides.

As an RTO, the Commission will provide accredited courses that will be available for all staff in their relevant areas as well as contractors and associated groups working in the forest industry. Training programs for the Commission are currently conducted under the auspices of the Department of Conservation and Land Management.

Lending a helping hand

Six Commission staff travelled to New South Wales at a moment's notice in January 2002 to provide assistance during the devastating fires that swept the State. All six had experience in fire incident management and joined the Department of Conservation and Land Management and Fire and Emergency Services Authority personnel called upon to help out at forest fire control centres near Sydney.

The Commission officers spent 10 days helping to control the fires, and their assistance has been formally recognised by the New South Wales Government.

Many staff are regularly called upon to protect Western Australians against devastating fires, as was the case in January when a rash of lightning strikes resulted in 46 bushfires in the South-West.

Communication

During the year the Corporate Executive endorsed the formation of a "People Reference Group" consisting of up to 10 people from the organisation. The group will address key issues affecting people working in the Commission, including the creation and maintenance of a communications network. The group has a direct link to the General Manager.



Award winning performance

Commission staff have achieved outstanding individual results which have significant benefits for the organisation and the industry.

- *Owen Donovan, the Manager of Midwest Sharefarms, was awarded a Gottstein Skill Advancement Award and spent three months overseas where he studied the dry land pinus species in Turkey, Spain, Canary Islands and France. The Joseph William Gottstein Memorial Trust was established in 1971 as a national educational trust for the benefit of Australia's forest products industries. In addition to gaining a better appreciation of the adaptability of the pinus species, Owen identified opportunities for the use of genetic materials that could be used to advance the State's tree-breeding program, including the use of hybrid pines. The trip also confirmed Western Australia's status as a world leader in silviculture with a record for successfully establishing pines in some of the harshest country in the world.*
- *Another staff member, Senior Forester Neil Worrell, is the latest Commission recipient of a Gottstein award and will travel to the eastern states of Australia and New Zealand, in October 2002, to study softwood log segregation within integrated harvesting operations and the utilisation and marketing of products for export.*

Forest Heritage Centre and School of Wood

In the past year, the Forest Products Commission contributed to the operation of the Forest Heritage Centre and the School of Wood and Gallery in Dwellingup - the site of a devastating bushfire in 1961.



Half round drawer unit awarded the "Best of the Best".

The Forest Products Commission works vigorously with the timber industry to achieve its mission including development of the resource, promoting innovation and adding value. Our work with the industry over the past year has not only focused on achieving the best outcomes from the restructuring of the industry (following the State Government's "Protecting Our Old Growth Forests" policy) but developing new opportunities and marketing our skills and product overseas.

Nine students graduated from the two-year diploma course in furniture design in December 2001. Of these, three have commenced their own fine wood designer/maker business, three are working with established makers and three are employed in an associated business.

In addition, 25 women participated in the 160-hour introductory woodcraft course with 14 extending their knowledge through a chair design course and one progressing to the diploma course.

The school also operated 42 weekend and corporate workshops during the year for 221 students to enjoy the country atmosphere and to make chairs, coffee tables, jewellery and trinket boxes, wood turning and other items using Western Australia's unique timbers.

The Interpretive Centre, which provides information and displays on forest management, was visited by 11,372 people during the year. There are walk trails with descriptions of forest management, identification of flora and Aboriginal heritage.

Established in 1996, the Centre has become recognised for its excellence in the education of fine woodworkers. At the end of each year, students stage an end-of-studies exhibition and display several items of their work for sale.

Furniture awards

The Commission was again the principal sponsor of the "Furniture of the Year Awards" which recognises excellence in furniture making, furniture design, use of materials and marketability.

The awards, which are run by the WA branch of the Furnishing Industry Association of Australia, were held in Perth in November. In 2001 they attracted entries from around Australia and New Zealand and 500 guests attended the gala event.

The event provides the Commission with a high level of recognition for its involvement with industry, and showcases good use of timber resources in furniture including one-off pieces, household designs and commercial use. Some of the entries are also displayed internationally.

Tony Mercorella of the Benjamin Timber Studio in South Australia won the national "Best of the Best" award for his "Half Round Drawer Unit". The Western Australian "Best of the Best" award went to Stuart Gardiner of Stuart's House of Bedding in Welshpool for his "Manhattan" bed.

The awards are an important showcase for the furniture industry in WA, which has an important role to play in the successful restructuring of the timber industry. Exporters and their customers need security of supply to encourage investment in their manufacturing centres, improved design and international marketing.



Commission Senior Forester, Chaz Newman with Led Hart (Anthropological Consultant) and Ken Colbung (Nyoongar Elder) in Barrabup State Forest.

Native forests consultation

The 2002 Harvest Plan for South-West Forests, which was prepared by the Department of Conservation and Land Management with input from the Commission, was promoted to the public through notices in the media and direct mail to organisations, shire councils and individuals with an interest in the plan.

Feedback and further enquiries about harvest proposals were encouraged and, in response, detailed coupe maps were provided to 15 voluntary conservation bodies and stakeholder agencies, as well as many individuals.

Commission staff conducted six forest coupe tours with members of local conservation groups between January and April. In several cases, input from this consultation resulted in minor coupe design modifications.

The Commission also participated in a number of forums, which focused on forest resource management and harvest and regeneration operations.

During the year, senior Commission managers and technical experts worked with officers from the Conservation Commission and the Department of Conservation and Land Management in progressing elements of the new Forest Management Plan, and with interstate and local researchers in forest silviculture and fire management.

Representatives of indigenous communities were closely involved in consultation in forest areas where indigenous heritage values were identified. Several joint field visits were conducted and discussions held with indigenous landowners and Commission staff. The Commission used detailed information provided by Aboriginal elders in its forest management, in consultation with the Aboriginal groups involved.

The Consultation Officer conducted five forest management educational tours with high school, TAFE and university student groups, and other awareness tours with groups including Members of Parliament and international forest and timber industry representatives.

Property owners whose land adjoins harvest coupes have routinely received early advice about adjacent operations and been invited to discuss any concerns with the Commission's planning officers.

Plantations

The Commission participated actively in Regional Plantation Committees in the South-West (Trees South West) and Great Southern (Timber 2002) as well as the TIRES (transport planning) group. Senior staff also gave presentations at various strategic planning forums and are regular contributors to the local branch of Australian Forest Growers (the national private forestry body) and WA Agroforestry Working Group.

International links

The Commission actively pursues international links to exchange knowledge and skills and promote our own products.

The Commission's Manager of South Coast Sharefarms, Barry Jordan, visited various forestry operations in Europe in April 2002. The tour, which was jointly funded by the Albany Plantation Forest Company of Australia Pty Ltd and the Forest Products Commission, provided the opportunity for him to develop links with foresters in other countries and study their methods in growing the same species of trees as those grown in Western Australia. Japanese investors involved in forestry projects in the Albany region joined him in Portugal where they were able to compare the management practices in the two countries.

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Forest Products Commission ▪

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▪ July 2001 – June 2002





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This publication is the second of two volumes, which together form the Forest Products Commission Annual Report 2001-02.

For further information about the Forest Product Commission and a report on operations refer to Volume One of the Annual Report.

For a copy of the full report visit www.fpc.wa.gov.au or contact the Forest Products Commission on (08) 9475 8888.

Corporate services are provided to the Forest Products Commission on a bureau basis. Detailed service specifications and agreements are nearing completion.

The nature of these specifications are such that they enable the Commission to determine service benchmarks and provide it with choice in terms of support services, not just on a package basis but also on an individual functional basis. This approach is in line with the trading enterprise status of the Commission.

Those corporate services provided from within the Commission relate primarily to strategic policy and planning, service co-ordination and contract management.

Service contracts

Corporate Services Division is currently undertaking a review of each service area covered by the Service Contract with the Department of Conservation and Land Management. For each service area covered by the Service Contract a new Service Level Agreement is being developed. The new Service Level Agreements will highlight for each service area the desired outcome for the Commission, agreed detailed service specifications and performance measures highlighting the Department of Conservation and Land Management's responsibilities as a service provider and the Commission's responsibilities in relation to the service specifications.

Contracts

The Commission manages more than 350 contracts (including those related to State Agreements) for works and services contracts and the sale of forest products. These contracts have an approximate life value in the vicinity of \$2.5 billion.

Over the course of 2001-02 the Commission reviewed its procurement/contract management functions, leading to a restructure of procedures. The changes have enabled the Commission to better monitor compliance with State Supply Policies and Guidelines and ensure transparency of processes.

The Forest Products Commission's Supply Procedures Manual has been revised and will be published in the first quarter 2002-03.

Occupational safety and health

The Commission is committed to providing and maintaining a safe and healthy work environment. During the past year the Commission has commenced a comprehensive review of the current systems of occupational safety and health management, using the Australian standard as a comparative basis. The review will be completed in 2002-03.

The Commission has also initiated a benchmarking exercise with similar Government agencies in other states, with a view to establishing clear comparisons between agencies within the forestry arena. It is hoped that data and trend analyses arising from this exercise will enable further improvements to be made in the management of occupational safety and health.

Risk management and audit

The Risk Management Committee is committed to effective corporate governance.

The Committee has met on a quarterly basis during the year and has overseen the development of a five-year strategic plan for internal audit. The annual program, which is derived from this plan, contains some 30 risk-based audits covering financial, operational and environmental activities with no significant issues of non-compliance being identified this year.

The Commission continues to maintain certification in accordance with standard ISO 14001 for environmental management.

Industrial relations

The State Government framework agreements for both salaried and waged employees took effect within the Forests Products Commission during 2001-02.

The negotiation of further terms and conditions for inclusion in agency specific agreements has commenced and is ongoing.

Debtors policy and procedures review

A detailed review of the Commission's debtors' policies and procedures was completed. Recommendations include the following main focus areas for improving the management of debtors:

- enforcement of a revised Debtors Management Procedure Policy;
- automation of as many of the processes as possible;
- creation of a debtors focus group with the prime objective of reducing overdue accounts; and
- improved reporting of overdue accounts and debtors' profiles.

Implementation of the recommendations is planned for the first quarter of the 2002-03 financial year.

Code of Conduct

The Code of Conduct for employees was approved and completed in July 2001. The Code addresses such issues as conflict of interest, corruption, discipline, confidentiality, freedom of information and security of records. It also addresses a range of human resource management issues including EEO and diversity, disability services, grievance resolution and the Public Sector Standards. There were no breaches of the code reported in 2001-02.

Workers' compensation

There have been 21 claims (seven lost time incidents) for workers' compensation during the year 2001-02. Seventeen of the 21 have been finalised, three have been accepted by the Commission's insurers but not settled and decisions are outstanding on one of the claims.

Community service obligations

The Commission's Forest Enhancement Program is a work and employment strategy under the Regional Forest Agreement to address a range of social, silvicultural and fire protection objectives. In 2001-02 the Commission spent \$0.26 million against a budget of \$0.5m employing displaced timber workers on a short-term basis on forest silvicultural works programs to thin overstocked jarrah regrowth stands and as seasonal firefighters for the Department of Conservation and Land Management. The surplus funds will be carried over to fund future expenditure.

Equal employment opportunities

The Commission worked with the office of the Equal Opportunity Commissioner and other relevant agencies to complete its Equal Employment Management Plan during the past year and has a draft plan in place, which is awaiting approval by the Corporate Executive.

People with disabilities

In order to finalise our Disability Services Plan an audit of Commission premises is being undertaken.

Finance manual

A Financial and Administration Manual was issued during the year. The preliminary document currently serves as a guide for the Commission's finance and administration staff, while at the same time is being updated to reflect best practice within the Commission.

Publications

- Sandalwood Information Sheets
- A Seasoned Performance
- Specialty Timber in the Goldfields
- WA Forest Today
- WA Plantations
- Growing WA Sandalwood from Seed
- Timber Technology Newsletter
- Valwood
- The Tree Grower's Information Kit
- WA Timber Designed by Nature
- Adding Value to Forest Products in WA*
- WA Forest Products
- Forest Products Commission: Our Objectives
- Introducing the Forest Products Commission*
- Code of Practice for Timber Harvesting in Western Australia
- Manual of Management Guidelines for Timber Harvesting in Western Australia
- Investing in Maritime Pine*
- Plant Propagation Centre Manjimup Nursery
- New Eucalypt Sawlog Industry (NESI)

These publications are available from the Forest Products Commission at 117 Great Eastern Highway, Rivervale or through the Commission's regional offices.

* These publications are also available on the Commission's website www.fpc.wa.gov.au

F i n a n c i a l O v e r v i e w 2 0 0 1 - 2 0 0 2

The 2001-2002 financial year was the first full year of operations for the Commission. We are pleased to advise that the Commission was able to return good operating profits for the year, despite difficult trading conditions.

The Commission's financial results for the year and financial position as at 30th June 2002 are summarised below. The summary of financial performance and ratios in this overview reflect the results after adjusting for matters detailed in Note 4 to the Financial Statements.

	2002	2001 (33 weeks)
	(\$'000)	(\$'000)
Summary of financial performance:		
Total revenue from ordinary activities	113,892	80,921
Profit after income tax equivalents	3,105	7,790
Summary of financial position:		
	2002	2001
	(\$'000)	(\$'000)
Current assets	31,462	25,531
Non current assets	308,460	302,529
Total Assets	339,922	328,060
Current liabilities	20,207	24,355
Non current liabilities	79,930	78,958
Total liabilities	100,137	103,313
Net assets/total equity	239,785	224,747

The following ratios reflect the financial performance of the Commission:

	2002	2001
Return on equity after adjustments noted above	1.29%	3.47%
Return on assets after adjustments noted above	3.43%	4.47%
Debt to equity	34.36%	34.26%

Natural resource assets:

The net carrying value of the Commission's natural resource assets has decreased by \$1.2m this year. This is mainly attributable to a decrease in the valuation of the plantation reforestation program due to a change in accounting methodology. This decrease has been offset by an increase in native forest's valuation, due to a decrease in costs previously attributed to the Commission.

Debt to equity:

The debt to equity ratio continues to be adversely affected by \$75m interest-bearing liabilities transferred to the Commission from the Department of Conservation and Land Management on the Commission's inception in 2000, for which the Commission received no compensating assets. Showing a compensating increase in assets for these liabilities improves the Commission's debt to equity ratio to 26%. Negotiations are underway with the department for the transfer of these assets.

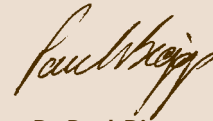
Statement Of Compliance With Written Law 2001 - 2002

To the best of our knowledge, we have complied with the requirements of the relevant written law, as originally enacted and as variously amended. The relevant Acts and amendments to regulators are noted in this section of the annual report.



Murray Jorgenson
Chairman

28 August 2002



Dr Paul Biggs
General Manager

ACTS ADMINISTERED

Forest Products Act 2000

The Forest Products Commission was established on 16 November 2000 under the Forest Products Act 2000 and is responsible for the commercial production, allocation and sale of forest products from Western Australia's native forests and from State-owned and State-managed plantations.

Government Agreements Acts relevant to the Forest Products Commission

- *Dardanup Pine Log Sawmill Act 1992*
- *Wood Processing (WESFI) Agreement Act 2000*
- *Silicon (Kemerton) Agreement Act 1987*
- *Albany Hardwood Plantation Agreement Act 1993*
- *Bunbury Treefarm Project Agreement Act 1995*
- *Collie Hardwood Plantation Agreement Act 1995*

Other relevant State Acts

- *Aboriginal Heritage Act 1972*
- *Aerial Spraying Control Act 1966*
- *Agricultural and Related Resources Protection Act 1976*
- *Agriculture and Veterinary Chemicals (Western Australia) Act 1995*
- *Agriculture Protection Board Act 1950*
- *Biological Control Act 1986*
- *Bush Fires Act 1954*
- *Conservation and Land Management Act 1984*
- *Control of Vehicles (Off-Road Areas) Act 1978*

- *Country Areas Water Supply Act 1947*
- *Dangerous Goods (Transport) Act 1998*
- *Disability Services Act 1993*
- *Environmental Protection Act 1986*
- *Equal Opportunity Act 1984*
- *Explosive and Dangerous Goods Act 1961*
- *Financial Administration and Audit Act 1985*
- *Fish Resources Management Act 1994*
- *Freedom of Information Act 1992*
- *Government Employees Housing Authority Act 1964*
- *Health Act 1911*
- *Heritage of Western Australia Act 1990*
- *Industrial Relations Act 1979*
- *Land Administration Act 1997*
- *Local Government Act 1995*
- *Long Service Leave Act 1958*
- *Metropolitan Water Supply, Sewerage and Drainage Act 1909*
- *Minimum Conditions of Employment Act 1993*
- *Misuse of Drugs Act 1981*
- *Mutual Recognition (Western Australia) Act 1995*

- *Occupational Health, Safety and Welfare Act 1984*
- *Occupiers Liability Act 1985*
- *Public Sector Management Act 1994*
- *Public Works Act 1902*
- *Rights in Water and Irrigation 1914*
- *Sandalwood Act 1929*
- *Soil and Land Conservation 1945*
- *State Supply Commission Act 1991*
- *State Records Act 2000*
- *Timber Industry Regulations Act 1926*
- *Town Planning and Development Act 1928*
- *Water Agencies (Powers) Act 1984*
- *Water and Rivers Commission Act 1995*
- *Water Corporation Act 1995*
- *Water Services Coordination Act 1995*
- *Waterways Conservation Act 1976*
- *Wildlife Conservation Act 1950*
- *Workers' Compensation and Rehabilitation Act 1981*
- *Workplace Agreements Act 1993*

Regulations administered

- *Forest Management Regulations 1993*

Regulations and by-laws requiring compliance

- *Aerial Spraying Control Regulations 1971*
- *Agricultural and Related Resources Protection (Spraying Restrictions) Regulations 1979*
- *Agricultural Produce (Chemical Residue) Regulations 1985*
- *Civil Aviation Regulations 1988*
- *Country Areas Water Supply By-Laws 1957*
- *Country Areas Water Supply (Clearing License) Regulations 1981*
- *Health (Pesticides) Regulations 1956*
- *Metropolitan Water Supply Sewerage and Drainage By-Laws 1981*
- *Occupational Safety and Health Regulations 1996*
- *Sandalwood Regulations 1993*
- *Soil and Land Conservation Regulations 1992*
- *Waterways Conservation regulations 1981*

Relevant Commonwealth Acts


- *Aboriginal and Torres Strait Islander Heritage Protection Act 1984*
- *Agriculture and Veterinary Chemicals Code Act 1994*
- *Australian Heritage Commission Act 1975*
- *Environment Protection and Biodiversity Conservation Act 1999*
- *Environment Protection (Impact of Proposals) Act 1974*
- *Export Control Act 1982*
- *Forestry and Timber Bureau Act 1930*
- *Native Title Act 1993*
- *Quarantine Act 1908*
- *Trade Practices Act 1974*

S t a t e m e n t O f C o m p l i a n c e W i t h P u b l i c S e c t o r S t a n d a r d s

I have complied with Public Sector Standards in Human Resources Management, the WA Public Sector Code of Ethics and the Commission's Code of Conduct.

There have been no material breaches of the Public Sector Standards in Human Resource Management as a consequence of reviews undertaken in accordance with the Public Sector Management (Review Procedures) Regulations 1995.

One claim of a breach of standard was lodged against the Commission during the year. The finding with regard to this claim has yet to be determined.



Dr Paul Biggs
General Manager

28 August 2002

C e r t i f i c a t i o n O f
P e r f o r m a n c e I n d i c a t o r s

We hereby certify that the performance indicators of the Forest Products Commission 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 2002.



Murray Jorgensen
Chairman

21 November 2002



Dr Marilyn Clark-Murphy
Commissioner

Key Performance Indicators

Under the *Forest Products Act 2000* the Commission is required to sell and harvest forest products by means of production contracts.

The Commission's outcome is to try to ensure that a profit that is consistent with the planned targets is made from the forest products while ensuring:

- (a) the long-term viability of the forest products industry; and
- (b) principles of ecologically sustainable forest management are applied in the management of forest products located on public land.

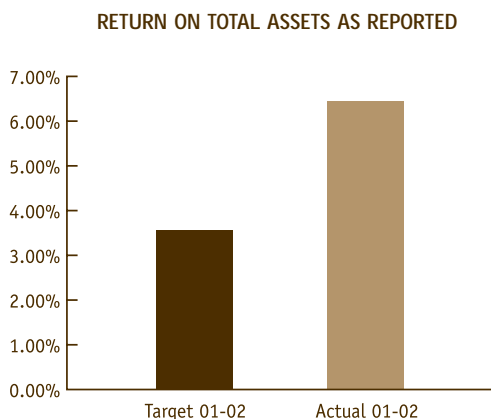
For Outcome 2 Key Effectiveness Indicators 1,3 and 4: The following comparative figures for 2000-2001 include log production by the Department of Conservation and Land Management until 16 November when it was taken over by the newly established Forest Products Commission.*

OUTCOME 1:

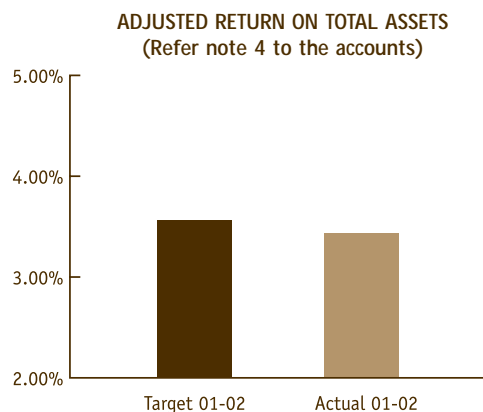
Ensure a profit consistent with planned targets.

Key Effectiveness Indicator:

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



The return on total assets as reported includes the effects of issues that do not relate to the current financial year – refer note 4 to the accounts. After adjusting for the effect of these transactions the restated return on total assets is as follows:



Measure:

The ratio of profit before tax and interest as a percentage of total assets of 3.43% is lower than target of 3.56% due mainly to the decrease in the value of the natural resource assets of \$1.2m (impact of 0.35% on percentage profit before tax and interest to total assets).

OUTCOME 2

Ensure the long-term viability of the forest products industry.

Key Effectiveness Indicators

1. QUANTITY OF NATIVE FOREST HARDWOOD LOG TIMBER HARVESTED COMPARED TO SUSTAINABLE LEVELS AND TARGETS*

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

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

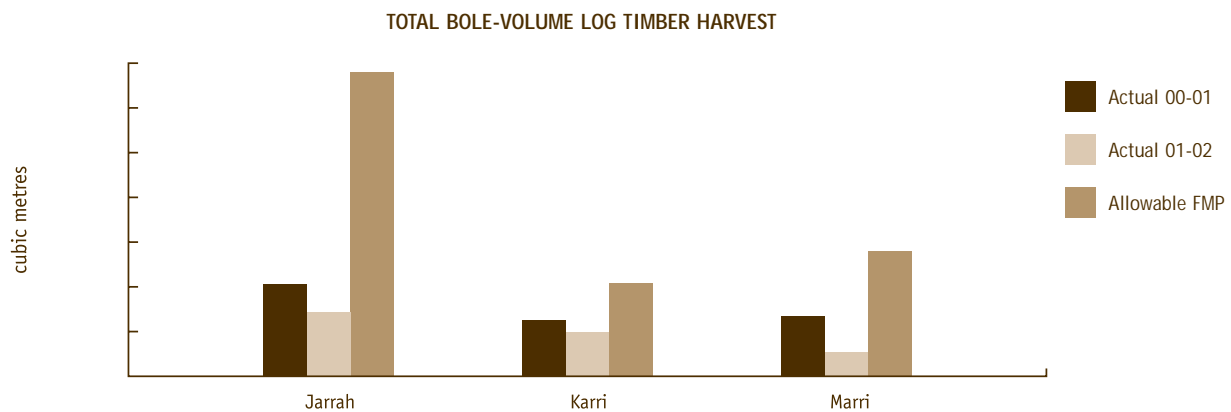
Based on independent analysis of this information, an estimated sustainable level of harvest is determined for the term of the current Forest Management Plan 1994-2003 (FMP).

In 1999 the Regional Forest Agreement (RFA) set new sawlog sustained yield targets for the period 1999 – 2003 inclusive of an average 324,000m³ per annum jarrah first and second grade sawlogs, 186,000m³ karri first and second grade sawlogs adjusted to 149,000m³ by Government policy and 78,000m³ per annum of marri sawlogs.

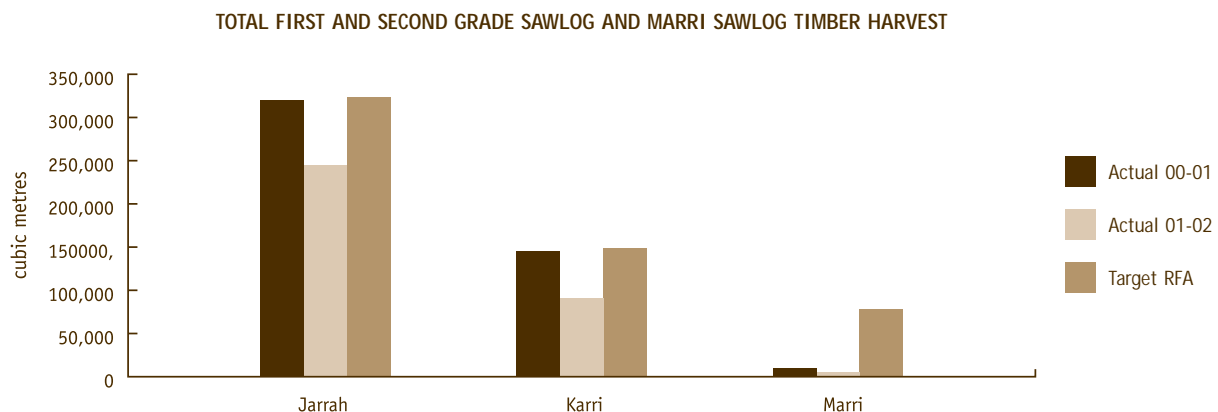
Harvest means the commercial extraction and sale of log timber for processing and value adding.

Measure

- (i) Actual quantity of the total bole volume harvest of native forest hardwood log timber for the period 2001-02 for jarrah was 285,673m³, for karri 196,874m³ and marri 108,139m³.



- (ii) Actual quantity for 2001-02 of first and second grade jarrah was 245,033m³ and karri sawlog 90,916m³ and marri sawlog 5,517m³.



Sawlog deliveries are reducing due to business exits and voluntary restructuring in line with the Government's policy 'Protecting our old growth forests'. New targets will be established in the next Forest Management Plan.

2. THE AREA OF PLANTATIONS ESTABLISHED WILL MEET THE DEFINED OUTCOME.

Plantation establishment straddles the financial year, therefore areas of establishment reported in this annual report are those established during the winter of 2001.

Areas established can achieve a range of benefits. This will be to supply an existing industry, to develop resources in new areas for future regional economic benefits and for multiple landcare protection purposes.

Measure:

The areas established against targets.

		Second rotation pine species	First rotation pine species	Eucalypt species	Sandalwood
Target		1,229 (1)	5,000 (2)	4,500 (3)	200 (4)
Total Area (ha)		943	3,442	3,639	84
Purpose	Sustain existing industry	943	2,621	-	84
	Regional development	-	821	3,609	-
	Salinity, water quality and landcare	-	3,442	30	84

NOTE:

(1) Second rotation pines

Goal:

- (i) Re-establish all areas clearfelled and ready for replanting (943 ha). It was predicted that 1,229 hectares would be available at the start of the year.

(2) First rotation pines

Goal: Whereas there is an annual target for planting areas, these are in effect to relieve a long-term goal of a commercially viable plantation estate within a geographic area.

- (i) Midwest to replace areas to be clearfelled at Gnangara (approx. 23,000 hectares) to date a total of approximately 8,407 hectares established in new areas (as at 31 December 01);
- (ii) Final goal for various regional cells (Katanning, Esperance, Albany) yet to be determined as part of detailed planning for a coordinated approach to tree farming in Western Australia.

(3) Eucalypt species

Goal: Annual targets are set by investors to achieve their long-term goals in accordance with State Agreements and Project Plans.

- (i) Eucalypt species – establish plantations to meet requirements of FPC clients. Target 56,000 hectares – established to date 41,597 hectares.

(4) Sandalwood

Goal: 200 hectares.

This measure was not recorded last year as FPC had not established any plantations between 16 November 2000 and 30 June 2001.

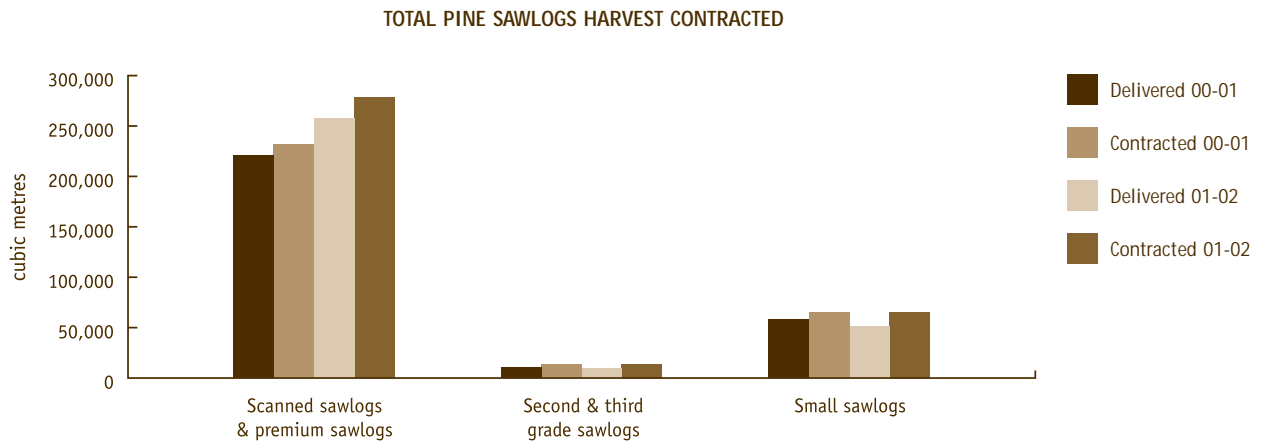
3. PLANTATION LOG PRODUCTION IS CONSISTENT WITH SUSTAINABLE SUPPLY TO INDUSTRY.*

Harvesting means the commercial extraction and sale of log timber for processing and value adding.

The sustainable level is the quantity of timber of a particular specification that can be harvested in the current year consistent with achieving the planned long-term supply to industry. As the plantations mature increasing quantities of logs are becoming available, and annual supply increases. Actual annual intake by industry will vary in accordance with the prevailing markets during that year.

Measure:

A comparison between actual productions compared to FPC’s contractual commitments to supply



Contractual supply levels indicate the current commitments consistent with the long-term sustainable supply. Log production to each customer varies on an annual basis in accordance with the prevailing market conditions for their products.

4. THE HARVEST OF “GREENWOOD” SANDALWOOD WILL BE MAINTAINED AT A SUSTAINABLE LEVEL.*

Quantity of “greenwood” sandalwood harvested.

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

Measure:

Green sandalwood quantities harvested were 1399 tonnes for the 2001-02 period, within the permissible harvest level of 1500 tonnes determined in accordance with the *Sandalwood Act 1929*.

Green sandalwood quantities harvested for 2000-01 period were 1020 tonnes within the permissible harvest level of 1930 tonnes in accordance with the *Sandalwood Act 1929*.

OUTCOME 3

Ensuring principles of ecologically sustainable forest management are applied in the management of forest products located on public land.

Key Effectiveness Indicator

AREA OF NATIVE FOREST HARDWOOD REGENERATED.

Regeneration treatments applied in any one year may include parts of areas harvested over a number of preceding years.

In order to remain sustainable over the long term, the area regenerated should be equal to the area harvested.

However on an annual basis the area regenerated may fluctuate above or below the area harvested due to unsuitable field conditions.

This is the first year FPC has reported on this key performance indicator, which covers the 2001 calendar year.

Measure:

The area of native forest hardwood regenerated compared with the area harvested for regeneration.

The area of native forest harvested for regeneration was 10780 hectares. Of this, 660 hectares were not proposed for treatment as it was due for mining in the short-term. An additional 250 hectares did not require follow-up treatment post harvesting as the silvicultural objectives were met during harvesting. The remaining 9460 hectares were regenerated from this or previous years' cutting.

OUTPUTS

OUTPUT 1 NATIVE FOREST OPERATIONS DIVISION

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

KEY EFFICIENCY INDICATORS

1. Cost of harvesting - Native forest hardwood.

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

Measure:

The cost per tonne harvested was \$32.32, an increase of \$0.63 per tonne compared to \$31.69 for the period 16 November 2000 to 30 June 2001.

2. Cost of harvesting - Sandalwood

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

Measure:

The cost per tonne harvested was \$3,513.10 an increase of \$726.33 per tonne compared with \$2,786.77 for the period 16 November 2000 to 30 June 2001. This increase is due to increased silvicultural costs (sandalwood enrichment program)

3. Cost per hectare managed native forest hardwood.

The Commission has access rights to a total State forest estate of 987,190 hectares.

Measure:

The cost per hectare managed was \$21.48 per hectare. This is a new measure hence no comparative figures are available.

OUTPUT 2 - PLANTATION OPERATIONS DIVISION

The Plantation Operations Division has three main operating arms:

- the Plantation Branch which covers State-owned plantations;
- the Sharefarms Branch, which has the responsibility of sharefarming agreements with landowners; and
- the Propagation Branch, which produces seedlings for internal needs as well as for external customers.

The outputs of this division are:

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

KEY EFFICIENCY INDICATORS

1. Costs of harvesting.

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

Measure:

The average cost per tonne harvested (all products) from 1 July 2001 to 30 June 2002 was \$29.11 per cubic metre, whereas for the period 16 November 2000 to 30 June 2001 the average was \$27.11 per cubic metre.

2. Operating cost per hectare managed.

The average cost per hectare of plantation established and maintained excludes \$3.55 million costs associated with sharefarming agency operations where the Commission acts as an agent.

Measure:

The average cost for the year ending 30 June 2002 was \$236.81 per hectare managed. The unit cost includes interest charges, rent, corporate overheads and cost of producing seedlings for external sales. This is a new measure hence no comparative figures are available.

3. Cost per hectare re-established.

The Commission planted 943 hectares of new plantations to the end of December 2001. The afforestation program establishment areas for the period was 3,526 hectares, however, the costs associated with the afforestation program have been capitalised and therefore do not form part of this measure.

Measure:

The establishment cost was \$2,166 per hectare. This is a new measure hence no comparative figures are available.

A u d i t o r G e n e r a l ' s R e p o r t o n P e r f o r m a n c e I n d i c a t o r s

AUDITOR GENERAL

To the Parliament of Western Australia

FOREST PRODUCTS COMMISSION PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 2002

Scope

I have audited the key effectiveness and efficiency performance indicators of the Forest Products Commission for the year ended June 30, 2002 under the provisions of the Financial Administration and Audit Act 1985.

The Commission is responsible for developing and maintaining proper records and systems for preparing and presenting performance indicators. I have conducted an audit of the key performance indicators in order to express an opinion on them to the Parliament as required by the Act. No opinion is expressed on the output measures of quantity, quality, timeliness and cost.

My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, evidence supporting the amounts and other disclosures in the performance indicators, and assessing the relevance and appropriateness of the performance indicators in assisting users to assess the Commission's performance. These procedures have been undertaken to form an opinion as to whether, in all material respects, the performance indicators are relevant and appropriate having regard to their purpose and fairly represent the indicated performance.

The audit opinion expressed below has been formed on the above basis.

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of the Forest Products Commission are relevant and appropriate for assisting users to assess the Commission's performance and fairly represent the indicated performance for the year ended June 30, 2002.



D D R PEARSON
AUDITOR GENERAL

November 29, 2002

C e r t i f i c a t i o n O f T h e
F i n a n c i a l S t a t e m e n t s

The accompanying financial statements of the Forest Products Commission have been prepared in compliance with the provisions of the *Financial Administration and Audit Act 1985*, from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2002 and the financial position as at 30 June 2002.

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



Murray Jorgensen
Chairman



Dr Marilyn Clark-Murphy
Commissioner



Gary Downes
Divisional Manager
Corporate Services

21 November 2002

**S t a t e m e n t o f F i n a n c i a l
P e r f o r m a n c e f o r t h e y e a r e n d e d 3 0 J u n e 2 0 0 2**

	Note	2002 (\$'000)	2001 (33 weeks) (\$'000)
REVENUE			
Revenues from ordinary activities			
<i>Revenue from operating activities</i>			
Revenue from natural resource assets	3.1	108,566	78,356
Correction of fundamental errors	4	10,205	-
Revenue from commercial sharefarm operations	5	3,550	10,382
Commonwealth grants & contributions	6	185	7
Other revenue	7	163	106
<i>Revenue from non-operating activities</i>			
Other revenue	7	1,428	1,297
Total revenue from ordinary activities		124,097	90,148
EXPENSES			
Expenses from ordinary activities			
Decrement in net market value of natural resource assets and forest infrastructure	8	1,223	10,295
Expenses from natural resource assets	3.2	54,426	35,909
Employee expenses	9	11,950	7,855
Supplies and services	10	31,472	30,353
Depreciation expense	11	1,952	628
Borrowing costs expense	12	6,405	4,798
Administration expenses	13	1,142	343
Accommodation expenses	14	559	319
Total expenses from ordinary activities		109,129	90,500
Profit/(loss) from ordinary activities before grants and subsidies from Government		14,968	(352)
Grants and subsidies from Government	16	500	-
Profit/(loss) from ordinary activities before income tax equivalent expense		15,468	(352)
Income tax equivalent expense	36	(2,158)	(2,063)
Net profit/(loss) from ordinary activities after income tax equivalent expense		13,310	(2,415)
Total change in equity other than from transactions with WA State Government as owners	28	13,310	(2,415)

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

Statement of Financial Position as at 30 June 2002

	Note	2002 (\$'000)	2001 (\$'000)
Current Assets			
Cash assets	29.1	4	3
Inventories	17	13,457	7,590
Receivables	18	15,054	15,173
Other assets	19	2,947	2,765
Total Current Assets		31,462	25,531
Non - Current Assets			
Land and buildings	20.1	3,068	3,109
Plant, equipment and vehicles	20.2	11,479	12,156
Forest infrastructure	21	16,627	17,508
Natural resource assets	22	276,263	269,081
Deferred tax assets	36	1,023	675
Total Non - Current Assets		308,460	302,529
Total Assets		339,922	328,060
Current Liabilities			
Payables	23	3,444	6,842
Interest bearing liabilities	24	4,738	1,677
Tax liabilities	36	109	2,728
Provisions	25	1,725	1,590
Other liabilities	26	10,191	11,518
Total Current Liabilities		20,207	24,355
Non - Current Liabilities			
Interest bearing liabilities	24	77,652	75,312
Provisions	25	842	773
Other Liabilities	26	1,436	2,873
Total Non - Current Liabilities		79,930	78,958
Total Liabilities		100,137	103,313
NET ASSETS		239,785	224,747
Equity			
Contributed equity	27	228,872	228,830
Reserves	28	18	-
Retained profits/(accumulated losses)	28	10,895	(4,083)
TOTAL EQUITY		239,785	224,747

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

Statement of Cash Flows

for the year ended 30 June 2002

	Note	2002 (\$'000)	2001 (33 weeks) (\$'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		111,124	72,017
Recoupable works		-	786
Commonwealth grants and contributions		185	7
Interest received		42	27
GST receipts on sales of goods and services		8,219	5,819
GST received from Taxation Authority		1,304	-
Other receipts		151	1,004
Payments			
Employee expenses		(11,805)	(6,073)
Supplies and services		(36,662)	(26,231)
Borrowing expenses		(7,122)	(3,024)
Harvesting expenses		(53,307)	(35,266)
GST payments on purchases		(7,629)	(5,385)
GST payments to Taxation Authority		(1,262)	(2,024)
Taxation equivalents paid		(2,869)	-
Net cash provided by operating activities	29.3	369	1,656
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current assets:			
~ Plant and equipment		-	8
Purchase of non-current assets:			
~ Plant and equipment		(291)	(507)
~ Plantation Reforestation Programme investment costs		(5,186)	(3,421)
Net cash used in investing activities		(5,477)	(3,920)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(472)	(594)
Proceeds from borrowings		4,800	-
Net cash provided by / (used in) financing activities		4,328	(594)
CASH FLOWS FROM/(TO) GOVERNMENT & OTHER INSTITUTIONS			
Grants and Subsidies from Government		500	-
Repayment of Treasurer's liability		(1,437)	-
Peel B land sale proceeds		1,355	(96)
Repayments to CALM for annual and long-service leave		(710)	-
Net cash provided to Government & other institutions		(292)	(96)
Net decrease in cash held	29.1	(1,072)	(2,954)
Cash (liability)/asset at the beginning of the financial year	29.1	(1,238)	1,716
Cash liability at the end of the financial year		(2,310)	(1,238)

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 2002

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1 COMMISSION'S MISSION AND FUNDING

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

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

2.1 General Statement

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

If any such modification has a material or significant financial effect upon the reported results, details of that modification and where practicable the resulting financial effect, are disclosed in individual notes to these financial statements.

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

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

2.2 Grants and Other Contributions Revenue

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

Contributions are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased, if not donated.

2.3 Depreciation of Non-Current Assets

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

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

	2002	2001
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

2.4 Valuation of Non-Current Assets

The Commission has adopted by resolution the valuations ascribed to all non-current assets.

Natural resource assets

In accordance with the Australian Accounting Standards Board's Accounting Standard 1037(AASB1037) applicable to self-generating and regenerating assets, the net present value method has been used by the Commission to estimate the net market value of the natural resource assets.

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

The Commission's investments in the Plantations reforestation program, entered into as part of the Government's Salinity Action Plan, was previously valued on a historic cost basis. As the Plantations reforestation program project has now been underway for a number of years, the Commission has brought this project's valuation methodology in line with the methodology applied to the remainder of the Commission's natural resource assets as set out above.

Discount rates used for valuations are set out in the notes. These are based on the Commission's cost of capital and weighted for increased risk specific to asset categories. Rates are subject to independent verification every three years, and were verified this financial year by Ernst and Young.

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

Forestry infrastructure

Current forestry infrastructure expenditure is written off as expenditure is incurred - refer to accounting policy note on Roads and Bridges expenditure below. Due to the absence of a practicable net market value for forestry infrastructure, forestry infrastructure in use at year-end is valued at written down replacement cost. This value is deducted from the net present value of the natural resource assets which it supports, to allow for separate disclosure of self generating and non-self generating assets, as required by AASB1037.

Land, buildings and infrastructure

The Commission values land, buildings and infrastructure at fair value as per AASB1041 (Revaluation of Non-Current Assets). A revaluation of the Commission's land, undertaken by the Valuer General's Office for the Government Property Register, is recognised in the financial statements. Buildings and infrastructure are revalued every four years and are due for revaluation in the 2002-2003 financial year.

2.5 Inventories

Inventories have been valued at the lower of cost and net realisable value as per AASB1019. The cost of inventories is deemed to be the net market value immediately after it becomes non-living, as per AASB1037 paragraph 5.6.

2.6 Receivables

Accounts receivable are recognised at the amounts receivable by the Commission, as they are due for settlement no more than 30 days from the date of recognition.

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

2.7 Research and Development Costs

Research and development costs are charged against revenue in the Statement of Financial Performance as incurred.

2.8 Revenue Recognition

Revenue is recognised to the extent that it is probable that the associated economic benefits will flow to the Commission and the revenue can be reliably measured. The following specific recognition criteria apply:

Native forest and softwood timber revenues are recorded when timber is delivered to sawmills. A revenue accrual is made for services supplied to certain sharefarming investors who are invoiced on a three monthly basis, and for seedlings delivered but not invoiced at the end of the financial year.

Other revenues, such as proceeds from the sale of motor vehicles and miscellaneous revenues, are recognised when control of the goods has passed to the purchaser.

2.9 Employee Entitlements

Annual leave

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

Long service leave

A liability for long service leave is recognised and accrued from the commencement of employment. It is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given, when assessing expected future payments, to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted to identify the estimated present value of future cash outflows.

Superannuation

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

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

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

The disclosure note required by paragraph 6.10 of AASB 1028 (being the employer's share of the difference between employees' accrued superannuation benefits and the attributable net market value of plan assets) has not been provided, as State scheme deficiencies are recognised by the State in its "Whole of Government" reporting. Given the above, the Commission has adopted paragraph 6.10.1 of AASB 1028 which allows non-disclosure if the relevant amounts are not provided.

2.10 Accrued Logging Costs

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

2.11 Accrued Salaries

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

2.12 Payables

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

2.13 Treasurer's liability

The Treasurer's liability is in respect of a liability incurred in constructing the Manjimup Plant Propagation Centre, which is being repaid over a four year period in equal instalments, repayment having commenced in June 2001. No interest is being charged.

2.14 Interest-bearing liabilities

Western Australian Treasury Corporation loans are recorded at an amount equal to the outstanding balances owing at the end of each reporting period. Borrowing costs associated with these loans have been recognised on an accruals basis. \$75,748,000 of this amount represents liabilities ceded to the Commission on its formation, for which associated assets have not been transferred - refer notes.

2.15 Leases

The Commission has no finance leases.

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

2.16 Roads and Bridges Expenditure

Forestry road and bridge expenditure is expensed as it is incurred. These costs form part of the ongoing operations of the Commission and are incurred regularly.

2.17 Western Australian Tax Equivalent Regime

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

2.18 Income Tax

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

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

2.19 Recognition of transferred Assets and Liabilities

Assets and liabilities transferred to the Commission from CALM have been brought to account by the Commission at the values they were carried at in the books of CALM as at the date of transfer to the Commission. These amounts are regarded as being at fair value at the time of transfer. Transfers between the Commission and CALM are regarded as equity adjustments as per Urgent Issues Group Abstract 38 Contributions by Owners Made to Wholly-Owned Public Sector Entities - paragraph 7 b and c.

2.20 Comparative Figures

The period to 30 June 2001 was the first period of operation for the Forest Products Commission. The comparative figures are therefore for a period of 33 weeks, from the date of commencement of the Commission to 30 June 2001. Certain comparative figures are, where appropriate, reclassified so as to be comparable with the figures presented in the current financial year.

2.21 Fair Value

As defined by AASB1041, fair value is regarded as the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arms length transaction.

2.22 Goods and Services Tax

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

2.23 Segment Reporting

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 2 and the segment reporting Accounting Standard AASB1005 "Segment Reporting".

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

2.24 Rounding

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

2.25 Fundamental errors

During the year the Commission discovered that errors had been made in the preparation of the prior year annual financial statements. These errors had a material impact on the interpretation of the prior year annual financial statements. The amounts have been brought to account in the current financial year's statement of financial performance in accordance with the format prescribed by AASB1018 "Statement of Financial Performance", and have been detailed in note 4 to the accounts.

2.26 Agency sharefarming revenue and expenses

The Commission operates two types of sharefarm arrangements - as principal and as agent. Where the Commission operates as agent, revenues and expenses associated with the sharefarm arrangement are not recognised as revenues and expenses of the Commission, as these revenues and expenses do not comply with the recognition requirements of revenues and expenses set out in SAC4 "Definition and Recognition of the Elements of Financial Statements" prepared by the Public Sector Accounting Standards Board of the Australian Accounting Research Foundation and by the Australian Accounting Standards Board. These revenues and expenses were processed through the Commission's Statement of financial performance in the period to 30 June 2001, and the effect has been disclosed in note 4 to the accounts.

	2002 (\$'000)	2001 (33 weeks) (\$'000)
3 Revenue and expenses from natural resource assets		
3.1 Revenue from natural resource assets		
Revenue from commercial harvesting operations (self generating and regenerating assets):		
- Native Forest Division timber products revenue	20,958	20,044
- Plantation Division timber products revenue	19,026	7,784
- Sandalwood revenue	6,209	4,047
- Plant Propagation Centre revenue	5,124	940
Total revenue from commercial harvesting operations	<u>51,317</u>	<u>32,815</u>
Revenue from cost recovery: ¹		
- Recovery of Native Forest Division harvesting costs	26,709	27,771
- Recovery of Sandalwood harvesting costs	5,947	2,348
- Recovery of Plantation Division harvesting costs	24,593	15,422
Total revenue from cost recovery	<u>57,249</u>	<u>45,541</u>
Total revenues from natural resource assets	<u>108,566</u>	<u>78,356</u>
3.2 Expenses from natural resource assets		
- Harvesting costs ¹	53,307	39,493
- Write-down of inventory to net realisable value	1,517	-
- Less increase in valuation of inventory on hand	(398)	(3,584)
Total expenses from natural resource assets	<u>54,426</u>	<u>35,909</u>

¹Revenue from cost recovery exceeds harvesting costs due to harvesting related staff and overhead costs included in employee and supplies and services expenses.

4 Fundamental errors

4.1 Fundamental error in inventory valuation

Cost of sales for the 2001-2002 financial year includes the effect of the following adjustment which arose due to the under-valuation of Sandalwood and Plant Propagation Centre inventories as at 30 June 2001. The error resulted from the incorrect application of AASB 1019 "Inventories". Paragraph 5.6 of AASB 1037 "Self Generating and Regenerating Assets" deems "cost" for the purpose of AASB 1019 to be the net market value of inventory immediately after such inventory becomes non-living, while in the 2000-2001 accounts cost was based on average cost.

Restated inventory values are as follows:	Valuation: Incorrect (\$'000)	Valuation: Correct (\$'000)	Net increase in inventory value (\$'000)
Inventory valuations as at 30 June 2001:			
Sandalwood	1,759	5,559	3,800
Plant Propagation Centre	4,290	7,476	3,186
	<u>6,049</u>	<u>13,035</u>	<u>6,986</u>
Income tax equivalent expense			-
Net increase in inventory valuation			<u>6,986</u>

This error had the effect of understating assets and revenue in 2000-2001 by the net increase in inventory value above. The pro-forma statement of financial performance and the restatement of retained profits below show the information that would have been disclosed had this error not occurred.

4.2 Fundamental error in valuation of natural resource assets

A calculation error in the June 2001 valuation of commercial forestry operations resulted in the valuation being understated by \$ 3,219,000.

Restated natural resource assets valuation is as follows:	Valuation: Incorrect (\$'000)	Valuation: Correct (\$'000)	Net increase in valuation (\$'000)
Natural resource assets valuation as at 30 June 2001:			
Plantation natural resource assets valuation	196,098	199,317	3,219
	196,098	199,317	3,219
Income tax equivalent expense			-
Net increase in valuation after income tax equivalent expense			3,219

This error had the effect of understating assets and overstating expenses in 2000-2001 by the net increase in valuation above. The pro-forma statement of financial performance and the restatement of retained profits below show the information that would have been disclosed had this error not occurred.

4.3 Fundamental error in recognition of sharefarm revenue and expenses

The 2001 annual financial statements included revenues and expenses associated with agency sharefarming arrangements as revenues and expenses of the Commission (refer to accounting policies note on sharefarming revenues and expenses). While the net effect of these inclusions on operating profits was nil, as a result of the inclusion of these amounts in the Commission's revenues and expenses, the Commission's revenues and expenses were each overstated by \$9,227,000. The effect of these inclusions is set out in the note below:

	2002 (\$'000)	2001 (33 weeks) (\$'000)
Misstatement of revenues and expenses:		
Overstatement of revenue from commercial sharefarm operations	-	(9,217)
Overstatement of net other revenues	-	(10)
Overstatement of harvesting costs	-	5,644
Overstatement of supplies and services expenses	-	3,583
Misstatement of revenues and expenses before income tax equivalent expense:	-	-
Income tax equivalent expense	-	-
Net misstatement of revenues and expenses	-	-

4.4 Pro-forma statement of financial performance

Restated financial information for the 2000-2001 and 2001-2002 financial years is presented below as if the errors had not occurred.

	2002 (\$'000)	2001 (33 weeks) (\$'000)
Pro forma Statement of Financial Performance		
REVENUE		
Revenues from ordinary activities		
<i>Revenue from operating activities</i>		
Revenue from natural resource assets	108,566	78,356
Revenue from commercial sharefarm operations	3,550	1,155
Commonwealth grants & contributions	185	7
Other revenue	163	106
<i>Revenue from non-operating activities</i>		
Other revenue	1,428	1,297
Total revenue from ordinary activities	113,892	80,921
EXPENSES		
Expenses from ordinary activities		
Decrement in net market value of natural resource assets	1,223	7,076
Expenses from natural resource assets	54,426	23,279
Employee expenses	11,950	7,855
Supplies and services	31,472	26,770
Depreciation expense	1,952	628
Borrowing costs expense	6,405	4,798
Administration expenses	1,142	343
Accommodation expenses	559	319
Total expenses from ordinary activities	109,129	71,068
Profit from ordinary activities before grants and subsidies from Government	4,763	9,853
Grants and subsidies from Government	500	-
Profit from ordinary activities before income tax equivalent expense	5,263	9,853
Income tax equivalent expense	(2,158)	(2,063)
Net profit from ordinary activities after income tax equivalent expense	3,105	7,790
Restatement of retained profit/(loss):		
Previously reported retained loss at the end of the previous reporting period	(4,083)	-
<i>Correction of fundamental errors:</i>		
Correction of error in inventory valuation net of income tax equivalent expense (\$nil)	6,986	-
Correction of error in plantations valuation net of income tax equivalent expense (\$nil)	3,219	-
Restated retained profit at the end of the previous reporting period	6,122	-
Profit from ordinary activities after income tax equivalent expense	3,105	7,790
Statutory dividend	1,668	(1,668)
Restated retained profits at reporting date	10,895	6,122

	2002 (\$'000)	2001 (33 weeks) (\$'000)
5 Revenue from commercial sharefarm operations		
Revenue from commercial sharefarm operations (refer note 4.3)	3,550	10,382
	3,550	10,382
6 Commonwealth grants and contributions		
Commonwealth grant for RIRDC ¹ research	185	7
	185	7
¹ Rural Industry Research and Development Corporation		
7 Other revenues from ordinary activities		
Other revenues from operating activities		
Interest received on late payments	46	27
Proceeds on sale of non-current assets (refer note 15)	-	8
Other revenue	117	71
Total other revenue from operating activities	163	106
Other revenues from non-operating activities		
Treasury Department reappropriation from the Consolidated Fund of Peel 'B' Baldivis land sale proceeds	1,355	1,270
Treasurer's contribution to unfunded superannuation liability	61	27
Interest from Investments	12	-
Total other revenue from non-operating activities	1,428	1,297
8 Net decrement in net market value of natural resource assets and forest infrastructure		

Net decrement in net market value of natural resource assets and forest infrastructure, along with other essential operating data related to natural resource assets, is provided in the table below.

	2002			2001		
	m ³	Net increment/ (decrement) in net market value (\$'000)	Net market value of felled logs (\$'000)	m ³	Net increment/ (decrement) in net market value (\$'000)	Net market value of felled logs (\$'000)
Natural resource assets and forest infrastructure						
<i>Native forest</i>						
Native forest infrastructure		-			(14,024)	
Native forest natural resource asset ¹	674,992	66,534	20,958	672,344	-	20,044
Sandalwood natural resource asset ²	2,246	(44,195)	6,209	1,013	5,687	4,047
Total Native Forest Division	677,238	22,339	27,167	673,357	(8,337)	24,091
<i>Plantations</i>						
Plantation natural resource assets and Plant propagation centre	808,243	(1,967)	24,150	457,670	(1,958)	8,724
Plantation reforestation program ³	-	(18,376)	-	-	-	-
Total Plantations Division	808,243	(20,343)	24,150	457,670	(1,958)	8,724
Totals	1,485,481	1,996	51,317	1,131,027	(10,295)	32,815
Less effect of fundamental error (note 4)		(3,219)			-	
Net decrement in net market value of natural resource assets		(1,223)			(10,295)	

	2002 (\$'000)	2001 (33 weeks) (\$'000)
¹ The increase in valuation in 2001-2002 for native forests is due to a reduction in attributable management and protection costs. ² The decrease in valuation in 2001-2002 is due to increased silviculture expenditure. ³ Decrease in valuation in 2001-2002 is due to change in valuation method from cost to net market value this financial year - refer note 2.4.		
9 Employee expenses		
Wages and salaries	8,447	6,212
Superannuation (refer note 2.9)	972	495
Annual leave	827	381
Other leave	458	212
Long service leave	291	134
Payroll tax	647	360
Workers' compensation	257	61
Fringe Benefits Tax	51	-
	11,950	7,855
10 Supplies and services		
Consultants and contractors		
~ Management and other consultants	375	252
~ Other contractors	26,089	26,593
Materials	2,129	878
Repairs and maintenance	106	97
Travel	381	207
Operating lease rentals	2,392	2,326
	31,472	30,353
11 Depreciation		
Plant, equipment and vehicles	947	441
Buildings	123	59
Forest infrastructure	882	128
Total depreciation	1,952	628
12 Borrowing costs		
Interest on WA Treasury Corporation loans	6,352	4,798
Interest on overdraft	53	-
	6,405	4,798
13 Administration expenses		
Telephone, postage, communications	309	163
Audit fees	44	40
Doubtful debts	650	57
Disposal of non-current assets	9	2
Other administration costs	130	81
	1,142	343
14 Accommodation expenses		
Lease rentals and travel accommodation	407	229
Other property	152	90
	559	319
15 Revenue on sale of non-current assets		
Plant & equipment	-	8
	-	8
16 Grants and subsidies received from Government:		
Community Service Obligation - grant for Jarrah Enhancement Program	500	-
	500	-

	2002 (\$'000)	2001 (\$'000)
17 Inventories		
<i>Current</i>		
Inventories held for resale:		
- Plant Propagation Centre ¹	5,519	4,290
- Sandalwood ¹	7,505	1,759
- Timber on forest landings	261	1,370
- Timber technology stocks	172	171
	<u>13,457</u>	<u>7,590</u>
At cost ²	13,457	5,831
At net realisable value	-	1,759
	<u>13,457</u>	<u>7,590</u>

¹ Inventory values have increased over 2000-2001 due to the issues noted in note 4.

² The provisions of AASB1037 deem cost to be the market value of inventories at the time the inventories become non-living - refer note 2.5.

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

- Current	13,457	7,590
- Non-Current	-	-
	<u>13,457</u>	<u>7,590</u>

18 Receivables

Trade debtors	15,761	15,230
Provision for doubtful debts ¹	(707)	(57)
	<u>15,054</u>	<u>15,173</u>

¹ Provision for doubtful debts has increased this financial period due to the current state of the timber industry.

19 Other assets

<i>Current</i>		
Prepayments	29	30
GST refundable	347	978
Accrued revenue ¹	2,571	1,757
	<u>2,947</u>	<u>2,765</u>

¹ Accrued revenue represents revenue that has been earned but has yet to be invoiced - refer note 2.8.

	2002 (\$'000)	2001 (\$'000)
20 Property, plant, equipment and vehicles		
20.1 Land and buildings		
Freehold land at fair value ¹	728	710
	728	710
Buildings at cost ²	425	359
Accumulated depreciation	(29)	(7)
	396	352
Buildings at fair value - category A ¹	835	840
Buildings at fair value - category B ²	1,263	1,260
Total buildings at fair value	2,098	2,100
Accumulated depreciation	(154)	(53)
	1,944	2,047
Total land and buildings	3,068	3,109

¹Freehold land, land improvements and category A buildings are revalued as at 30 June each year in accordance with an independent valuation by the Valuer General's Office, which reflects market values. Market value is regarded as fair value.

²Category B buildings and Buildings at cost are subject to revaluation every four years - refer note 2.4

20.2 Plant, equipment and vehicles

Nursery infrastructure at cost	9,484	9,484
Accumulated depreciation	(709)	(235)
	8,775	9,249
Plant, equipment and vehicles at cost	2,555	2,383
Accumulated depreciation	(441)	(139)
	2,114	2,244
Office equipment at cost	826	729
Accumulated depreciation	(236)	(67)
	590	662
Total plant, equipment and vehicles	11,479	12,156

20.3 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.

	2002					
	Freehold land (\$'000)	Buildings (\$'000)	Nursery inf'cture (\$'000)	Plant equipment and vehicles (\$'000)	Office equipment (\$'000)	Total (\$'000)
Carrying amount at start of period	710	2,399	9,249	2,244	662	15,264
Transfers from CALM	-	52	-	-	2	54
Additions	-	12	-	173	113	298
Reclassifications	-	-	-	17	(17)	-
Disposals	-	-	-	(3)	(2)	(5)
Transfers to other Government depts	-	-	-	(11)	(1)	(12)
Revaluation increment	18	-	-	-	-	18
Depreciation	-	(123)	(474)	(306)	(167)	(1,070)
Carrying amount at end of period	728	2,340	8,775	2,114	590	14,547

	2001					
	Freehold land (\$'000)	Buildings (\$'000)	Nursery inf'cture (\$'000)	Plant equipment and vehicles (\$'000)	Office equipment (\$'000)	Total (\$'000)
Carrying amount at start of period	-	-	-	-	-	-
Transfers from CALM	710	2,253	9,484	2,150	602	15,199
Additions	-	206	-	234	129	569
Disposals	-	-	-	(1)	(2)	(3)
Depreciation	-	(60)	(235)	(139)	(67)	(501)
Carrying amount at end of period	710	2,399	9,249	2,244	662	15,264

2002	2001
(\$'000)	(\$'000)

21 Forest Infrastructure

Native Forests	11,869	12,493
Plantations	4,758	5,015
Total forest infrastructure	16,627	17,508

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

Carrying amount at the start of the period	17,508	-
Transfer from CALM	-	31,660
Revaluation decrement		(14,024)
Depreciation	(881)	(128)
Carrying amount at the end of the period	16,627	17,508

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

	2002 (\$'000)	2001 (\$'000)
22 Natural resource assets		
<i>Natural resource assets at valuation¹</i>		
<i>Native forest</i>		
Native forest standing timber	66,534	-
Standing Sandalwood	28,788	72,983
Total native forest natural resource assets	<u>95,322</u>	<u>72,983</u>
<i>Plantations</i>		
Plantations standing timber	175,027	176,994
Plantations reforestation Program ²	5,914	-
Total plantations natural resource assets	<u>180,941</u>	<u>176,994</u>
Total natural resource assets at valuation	<u>276,263</u>	<u>249,977</u>
<i>Natural resource assets at cost</i>		
<i>Plantations</i>		
Plantations reforestation Program ²	-	19,104
Total natural resource assets at cost	-	<u>19,104</u>
Total natural resource assets at valuation and cost	<u>276,263</u>	<u>269,081</u>

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

Carrying amount at the start of the period	269,081	-
Transfers from CALM	-	261,859
Additions	5,186	3,493
Revaluation increments - refer note 8	1,996	3,729
Carrying amount at the end of the period	<u>276,263</u>	<u>269,081</u>

Discount rates³:

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

<i>Native forest</i>		
Native forest standing timber	10%	10%
Standing Sandalwood	7%	7%
<i>Plantations</i>		
Plantations standing timber	7%	7%
Plantations reforestation program ²	10%	n/a

¹ Refer note 8 for details on valuation movements.

² This investment was carried at cost in 2000-2001. The Commission changed the accounting methodology for Plantations reforestation program this financial year to conform with the policies applied to the remainder of the Commission's natural resource assets - refer note 2.4.

³ Discount rates have been independently verified this financial year by Ernst and Young.

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

22.1 Source of valuation of natural resource assets

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

			2002 (\$'000)	2001 (\$'000)
			Increase/ (decrease)	Increase/ (decrease)
22.2 Sensitivity analysis				
Sensitivity of the net market value of the commercial forestry operation to changes in significant assumptions:				
Discount rate:	+ 3%	Total natural resource assets at valuation	(75,792)	(47,954)
	- 3%	Total natural resource assets at valuation	129,458	136,190
Future costs:	+ 3%	Total natural resource assets at valuation	(78,265)	(10,253)
	- 3%	Total natural resource assets at valuation	64,265	70,845
Future income:	+ 3%	Total natural resource assets at valuation	289,567	183,432
	- 3%	Total natural resource assets at valuation	(133,281)	(55,612)
			2002 (\$'000)	2001 (\$'000)

23 Payables

Current

Trade payables

3,444

6,842

3,444

6,842

Non-Current

Trade payables

-

-

24 Interest bearing liabilities

Current

Bank overdraft ¹

2,314

1,241

Western Australian Treasury Corporation loan ²

2,424

436

Total current

4,738

1,677

Non-Current

Western Australian Treasury Corporation loan ²

77,652

75,312

Total non-current

77,652

75,312

Total interest bearing liabilities ³

82,390

76,989

¹ Operating overdraft facility with the Commonwealth Bank of Australia.

² \$75,748,000 of this amount was ceded to the FPC on 16th November 2000 from CALM. Associated assets, mainly land, acquired with these funds remained with CALM, adversely affecting the Commission's gearing. Negotiations are currently underway to secure transfer of these assets to the Commission.

³ Refer note 35 for interest rate analysis.

	2002 (\$'000)	2001 (\$'000)
25 Provisions		
<i>Current</i>		
Annual leave	936	878
Long service leave	789	712
	1,725	1,590
<i>Non-current</i>		
Long service leave	842	773
	842	773

Employee Entitlements (refer note 2.9)

The aggregate employee entitlement liability recognised and included in the financial statements is as follows:

Provision for employee entitlements:

Current:

- Provisions	1,725	1,590
- Accrued salaries and wages (refer note 26)	255	710

Non-current:

- Provisions	842	773
	2,822	3,073

The Commission considers the carrying amount of employee entitlements to approximate fair value - refer note 2.21.

26 Other liabilities

Current

Payroll tax accrual	50	360
Accrued expenses		
~ Accrued logging costs	2,337	2,445
~ Compensation for logging contractors	47	47
~ Other commitments	2,104	2,292
Accrued interest	1,366	1,774
Accrued salaries and wages	255	710
Unearned revenue ²		
~ Manjimup nursery	98	480
~ Southwest sharefarm project	232	296
Statutory dividend	-	1,668
Deferred tax liability	2,266	10
Treasurer's liability ¹	1,436	1,436
	10,191	11,518

Non-Current

Treasurer's liability ¹	1,436	2,873
	1,436	2,873

¹ Comprises Treasurer's liability for funding the construction of the

Manjimup Plant Propagation Centre

Less: repayment during the period

Total Treasurer's liability

4,309	5,745
(1,436)	(1,436)
2,873	4,309

² Unearned revenue is attributable to cash having been received or risk having passed, while the service/product has not yet been invoiced - refer Note 2.8.

	2002 (\$'000)	2001 (\$'000)
27 Equity		
Contribution by owners, the Western Australian State Government, represents amounts transferred on establishment of the Commission, and net contributions since establishment, transferred from the Department of Conservation and Land Management (CALM).		
The following assets and liabilities have been contributed to equity:		
<i>Assets transferred from CALM</i>		
Natural resource assets	-	261,859
Forest infrastructure	-	31,660
Plant & equipment	-	12,237
Buildings	-	2,083
Land	-	710
Inventories	-	3,006
Cash to compensate for the current portion of annual & long service leave provision transferred	-	1,712
Petty cash	-	4
Total assets transferred to the Commission	-	313,271
<i>Liabilities transferred from CALM</i>		
Western Australian Treasury Corporation debt	-	(75,748)
Current portion of annual & long service leave provision	-	(1,712)
Non-current portion of annual & long service leave provision	-	(813)
Total liabilities transferred to the Commission	-	(78,273)
Total net contributed equity transferred from CALM on formation of the Commission:	-	234,998
<i>Contributions/(distributions) since formation of the Commission</i>		
Buildings	-	171
Other assets	42	-
Treasurer's advance re the Manjimup Plant Propagation Centre	-	(5,745)
Debt adjustment	-	(594)
Total contribution by owners ¹	42	228,830
Reconciliation:		
Contribution by owners at the beginning of the financial period	228,830	-
Amounts contributed during the financial period	54	228,830
Amounts refunded during the financial period	(12)	-
Contribution by owners at the end of the financial period	228,872	228,830

¹ The amounts recorded above represent the fair value of assets and liabilities transferred from CALM. The fair values of these assets and liabilities may have changed during the period to yield values accounted for at the financial period end. The amounts transferred have been treated as equity as per Urgent Issues Group (UIG) Abstract 38 - Contributions by Owners Made to Wholly-Owned Public Sector Entities - paragraph (7) (b) and (c).

	2002 (\$'000)	2001 (\$'000)
28 Reserves		
<i>Asset Revaluation Reserve</i>		
Opening balance	-	-
Net revaluation increments ¹ :		
Land	<u>18</u>	-
Closing balance	<u>18</u>	-
<i>Retained profits/(accumulated losses)</i>		
Opening balance	(4,083)	-
Net profit/(loss) for the period	13,310	(2,415)
Movement in provision for statutory dividend	<u>1,668</u>	<u>(1,668)</u>
Closing balance	<u>10,895</u>	<u>(4,083)</u>

¹Revaluations as per the Office of the Valuer General - refer note 20.

	2002 (\$'000)	2001 33 weeks (\$'000)
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29 Notes to the Statement of Cash Flows

29.1 Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes bank overdraft, cash at bank and petty cash. Cash at the beginning of the 2001 financial year constitutes the receipt of a payment from the Department of Conservation and Land Management for the then current portion of the Annual and Long Service Leave Liability which was transferred to the Commission at 16 November, 2000. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash assets	4	3
Bank Overdraft - refer note 24	<u>(2,314)</u>	<u>(1,241)</u>
	<u>(2,310)</u>	<u>(1,238)</u>

29.2 Non-cash financing and investing activities

During the financial period assets and liabilities were either transferred or assumed but are not reflected in the Statement of Cash Flows - refer note 27.

Assets acquired	42	313,442
Liabilities acquired	-	(84,612)
Equity contributed by owners	<u>42</u>	<u>228,830</u>

	2002	2001
	(\$'000)	33 weeks (\$'000)
29.3 Reconciliation of profit from ordinary activities after income tax equivalents to net cash flows provided by/(used in) operating activities		
Profit / (Loss) from ordinary activities after income tax equivalents	13,310	(2,415)
<i>Non-cash items:</i>		
Depreciation expense	1,952	628
Doubtful debt expense	650	57
Amounts credited for proceeds on sale of Peel B land	(1,355)	(1,270)
Amounts credited for remuneration of logging contractors	-	(70)
Amounts debited for payments of liability due to Treasurer	-	1,436
Revenue on disposal of non-current assets	-	(8)
Disposal of non-current assets	9	2
Amounts for income tax equivalents	2,158	2,063
Revaluation of timber assets and infrastructure	(1,996)	10,295
<i>(Increase)/decrease in assets:</i>		
Current receivables ¹	(531)	(14,025)
Current inventories	(5,867)	(4,584)
Other current assets	-	(30)
Non-current assets		
Accrued revenues	(814)	(1,757)
<i>Increase/(decrease) in liabilities:</i>		
Current payables ¹	(3,398)	6,116
Provisions	(1,011)	336
Other current liabilities	-	5,858
Grants and Subsidies from Government	(500)	-
Net GST receipts ²	631	(977)
Taxation equivalents paid	(2,869)	-
Net cash provided by operating activities	369	1,656

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

² Net GST received in cash in the period.

29.4 Borrowing facilities

At 30th June 2002 the Commission had fully drawn on all financing facilities, details of which are disclosed in the financial statements, except for a \$61,297 (2001 \$ 5.52m) approval for the Capital Works Program, which was not drawn down at 30th June and which expired at that date.

30 Resources provided free of charge

During the financial year and in the period to 30 June 2001, no resources were provided to other agencies free of charge for functions outside the normal operations of the Commission.

	2002 (\$'000)	2001 (\$'000)
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31 Commitments for expenditure

31.1 Expenditure commitments

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

Within 1 year	5,120	1,430
Later than 1 year and not later than 5 years	15,780	7,183
Later than 5 years	-	15,352
	20,900	23,965

The commitments are exclusively in support of the Wood Processing (WESFI) Agreement Act 2000 - Plantations reforestation program, to be funded by way of loans from Western Australian Treasury Corporation.

31.2 Lease commitments

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

Within 1 year	1,847	2,056
Later than 1 year and not later than 5 years	7,168	6,694
Later than 5 years	3,393	5,083
	12,408	13,833
Non-cancellable operating leases	12,408	13,833

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.

31.3 Guarantees and undertakings

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

32 Contingencies

32.1 Liabilities

The Commission has no contingent liabilities as at 30 June 2002 (nil at 30 June 2001).

33 Events occurring after reporting date

There were no events that occurred after balance date, other than events for which the financial effects have already been brought to account, that will have a material effect on the Statement of Financial Position or Statement of Financial Performance as at 30 June 2002.

34 Explanatory statement

34.1 Comparison of 2001-2002 actual results to 2000-2001 actual results

Explanations on any line item with a variance of greater than ten percent have been provided. The Commission's 2000-2001 financial period was 33 weeks. For the purposes of this analysis the results for the 2000-2001 financial period have been annualised where applicable, to facilitate comparative analysis between the two years. Significant variations between actual revenues and expenditures for the financial year and annualised revenues and expenditures for the immediately preceding financial period to 30 June 2001 are as follows:

	2002 (\$'000)	2001 Annualised (\$'000)	Variance %	Notes
Note 3 to the statement of financial performance				
Revenue and expenses from natural resource assets				
3.1 Revenue from natural resource assets				
- Native Forest Division timber products revenue	20,958	31,584	-34%	1
- Plantation Division timber products revenue	19,026	16,867	13%	2
- Sandalwood revenue	6,209	6,377	-3%	
- Plant Propagation Centre revenue	5,124	3,524	45%	3
Total revenue from commercial harvesting operations	51,317	58,352	-12%	
Revenue from cost recovery:				
- Recovery of Native Forest Division harvesting costs	26,709	43,760	-39%	4
- Recovery of Sandalwood harvesting costs	5,947	4,510	32%	5
- Recovery of Plantation Division harvesting costs	24,593	19,700	25%	6
Total revenue from cost recovery	57,249	67,970		
Total revenues from natural resource assets	108,566	126,323		
3.2 Expenses from natural resource assets				
- Harvesting costs	53,307	62,231	-14%	7
- Write-down of inventory to net realisable value	1,517	-		
- Less increase in valuation of inventory on hand	(398)	(3,584)	-89%	8
Total expenses from natural resource assets	54,426	58,647	-7%	

	2002 (\$'000)	2001 Annualised (\$'000)	Variance %	Notes
Statement of financial performance				
REVENUE				
Revenues from ordinary activities				
<i>Revenue from operating activities</i>				
Revenue from natural resource assets	108,566	126,323		see above
Correction of fundamental errors	10,205	-	n/a	9
Revenue from commercial sharefarm operations	3,550	16,364	-78%	10
Commonwealth grants & contributions	185	7	2543%	11
Other revenue	163	164	-1%	
<i>Revenue from non-operating activities</i>				
Other revenue	1,428	1,297	10%	
Total revenue from ordinary activities	124,097	144,155		
EXPENSES				
Expenses from ordinary activities				
Decrement in net market value of natural resource assets	1,223	10,295	-88%	12
Expenses from natural resource assets	54,426	58,647	-7%	see above
Employee expenses	11,950	12,378	-3%	
Supplies and services	31,472	47,829	-34%	13
Depreciation expense	1,952	990	97%	14
Borrowing costs expense	6,405	7,560	-15%	15
Administration expenses	1,142	540	111%	16
Accommodation expenses	559	503	11%	17
Total expenses from ordinary activities	109,129	138,742		
Profit/(loss) from ordinary activities before grants and subsidies from Government	14,968	5,412		

	2002 (\$'000)	2001 Annualised (\$'000)	Variance %	Notes
Statement of financial performance				
EXPENSES Continued:				
Grants and subsidies from Government	500	-	n/a	18
Profit/(loss) from ordinary activities before income tax equivalent expense	15,468	5,412		
Income tax equivalent expense	(2,158)	(3,251)	-34%	19
Net profit/(loss) from ordinary activities after income tax equivalent expense	13,310	2,161		

Notes:

- 1 Variance reflects reduction in Native Forest Divisions harvesting activities resulting from Government's Old Growth Policy, Regional Forest Agreement and business early exits.
- 2 Variance reflects increase in Plantations Division harvesting activities in line with FPC strategy.
- 3 Variance due to previous year's actual being distorted by the seasonal nature of nursery revenues. A large proportion of 2000-2001 nursery fell within the period prior to 16th November 2000 and annualisation of the Commission's revenues for 2000-2001 does not fully correct for this factor.
- 4 As per note 1 above.
- 5 Variance due to increase in Sandalwood logging activities in 2001-2002 and increased costs associated with increased silvicultural activities.
- 6 As per note 2 above.
- 7 As per note 1 above.
- 8 Stock increase in 2000-2001 due to seasonal effects, with low stocks on hand as at 16th November 2000.
- 9 Refer to statement of financial performance note 4 "Fundamental errors".
- 10 Variance due to decrease in sharefarming agency operations and distortion relating to reporting of agency revenues incorrectly reported in 2000-2001 annual financial statements. Refer to note 4.3 to statement of financial performance.
- 11 Variance attributable to a considerable portion of 2001-2002 revenues relating to transfer of balances from CALM, which had not yet been finalised at 30th June 2001.
- 12 Refer to note 8 of statement of financial performance - "Increment/(decrement) in net market value of natural resource assets".
- 13 As per note 1 and note 11 above.
- 14 Native forest infrastructure depreciation not charged in 2000-2001, due to write-down. (Refer note 8 to statement of financial performance).
- 15 Variance attributable to decrease in interest rates and improved cash management.
- 16 Variance due to increase in provision for doubtful debts. (Refer note 18 to the statement of financial position)
- 17 Variance due to cost allocation changes.
- 18 Funds received for Community Service Obligations.
- 19 Higher annualised tax equivalent charge in the financial period to 30 June 2001 due to the incorrect treatment of depreciation on infrastructure in 2001, as well as the deduction in the period to 30 June 2002 of roading and bridges expenditure previously not claimed for tax equivalent expenditure purposes.

34.2 Comparison of 2001-2002 actual results to estimated results

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

	2002 (\$'000)	2002 estimate (\$'000)	Variance %	Notes
Note 3 to the statement of financial performance				
Revenue and expenses from natural resource assets				
3.1 Revenue from natural resource assets				
- Native Forest Division timber products revenue	20,958	23,043	-9%	
- Plantation Division timber products revenue	19,026	18,713	2%	
- Sandalwood revenue	6,209	6,053	3%	
- Plant Propagation Centre revenue	5,124	3,166	62%	1
Total revenue from commercial harvesting operations	<u>51,317</u>	<u>50,975</u>	1%	
Revenue from cost recovery:				
- Recovery of Native Forest Division harvesting costs	26,709	27,410	-3%	
- Recovery of Sandalwood harvesting costs	5,947	5,947	0%	
- Recovery of Plantation Division harvesting costs	24,593	23,023	7%	
Total revenue from cost recovery	<u>57,249</u>	<u>56,381</u>		
Total revenues from natural resource assets	<u>108,566</u>	<u>107,355</u>	1%	
3.2 Expenses from natural resource assets				
- Harvesting costs	53,307	50,175	6%	
- Write-down of inventory to net realisable value	1,517	-	100%	
- Less increase in valuation of inventory on hand	(398)	-	-100%	
Total expenses from natural resource assets	<u>54,426</u>	<u>50,175</u>	8%	

	2002 (\$'000)	2002 estimate (\$'000)	Variance %	Notes
Statement of financial performance				
REVENUE				
Revenues from ordinary activities				
<i>Revenue from operating activities</i>				
Revenue from natural resource assets	108,566	107,355	1%	see above
Correction of fundamental errors	10,205	-	n/a	
Revenue from commercial sharefarm operations	3,550	3,702	-4%	
Commonwealth grants & contributions	185	-	n/a	
Other revenue	163	-	n/a	
<i>Revenue from non-operating activities</i>				
Other revenue	1,428	1,287	11%	
Total revenue from ordinary activities	124,097	112,344	10%	
EXPENSES				
Expenses from ordinary activities				
Decrement in net market value of natural resource assets	1,223	-	n/a	2
Expenses from natural resource assets	54,426	50,175	8%	
Employee expenses	11,950	11,596	3%	
Supplies and services	31,472	35,925	-12%	3
Depreciation expense	1,952	1,959	0%	
Borrowing costs expense	6,405	6,952	-8%	
Administration expenses	1,142	389	193%	4
Accommodation expenses	559	380	47%	5
Total expenses from ordinary activities	109,129	107,376	2%	
Profit from ordinary activities before grants and subsidies from Government	14,968	4,968	201%	
Grants and subsidies from Government	500	500	0%	
Profit from ordinary activities before income tax equivalent expense	15,468	5,468	183%	
Income tax equivalent expense	(2,158)	(202)	968%	6
Net profit from ordinary activities after income tax equivalent expense	13,310	5,266	153%	

Notes:

- 1 Conservative approach taken at the time of budget preparation due to market uncertainty.
- 2 These result from the application of complex valuation models. Valuation results do not form part of the Commission's operational measures. Increments/decrements are therefore not budgeted for.
- 3 Attributable to reductions in Native Forest Division's activities and savings in discretionary expenditure.
- 4 Variance attributable to increase in doubtful debts provision. Refer note 18 to statement of financial position.
- 5 Inadequate budget provision for Rivervale and Kalgoorlie offices.
- 6 Due to timing differences on deduction of expenses for income tax and accounting purposes.

35 Financial instruments

35.1 Interest rate risk exposure

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

2002							
	Weighted Average Effective Interest Rate %	Variable Interest Rate \$'000	Fixed Interest Rate - Maturity			Non Interest Bearing \$'000	Total \$'000
			Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000		
Financial Assets							
Cash assets						4	4
Receivables						15,401	15,401
Accrued revenue						2,571	2,571
	Nil	Nil	Nil	Nil	Nil	17,976	17,976
Financial Liabilities							
Payables						3,444	3,444
Bank overdraft	8.35	2,314					2,314
WATC	8.05		2,424	10,254	67,398		80,076
Finance lease liabilities							Nil
Accrued interest						1,366	1,366
Treasurer's liability						2,872	2,872
		2,314	2,424	10,254	67,398	7,682	90,072

2001							
	Weighted Average Effective Interest Rate %	Variable Interest Rate \$'000	Fixed Interest Rate - Maturity			Non Interest Bearing \$'000	Total \$'000
			Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000		
Summary:							
Cash assets						3	3
Receivables						16,151	16,151
Accrued revenue						1,757	1,757
Loans and advances							Nil
Other							Nil
Financial Assets	Nil	Nil	Nil	Nil	Nil	17,911	17,911
Financial Liabilities							
Payables						6,842	6,842
Bank overdraft	-					1,241	1,241
WATC	8.95		436	23,456	51,856		75,748
Finance lease liabilities							Nil
Accrued interest				1,774			1,774
Amounts due to the Treasurer						4,309	4,309
Financial Liabilities		Nil	436	25,230	51,856	12,392	89,914

2002
(\$'000)

2001
(\$'000)

Summary

Financial assets	17,976	17,911
Financial liabilities	90,072	89,914

35.2 Credit risk exposure

Accounts receivable largely consists of timber debtors, for which deposits and securities equivalent to an average of 6 weeks deliveries are required to be lodged in favour of the Commission under timber contracts of sale. These deposits and securities are held in trust until the expiry or default of contracts. However, as at 30 June 2002, the value of overdue accounts exceeded deposits and securities by \$ 1.3million (2001 \$1.3million).

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

The Commission's credit risk exposure at 30 June 2002 is illustrated by the aged debtors table below:

	2002 Number of customers	2002 Value overdue ¹ : (\$'000)	2001 Number of customers	2001 Value overdue ¹ : (\$'000)
1 to 30	28	1,419	53	823
31 to 60	12	853	38	779
Greater than 60	44	1,431	41	921
All overdue accounts	84	3,703	132	2,523

¹Overdue beyond the Commission's 30 day trading terms.

The likelihood of recovery as at 30 June 2002, was estimated and factored into the amount of \$707,000 (2001 \$57,000) provided for doubtful debts (refer note 18).

35.3 Fair values

The carrying amount of financial assets and financial liabilities recorded in the financial statements are not considered materially different from their fair values, determined in accordance with the accounting policies disclosed in Note 2 to the financial statements, in particular Note 2.21

The Commission's borrowings of \$80.076M (2001 \$75.748M) from the Western Australian Treasury Corporation (WATC) have been assessed by the WATC to have a net fair value of \$84.916M (2001 \$82.442M) as at 30 June 2002. 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.

	2002 (\$'000)	2001 (33 weeks) (\$'000)
36 Taxation equivalent		
The prima facie income tax equivalent ¹ on pre-tax accounting profit reconciles to the income tax equivalent in the statement of financial performance as follows:		
Profit/(Loss) from ordinary activities before income tax equivalents	15,468	(352)
Income tax equivalent expense calculated at 30% (2001 34%) of operating profit	4,640	(120)
<i>Permanent differences: (refer Note 2.18)</i>		
Non-deductible legal expenses	-	1
Non-deductible travel expenses	7	4
Research and development concession	(78)	(225)
Devaluation of natural resource assets	367	3,502
Depreciation on forest infrastructure	(210)	-
Portion of fundamental error due to error in revaluation of natural resource assets	(966)	-
Capitalised Plantations reforestation program expenditure	(1,556)	(1,187)
Change in tax rate 2001-2002	(46)	89
Income tax equivalent expense attributable to profit from ordinary activities	2,158	2,063
Income tax equivalent expense comprises movements in:		
Provision for tax equivalent expense	250	2,728
Provision for deferred tax equivalent expense	2,256	10
Future tax equivalent expense benefit	(348)	(675)
Total income tax equivalent expense	2,158	2,063
	2002 (\$'000)	2001 (\$'000)
<i>Deferred tax assets (refer Note 2.18)</i>		
Future income tax benefit - timing differences	1,023	675
Reconciliation:		
Reconciliations of the carrying amounts of future income tax equivalent benefits at the beginning and end of the current financial period are set out below.		
Carrying amount at start of period	675	-
Amount arising during the period	348	675
Carrying amount at end of period	1,023	675
<i>Deferred tax liabilities (refer Note 2.18)</i>		
Provision for deferred income tax equivalent liabilities	2,266	10
Reconciliation:		
Reconciliations of the carrying amounts of deferred income tax equivalent liabilities at the beginning and end of the current financial period are set out below.		
Carrying amount at start of period	10	-
Amount arising during the period	2,256	10
Carrying amount at end of period	2,266	10
<i>Provision for income tax equivalent expense</i>		
Provision for income tax equivalent at start of period	2,728	-
Income tax equivalent expense paid in period	(2,869)	-
Income tax equivalent expense for the period	2,158	2,063
Effect of future income tax equivalent benefit arising in the period	348	675
Effect of provision for deferred income tax equivalent arising in the period	(2,256)	(10)
Provision for income tax equivalent expense at end of period	109	2,728

¹Western Australian National Taxation Equivalent Regime - refer note 2.18

	2002 (\$'000)	2001 (\$'000)
37 Provision for statutory dividend		
Requested statutory dividend	-	1,668

	2002 (\$'000)	2001 (33 weeks) (\$'000)
--	------------------	--------------------------------

38 Remuneration of Members of the Accountable Authority and Senior Officers

Remuneration of Members of the Accountable Authority

The number of Members of the Accountable Authority (Commissioners) whose total of fees, salaries, superannuation¹ and other benefits received, or which are due and receivable, for the financial year (2001 33 week period) which fall within the following bands, is as follows:

\$		
5,000 - 10,000	-	6
10,000 - 20,000	4	1
20,000 - 30,000	2	-
30,000 - 40,000	1	-
	<u>7</u>	<u>7</u>

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

<u>129</u>	<u>58</u>
------------	-----------

¹No Commissioner is a member of the Pension Scheme.

Remuneration of Senior Officers

The number of Senior Officers (members of the Commission's Corporate Executive), other than Members of the Accountable Authority, whose total of fees, salaries, superannuation and other benefits received, or which are due and receivable, for the financial year (2001 33 week period) which fall within the following bands is as follows:

\$		
20,000 - 30,000	2	-
50,000 - 60,000	-	4
70,000 - 80,000	1	-
90,000 - 100,000	-	1
100,000 - 110,000	2	-
150,000 - 160,000	1	-
	<u>6</u>	<u>5</u>

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

<u>493</u>	<u>308</u>
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39 Related/affiliated bodies

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

40 Remuneration of auditor

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

Auditing the accounts, financial statements and performance indicators	<u>44</u>	<u>40</u>
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	2002 (\$'000)	2001 (33 weeks) (\$'000)
41 Funds held in trust		
Funds held in trust ¹ on behalf of customers/suppliers as security on logging contracts. These funds are repayable to customers on completion of the contract.		
Opening Balance	123	-
Receipts ²	762	123
Payments	-	-
Closing Balance	885	123

¹Trust 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 accumulates for the benefit of customers/suppliers.

²\$694,000 of the current year receipts is attributable to a transfer from CALM this financial year, relating to deposits on hand prior to 16th November 2000

42 Supplementary information

42.1 Write-offs	Nil	Nil
42.2 Losses through theft, defaults and other causes	Nil	Nil
42.3 Gifts of public property	Nil	Nil

43 Segment information

Segment information has been disclosed by output.

The two key segments of the Commission are:

Segment 1: Native Forest Operations Division

The Native Forest Operations Division is responsible for the planning, harvesting and sale of forest products from indigenous forests on State owned land.

Segment 2: Plantations Operations Division

The Plantation Operations Division has three main operating arms - the Plantation Branch which covers State-owned plantations; the Sharefarms Branch, which has the responsibility of sharefarming agreements with landowners; and the Propagation Branch, which produces seedlings for internal needs as well as for external customers.

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

	2002			2001 (33 weeks)		
	Total (\$'000)	Native Forests (\$'000)	Plantations (\$'000)	Total (\$'000)	Native Forests (\$'000)	Plantations (\$'000)
REVENUE						
Revenues from ordinary activities						
Revenue from Natural resource assets	108,566	59,823	48,743	78,356	54,210	24,146
Correction of fundamental error	10,205	3,800	6,405	-	-	-
Revenue from commercial sharefarm operations	3,550	-	3,550	10,382	-	10,382
Commonwealth grants & contributions	185	-	185	7	-	7
Other revenue	163	102	62	106	77	29
Increment in net market value of natural resource assets and forest infr.	22,339	22,339	-	-	-	-
Non operating other revenue	1,428	67	1,361	1,297	13	1,284
Inter-divisional sales	2,793	-	2,793	3,756	-	3,756
Total revenue from operating activities	149,229	86,131	63,099	93,904	54,300	39,604
EXPENSES						
Expenses from ordinary activities						
Decrement in net market value of natural resource assets and forest infr.	23,562	-	23,562	10,295	8,337	1,958
Expenses from natural resource assets	54,426	29,215	25,212	35,909	25,187	10,722
Employee expenses	11,950	6,138	5,812	7,855	3,766	4,089
Supplies and services	34,265	19,872	14,393	34,109	12,816	21,293
Depreciation expense	1,952	271	1,681	628	120	508
Borrowing costs expense	6,405	1,186	5,219	4,798	1,703	3,095
Administration expenses	1,142	403	739	343	232	111
Accommodation expenses	559	297	262	319	176	143
Total expenses from ordinary activities	134,261	57,383	76,880	94,256	52,337	41,919
Profit/(loss) from ordinary activities before grants and subsidies from Government	14,968	28,748	(13,780)	(352)	1,963	(2,315)
Grants and subsidies from Government	500	500	-	-	-	-
Profit/(loss) from ordinary activities before income tax equivalents	15,468	29,248	(13,780)	(352)	1,963	(2,315)
Income tax equivalent expense	(2,158)	(1,763)	(395)	(2,063)	(4,781)	2,718
Net profit	13,310	27,486	(14,175)	(2,415)	(2,818)	403
Segment Assets	339,922	138,162	201,760	328,060	105,388	222,672
Unallocated Assets	-	-	-	-	-	-
Total assets	339,922	138,162	201,760	328,060	105,388	222,672
Segment liabilities	100,137	27,677	72,460	103,313	33,410	69,904
Total liabilities	100,137	27,677	72,460	103,313	33,410	69,904
Unallocated liabilities	-	-	-	-	-	-
Total liabilities	100,137	27,677	72,460	103,313	33,410	69,904
Return on total assets before natural resource assets revaluations and fundamental errors	3.79%	3.11%	4.26%	4.49%	11.39%	1.23%

	2002			2001		
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
	Total	Native Forests	Plantns	Total	Native Forests	Plantns
Acquisition of property, plant and equipment and other non-current segment assets						
Transfers from other government departments	54	52	2	15,199	12,258	2,941
Additions	301	153	148	569	350	219
Non-cash revenues/ expenses other than depreciation:						
Non-cash revenues:						
- Increment in net market value of Natural resource assets	22,339	22,339	-	-	-	-
Total non-cash revenues	22,339	22,339	-	-	-	-
Non-cash expenses:						
- decrement in net market value of Natural resource assets	23,562	-	23,562	10,295	8,337	1,958
Doubtful debts expense	650	113	537	57	54	3
Amount for income tax equivalents	2,158	1,763	395	2,063	4,781	(2,718)
Total non-cash expenses	26,370	1,876	24,494	12,415	13,172	(757)
Net non-cash revenues/(expenses)	(4,031)	20,463	(24,494)	(12,415)	(13,172)	757

2002

2001
(33 weeks)

44 Advertising and communication expenditure

Information required in terms of S175 ZE of the Electoral Act (1907)

Advertising expenditure:

Supplier:	Service:		
Marketforce Productions	Tenders/Auctions/Vacancies	21,346	24,967
Executive Media Pty Ltd	Tenders/Auctions/Vacancies	1,636	1,018
Media Decisions - TV Advertising	TV Advertising Sharefarms	10,125	11,961
Company Directors	Tenders/Auctions/Vacancies	2,000	-
Premier and Cabinet	Tenders/Auctions/Vacancies	4,821	-
Sector Vision Consulting	Tenders/Auctions/Vacancies	2,625	-
Sundry other (less than \$1,500.00 per supplier) Various		5,339	-
Total		47,892	37,946

Consultancy:

Supplier:	Service:		
One 2 One Communications	Communication consultants	47,510	82,668
Total		47,510	82,668

45 Additional information

The following additional information is provided in terms of the requirements of AASB1034 5.1

Domicile and legal form:

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

Principal office:

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

Operations and principal activities:

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

Parent entity:

Government of Western Australia.

Number of employees at year end:

	2002	2001
Number of employees ¹ :	187	199

¹Refer Our People report in Volume 1.

A u d i t o r G e n e r a l ' s R e p o r t o n t h e F i n a n c i a l S t a t e m e n t s

AUDITOR GENERAL

To the Parliament of Western Australia

FOREST PRODUCTS COMMISSION FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2002

Scope

I have audited the accounts and financial statements of the Forest Products Commission for the year ended June 30, 2002 under the provisions of the Financial Administration and Audit Act 1985.

The Commission is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing and presenting the financial statements, and complying with the Act and other relevant written law. The primary responsibility for the detection, investigation and prevention of irregularities rests with the Commission.

My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, the controls exercised by the Commission to ensure financial regularity in accordance with legislative provisions, evidence to provide reasonable assurance that the amounts and other disclosures in the financial statements are free of material misstatement and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions so as to present a view which is consistent with my understanding of the Commission's financial position, its financial performance and its cash flows.

The audit opinion expressed below has been formed on the above basis.

Audit Opinion

In my opinion,

- (i) the controls exercised by the Forest Products Commission provide reasonable assurance that the receipt and expenditure of moneys and the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and the Notes to and forming part of the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of the Commission at June 30, 2002 and its financial performance and its cash flows for the year then ended.



D D R PEARSON
AUDITOR GENERAL

November 29, 2002

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TRENDS IN THE AREA OF NATIVE FOREST HARVESTED

	Jarrah Forest ha	Jarrah/Wandoo Forest ha	Karri Forest	
			Clearfelled or cut to seed trees ha	Thinned ha
1976-77	32,320	1,170	2,610	-
1977-78	26,020	740	4,450	-
1978-79	25,540	530	2,710	-
1979-80	25,150	860	2,110	60
1980-81	22,930	1,440	2,080	180
1981-82	24,680	610	2,180	320
1982-83	23,740	330	990	190
1983-84	21,540	580	1,490	260
1984-85	20,010	1,440	2,360	500
1985-86	22,640	650	1,590	340
1986	19,340	1,150	1,090	490
1987	17,180	1,380	1,310	700
1988	23,400	490	1,180	840
1989	15,130	200	1,510	910
1990	12,960	100	1,560	340
1991	10,910	-	1,920	230
1992	13,990	30	1,540	310
1993	14,250	40	1,630	80
1994	14,050	50	1,440	-
1995	17,830	30	2,410	-
1996	22,320	50	1,300	60
1997	18,240	60	1,870	60
1998	19,250	60	1,970	320
1999	14,200	50	1,890	360
2000	20,570	10	1,310	70
2001	15,130*	0	1,380	120

* Note: 2001 figures do not include areas cleared for mining or utilities

APPENDIX 2

AREA OF STATE-OWNED CONIFEROUS PLANTATIONS AS AT 31 DECEMBER 2001

Planting Year	SF = Share Farm	FPC - OWNED											FPC - MANAGED				TOTAL						
		Pinus Radiata				Grand Cumulative Total		Other Pine				Grand Cumulative Total		Pinus Radiata		Other Pine		All Species					
		First Rotation		Replanted Areas				First Rotation		Replanted Areas				All Rotations		First Rotation		Year Total		Cumulative Total			
		STATE		STATE		STATE		STATE		STATE		STATE		STATE		STATE		STATE		STATE		STATE	
		+S/F	S/F	+S/F	S/F	+S/F	S/F	+S/F	S/F	+S/F	S/F	+S/F	S/F	+S/F	S/F	+S/F	S/F	+S/F	S/F	+S/F	S/F	+S/F	S/F
<1959		172	16	16	0	188	16	3507	56	33	0	3540	56	0	0	0	0	3728	72	3728	72		
1960		36	2	3	0	227	18	306	0	0	0	3846	56	0	0	0	0	345	2	4073	74		
1961		43	0	0	0	270	18	434	0	3	0	4283	56	0	0	0	0	480	0	4553	74		
1962		79	0	0	0	349	18	411	0	0	0	4694	56	0	0	0	0	490	0	5043	74		
1963		97	0	0	0	446	18	301	0	0	0	4995	56	0	0	0	0	398	0	5441	74		
1964		72	0	0	0	518	18	495	0	23	23	5513	79	0	0	0	0	590	23	6031	97		
1965		87	0	13	0	618	18	433	0	3	0	5949	79	0	0	0	0	536	0	6567	97		
1966		97	0	6	0	721	18	693	0	2	0	6644	79	0	0	0	0	798	0	7365	97		
1967		153	0	0	0	874	18	906	0	0	0	7550	79	0	0	0	0	1059	0	8424	97		
1968		94	0	16	0	984	18	1236	0	3	0	8789	79	0	0	0	0	1349	0	9773	97		
1969		291	0	0	0	1275	18	1426	0	9	0	10224	79	0	0	0	0	1726	0	11499	97		
1970		472	1	0	0	1747	19	1150	1	19	0	11393	80	0	0	0	0	1641	2	13140	99		
1971		715	1	1	0	2463	20	865	1	0	0	12258	81	0	0	0	0	1581	2	14721	101		
1972		763	19	4	0	3230	39	664	0	0	0	12922	81	0	0	0	0	1431	19	16152	120		
1973		1134	102	51	0	4415	141	542	0	3	0	13467	81	0	0	0	0	1730	102	17882	222		
1974		1210	55	2	0	5627	196	313	0	0	0	13780	81	0	0	0	0	1525	55	19407	277		
1975		1280	159	0	0	6907	355	1192	0	0	0	14972	81	0	0	0	0	2472	159	21879	436		
1976		1469	101	5	0	8381	456	1118	0	1	0	16091	81	0	0	0	0	2593	101	24472	537		
1977		1309	9	33	0	9723	465	863	0	0	0	16954	81	0	0	0	0	2205	9	26677	546		
1978		1926	8	17	0	11666	473	495	0	0	0	17449	81	0	0	0	0	2438	8	29115	554		
1979		1370	2	403	0	13439	475	515	0	0	0	17964	81	0	0	0	0	2288	2	31403	556		
1980		1482	0	0	0	14921	475	874	0	0	0	18838	81	0	0	0	0	2356	0	33759	556		
1981		1353	0	114	0	16388	475	876	0	5	0	19719	81	0	0	0	0	2348	0	36107	556		
1982		1198	0	273	0	17859	475	463	0	5	0	20187	81	0	0	0	0	1939	0	38046	556		
1983		1295	0	37	0	19191	475	661	0	0	0	20848	81	0	0	0	0	1993	0	40039	556		
1984		1821	0	3	0	21015	475	506	0	9	0	21363	81	0	0	0	0	2339	0	42378	556		
1985		1630	48	125	0	22770	523	477	0	2	0	21842	81	0	0	0	0	2234	48	44612	604		
1986		1043	164	0	0	23813	687	481	0	0	0	22323	81	0	0	0	0	1524	164	46136	768		
1987		1433	739	159	0	25405	1426	663	0	39	39	23025	120	0	0	0	0	2294	778	48430	1546		
1988		1548	1127	133	1	27086	2554	194	0	1	0	23220	120	0	0	0	0	1876	1128	50306	2674		
1989		925	371	462	32	28473	2957	22	0	20	0	23262	120	0	0	0	0	1429	403	51735	3077		
1990		883	741	356	0	29712	3698	0	0	6	0	23268	120	0	0	0	0	1245	741	52980	3818		
1991		1131	1050	514	1	31357	4749	4	0	19	0	23291	120	0	0	0	0	1668	1051	54648	4869		
1992		1788	1781	488	0	33633	6530	118	118	345	0	23754	238	0	0	0	0	2739	1899	57387	6768		
1993		760	675	990	0	35383	7205	158	0	309	0	24221	238	0	0	0	0	2217	675	59604	7443		
1994		543	400	419	13	36345	7618	0	0	424	0	24645	238	0	0	0	0	1386	413	60990	7856		
1995		100	96	1107	1	37552	7715	266	266	149	0	25060	504	0	0	0	0	1622	363	62612	8219		
1996		16	9	1168	0	38736	7724	776	605	31	0	25867	1109	0	0	0	0	1991	614	64603	8833		
1997		3	0	1152	0	39891	7724	1121	1121	177	0	27165	2230	0	0	16	16	2469	1137	67072	9970		
1998		93	75	70	0	40054	7799	1606	1598	0	0	28771	3828	0	0	300	300	2069	1973	69141	11943		
1999		109	77	824	0	40987	7876	2411	2407	184	0	31366	6235	0	0	296	296	3824	2780	72965	14723		
2000		203	197	1189	0	42379	8073	3767	3764	13	0	35146	9999	19	19	418	418	5609	4398	78574	19121		
2001		0	0	943	0	43322	8073	3105	3105	0	0	38251	13104	0	0	337	337	4385	3442	82959	22563		
TOTAL		32226	8025	11096	48	43322	8073	36909	13042	1837	62	38251	13104	19	19	1367	1367	82959	22563	82959	22563		

APPENDIX 3

AREA OF STATE-MANAGED EUCALYPT PLANTATIONS AS AT 31 DECEMBER 2001

Planting Year	FPC - OWNED				Privately Owned		All Species			
	E.globulus		Other Eucalypts				Year Total		Cumulative Total	
	STATE		STATE		E.globulus	Other Eucs.	E.globulus	Other Eucs.	E.globulus	Other Eucs.
	+S/F	S/F	+S/F	S/F						
<1987	16	0	6643	3	0	0	16	6643	16	6643
1988	844	844	9	0	0	0	844	9	860	6652
1989	2537	2520	2	0	41	0	2578	2	3438	6654
1990	309	261	25	0	152	0	461	25	3899	6679
1991	384	378	40	0	281	2	665	42	4564	6721
1992	431	417	1	1	638	0	1069	1	5633	6722
1993	283	269	15	9	1369	25	1652	40	7285	6762
1994	43	43	2	0	1923	0	1966	2	9251	6764
1995	3	0	0	0	3537	55	3540	55	12791	6819
1996	73	73	3	3	6232	16	6305	19	19096	6838
1997	44	28	7	7	6519	0	6563	7	25659	6845
1998	25	25	5	5	5368	0	5393	5	31052	6850
1999	0	0	1	1	5803	0	5803	1	36855	6851
2000	0	0	1	1	6125	0	6125	1	42980	6852
2001	0	0	30	30	3609	0	3609	30	46589	6882
TOTAL	4992	4858	6784	60	41597	98	56589	6882	46589	6882

APPENDIX 4

AREA OF STATE MANAGED SANDALWOOD (*S.SPICATUM*) PLANTATIONS AS AT 31 DECEMBER 2001

Year	Hectares
1997	5.0
1998	19.1
2000	18.9
2001	84.0
Total	127.0

APPENDIX 5
LOG PRODUCTION FROM CROWN LAND AND PRIVATE PROPERTY 2001-2002

Type	Crown Land		Private Property		Total	
	c.metres	tonnes	c.metres	tonnes	c.metres	tonnes
SAWLOG TIMBER*						
Jarrah	263,357	344,913	-	-	263,357	344,913
Karri	96,132	118,473	-	-	96,132	118,473
Marri	5,517	6,841	-	-	5,517	6,841
Blackbutt	1,637	2,110	-	-	1,637	2,110
Wandoo	135	178	-	-	135	178
Sheoak	1,482	1,482	-	-	1,482	1,482
Other	21	26	-	-	21	26
Total Native Forest Sawlogs	368,281	474,023	-	-	368,281	474,023
Globulus	0	0	0	0	0	0
Mallet	313	373	0	0	313	373
Total Plantation Hardwood Sawlogs	313	373	0	0	313	373
Pinaster	32,644	32,644	453	453	33,097	33,097
Radiata	248,805	248,805	36,135	36,135	284,940	284,940
Plantation Softwood Sawlogs and veneer logs	281,449	281,449	36,588	36,588	318,037	318,037
TOTAL SAWLOGS	650,043	755,845	36,588	36,588	686,631	792,433
OTHER LOG MATERIAL						
Native Forest						
Chiplogs	199,897	244,202	-	-	199,897	244,202
Firewood/charcoal logs	91,899	94,552	-	-	91,899	94,552
Sandalwood	2,246	2,246	-	-	2,246	2,246
Other **	14,915	17,995	-	-	14,915	17,995
Sub-total Native Forest Other	308,957	358,995	-	-	308,957	358,995
Plantation Hardwood						
Chiplogs***	0	0	180,930	216,034	180,930	216,034
Firewood/charcoal logs	600	602	0	0	600	602
Other **	49	59	125	149	174	208
Sub-total Hardwood Plantation Other	649	661	181,055	216,183	181,704	216,844
Plantation Softwood						
Industrial wood	174,113	174,892	25,229	25,229	199,342	200,121
Woodchips	72,997	71,174	5,528	4,863	78,525	76,037
Other	11,406	11,406	0	0	11,406	11,406
Pine rounds	18,916	18,916	0	0	18,916	18,916
Sub-total Plantation Softwood Other	277,432	276,388	30,757	30,092	308,189	306,480
Total Other Material	587,038	636,044	211,812	246,275	798,850	882,319
TOTAL LOG TIMBER	1,237,081	1,391,889	248,400	282,863	1,485,481	1,674,752

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

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

*** includes woodchips.

Note: includes logs from Crown land sold under Minor Production Contracts.

APPENDIX 6

NATIVE FOREST SAWLOG PRODUCTION BY FPC 2001-2002

Product type	High Quality m ³	1st & 2nd Sawlogs m ³	Bole Log m ³	Other Sawlogs m ³	TOTAL m ³
Jarrah	3,917	241,116	98	18,226	263,357
Karri	947	89,969	0	5,216	96,132
Marri	4	0	0	5,513	5,517
Other Species	1,371	829	0	1,075	3,275
Total	6,239	331,914	98	30,030	368,281
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes
Jarrah	5,116	317,069	129	22,599	344,913
Karri	1,174	110,831	0	6,468	118,473
Marri	6	0	0	6,835	6,841
Other Species	1,537	1,092	0	1,167	3,796
Total	7,833	428,992	129	37,069	474,023

* Includes logs from Crown Land sold under Minor Production Contracts

APPENDIX 7

NATIVE FOREST CHIPLOG PRODUCTION

	Crown land 1999-00		Crown land 2000-01		Crown land 2001-02	
	(m ³)	(tonnes)	(m ³)	(tonnes)	(m ³)	(tonnes)
Marri	319,259	394,197	258,119	318,860	102,618	126,662
Karri	127,063	154,131	87,547	105,919	97,279	117,540
Other	0	0	-	-	-	-
Total	446,322	548,328	345,666	424,779	199,897	244,202

APPENDIX 8**NATIVE FOREST FUELWOOD PRODUCTION**

Log Type	1999-00 (tonnes)	2000-01 (tonnes)	2001-02 (tonnes)
Firewood logs	51,853	49,002	48,893
Charcoal logs	149,485	93,008	45,659
TOTAL	201,338	142,010	94,552

APPENDIX 9**SANDALWOOD PRODUCTION (TONNES) EX CROWN LAND**

Type	1999-00 (tonnes)	2000-01 (tonnes)	2001-02 (tonnes)
Green	699	1,020	1,399
Dead	691	763	847
Bark	-	40	0
Total	1,390	1,823	2,246

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