



Forest Products Commission ■

ANNUAL REPORT

■ July 2002 – June 2003



Securing a future for our grandchildren.

Cover photos:

Tending young seedlings at the Manjimup nursery.

Preparing pine sawlogs for export from the port of Bunbury.

Rocking chair by Jah Roc Furniture company.

Image from Infinitree™ campaign.

The Commission

The Forest Products Commission manages the commercial production of Western Australia's public native forest and plantation timbers, and manages a growing estate of tree farms for both public and private investors.

The Commission's plantations and tree farms are producing the bulk of Western Australia's commodity timbers and our native forest timbers are being used increasingly for high value, end uses such as furniture and flooring.

We work in close consultation with industry, government and the Western Australian community to ensure the long-term sustainability of our State's renewable timber resources.

Our activities

The Commission is committed to providing a balance of social, economic and environmental returns for the people of Western Australia.

Our native forest management assists with the development of the local furniture industry, provides regional employment opportunities, and aids the State's export industry.

Our plantation operations provide farmers with alternative, long-term income opportunities, and help to reverse land degradation. Our recently released commercial tree farming package, Infinitree™, aims to increase the level of investment in lower rainfall zones and in sawlog production in higher rainfall areas.

Our ongoing seed research and testing enables us to continue providing diverse and superior tree species that can address salinity, water logging and wind erosion in a variety of geographical locations across Western Australia.

We are actively educating the local and international community about the uniqueness of Western Australia's timbers, our timber products and the value adding opportunities available.

Our partnerships

Our partnerships with resource and energy businesses enable us to deliver effective carbon sequestration practices, which offset the greenhouse gas emissions in other sectors of the economy.

We are pursuing commercial opportunities locally and offshore, which in turn provide employment and income for our State.

Our ongoing liaison with other government agencies and local communities helps to develop long-term sustainability strategies in regional areas.

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Widely spaced eucalypt sawlog species.



WA sandalwood tree.



Certification No 8289
Certified 11 July 2001

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

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

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 2003.



Murray Jorgensen

Chairman, Forest Products Commission Western Australia



A eucalypt sawlog alley designed for agricultural integration.

Review

During our first two years the Forest Products Commission has been working hard to deliver on major elements of government policy.

Significant milestones were achieved during 2002/03 in the development of new plantations for timber and environmental services such as salinity, erosion control and carbon sequestration, and in the establishment of a new manufacturing industry, particularly furniture, using the State's wonderful South-West timbers.



First export shipment of pine logs for Pentarch Forest Products is readied at the port of Bunbury.

In the area of plantations and tree farming, the Commission unveiled its new brand, Infitree™. The brand, launched by the Premier of Western Australia, Dr Geoff Gallop, on 6 June 2003, is the new public face of the Commission's tree farming program. Infitree now provides the Commission with an identifiable image to attract external investment and a focus for our interaction with farming communities. Use of the Infitree brand will also help to promote the benefits of tree farming amongst the broader Western Australian community. A full description of Infitree is contained on page 16.

The timing of Infitree coincides with the successful completion of what was Australia's first major bluegum project for an overseas investor. In 1993, the State Government successfully attracted new investment into bluegum plantations through Albany Plantation Forestry Limited (APFL), representing a consortium of investors from Japan. The Share Farming units of the Department of Conservation and Land Management (DCLM) were set the task of planting 20,000 hectares of bluegum for APFL over ten years. As part of the Commission, those units have not only completed this task, but exceeded it, and by the time the last planting transpires during the 2003 winter, a total of 23,724 hectares will have been planted for APFL in the Albany region. During

this time, the Share Farm units and the Plant Propagation Branch have demonstrated an ability to develop new ways of operating in partnership with agricultural land owners, building methods for efficient mass production of seedlings, and an ability to deliver on commitments to an external investor. This winter, the last year of work for APFL, will be a moment of sadness for some, but will also be recognised as the completion of a great achievement.

The year 2002/03 also saw the start-up of pine log exports from Commission plantations. This also signalled an important milestone in the development of Western Australia's plantation industry. A market for log exports provides growers with an opportunity to sell log grades and quantities that are surplus to the needs of local industry. An agreement between the Commission and Pentarch Forest Products has led to the building of log export facilities at Bunbury, and it is hoped, shortly at Albany.

In the area of South-West timbers, the Commission continued to work closely with other agencies to achieve government policy, the development of high-value manufacturing from the timber volumes authorised under the next Forest Management Plan. This has been a lengthy and stressful time for communities and agencies, but we have been extremely pleased with the level of interaction with

companies, industry bodies and community groups to try and achieve the best possible outcome from the available timber volumes. During this time, we have seen Western Australia's furniture industry continue to grow in terms of its confidence in its ability and the quality of its product. Western Australia dominated the national furniture awards in November 2002, an event that the Commission was proud to support. The 2003/04 financial year will see the finalisation of new contracts and the start of new investment by the sawmilling and furniture industry, and we look forward to a close, ongoing relationship during this time.

As the detail in the later section of this report highlights, the Commission has shown a solid financial result with an operating profit and dividend payment to government in line with budget expectations.

During a time of reducing revenue from native forests, and an expansion phase for tree farming, this reflects on the quality of financial management in all divisions of the agency. The bottom line profit and loss result continues to be influenced by the sensitivity of standing timber valuation, and this is explained in detail in the financial reports.

Other notable achievements include:

- a very good health and safety performance for the year
- increases in local sandalwood processing for its oil, along with innovations in sandalwood harvesting and regeneration methods; and
- continuing good results from external audits of our ISO 14001 Environmental Management System.

These achievements have been accomplished through the effort and dedication of staff throughout the Commission. Our staff continue to operate at the highest levels, running the finance and commercial systems, managing operations on the ground, and at the same time, contributing to the protection of lives, property and forest values during another busy and dangerous fire season. The State of Western Australia has reason to be proud of their efforts.



Murray Jorgensen
CHAIRMAN



Paul Biggs
GENERAL MANAGER



Loading harvested blue gum for transport.

The Forest Products Commission works in close partnership with industry, government and local communities in an effort to provide a balance of environmental, economic and social returns for all Western Australians.

The Commission reports to the Minister for Agriculture, Forestry and Fisheries through a seven-member Commission.

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 is in accordance with the management of indigenous forests located on public land.

Western Australia's diverse range of unique native timbers has provided the foundation of the State's timber industry for over 130 years.

During the 1960s and 70s commercial plantation timbers such as Maritime pine and radiata pine were introduced to provide supplies of softwood timbers in Western Australia.

For many years native timbers such as jarrah and karri were used in a wide variety of products, including structural and building applications.

The ever-increasing volume of Commission plantation timbers however, has meant our native timbers can now be used primarily in value adding products such as furniture and flooring, where their natural beauty can be appreciated.

As a result, a significant shift in the production of native and plantation timbers has occurred in recent years:

During the year, 987,190 hectares, or less than half of the State's native forest in the South-West, was available for timber production. Native forest production aids export earnings, creates employment opportunities in regional areas and provides unique materials for local furniture industries and manufacturers.

The Commission also managed 132,594 hectares of plantation timbers during the year, which are located across government-owned land, within the State forest and on private farms. Extensive planning is performed prior to plantation planting to ensure successful integration with existing agricultural activities, and optimal returns for farmers. As a part of the Commission's Infinitree™ commercial farming package, the Commission aims to increase the rate of planting up to 20,000 hectares per annum during the next five years.

The Commission has almost completed the establishment of 40,599 hectares of Tasmanian bluegum projects for external investors.

As a part of its industry development role, the Commission supports the operation of Ministerial Advisory Committees for the native forest industry and for the plantation industry. These committees advise the Minister for Agriculture, Forestry and Fisheries, with a range of agencies present, and provide a single point of contact for industry to raise matters across the range of portfolios.



Western Australian jarrah forest.

Year	Native Forest sawlogs harvested	Plantation sawlogs harvested
1997-98	602,765 cubic metres	262,348 cubic metres
2001-02	368,281 cubic metres	281,762 cubic metres
2002-03	352,609 cubic metres	365,017 cubic metres

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



Feature-grade marri furniture.



Western Australian sheoak vase.

Native timber species

The Commission is responsible for harvesting and regenerating predominantly jarrah (*Eucalyptus marginata*), marri (*Corymbia calophylla*), karri (*Eucalyptus diversicolor*), blackbutt (*Eucalyptus patens*) and sheoak (*Allocasuarina fraseriana*) species from the available native forest area, and ensuring their ongoing and sustainable use.

Karri and jarrah timbers, renowned for their dark colour and consistent grain pattern, have great appeal in decorative products such as furniture and flooring. The Commission strongly supports the development of these end uses.

Marri, a light coloured timber, is increasingly valued for feature-grade indoor furniture.

Not all timber is suitable for milling due to defects such as rot, gum or splits within the log. This resource is used for firewood or charcoal (in the case of jarrah) or pulp and paper making.

Blackbutt, a light coloured timber, is highly regarded for both furniture and flooring.

Sheoak, a distinctively grained timber, is used in furniture, joinery, flooring and in shingles on heritage buildings.

Goldfields eucalypts, renowned for their durability and strength, can potentially be used in furniture, flooring, musical instruments and other specialist applications. These are currently being trialled as vineyard posts on South-West wineries.

WA Blackbutt is popular in furniture and flooring.



WA sandalwood

WA sandalwood (*Santalum spicatum*) timber, found in the drier areas of the State, has long been a viable industry in Western Australia. Traditional uses have included incense and insect repellents. More recently, WA sandalwood is being used in higher value commodities - the oil is being used in perfumes and there is some indication WA sandalwood could be used in pharmaceutical applications in the future. The Commission is developing plantations of WA sandalwood as a part of its Infinitree™ program.

Plantation timber species

The Commission's plantation timbers include largely radiata pine (*Pinus radiata*), Maritime pine (*Pinus pinaster*), WA sandalwood and a variety of eucalypt species for sawlog production.

Pine is largely used in structural applications such as roofing, or in medium density fibreboard and particleboard panels. Pine products are a key resource for the State's building and housing industries. Pine that is surplus to local demand is exported as logs through the port of Bunbury.

Extensive areas of privately-owned Tasmanian bluegum (*Eucalyptus globulus*) plantations are already providing increasing amounts of export timber for pulp and paper manufacture in Japan.

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

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

The Commission produced and sold 1.5 million tonnes of timber to its customers during the year. It also established and managed plantations for a range of investors.

The plantation industry is now the Commission's largest customer and includes the Wespine sawmill, Wesfi Limited's particleboard and medium density fibreboard plants and Pinetec's sawmill. Output from this industry now provides the bulk of Western Australia's construction timber and panels for cabinet work.



Stacking medium density fibreboard at Wesfi Limited's Welshpool plant.

Following the restructuring of the native timber industry, the Commission supplies about fifteen small to medium-sized sawmills and a number of craftwood-scale customers with sawlogs, which are now used predominantly for furniture timber. Mills supply a valuable local industry of indoor and outdoor furniture manufacturers with a focus on production for interstate and overseas export.

Low grade, or residue timbers, supply local industries with domestic and industrial firewood (charcoal), and overseas buyers with logs and woodchips for pulp and paper making. The Commission continually seeks local markets for these resources in preference to export markets.

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

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

The Commission works in close partnership with a number of government agencies:

- Conservation Commission;
- Department of Conservation and Land Management;
- Department of Environment (Water and Rivers Commission);
- Water Corporation;
- Department of Industry and Resources;
- Austrade; and
- WA Government Trade Office

V a l u e s a n d O b j e c t i v e s

Our vision

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

The Forest Products Commission is 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.



Western Australia jarrah vase.

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 Products Commission-managed plantation and native forest 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 *Forest Products Act 2000* establishes two objectives for the Statement of Corporate Intent:

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

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

These broad objectives, and the principle relating to profit, have been further developed to provide more detailed targets and measurable performance indicators. They have also been aligned to be consistent with the government's forest policy.

**Objective (i)
Production from Indigenous
Forests**

Provide to Western Australia's forest products industry a long-term supply of forest products from indigenous forests on public land in a manner, which is both profitable and consistent with relevant management plans, which are based on the principles of ecologically sustainable forest management.

**Objective (ii)
Production from Plantations**

Provide to Western Australia's forest products industry a long-term supply of forest products from publicly owned and managed plantations in a manner which is both profitable and consistent with environmentally sound management practices.

**Objective (iii)
Plantation Development**

Increase the area of hardwood and softwood plantations through profitable means to meet regional development opportunities and environmental objectives.

**Objective (iv)
Promotion and Development of
the Forest Products Industry**

Promote increased level of economic return to Western Australia from the use of forest products.

**Objective (v)
Business Performance**

Meet the financial targets agreed with the Western Australian Government.

**Objective (vi)
Pricing Arrangements**

Optimise the price of forest products to satisfy the requirement for the Commission to be profitable whilst maintaining a viable forest products industry.

**Objective (vii)
Recruitment and Human
Resources**

Employ suitably qualified, experienced staff who are supported to deliver the objectives of this plan. High levels of performance by staff, aligned with the Commission's vision and mission.

**Objective (viii)
Community Support**

Improve community and industry knowledge and support of the Commission's activities.



Commercial plantations of Tasmanian bluegum.

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

Our seven Commissioners have been 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 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 a Commissioner at the City of Cockburn between April 1999 and December 2000. Mr Jorgensen is also Chairman of the Plantation Industry Ministerial Advisory Committee (PIMAC). He 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 (DCLM).

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. 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 (back row) 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 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, 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 12 times during the year with all Commissioners attending 10 or more meetings.

<i>Murray Jorgensen</i>	<i>12</i>
<i>Dr Per Christensen</i>	<i>10</i>
<i>Sandy Breeze</i>	<i>12</i>
<i>John Castrilli</i>	<i>10</i>
<i>Dr Marilyn Clark-Murphy</i>	<i>10</i>
<i>Ray Curo</i>	<i>12</i>
<i>Nick Oaks</i>	<i>12</i>

C o m m i t t e e s

The 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

Resource Utilisation Committee

Mr Ray Curo - Chairperson
Mr Nick Oaks

Finance Committee

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

Forest Management Plan Steering Committee

Mr Murray Jorgensen
Dr Per Christensen

Communications Committee

Ms Sandy Breeze - Chairperson
Mr Murray Jorgensen
Dr Per Christensen

The Executive



**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 (DCLM) and has been a Policy Adviser to previous ministers for the Environment and Forest Products.

The Commission Executive, headed by Dr Paul Biggs, takes responsibility for the Native Forest Operations, Plantation Operations and Business Development and Services divisions.



**Jon Murch,
Executive
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 DCLM. He holds a Bachelor of Science (Hons) in Forestry, specialising in harvest management and the selection of harvesting systems.



**Gary Downes,
Executive Manager
Business
Development and
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.



**Gavin Butcher,
Executive
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 DCLM.



**John Kime,
Executive
Officer**

John Kime has over 30 years experience in senior government positions. He has worked in the Water Corporation and as a Policy Advisor and Chief of Staff for a period of eight years.



O r g a n i s a t i o n a l S t r u c t u r e

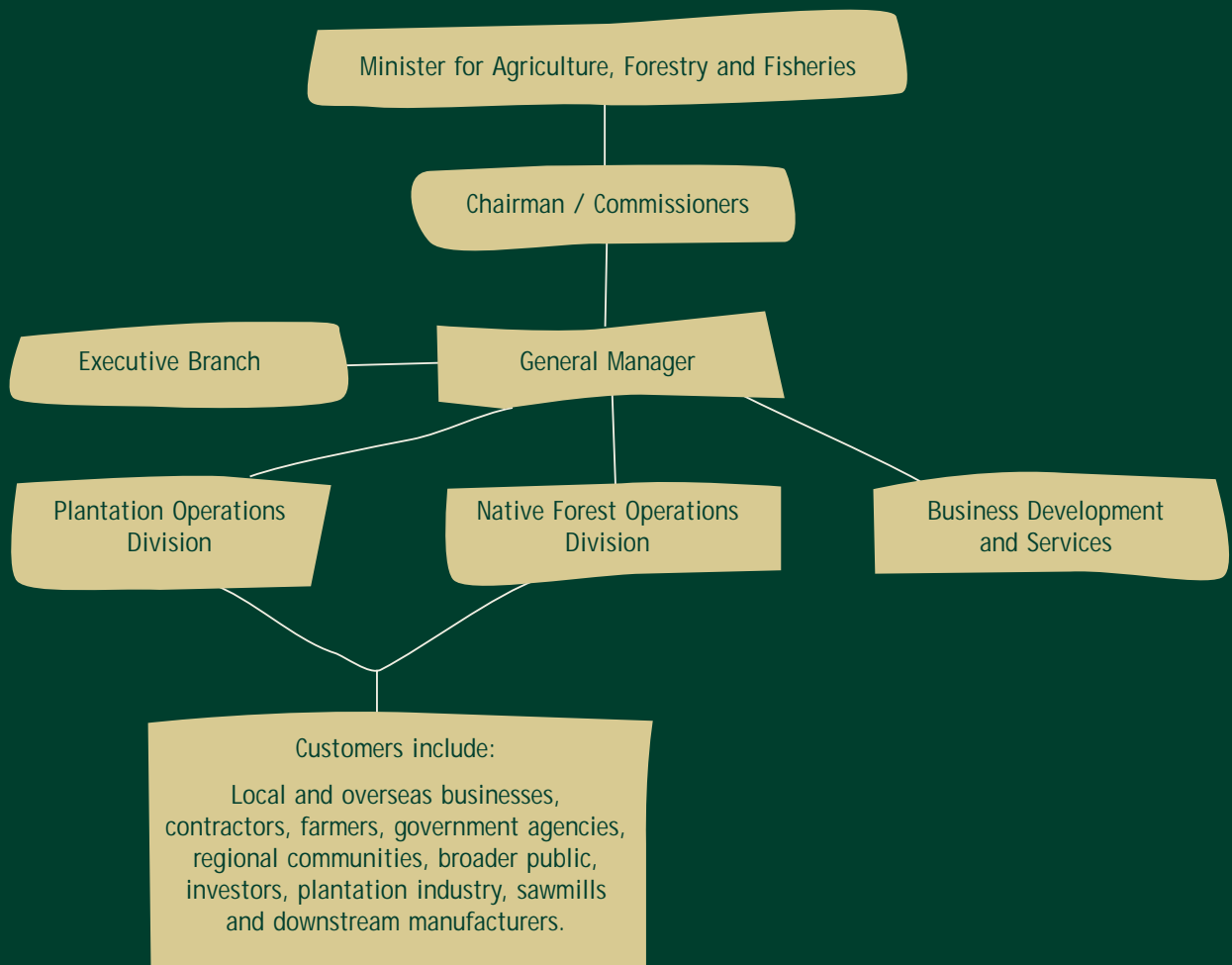
During 2002, the Commission's executive team implemented a process of development that reduced the focus on divisional management and increased the interaction of all members of the executive across the business of the agency.

This change was also reflected in the retitling of the positions to Executive Managers.

The former Corporate Services area, now titled Business Development and Services, is responsible for leading the development of new business and investment. This division has a lead role in investment for the new Infitree™ program and has been boosted with resources in investment analysis and marketing.

The operational divisions known as Native Forest Operations and Plantation Operations, continue with their key operational responsibilities.

The Plantation Operations area has been restructured to ensure the Infitree program is supported effectively. Within this area the Infitree Brand Management Group is being introduced and the Share Farming Branch is being examined to ensure that it is best placed to deliver on the objectives of new tree farming projects under Infitree.



The following summaries outline the highlights for the 2002/03 period. Further details are provided later in this document.

Infinitee™ commercial package launched

Infinitee - the Commission's complete commercial farm forestry brand - was launched by WA Premier, Dr Geoff Gallop, at Tenterden in the Great Southern region, in June 2003. Building on approved government borrowings, Infinitee is providing a commercial, long-term alternative for farmers, and providing solutions for environmental problems such as salinity, erosion and water logging. With successful investment strategies it is expected Infinitee could increase plantings on cleared farmland up to 20,000 hectares per year, during the next five years...

Log exports commence in Bunbury

The Commission finalised its contractual arrangements with Melbourne company Pentarch Forest Products. Pentarch Forest Products supplies predominantly radiata pine pulpwood logs from Australia and New Zealand, to South East Asian countries. The first export shipment departed in June 2003. Pentarch Forest Products will export 120,000 cubic metres of logs per year from Bunbury...

WA leads in plantation development

The National Plantation Inventory's 2003 update advised that Western Australian plantation growers are leading the nation in the development of new hardwood and softwood plantations. Over the last nine years, WA's plantations estate has grown from 148,000 hectares in 1994, to in excess of 351,000 hectares. Western Australia now has the second largest plantations estate in Australia...



WA Premier Dr Geoff Gallop launches Infinitee on the Gillam's Tenterden property.

Laminated Veneer Lumber Plant progresses

The Agreement between the State Government and Western Australian company Wesbeam was ratified by parliament in September 2002. Wesbeam owns the Laminated Veneer Lumber processing plant at Neerabup. The Commission will supply the plant with 4.12 million cubic metres of softwood logs over the next 26 years, which will be used locally, on the east coast of Australia and overseas...



The official signing ceremony for Wesbeam's Laminated Veneer Lumber processing plant.



New Tasmanian bluegum seedlings are delivered and readied for planting.



Action Plan for Tree Farming

The Commission's 'Action Plan for Tree Farming in WA' was launched in September 2002 as an integral part of the government's commitment to sustainability and the environment. The plan outlines future planting strategies with a focus on lower and medium rainfall zones in WA, and seeks to identify the best opportunities for processing industries and investors. Central to this strategy is the newly released Infinitree commercial tree farming program.



Action Plan for Tree Farming in WA.

WA manufacturer wins industry award

Western Australian furniture manufacturer Jah Roc Furniture was awarded the 'Best of the Best' award for its 'Chaise Lounge' at the 2002 Furnishing Industry Association of Australia awards. A multi-award winning company with galleries in Margaret River and York, it designs, manufactures and retails high end timber furniture by combining native hardwoods with forged iron, stainless steel, stone and leather. The Commission was proud to be 'Platinum' sponsor of the awards...

Goldfields vineyard posts in South-West

Small diameter Goldfields eucalypts have been successfully introduced into a number of South-West wineries as vineyard posts. The species is renowned for its strength and natural durability and is valued for its chemical free certification...



Jah Roc Furniture's Chaise Lounge, winner of the 2002 FIAA awards.

In June 2003, the Forest Products Commission's new commercial tree farming brand, Infitree, was launched by WA Premier, Dr Geoff Gallop.

Designed to boost Western Australia's farming and timber industries, Infitree will aim to increase planting rates up to 20,000 hectares per annum, over the next five years.

Infitree offers revenue-earning opportunities for farmers, addresses salinity and is likely to create employment in regional areas through the injection of investment dollars and the development of commercial infrastructure.

Why Infitree?

The farmer, the land, and the local community are benefactors of Infitree investment. It provides long-term solutions and encourages agricultural integration. The most suitable tree species are matched with the soil and rainfall conditions of a particular area prior to planting. The program focuses on low to medium rainfall areas.

What species are planted?

Maritime pine, radiata pine, several eucalypt species and WA sandalwood are planted in cells defined by the 'Action Plan for Tree Farming in WA'. The largest target areas - Mid West, Esperance and South Coast - have strong drivers related to salinity and water table control. In the South-West, the drivers are the development of a new sawlog resource to replace old growth timbers and the improvement of water quality in priority catchments.



More than 70% of Australia's salt affected land is in Western Australia.

What is the process?

Farmers provide land in exchange for upfront cash payments and a share of the timber crops at harvest time, inclusive of an optional share of carbon revenue.

The partnership between the farmer and Infitree is formalised through a legal contract. The establishment, management, harvesting and marketing of the crop are carried out by the Commission in close consultation with the farmer. The Commission's Infitree staff will assess a site for suitability, prepare the contract and register it on the land title.

The farmer constructs and maintains firebreaks within and around the tree crop according to local authority requirements and provides fencing to protect the crop from stock. A farmer can choose to perform some of the establishment and tending operations in return for current contractor rate payments.

The future

An extensive television and print campaign will progress into 2003/04 with a focus on land acquisition and investment attraction. Further information is available at www.infitree.com.au or on FREECALL number 1800 241 688



The WA Premier, Commission's General Manager and Chairman, and the Hon Minister for Agriculture, Forestry and Fisheries plant the first Infitree seedlings as a part of the official launch.



The Commission's Chairman and Henry Gillam at the launch of Infitree.



Certification No 8289
Certified 11 July 2001



Auditing a first grade karri sawlog.

Environmental Management Services

The Commission operates under an Environmental Management System certified under ISO 14001. It is committed to the development of a long-term viable timber industry that provides positive environmental outcomes for the State. To this end, it works in close cooperation with other government agencies and has been an active contributor to the Forest Management Plan during the past year.



Commission staff audit in progress.

The Commission's activities play an essential role in protecting Western Australia's land, water and biodiversity assets. Our range of environmental services include:

- reducing rising groundwater and salinity
- improving water quality
- providing corridors to link remnant vegetation
- providing buffers to protect sensitive ecosystems such as wetlands and rivers
- providing renewable energy sources
- providing carbon sinks to offset greenhouse emissions

The Commission's focus is to ensure products are grown, extracted and developed in an environmentally sustainable manner.

Certification

During 2002/03 a full certification audit was successfully completed on the Commission's nursery at Manjimup.

Implementation of the Regional Forest Agreement

The Commission is responsible for the 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 in relation to:

- legislative review and competitive neutrality review regarding wood-based businesses; and
- pre-logging fauna assessment.

Australian Forestry Standard Certification

During 2003, the Commission began actively working towards certification of its forest operations in line with the Australian Forestry Standard (AFS).

The AFS was approved by the Standard Development Board in 2002 and was published as an approved Final Standard by Standards Australia as AS4708 (Int). The standard was developed by Commonwealth, State and Territory Governments in partnership with the National Association of Forest Industries, Plantations Australia and Australian Forest Growers.

The AFS joins a number of global forest certification schemes that provide the basis to certify forest management practices against agreed criteria, and to determine whether the forests are being managed in a sustainable fashion. The AFS takes into account Australian conditions.

Once achieved, the certification will compliment the Environmental Management System and provide even greater assurance to potential customers that forest operations managed by the Commission are sustainable.

Auditing

Internal and external quarterly audits are conducted to ensure the Commission monitors environmental impact, has objectives to manage this, is effective in implementing its environmental systems, and monitors and reviews its performance.

The following incidents were identified during auditing:

Work area	Level 1 (low impact)	Level 2 (medium impact)	Level 3 (high impact)	Number of audits
Share Farms	26	5	2	3
Plantation Propagation	6	3	5	3
Arid Forests	3	2		1
Commission Plantations	23			2
Corporate Executive	16	1		3
Native Forests	18	8		2
Total	92	19	7	

Five of the 'Level 3' incidents above related to procedures at the Commission's Manjimup nursery. These were identified and addressed during the certification process. They included an Environmental Management Plan for chlorine gas, procedures for hydrocarbon spills, licences for diesel, LPG and dangerous goods, records for Environmental Management System meetings and containment around a diesel storage area.

Two of the 'Level 3' incidents in Share Farms were plantation wildfires and responses involved site cleaning and replanting.

Meeting the silviculture challenge

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

In 2002/03, the Commission:

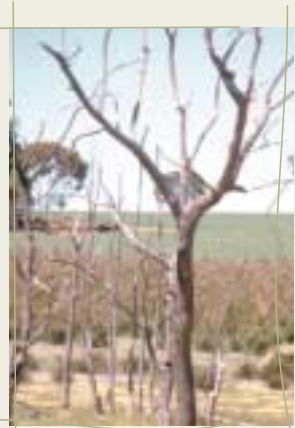
- Completed regeneration on 1,237 hectares of harvested karri forest and prepared 1,350 hectares of harvested karri forest for regeneration.
- Treated 1,966 hectares of previously harvested jarrah forest for regeneration and non-commercially thinned 747 hectares of forest.

National Action Plan for Salinity and Water

The National Action Plan for Salinity and Water Quality (NAP) has indicated the Commonwealth Government will inject funds into the fight against salinity and the decline in water quality in WA. The Commission is currently seeking over \$30 million from the NAP and is continuing to work closely with community organisations, State agencies and the Commonwealth Government to secure funding for strategic tree farming initiatives. Central to the fight against salinity is the Commission's newly released Infinitree™ tree farming program,



Marking a jarrah tree as a 'habitat tree' for preservation.



Salinity ravaged land.

which will reverse the affects of salinity, water logging and wind erosion.

Salinity mitigation

Much of the low to medium rainfall zones within WA's agricultural area are threatened by salinity, which is caused by rising saline groundwater tables. Strategically located trees will assist by drawing groundwater down and reducing the risk of saline waters reaching the surface. This will help prevent further salinisation of remnant native vegetation, water supplies and productive agricultural land.

During the Commission's 2002 Share Farming activities, 1,399 hectares of tree farms* were established in salinity-affected regions.

*As trees are established during the winter and the planting season straddles two financial years, the establishment figures are quoted on a calendar year rather than a financial year basis.

Carbon investors

International agreements, particularly the 'Kyoto Protocol', establish targets to reduce global greenhouse gas emissions. As growing trees can reduce the amount of carbon dioxide (CO₂) in the atmosphere by storing it in their cells, many large emitters of carbon dioxide are now seeking opportunities to invest in tree farms that will help 'offset' emissions. The BP Refinery in Kwinana has been investing in the Commission's program since 1999. Additional investment is still being sought from the corporate sector (both nationally and internationally) and from the Commonwealth Government via grants under the Greenhouse Gas Abatement Program.

Carbon sequestration

The Commission's plantations estate has already locked up (or sequestered) considerable amounts of carbon dioxide and these quantities will continue to increase as the plantations estate expands. Protocols for the measurement of sequestered CO₂ continue to evolve, but the Commission has estimated the following volumes (based on current procedures) of sequestration in plantations planted on previously cleared land, since 1990:

Twelve months to 31 December 2002
= 259,000 tonnes CO₂

1 January 1990 to 31 December 2002
= 1 146 000 tonnes CO₂

**As trees are established during the winter and the planting season straddles two financial years, the establishment figures are quoted on a calendar year rather than a financial year basis.*

Clearfelling at Pinjar plantation to help recharge groundwater at Yanchep caves.



Calculating the carbon sequestration levels of a young Maritime pine tree.

Yanchep limestone caves

Unique stygofauna inhabiting Yanchep's limestone caves are under threat from a drying climate and human impact. The Commission clearfelled the 200 hectares of plantations closest to the caves to enhance groundwater recharge. The surrounding 6,000 hectares of plantations have also been heavily thinned since 1999 to help increase water levels. The Commission continues to work in close partnership with other government agencies to define strategies that will re-establish the water levels. Other measures such as burning and controlling water abstraction are also being considered by other agencies.

A northern jarrah forest suffers a lightning-induced wildfire - the worst in 30 years. In the foreground - the Cooke plantation of Maritime pine, east of Armadale.



WA sandalwood sustainability

Research has shown the near extinction of the woylie (*Bettongia pencillata*) and other small to medium weight range marsupials and rodents may be the most significant factor in the reduction of WA sandalwood recruitment in its natural distribution.

Predation by foxes and feral cats has seen the collapse of a relationship between native seed dispersing animals and WA sandalwood.

Through the Commission's ongoing 'WA Sandalwood Enrichment' program, an increased number of seeds reach germination every year. For every tree that is harvested, 12 new WA Sandalwood seeds are buried in the same area, to mimic the function of the woylies.

The Commission has also adopted an improved mechanical harvesting technique to vertically extract the trees so that everything from the roots to the small branches of the crown can be processed. This technique ensures the maximum utilisation of the trees.

Introducing treejacking

Best practice environmental management in native forests requires that rivers, streams and sensitive reserve areas remain unaffected by the felling of trees. The process of treejacking was introduced in 2002 and allows the safe felling of trees at 180 degrees to their lean. The process aids in the removal of trees that would otherwise risk disturbance of these reserve areas.

Treejacking also permits increased resource utilisation and reduced operating costs, as well as improved long-term silviculture, fire and safety management. The trialling of treejacks in the Manjimup area enabled the retrieval of approximately 1,500 tonne of karri sawlogs (worth approximately \$90,000). It is expected the treejacking process will greatly increase the utilisation of available karri resources.

Fire management strategies

Severe fire conditions were experienced during the 2002/03 season, leading to the loss of some forest assets. A six-fold increase in lightning fires was recorded, in what was the fourth successive year of drought conditions.

Commission staff performed fire emergency duties in close partnership with DCLM staff and were involved in the suppression of approximately 300 wildfires. Commission staff also assisted with protection and regeneration burning operations in jarrah and karri forests.

A total of 519 hectares of plantations were affected by wildfire. This comprised 285 hectares of pine plantations in the South-West, and 153 hectares of pine and 81 hectares of Tasmanian bluegum in agricultural regions.



Commission staff auditing a truck load of karri sawlogs.

The Commission's Plant Propagation Branch comprises the Manjimup Nursery, Seed Technologies, and the Tree Breeding Centre. The following research and development projects have commenced:



Establishing the radiata pine clonal trial at Ferguson Valley.

Manjimup Nursery...

- The Commission's 226 hectare nursery produced 18 million seedlings for sale and planting. Species grown included Maritime pine, radiata pine, Tasmanian bluegum, karri, Sydney bluegum, sugar gum, and jarrah.



Measuring salinity with the EM38.

Seed Technologies...

- Genetic gain trials of Sydney bluegum have been established in Cranbrook and Frankland.
- Clones of radiata pine have been planted through somatic embryogenesis, which allows large numbers of like-embryos to be produced. This allows the highest level of genetic selection to be used to produce the fastest growing trees with the wood attributes favoured by local industry.
- Field and tank trials of various salt tolerant species including *Eucalyptus occidentalis*, *Eucalyptus camaldulensis*, *Eucalyptus cladocalyx* and various *melaleucas* have been conducted.
- Indian sandalwood (*Santalum album*) seedlings have been established in the Seed Technologies Research Nursery to test pot host relationships, seed germination and growth performance.



Grafting Sydney bluegum.



Hardened-off radiata emblings.

*(top) Salt and water log trial site at Cranbrook.
 (middle) Radiata tissue culture plants.
 (bottom) The Hon Minister for Agriculture, Forestry and Fisheries inspects a young Maritime pine with the Commission's Tree Breeding Manager.*

Tree Breeding Centre...

- A total of 12 hectares of radiata pine have been planted to demonstrate the growth potential of this species on sites where water is not limited. Over 13,000 seedlings were planted using superior genetics and optimal site location.
- In partnership with the New Zealand Radiata Pine Breeding Cooperative, a series of international trials were conducted to evaluate the growth, wood quality and disease resistance of Western Australian radiata pine. Trials were planted in South Africa (two sites), Spain (four sites), France (two sites), Chile (two sites) and in New Zealand (three sites).
- Four hectares of the drought-tolerant species brutian pine were planted in new trials at Marchagee, Brookton and Esperance.

- As a partner of the JVAP Australian Low Rainfall Tree Improvement Group (ALRTIG), the Commission participated in a series of genetic trials across Australia. Spotted gum, river red gum, and ALRTIG brutian pine were planted.
- Intensive malformation assessments have been conducted on 19,000 Maritime pine pedigree trees. Ongoing studies will identify the causes of stem malformation and its association with certain site types.
- A review of mature Western blugeums from 20 hectares of genetic trials identified elite trees for vigour and wood density. Over 1,000 grafts were made at the Manjimup Propagation Branch and 43% of these were successful. The elite trees have been planted in orchards and genetic archives.



Establishing an Indian sandalwood seed orchard with hosts.

Consultation and communication with stakeholders is a central component of all Commission activities.

The creation of employment in regional areas, promotion of value adding opportunities and the long-term sustainable management of our timbers are key priorities.

A number of commercial projects have been progressed in the last year and new opportunities for Western Australian timbers and timber products are being established nationally and overseas.

Ongoing information sharing with other scientific institutes has enabled the Commission to progress in the area of technological innovation.



Community consultation and education is a key component of Commission activities.

Native forests consultation and extension

The Commission consulted a range of stakeholders on the following topics during the year:

- 2003 Harvest Plan for South-West forests
- Forest Management Plan
- Harvest coupes adjacent to private properties
- Forest management/awareness
- Indigenous values near and within harvest coupes

Stakeholder groups included the public, property owners, indigenous representatives, shires, parliamentary members, corporations, conservation groups, students and government agencies.

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

Committee communication

The Minister for Agriculture, Forestry and Fisheries established the Plantation Industry Ministerial Advisory Committee (PIMAC) in July 2003, to encourage communication between the government and the private plantation sector. The Committee's membership includes growers, harvesters, processors, users and key stakeholders from the community.

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

Timber industry restructure

The Commission worked closely with the Department of Industry and Resources (DoIR) in assessing the 29 new Business Exit Assistance (BEA) applications during the year.

Forest Enhancement Program

During 2003, the Forest Enhancement Program (FEP) provided employment for up to 11 forest workers and fire fighters in the Conservation and Land Management district workforces based in the Perth Hills, Wellington and Donnelly districts. Some of these staff carried out silvicultural enhancement treatments in the forests.

A further four indigenous workers were employed by the Commission to complete jarrah forest thinning treatments. All four staff were employed through the Noongar Employment and Enterprise Development Aboriginal Corporation (NEEDAC).

Integrating trees and agriculture

Considerable progress was made during the year to develop planting designs and systems that will fit more effectively with current farming operations and enable better watertable management and control.

The broadscale planting of north and south orientated tree belts, has been successfully integrated into existing farming activities. This enables a contoured agricultural production emphasis and addresses land management issues more effectively.

Integrating commercial tree plantations with livestock.

Wood products research

The Commission's Timber Technology division conducted invaluable collaborative research during the year, on wood manufacturing processes in partnership with a number of national science and technology-based organisations.

Projects included research into the revolutionary potential of microwave technology, bending, drying and gluing processes; and the coating durability of certain woods. Assessment of the solid wood potential of pruned, 25 year-old Tasmanian bluegums and native species in semi arid areas, was also progressed.

Jarrah sawlog proposals

Together with the Department of Industry and Resources (DoIR), the Commission assessed detailed business plans for the short-listed proponents bidding for jarrah sawlog allocations. Finalisation of allocations was delayed pending decisions on the Forest Management Plan.

Indian sandalwood research continues

Research trials on Indian sandalwood continued at Kununurra, with a focus on developing high quality genetic material from existing stock. A review of existing trials and the identification, collection and storage of sandalwood seed has been performed. The University of Western Australia is conducting research on behalf of the Commission to quantify the oil yields and oil quality of existing stands of Indian sandalwood.

Researching wood manufacturing processes.



Goldfields eucalypts in South-West vineyards

Small diameter eucalypt posts, renowned for their strength and durability, have been sourced from regrowth woodlands in the Goldfields and incorporated in a number of South-West vineyards.

The posts provide a durable alternative to traditional timbers and offer competitive prices. The utilisation of these posts enables the thinning of dense regrowth arid eucalypt woodlands, which will increase the growth of the retained trees. This new product may provide another option for tree farms within the mid to low rainfall areas.

Seeking new markets for marri

Marri timber is increasingly important in Western Australia's furniture industry and during 2002, the Commission implemented new procedures to identify and supply marri sawlogs. At the same time, spot markets for the reduced quantities of marri residue or woodchips, were pursued to ensure that marri removed to assist silvicultural regeneration, was not wasted.

Pentarch Forest Products exports commence

Negotiations with Melbourne-based company Pentarch Forest Products, regarding the export of radiata pine logs from Bunbury and Albany, have concluded. Harvesting for export commenced in March with the first shipment departing in June 2003. Export products included logs of pulpwood quality beyond local processor needs and sawlogs from species not desired by local sawmills. This has enabled the removal of more log residues from clearfell areas and the thinning of young stands to promote sawlog growth. Pentarch Forest Products is also taking deliveries from private plantation owners who have previously had difficulty finding markets.

Wespine sawmill extended

The Commission sold 291,758 cubic metres of radiata pine and Maritime pine to the Wespine sawmill during 2002/03, for distribution within WA and in the eastern states. WA Premier Dr Geoff Gallop, opened a new extension at the Wespine sawmill during the year which will see it increase its production capacity to 340,000 cubic metres. The extension has included the installation of a new optimising curved gang saw, mechanical stress grader and bin stacking and sorting equipment. These investments are anticipated to improve the recovery of high value products from sawlogs.

LVL plant progress

Negotiations regarding the Laminated Veneer Lumber plant at Neerabup have concluded. An Agreement has been entered into by WA Premier Dr Geoff Gallop, and the Chairman of Wesbeam, Mr Dennis Cullity. The plant will produce structural timbers suitable for building and construction, which will reduce the need for large volumes of native timbers. The Commission will supply predominantly Maritime pine logs, which will initially come from the Gngarara watermound and later from Infnitree™ plantations. The venture will help alleviate Perth's water supply problems. It is anticipated construction of the plant will be completed mid 2004.



*(top) Wesbeam LVL - to be used in structural applications.
(middle) Wespine's drymill stacker at Dardanup.
(bottom) Goldfields eucalypts are put to use on a vineyard in Margaret River.*

Various timber species are made available through Commission auctions.



Hansol Australia chipmill

The Commission has continued to plant and manage over 15,000 hectares of Tasmanian bluegums on South-West farmlands in preparation of the construction of the Hansol Australia chipmill. The mill is expected to process up to 500,000 cubic metres of wood for export to paper mills in Korea, when construction is completed next year.

Pinetec sawmill to relocate

The government announced the proposed move of the Pinetec sawmill from its Bassendean site to the South-West. The Commission offered Pinetec a contract of 80,000 cubic metres of small pine sawlogs, on the basis it will relocate to the South-West. The Bassendean operation will remain as a treatment and distribution centre. Pinetec will use the resource for the manufacture of pallets and packaging materials, and timbers for outdoor use.

Pemberton sawmill

In July 2002, the government announced a \$2.5 million assistance package for the Pemberton sawmill. The key components of the package included a karri sawlog commitment of 45,000 cubic metres a year for 2002 and 2003, and a minimum of 40,000 cubic metres per year from 2004 to 2013 (subject to the sustained yield delivered in the Forest Management Plan).

The Commission assisted the government in its discussions with buyer AusWest Timbers with a view to maintaining an ongoing business at the sawmill and future employment. AusWest Timbers, agreed to retain the existing staff of 52 people and employ a further 21, by 2007. The sale of the sawmill was concluded in April 2003.

Specialty timber auctions

During the year, the Commission continued to conduct auctions as a part of its commitment to provide the broader public with access to the State's unique timbers.

Three auctions were held, two of which were at the Timber Technology Centre in Harvey, during August and December 2002. More recently an auction was held in Kalgoorlie in June 2003.

The auctions included a range of Goldfields and South-West timbers in both log and rough sawn form. Approximately 570 tonnes of timber was offered for sale.

As part of the Commission's role to ensure the sustainable management of the State's timbers, it promotes and educates industry and the community about the uniqueness and value adding opportunities available with Western Australia's timbers and end products.



The award-winning Wave dining suite made of WA jarrah, attracted enormous interest at the San Francisco Mart, January 2003.

Furnishing Industry Association

Ongoing assistance was provided to the Furnishing Industry Association of Australia's Western Australian branch (FIAA (WA)) and its furniture manufacturers to enable them to become more progressive in design manufacturing and exporting.

The Commission was the 'Platinum' sponsor of the FIAA Western Australian and Australian Furniture of the Year Awards, in November 2002. Western Australian manufacturers won six of the 11 national award categories.

Design Research Centre

The Design Research Centre (DRC) was established as a centre of excellence in furniture design, in the Faculty of Architecture, Landscape and Visual Arts, at the University of Western Australia (UWA).

A joint furniture design workshop titled the 'Furniture Enterprise Workshop' was established through the collaborative efforts of UWA, FIAA (WA), the Department of Industry and Resources, and the Commission.

The workshop brought four teams of designers and manufacturers together. The Commission provided technical advice and market assistance to the teams who created proto type products, which were launched in WA in May 2003.

Craftwood licences

The government's 'Protecting Our Old Growth Forests' policy included a commitment to create a craftwood licensing system for local craftspeople and artisans. Licences were only to be granted to Western Australian artisans and craftspeople who produce their work locally.

The Commission has undertaken an industry consultation survey and interviewed 40 prominent craftspeople, gallery owners and suppliers throughout the South-West and metropolitan area. Further consultation is expected before a final strategy is approved for implementation.

Australian School of Fine Wood

The Commission continued its contribution to the Forest Heritage Centre in Dwellingup, now referred to as the Australian School of Fine Wood, during 2002/03.

A provider of quality workshops and courses, the school held a world-class exhibition titled the 'Seduction of Wood', in 2002.

During the financial year, 48 individual courses were run and 381 participants were taught about the construction of exquisite furniture and giftware using predominantly Western Australian timbers.

The Commission contributes to the salary and vehicle running expenses of the school's General Manager.



The Timber Display home at the Advisory Centre in Wembley.

Timber Advisory Centre

More than 3,000 people per week venture into the Timber Advisory Centre in Wembley to view Western Australian timber products. The Commission contributes \$20 000 a year towards the Centre's management and is represented on the council.

The State's focus on the use of pine as the main roof and wall-framing timber has meant new instruction is required for architects, designers, builders and the trades. Seminars are run within the Centre and timber advisors are available to provide information on the use and application of various timber products.

Furniture manufacturing and exports

The Commission's Timber Technology and Industry Development branches provide technical information to the furniture industry on the characteristics and qualities of local timbers and their use in newly designed and manufactured timber furniture.

Knowledge and understanding about timber movement, stability and finishing are readily provided to aid international marketing and promotion.

The Furnishing Industry Association of Australia's WA branch (FIAA (WA)) has continued its marketing efforts in North America, attending the San Francisco Market in July 2002 and January 2003. Jarrah has become more widely known throughout the region for its use in both indoor and outdoor furniture.

Informing the community

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

- Dowerin Field Days
- Manjimup Horticultural and Forestry Expo
- WA Farmers Federation annual conference
- Wagin Woolarama
- Working with Wood Show
- Mount Barker Agricultural Show
- Australian Forest Growers National Conference
- School of Wood exhibition
- numerous field days
- Swanbourne Primary School planting



Swanbourne Primary School children plant seedlings in partnership with the Commission.

Our People

The Commission has 42 employees working in its corporate headquarters at Rivervale, and 142 employees in 14 regional offices across the State.

The Commission has a total of 225 positions within its organisational structure.

As at 30 June 2003, staff numbers and their locations were:



Sean Lawson, winner of the Executive Director's Scholarship.



Bill Towie, winner of the Excellence in Forest Management Award.



	Full-time salaried staff	Part-time salaried staff	Wages employees	Total	Men	Women	Exec/ BD&S	Native Forest	Plantations
Albany	15	0	0	15	13	2	0	0	15
Bunbury	18	0	0	18	9	8	8	0	11
Collie	9	0	3	12	8	4	0	0	12
Esperance	2	0	0	2	1	2	0	0	2
Guildford	12	1	0	13	9	4	0	0	13
Harvey	20	3	1	24	17	7	0	24	0
Kalgoorlie	4	0	0	4	4	0	0	4	0
Katanning	2	0	0	2	2	0	0	0	2
Kensington	6	0	0	6	3	3	0	0	6
Kununurra	1	0	0	1	1	0	0	1	0
Manjimup	14	0	0	14	11	3	0	13	1
West Manjimup Nursery	8	0	13	21	13	8	0	0	21
Moora	0	0	0	0	0	0	0	0	0
Nannup	9	0	1	10	8	2	0	8	2
Rivervale	39	3	0	42	17	25	34	5	2
Totals	159	7	18	184	116	68	42	55	87

Award-winning staff performances

Senior Forester Bill Towie received the 'Excellence in Forest Management' award at the WA Timber Industry Awards for introducing treejacking into the Western Australian native forests harvesting sector.

Sean Lawson works at the Commission's Timber Technology

Centre in Harvey where he assists with the preparation of timbers for sale. Sean was awarded the 'Executive Director's Scholarship', which will assist him to continue studying at the South-West Regional College of TAFE.

National Ambassadors

A number of Commission staff participated in national working groups and standing committees to

develop and promote coordinated action for industry development, consistent policy and management standards across Australia. Commission managers visited South Australia, NSW, Queensland and New Zealand in 2002 to observe harvesting and processing operations.

T h e Y e a r A h e a d

In the year ahead, the Commission expects to maintain very close partnerships with the community, industry and government agencies, consistent with the balanced approach to economic, environmental and social values required for sustainable forest management.

Consulting with stakeholders.



Power from trees

The Commission has been encouraging the establishment of three bio-mass energy plants for plantation residues in Perth, Bunbury and Albany, in an effort to increase the production of renewable energy. Detailed feasibility assessments are being conducted by two firms - Babcock & Brown and WA Green Power. The assessment process is due to be completed by January 2004.

Future regional planning

Research has commenced into the land management potential of a number of regional areas. Extensive consultation with regional communities and agencies will be conducted to ensure targeted planting provides regionally-preferred outcomes such as the protection of conservation areas and water resources. The consultation process will ensure a greater understanding of a range of issues including local infrastructure, industries, power and transport sources and soil types. The Natural Resource Management Council and the four catchment councils will participate to ensure the Commission's plans will be compatible with the plans that qualify for Commonwealth National Action Plan funding.

Laminated Veneer Lumber plant

Construction of the LVL plant at Neerabup is expected to be completed in mid 2004 with log production to commence soon after. Initial production is expected to be restricted while the plant is commissioned.

Log exports from Albany

Pentarch Forest Products exports are expected to commence at a rate of approximately 100,000 cubic metres a year, from the Albany port.

Wesfi Limited agreement

The commercial terms associated with the proposed Laminex project are expected to be finalised. Wesfi Limited, now owned by Laminex, has agreed to invest \$1 million a year in the planting of radiata pine as a part of the terms of the *Wood Processing (Wesfi) Agreement Act 2000*. This will contribute to the future supply of timber to its Dardanup factory. The Commission has continued the harvesting and delivery of the agreed 330,000 cubic metres of radiata and Maritime pine per year to Laminex, until 2025. The timber is used in particleboard and medium density fibreboard.

Harvesting pine from commercial plantations at Gnangara



Pinetec sawmill

Construction of the new Pinetec sawmill in the South-West is expected to commence. The sawmill will have a total production capacity of 100,000 to 120,000 cubic metres per year and will be supplied by Commission and private plantations. Pinetec uses predominantly small softwood sawlogs that do not have sufficient strength or size for structural purposes. The sawlogs are used largely in packaging and pallets.

Hansol Australia chipmill

Construction of the Hansol Australia chipmill is expected to be completed in early 2004. The mill will have the capacity to process 500,000 cubic metres of Tasmanian bluegum logs per year.

Forest Management Plan

The requirements of the new Forest Management Plan 2004-2015, will be implemented. This will involve the continued restructuring of the native forest timber industry based upon the final determination of sustainable timber yield.

Indian sandalwood research

Ongoing research will be conducted on the development of high quality genetic Indian sandalwood material and consideration will be given to the establishment of a tree breeding program.

Marri furniture

Further expansion of potential marri furniture markets will be sought. More permanent arrangements will be pursued to access marri furniture grade timber through negotiation and the establishment of marri residue contracts of sale.

Jarrah and karri sawlog contracts

Contracts will be developed for some or all of the 10 industry proposals for the future use of jarrah sawlogs and other prior commitments for jarrah and karri at the Nannup, Greenbushes and Pemberton mills. This will lead to new processing industries in the South-West, with a view to maximising regional benefits.

Craftwood strategy

The Commission will develop and implement a craftwood strategy for South-West native forests.

Export marketing

Assistance for the furniture industry in its export and marketing efforts will be ongoing as will the progress of the Design Research Centre. The next export events will be the furniture show at High Point, North Carolina in October 2003 and the Milan International Furniture Fair in April 2004.



Hardwood sawlogs.



Wesli Limited staff monitor the MDF production line.



Jarrah and marri forest



Building a Sustainable Future...

F i n a n c i a l O v e r v i e w 2 0 0 2 / 0 3

Financial performance:

The 2002/03 financial year was the second full year of operations for the Commission.

The Commission's financial results for the year and financial position as at 30th June 2003 are summarised below. The 2002/03 financial results

include net revenue of \$17.9 million relating to the revaluation of standing timber and in-forest infrastructure.

Excluding the effect of natural resource and in-forest infrastructure revaluations, revenue from ordinary activities decreased 11% (\$12.8 million) and expenses from ordinary

activities decreased 8% (\$8.6 million) over the 2001/02 financial year due mainly to the continued implementation of the government's 'Protecting Our Old Growth Forests' policy. As a result, profit from ordinary activities decreased by 33% (\$4.3 million) over the 2001/02 financial year.

	2003 (\$'000)	2002 (\$'000)	2001 (33 weeks) (\$'000)
Summary of Financial Performance:			
Revenue from ordinary activities (excluding revaluations and fundamental errors)	101,659	114,439	84,461
Calculated as follows:			
Revenue from ordinary activities as reported:	126,988	146,983	90,148
Less the following items included in revenue from ordinary activities:			
Revenue from natural resource assets and in-forest infrastructure revaluations	25,329	22,339	5,687
Correction of prior year fundamental errors	-	10,205	-
Expenses from ordinary activities (excluding natural resource asset & infrastructure devaluations)	99,390	107,951	74,518
Calculated as follows:			
Expenses from ordinary activities as reported:	106,866	131,515	90,500
Less:			
Expenses from natural resource asset and in-forest infrastructure devaluations	7,476	23,564	15,982
Profit from ordinary activities (profit before, tax, natural resource asset revaluations and fundamental errors)	8,600	12,893	14,741
Financial performance including natural resource revaluations and fundamental errors:			
Profit before interest and tax	26,453	21,873	4,446
Profit/(loss) before tax	20,122	15,468	(352)
Profit/(loss) after tax	14,500	13,310	(2,415)
Summary of financial position:			
Assets:			
Current assets	28,095	31,462	25,531
Non-current assets	332,274	308,460	302,529
Total assets	360,369	339,922	328,060
Liabilities			
Current liabilities	22,935	17,941	24,355
Non-current liabilities	83,287	82,196	78,958
Total liabilities	106,222	100,137	103,313
Net asset/total equity	254,147	239,785	224,747

Natural resource asset valuations:

The Commission values its natural resource assets using discounted cash flow models to calculate the net present value of future benefits associated with their harvest and sale. These models are sensitive to movements in market conditions, revenue, cost and product mix changes. Accounting standards dictate that these movements be recorded as part of the Commission's operating revenue and expenses. Due to the inclusion of these figures operating profit is subject to material fluctuations.

Debt to equity:

The Commission continues to make good progress on the reduction of its long-term debt. The ratio of debt to equity has decreased to 29.7% from 36.7% on the Commission's formation. The debt to equity ratio continues to be adversely affected by 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 land assets. Showing an increase in assets to compensate for these liabilities would improve the Commission's debt to equity ratio. Negotiations are continuing with the Department of Conservation and Land Management for the transfer of these assets.

B u s i n e s s D e v e l o p m e n t a n d S e r v i c e s

The creation of the Business Development and Services division in 2002/03 reflects the strategic focus of the Commission in the areas of investment attraction, marketing and organisational transformation.

Forestry has been identified as a growth industry within Australia and as the Commission moves forward in an expanding market, it will be liaising with national and international investors.

Corporate marketing strategies are under development. Specific product managers throughout the organization will work within this framework to maximise impact throughout Australia and overseas.

Revitalisation of work in the areas of business development, investment and industry development have occurred without increasing the Executive.

Corporate services and compliance

Corporate services are provided to the Commission on a bureau basis under a service contract with the Department of Conservation and Land Management (DCLM). This service arrangement is consistent with the current thinking initiated under the functional review initiative of government.

The Commission has just completed the first year of operation under these detailed service level agreement arrangements and is well positioned with this experience to provide a specific example of the success of appropriately managed and documented outsourcing of corporate services.

Freedom of Information Act

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

Contracts

The Commission manages more than 350 contracts (including 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.

Occupational health and safety

The Commission is committed to providing and maintaining a healthy and safe work environment. A comprehensive review of the current systems of occupational health and safety management was performed using the Australian standard as a comparative basis. Current systems are acceptable and provide clear direction for the Commission in its pursuit of best practice.

The Commission has continued to undertake 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 health and safety.

There were 13 claims (three lost time incidents) for workers' compensation during the year 2002/03. All 13 claims have been finalised. This represents a marked improvement on the previous year during which 21 claims were lodged (seven lost time incidents).

Risk Management and Audit Committee

The Risk Management and Audit Committee met on a quarterly basis during the year and has overseen the continued 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 in 2002/03.

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

A Risk Management Review has been initiated and is being conducted in conjunction with RiskCover. The review has been initiated by the Executive, and the results will be the basis for the development of risk management strategies across the organisation. The program is also a key component of the agenda for the Commission's Risk Management and Audit Committee.

Debtor's policy and procedures review

A new debtors management policy was implemented during the financial year and delivered good results.

Codes of ethics and conduct

The Commission complies with the Public Sector Code of Ethics and has its own Code of Conduct for employees, which was approved and completed in July 2001.

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

Feedback opportunities are available through internal and external mechanisms and staff are regularly surveyed. Planning commenced on an Office of the Public Sector Standards Commissioner (OPSSC) survey of human resources, standards, ethics and equal employment opportunities, during the year. No complaints were lodged under either Code during 2002/03.

Equal employment opportunities

The Commission's yearly Equal Employment Opportunity Management Plan (EEOMP) reflected the following outcomes for the period ending 30 June 2003:

- Representation of women in the workforce increased from 40.7% to 41.2%.
- The distribution of women throughout the Commission also improved with the equity index increasing from 26 to 35.
- The number of employees from culturally diverse backgrounds increased from 0.4% to 7.5%.
- The number of Indigenous Australians employed at the Commission remained unchanged at 0.4% of the workforce.
- The number of Commission employees possessing a disability declined from 1.6% to 0.9%.

The EEOMP will be reviewed during the 2003/04 financial year.

Disability Service Plan

In accordance with its existing (interim) Disability Services Plan, the Commission actioned issues arising from a review of premises access. This action included the re-surveying of the existing premises and the leasing of a significant amount of disabled-friendly office accommodation.

Waste paper recycling

The Commission recycled 2 520 kilograms (2.5 tonnes) of waste paper under the State government's waste paper recycling program.

Energy smart activities

In support of the Energy Smart Government policy objective, the Commission achieved the following during 2002/03:

Govt program	Baseline	2002/03	Variation %
Energy consumption (MJ)	6,467,031 MJ	6,025,416 MJ	-7%
Energy cost (\$)	\$173,032	\$171,084	
Greenhouse Gas Emissions (tonnes of CO2)	1,236	1,540	
Performance indicators MJ/sqm MJ/FTE (The actual PI varies depending on Agency functions)	2,155 (3000m ²) 37,382 (173)	2,008 (3000m ²) 32,747 (184)	

Community service obligations

The Commission's Forest Enhancement Program is a work and employment strategy under the Regional Forest Agreement that addresses a range of social, silvicultural and fire protection objectives.

In 2002/03 the Commission spent \$0.317 million against a budget of \$0.740 million employing displaced timber workers on a short-term basis on forest silvicultural works programs, to thin overstocked jarrah regrowth stands and as seasonal fire fighters for DCLM. The surplus funds will be carried over to fund future expenditure.

Publications

- Action Plan for Tree Farming in Western Australia *
- Adding Value to Forest Products in WA *
- Code of Practice for Timber Harvesting in Western Australia
- Commercial Tree Farming Packages for Farmers
- Farming Maritime Pine *
- Farming Western Australian Sandalwood *
- Forest Products Commission: Our Objectives
- Growing WA Sandalwood from Seed
- Infinitree™ - Growing a Sustainable Future
- Introducing the Forest Products Commission *
- Manual of Management Guidelines for Timber Harvesting in Western Australia
- New Eucalypt Sawlog Industry (NESI) *
- Plant Propagation Centre Manjimup Nursery
- Sandalwood Information Sheets
- Specialty Timber in the Goldfields
- The Tree Grower's Information Kit
- Timber Technology Newsletter
- Trees to Fight Salinity on Farms
- WA Forest Products
- WA Forest Today
- WA Plantations
- WA Timber Designed by Nature

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

*Available at www.fpc.wa.gov.au

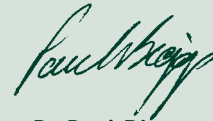
Statement Of Compliance With Written Law 2002 / 03

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

29 August 2003



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

- *Albany Hardwood Plantation Agreement Act 1993*
- *Bunbury Treefarm Project Agreement Act 1995*
- *Collie Hardwood Plantation Agreement Act 1995*
- *Dardanup Pine Log Sawmill Act 1992*
- *Silicon (Kemerton) Agreement Act 1987*
- *Wood Chipping Industry Agreement Act 1969*
- *Wood Processing (Wesbeam) Agreement Act 2002*
- *Wood Processing (WESFI) Agreement Act 2000*

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 Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *Public Works Act 1902*
- *Rights in Water and Irrigation 1914*
- *Sandalwood Act 1929*
- *Soil and Land Conservation 1945*
- *State Records Act 2000*
- *State Superannuation Act 2000*
- *State Supply Commission Act 1991*
- *Timber Industry Regulations Act 1926*
- *Town Planning and Development Act 1928*
- *Tree Plantation Agreements Act 2003*
- *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*
- *Conservation and Land Management Regulations 2002*
- *Country Areas Water Supply (Clearing License) Regulations 1981*
- *Country Areas Water Supply By-Laws 1957*
- *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*
- *Wildlife Conservation Regulations 1970*

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 (Impact of Proposals) Act 1974*
- *Environment Protection and Biodiversity Conservation Act 1999*
- *Export Control Act 1982*
- *Forestry and Timber Bureau Act 1930*
- *Native Title Act 1993*
- *Quarantine Act 1908*
- *Regional Forest Agreements Act 2002*
- *Trade Practices Act 1974*
- *Workplace Relations Act 1996*

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 has been one breach 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*.



Dr Paul Biggs
General Manager

29 August 2003

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 2003.



Murray Jorgensen
Chairman

30 October 2003



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 and ensure that a profit consistent with the planned targets is made from forest products while ensuring:

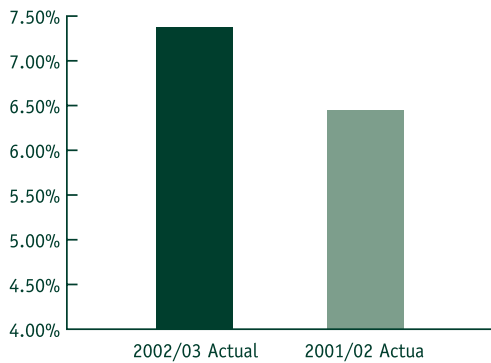
- (a) the long-term viability of the forest products industry; and
- (a) principles of ecologically sustainable forest management are applied in the management of forest products located on public land.

OUTCOME 1:

Ensure a profit consistent with planned targets.

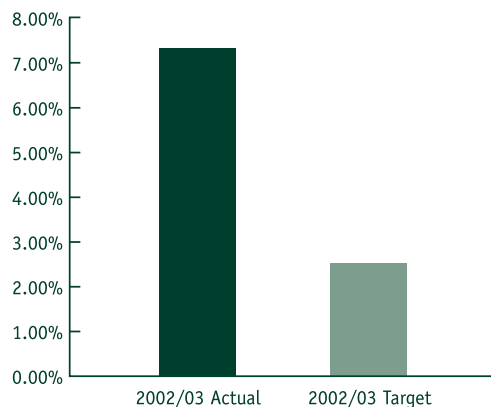
Key Effectiveness Indicator:

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



Profit Before Interest and T

The ratio of Profit Bef ax has increased over the 2001/02 financial year due mainly to natural resource asset revaluations (refer annual financial statements note 33.1).



The ratio of profit before interest and tax as a percentage of total assets is higher than target due mainly to natural resource asset revaluations (refer annual financial statements note 33.2).

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 specifically designed inventory plots to determine the quantity of timber available and the rate at which it is growing.

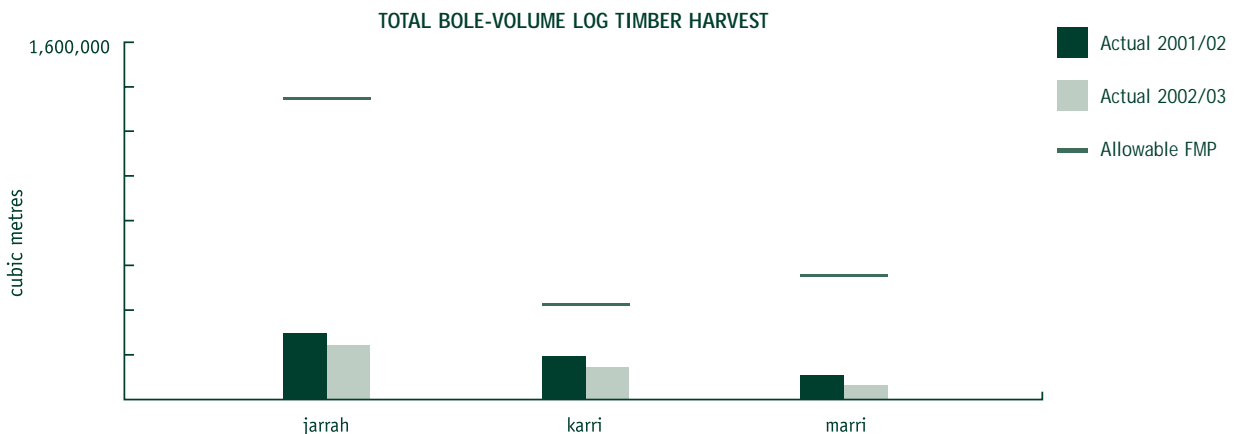
Based on independent analysis of this information, the estimated sustainable level of annual gross bole volume for jarrah, karri and marri is 1,360,000m³, 417,000m³ and 559,000m³ respectively as determined for the term of the current Forest Management Plan 1994-2003 (FMP).

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.

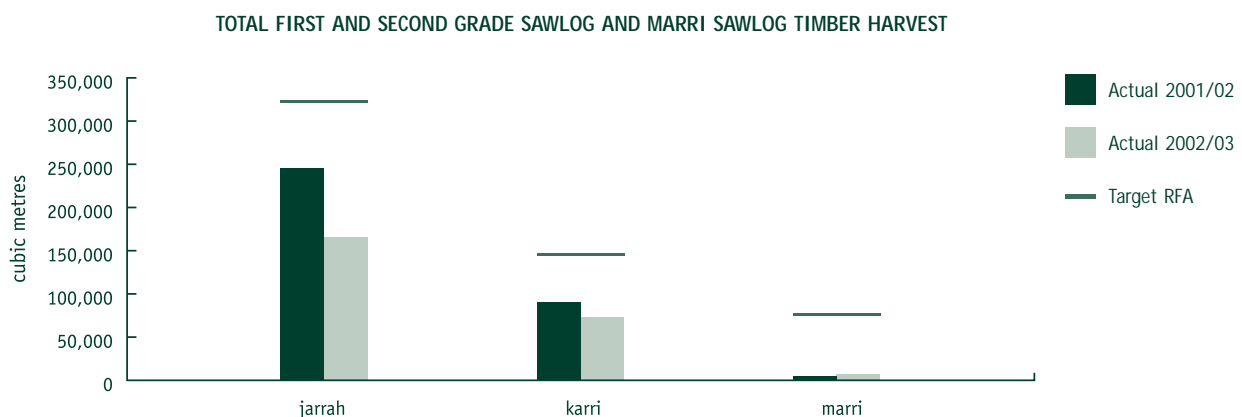
Harvest means the commercial extraction and sale of log timber for processing and value adding.

Measure:

- (i) Actual quantity of the total bole volume harvest of native forest hardwood log timber for the period 2002/03 for jarrah was 236,190m³, for karri 158,527m³ and marri 64,642m³.



- (ii) Actual quantity for 2002/03 of first and second grade jarrah was 163,966m³, karri sawlog 70,913m³ and marri sawlog 8,401m³.



Sawlog deliveries are reducing due to business exits and voluntary restructuring in line with the government's 'Protecting Our Old Growth Forests' policy. New targets have been established in the 2004 Forest Management Plan announced in July 2003. Output levels for the 2003/04 financial year has been set at levels in line with the new 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 2002.

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		914	2300	4087	200
Total Area established		721	1089	3407	61
Note:		1	2	3	4
Purpose	Sustain existing industry	721	683	-	61
	Regional development	-	212	2922	-
	Salinity, water quality and landcare	-	194	485	-

(1) Second rotation pines

Target: 914 hectares

- (i) Re-establish all areas clearfelled and ready for replanting (721 hectares).

(2) First rotation pines

Target: 2,300 hectares

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) Mid-West to replace areas to be clearfelled at Gngara (approximately 23,000 hectares) to date a total of approximately 8,743 hectares established in new areas (as at 31 December 02); and
- (ii) Final goal for various regional cells (Katanning, Esperance, Albany) yet to be determined as part of detailed planning for coordinated approach to tree farming in Western Australia.

(3) Eucalypt species

Target: 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 the Commission's clients. Target 56,000 hectares - established to date 40,599 hectares.
- (ii) Eucalypt sawlog - the Commission initiated the New Eucalypt Sawlog program with the Water and Rivers Commission. The target area was 587 hectares with 485 hectares being planted.

(4) Sandalwood

Target: 200 hectares.

- (i) The area planted was 61 hectares.

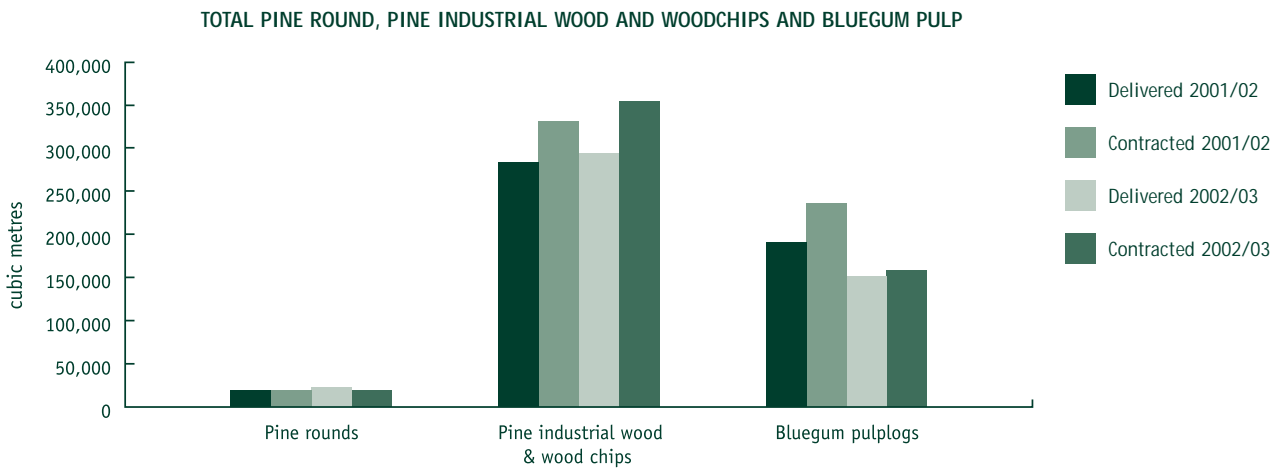
3. PLANTATION LOG PRODUCTION IS CONSISTENT WITH SUSTAINABLE SUPPLY TO INDUSTRY

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 production levels compared to the Commission'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 1,392 tonnes for the 2002/03 period (2001/02 1,399 tonnes), within the permissible harvest level of 1,500 tonnes determined 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. On an annual basis the area regenerated may fluctuate above or below the area harvested due to unsuitable field conditions.

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

The figures being reported cover the 2002 calendar year, with the comparatives covering the 2001 calendar year.

The area of native forest harvested for regeneration was 8,250 hectares (2001/02 10,780 hectares). Of this, 380 hectares (2001/02 660 hectares) were not proposed for treatment as it was due for mining in the short-term and further areas will not be treated following wildfires of 2002/03, pending assessment to determine actual extent and requirements. An additional 300 hectares (2001/02 250 hectares) did not require follow-up treatment post harvesting as the silvicultural objectives were met during harvesting. Treatments were completed for 3,200 hectares 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 \$35.19 (2001/02 \$32.32), an increase of \$2.87 (8.9%) per tonne.

This increase reflects the reduced sale of residue logs and increased level of processing of marri chiplogs prior to the point of sale. The latter is recovered in the final sale price.

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 \$3,788.70 (2001/02 \$3,513.10), an increase of \$275.60 per tonne (7.8%). This increase reflects increased expenditure on regeneration in harvested areas.

3. Cost per hectare managed native forest hardwood.

The Commission has access rights to a total State forest estate of 987,190 hectares (2001-02 987,190 hectares).

Measure:

The cost per hectare managed was \$14.60 per hectare (2001/02 \$21.48 per hectare) a reduction of 32%. Improvement reflects the reallocation of overheads and approved changes to funding arrangements for the Department of Conservation and Land Management, related mainly to fire protection.

OUTPUT 2 - PLANTATION OPERATIONS DIVISION

The Plantation Operations Division has three main operating arms:

- the Plantation Branch, which covers State-owned plantations;
- the Share Farms Branch, which has the responsibility of share farming 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. Cost of harvesting.

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

Measure:

The average cost per tonne harvested (all products) from 1 July 2002 to 30 June 2003 was \$29.13 (2001/02 \$29.11).

2. Operating cost per hectare managed.

Measure:

The average cost for the year ending 30 June 2003 was \$301.56 (2001/02 \$236.81) per hectare managed, an increase of 27%.

The unit cost includes interest charges, rent, corporate overheads and cost of producing seedlings for external sale. The increase in cost per hectare managed is mainly due to indirect costs associated with the Afforestation Program which have not been capitalised, and the reallocation of overheads to reflect a higher level of plantations activity.

3. Cost per hectare re-established.

The Commission planted 721 hectares of new plantations to the end of December 2002 (943 hectares to the end of December 2001). The afforestation program establishment areas for the period was 846 hectares (3,526 hectares in 2001/02) however, the direct costs associated with the afforestation program have been capitalised and therefore do not form part of this measure.

Measure:

The establishment cost was \$2,758 per hectare (2001/02 \$2,166 per hectare) an increase of 27%.

This increase reflects timing differences between costs associated with planting years. Costs incurred in 2002/03 financial year relate to planting areas which will be reported in 2003/04.



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

**FOREST PRODUCTS COMMISSION
PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 2003**

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of the Forest Products Commission are relevant and appropriate to help users assess the Commission's performance and fairly represent the indicated performance for the year ended June 30, 2003.

Scope

The Commission's Role

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

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

Summary of my Role

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

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

D D R PEARSON
AUDITOR GENERAL
October 31, 2003

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 30th June 2003 and the financial position as at 30th June 2003.

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



Murray Jorgensen
Chairman



Dr Marilyn Clark-Murphy
Commissioner



Gary Downes
Executive Manager
Business Development
and Services

30 October 2003

**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 3**

	Note	2003 (\$'000)	2002 (\$'000)
REVENUE			
Revenues from ordinary activities			
<i>Revenue from operating activities</i>			
Revenue from natural resource assets	3.1	121,143	131,875
Correction of prior year fundamental errors	4	-	10,205
Revenue from commercial share farm operations	5	1,494	1,726
Grants & contributions from Commonwealth Government	6	55	185
Other revenue from ordinary activities	7	2,605	1,018
Grants and subsidies from State Government	8.1	1,570	500
<i>Revenue from non-operating activities</i>			
Other revenue from non-operating activities	7	121	1,474
Total revenue from ordinary activities		126,988	146,983
EXPENSES			
Expenses from ordinary activities			
Expenses from natural resource operations	3.2	60,167	78,827
Employee expenses	9	13,012	11,970
Supplies and services	10	23,491	30,668
Depreciation expense	11	1,974	1,954
Borrowing costs expense	12	6,331	6,405
Administration expenses	13	1,337	1,134
Accommodation expenses	14	554	557
Total expenses from ordinary activities		106,866	131,515
Profit from ordinary activities before income tax equivalent expense		20,122	15,468
Income tax equivalent expense	35	5,622	2,158
Profit from ordinary activities after income tax equivalent expense		14,500	13,310
Total change in equity other than from transactions with WA State Government as owners	27	14,500	13,310

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

Statement of Financial Position as at 30 June 2003

	Note	2003 (\$'000)	2002 (\$'000)
Current Assets			
Cash assets	28.1	4	4
Inventories	16	11,455	13,457
Receivables	17	13,219	15,054
Other assets	18	3,417	2,947
Total Current Assets		28,095	31,462
Non - Current Assets			
Land and buildings	19.1	3,316	3,068
Plant, equipment and vehicles	19.2	11,373	11,479
Forest infrastructure	20	19,969	16,627
Natural resource assets	21	293,351	276,263
Deferred tax assets	35	4,265	1,023
Total Non - Current Assets		332,274	308,460
Total Assets		360,369	339,922
Current Liabilities			
Payables	22	4,684	3,444
Interest bearing liabilities	23	3,831	4,738
Tax liabilities	35	508	109
Provisions	24	2,564	1,725
Other liabilities	25	11,348	7,925
Total Current Liabilities		22,935	17,941
Non - Current Liabilities			
Interest bearing liabilities	23	71,732	77,652
Provisions	24	1,014	842
Other Liabilities	25	-	1,436
Deferred tax liabilities	35	10,541	2,266
Total Non - Current Liabilities		83,287	82,196
Total Liabilities		106,222	100,137
NET ASSETS		254,147	239,785
Equity			
Contributed equity	26	230,309	228,872
Reserves	27	-	18
Retained profits	27	23,838	10,895
TOTAL EQUITY		254,147	239,785

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

Statement of Cash Flows

for the year ended 30 June 2003

	Note	2003 (\$'000)	2002 (\$'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		100,788	107,898
Recoupable works		13,450	13,540
Interest received		28	58
GST receipts on sales of goods and services		7,440	8,424
GST received from Taxation Authority		568	1,304
Other receipts		2,605	2,373
Payments			
Employee expenses		11,953	12,223
Supplies and services		23,046	35,175
Borrowing expenses		7,696	6,813
Harvesting expenses		51,362	53,419
Recoupable Works		12,380	14,429
GST payments on purchases		7,450	7,947
GST payments to Taxation Authority		828	1,263
Taxation equivalents paid		192	2,869
Net cash provided by/(used in) operating activities	28.3	9,972	(541)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current assets:			
~ Land & Buildings		(454)	(12)
~ Plant and equipment		(741)	(270)
~ Plantation Reforestation Programme investment costs		-	(5,181)
~ Plantation Afforestation Programme investment costs		(3,409)	-
Net cash used in investing activities		(4,604)	(5,463)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(6,480)	(472)
Proceeds from borrowings		-	4,800
Net cash (used in)/provided by financing activities		(6,480)	4,328
CASH FLOWS FROM/(TO) GOVERNMENT & OTHER INSTITUTIONS			
Community Service Obligations / Forest Enhancement Program	8.1	1,570	500
Commonwealth grants and contributions		55	185
Repayment of Treasurer's liability		(1,436)	(1,436)
Peel B land sale proceeds		1,270	1,355
Net cash provided by Government & other institutions		1,459	604
Net increase/(decrease) in cash		347	(1,072)
Cash liability at the beginning of the financial year	28.1	(2,310)	(1,238)
Cash liability at the end of the financial year	28.1	(1,963)	(2,310)

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 2003

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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 (DCLM).

2 SIGNIFICANT ACCOUNTING POLICIES

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

2.01 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 fulfil the requirements of general application to the public sector, together with the need for greater disclosure and also to satisfy accountability requirements.

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

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

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

2.02 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.

2.03 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:

	2003	2002
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

2.04 Valuation of non-current assets

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

Natural resource assets

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

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

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

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

Forestry infrastructure

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 AASB 1037.

Land, buildings and infrastructure

The Commission values land, buildings and infrastructure at fair value as per AASB 1041 (Revaluation of Non-Current Assets). A revaluation of the Commission's land, undertaken by Valuation Services (formerly the Valuer General's Office) for the Government Property Register, is recognised in the financial statements. Buildings and infrastructure are revalued every four years.

2.05 Inventories

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

2.06 Receivables

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

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

2.07 Research and development costs

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

2.08 Revenue recognition

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

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

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.

2.09 Employee benefits

Compensated Absences - Annual leave

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

Compensated Absences - Long service leave

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

Superannuation

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

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

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

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. The final payment is scheduled to be made in the 2003/04 financial year.

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.

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

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

2.20 Comparative figures

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

2.22 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 set out under Significant Accounting Policies in these accounts and the segment reporting Accounting Standard AASB 1005 "Segment Reporting".

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

During the 2001/02 financial year the Commission discovered that errors had been made in the preparation of the 2000/01 annual financial statements. These errors had a material impact on the interpretation of the prior year annual financial statements. The amounts were brought to account in the 2001/02 financial year's statement of financial performance in accordance with the format prescribed by AASB 1018 "Statement of Financial Performance", and have been detailed in note 4 to the accounts. No fundamental errors were detected in the current year financial year.

2.26 Agency share farming revenue and expenses

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

2.27 Cash

For the purpose of the Statement of Cash Flows, cash includes cash assets net of outstanding bank overdraft.

2003 m ³ harvested	2003 (\$'000)	2002 m ³ harvested	2002 (\$'000)
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3 Revenue and expenses from natural resource assets

3.1 Revenue from natural resource assets

Revenue from commercial harvesting operations:

Native Forests:

- Harvesting operations
- Recovery of harvesting costs
- Inventory valuations
- Revaluation of forest infrastructure
- Standing timber valuation adjustments¹
- Total Native Forest revenue

534,083	20,423	677,238	27,168
	26,614		32,715
	-		839
	6,681		-
	18,648		22,339
	72,366		83,061
827,361	17,861	808,243	19,026
	26,091		24,594
	2,762		-
	946		5,194
	1,117		-
	48,777		48,814
	121,143		131,875

Plantations:

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

Total revenues from natural resource assets

3.2 Expenses from natural resource operations

Native Forests:

- Native Forest harvesting costs
- Decrease in inventory valuation

Total expenses from Native Forest natural resource operations

Plantations:

- Plantation harvesting costs
- Decrease in inventory valuation
- Write down of inventory to net realisable value
- Devaluation of forest infrastructure
- Standing timber valuation adjustments¹

Total expenses from Plantations natural resource operations

Total expenses from natural resource operations

27,749	29,422
10	-
27,759	29,422
24,348	23,884
-	440
584	1,517
2,507	-
4,969	23,564
32,408	49,405
60,167	78,827

¹ Decrease in the valuation of Plantations and increase in value of Native Forests is associated with increased allocation of organisational overhead costs to the plantation division of the organisation. This is as a result of the organisation's strategy for an increased focus on the plantation operations due to reduction in activity in native forest operations.

4 Prior year fundamental errors

4.1 Prior year fundamental error in inventory valuation

Cost of sales for the 2001/02 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 2000/01 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 2000/01 by the net increase in inventory value above.

4.2 Prior year 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 inventory value (\$'000)
Natural resource assets valuation as at 30 June 2001:			
Plantation natural resource assets valuation	196,098	199,317	3,219
	<u>196,098</u>	<u>199,317</u>	<u>3,219</u>
Income tax equivalent expense			-
Net increase in valuation after income tax equivalent expense			<u>3,219</u>

This error had the effect of understating assets and overstating expenses in 2000/01 by the net increase in valuation above.

	2003 (\$'000)	2002 (\$'000)
5 Revenue from commercial share farm operations		
Revenue from commercial share farm operations	1,494	1,726
	1,494	1,726
Revenue from commercial share farm operations is comprised of management fees from the operation of share farm agency agreements.		
6 Grants & contributions from Commonwealth Government		
Commonwealth grant for RIRDC ¹ research	55	185
	55	185
¹ Rural Industry Research and Development Corporation Expenses associated with this contribution are included in expenses from ordinary activities.		
7 Other revenue from ordinary activities		
Other revenues from operating activities		
Revenue from cost recovery operations	2,605	1,018
Total other revenue from operating activities	2,605	1,018
Other revenues from non-operating activities		
Treasury Department reappropriation from the Consolidated Fund of Peel 'B' Baldivis land sale proceeds	-	1,355
Treasurer's contribution to unfunded superannuation liability	53	61
Interest received	68	58
Total other revenue from non-operating activities	121	1,474
8 Grants and subsidies		
8.1 Grants and subsidies from State Government		
Community Service Obligations / Forest Enhancement Program	1,570	500
	1,570	500
8.2 Grants and subsidies from State Government expenditure		
Salaries, training, overheads, vehicle, operational materials and interest.	1,570	500
These expenses are included in expenses from ordinary activities.		
9 Employee expenses		
Wages and salaries	8,604	8,466
Superannuation (refer note 2.09)	1,026	972
Annual leave ¹	1,097	827
Other leave	396	459
Long service leave ¹	746	291
Payroll tax	746	647
Workers' compensation	352	257
Fringe Benefits Tax	45	51
	13,012	11,970
¹ Annual and long service leave expense increased in 2002/03 due to additional on-costs now being accounted for in accordance with the provisions of AASB 1028.		
10 Supplies and services		
Consultants and contractors		
~Management and other consultants	211	374
~Other contractors	17,935	25,357
Materials	2,275	2,114
Repairs and maintenance	126	104
Travel	497	363
Operating lease rentals	2,447	2,356
	23,491	30,668

	2003 (\$'000)	2002 (\$'000)
11 Depreciation		
Plant, equipment, vehicles, office equipment and nursery infrastructure	1,015	949
Buildings	127	123
Forest infrastructure	832	882
	1,974	1,954
12 Borrowing costs expense		
Interest on WA Treasury Corporation loans	6,301	6,352
Interest on overdraft	30	53
	6,331	6,405
13 Administration expenses		
Telephone, postage, communications	384	311
Audit fees	64	44
Provision for doubtful debts	634	650
Bad debts written off	11	-
Carrying amount of non-current assets disposed of (note 19.3)	7	9
Asset revaluation movements:		
- Land	66	-
Other administration costs	171	120
	1,337	1,134
14 Accommodation expenses		
Lease rentals and travel accommodation	384	406
Other property	170	151
	554	557
15 Net Profit/(Loss) on disposal of non-current assets		
Loss on Disposal		
Office equipment	3	4
Plant & equipment	4	5
	7	9
16 Inventories		
<i>Current</i>		
Inventories held for resale:		
- Plant Propagation Centre	4,722	5,519
- Sandalwood	4,359	7,505
- Timber on forest landings	263	261
- Timber technology stocks	163	172
- Marri Chips	1,948	-
	11,455	13,457
At cost ¹	11,455	13,457
At net realisable value	-	-
	11,455	13,457
¹ Cost is the net market value of inventories at the time inventories become non-living. The aggregate carrying amount of inventories recognised and included in the financial statements is as follows:		
- Current	11,455	13,457
- Non-Current	-	-
	11,455	13,457
17 Receivables		
Trade debtors	14,561	15,761
Provision for doubtful debts	(1,342)	(707)
	13,219	15,054

	2003 (\$'000)	2002 (\$'000)
18 Other assets		
<i>Current</i>		
Prepayments	572	29
GST refundable	1,191	347
Accrued Revenue	1,654	2,571
	3,417	2,947
19 Property, plant, equipment and vehicles		
19.1 Land and buildings		
Freehold land at fair value ¹	1,071	728
	1,071	728
Buildings at cost	399	373
Accumulated depreciation	(44)	(29)
	355	344
Buildings at fair value	2,155	2,150
Accumulated depreciation	(265)	(154)
	1,890	1,996
Total land and buildings	3,316	3,068

¹ Freehold land is revalued as at 30 June each year in accordance with an independent valuation by Valuation Services (Formerly Valuer General's Office) which reflects market values. Market value is regarded as fair value.

19.2 Plant, equipment and vehicles

Nursery infrastructure at cost	9,484	9,484
Accumulated depreciation	(1,184)	(709)
	8,300	8,775
Plant, equipment and vehicles at cost	3,055	2,555
Accumulated depreciation	(772)	(441)
	2,283	2,114
Office equipment at cost	1,230	826
Accumulated depreciation	(440)	(236)
	790	590
Total plant, equipment and vehicles	11,373	11,479

19.3 Reconciliations

Reconciliations of the carrying amounts of property, plant, equipment, and vehicles at the beginning and end of the financial period are set out below.

	2003					
	Freehold land (\$'000)	Buildings (\$'000)	Nursery infrastructure (\$'000)	Plant equipment and vehicles (\$'000)	Office equipment (\$'000)	Total (\$'000)
Carrying amount at start of period	728	2,340	8,775	2,114	590	14,547
Transfers from West Australian Government	-	5	-	161	2	168
Additions	427	27	-	343	406	1,203
Disposals	-	-	-	(4)	(3)	(7)
Revaluation increment/decrement	(84)	-	-	-	-	(84)
Depreciation	-	(127)	(475)	(331)	(205)	(1,138)
Carrying amount at end of period	1,071	2,245	8,300	2,283	790	14,689

	2002					
	Freehold land (\$'000)	Buildings (\$'000)	Nursery infrastructure (\$'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 DCLM	-	52	-	-	2	54
Additions	-	12	-	173	113	298
Reclassifications	-	-	-	17	(17)	-
Disposals	-	-	-	(3)	(2)	(5)
Transfers to 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

2003 (\$'000)	2002 (\$'000)
------------------	------------------

20 Forest infrastructure

Native Forests	17,975	11,869
Plantations	1,994	4,758
	19,969	16,627

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

Carrying amount at the start of the period	16,627	17,508
Revaluation increment	4,174	-
Depreciation	(832)	(881)
Carrying amount at the end of the period	19,969	16,627

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.

Infrastructure was subject to a Commissioner's valuation in the 2002/03 financial year in accordance with the policy set out under Note 2.04.

	2003 Ha under management ¹	2003 (\$'000)	2002 Ha under management ¹	2002 (\$'000)
21 Natural resource assets				
<i>Natural resource assets at valuation</i>				
<i>Native Forest</i>				
Native forest standing timber	n/a	65,527	n/a	66,534
Standing sandalwood	n/a	48,443	n/a	28,788
Native forest natural resource assets at valuation		113,970		95,322
<i>Plantations</i>				
Plantations standing timber	70,401	172,504	70,401	175,027
Plantations Reforestation program	12,371	3,468	12,558	5,914
Plantations natural resource assets at valuation	82,772	175,972	82,959	180,941
Total natural resource assets at valuation		289,942		276,263
<i>Natural resource assets at cost</i>				
<i>Plantations</i>				
Plantations Afforestation program ²	846	3,409	-	-
Total natural resource assets at cost		3,409		-
Total natural resource assets at valuation and cost		293,351		276,263

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

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

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

	2003 (\$'000)	2002 (\$'000)
Carrying amount at the start of the period	276,263	269,081
Additions	3,409	5,186
Revaluation increments	13,679	1,996
Carrying amount at the end of the period	293,351	276,263

Discount rates:

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

Native Forest

Native forest standing timber	10%	10%
Standing sandalwood	7%	7%

Plantations

Plantations standing timber	7%	7%
Plantations Reforestation Program	10%	10%

Discount rates were independently verified in the 2001/02 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.

21.1 Source of valuation of natural resource assets

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

21.2 Sensitivity analysis

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

			2003 (\$'000)	2002 (\$'000)
			Increase/ (decrease)	Increase/ (decrease)
Discount rate:	+ 3%	Total natural resource assets at valuation	(81,325)	(75,792)
	- 3%	Total natural resource assets at valuation	139,975	129,458
Future costs:	+ 3%	Total natural resource assets at valuation	(7,922)	(78,265)
	- 3%	Total natural resource assets at valuation	7,535	64,265
Future income:	+ 3%	Total natural resource assets at valuation	16,826	289,567
	- 3%	Total natural resource assets at valuation	(17,214)	(133,281)

Note: The method of calculating the sensitivity analysis was amended in 2002/03 financial year to ensure consistency between the methods of applying cost and income sensitivity assumptions and the 'real' discount rate assumption.

22 Payables

Current

Trade payables	4,684	3,444
	4,684	3,444

23 Interest bearing liabilities

Current

Bank overdraft ¹	1,967	2,314
Western Australian Treasury Corporation loan	1,864	2,424
Total current	3,831	4,738

Non-Current

Western Australian Treasury Corporation loan	71,732	77,652
Total non-current	71,732	77,652

Total interest bearing liabilities²	75,563	82,390
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¹ Operating overdraft facility with the Commonwealth Bank of Australia.

² Refer note 34 for interest rate analysis.

	2003 (\$'000)	2002 (\$'000)
24 Provisions		
<i>Current</i>		
Compensated Absences - Annual leave ¹	1,311	936
Compensated Absences - Long service leave ¹	1,253	789
	2,564	1,725
<i>Non-current</i>		
Compensated Absences - Long service leave ¹	1,014	842
	1,014	842
<i>Employee Benefits (refer note 2.09)</i>		

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

Provision for employee benefits:

Current:

- Provisions	2,564	1,725
- Accrued salaries and wages (refer note 25)	297	255

Non-current:

- Provisions	1,014	842
	3,875	2,822

¹Annual and long service leave expense increased in 2002/03 due to additional on-costs now being accounted for in accordance with the provisions of AASB 1028.

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

25 Other liabilities

Current

Payroll tax accrual	99	50
Accrued expenses		
~ Accrued logging costs	2,567	2,337
~ Compensation for logging contractors	-	47
~ Other commitments	4,130	2,104
Accrued interest	-	1,366
Accrued salaries and wages	297	255
Unearned revenue ²		
~ Manjimup nursery	188	98
~ Southwest share farm project	1,074	232
Statutory dividend	1,557	-
Treasurer's liability ¹	1,436	1,436
	11,348	7,925

Non-Current

Treasurer's liability ¹	-	1,436
	-	1,436

¹ Comprises Treasurer's liability for funding the construction of the Manjimup Plant Propagation Centre

Less: repayment during the period

Total Treasurer's liability

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

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 2.08.

	2003 (\$'000)	2002 (\$'000)
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26 Contributed 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 (DCLM).

The following assets and liabilities have been contributed to equity:

Contributions/(distributions) since formation of the Commission

Assets transferred	168	42
Reappropriation from Consolidated Funds ²	1,269	-
Total contribution by owners¹	1,437	42

Reconciliation:

Contribution by owners at the beginning of the financial period	228,872	228,830
Amounts contributed during the financial period	1,437	54
Amounts refunded during the financial period	-	(12)
Contribution by owners at the end of the financial period	230,309	228,872

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

² Reappropriation from the Consolidated Funds arising out of the sale of Peel 'B' Baldivis plantation land sale proceeds.

27 Reserves

Asset Revaluation Reserve		
Opening balance	18	-
Net revaluation increments/(decrements):		
Land	(18)	18
Closing balance	-	18

Retained profits/(accumulated losses)

Opening balance	10,895	(4,083)
Net profit for the period ²	14,500	13,310
(Increase)/ decrease in provision for statutory dividend	(1,557)	1,668
Closing balance	23,838	10,895

¹ Revaluations as per Valuation Services (formerly Office of the Valuer General)

² The 2001/02 financial year profit includes the effect of the prior year fundamental errors of \$10,205,000. Refer Note 4.

	2003 (\$'000)	2002 (\$'000)
28 Notes to the Statement of Cash Flows		
28.1 Reconciliation of cash		
Cash assets	4	4
Bank Overdraft - refer note 23	(1,967)	(2,314)
	(1,963)	(2,310)
28.2 Financing and investing activities		
During the financial period assets and liabilities were either transferred or assumed - refer note 26.		
Assets acquired - non cash:		
Assets transferred	168	42
Other - cash:		
Reappropriation from Consolidated Funds	1,269	-
Equity contributed by owners	1,437	42
28.3 Reconciliation of profit from ordinary activities after income tax equivalents to net cash flows provided by/(used in) operating activities		
Profit from ordinary activities after income tax equivalents	14,500	13,310
<i>Non-cash items:</i>		
Depreciation expense	1,974	1,954
Doubtful debt expense	634	650
Amounts credited for proceeds on sale of Peel B land	-	(1,355)
Amounts from Commonwealth grants and contributions	(55)	(185)
Disposal of non-current assets	(7)	(9)
Amounts for income tax equivalents	5,622	2,158
Revaluation of land and buildings	66	-
Revaluation of timber assets, land and infrastructure	(17,853)	(1,994)
<i>(Increase)/decrease in assets:</i>		
Current inventories	2,002	(5,867)
Current receivables ¹	1,200	(531)
Other current assets	(470)	(182)
<i>Increase/(decrease) in liabilities:</i>		
Current payables	1,240	(3,398)
Provisions	1,011	201
Other liabilities	1,868	(1,924)
Grants and Subsidies from government	(1,569)	(500)
Taxation equivalents paid	(191)	(2,869)
Net cash provided by/(used in) operating activities	9,972	(541)

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

28.4 Borrowing facilities

At 30 June 2003 the Commission had undrawn financing facilities of \$9.2m (2002 \$61k) available from the WA Treasury Corporation.

29 Resources provided free of charge

During the financial year and in the financial year to 30 June 2002, no resources were provided to other agencies free of charge for functions outside the normal operations of the Commission.

	2003 (\$'000)	2002 (\$'000)
30 Commitments for expenditure		
30.1 Expenditure commitments		
Expenditure commitments, being contracted expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	5,300	5,120
Later than 1 year and not later than 5 years	22,220	15,780
Later than 5 years	-	-
	27,520	20,900

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

30.2 Lease commitments

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

Within 1 year	2,018	1,847
Later than 1 year and not later than 5 years	7,031	7,168
Later than 5 years	8,649	3,393
	17,698	12,408
Non-cancellable operating leases	17,698	12,408

These commitments are inclusive of GST

Contingent rental payments have been determined based on existing rental agreements, escalation clauses, payments and lease periods. Renewal options, where applicable, have not been brought to account.

30.3 Guarantees and undertakings

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

31 Contingent assets and liabilities

31.1 Liabilities

The Commission has no contingent liabilities as at 30 June 2003 (nil at 30 June 2002).

31.2 Assets

The Commission has a contingent asset relating to sequestered carbon and biomass for energy generation. The value of this asset is dependent upon the Australian Government ratifying the Kyoto Protocol and/or the establishment of a carbon trading regime within Australia.

32 Events occurring after reporting date

There were no events that occurred after balance date, other than events for which the financial effects have already been brought to account, that will have a material effect on the Statement of Financial Position or Statement of Financial Performance as at 30 June 2003. The effects arising from the State Government Forest Management Plan announced on 14 July 2003 have been factored into the affected standing timber valuations.

33 Explanatory statement

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

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

	2003 (\$'000)	2002 (\$'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 Forests revenue	72,366	83,061	(13%)	1
- Plantations revenue	48,777	48,814	(0%)	
Total revenues from natural resource assets	<u>121,143</u>	<u>131,875</u>	(8%)	
3.2 Expenses from natural resource operations				
- Native Forests	27,759	29,422	(6%)	
- Plantations	32,408	49,405	(34%)	2
Total expenses from natural resource operations	<u>60,167</u>	<u>78,827</u>	(24%)	

Statement of financial performance

REVENUE

Revenues from ordinary activities

Revenue from operating activities

Revenue from natural resource assets	121,143	131,875	see above	
Correction of prior year fundamental errors	-	10,205	(100%)	3
Revenue from commercial share farm operations	1,494	1,726	(13%)	4
Grants & contributions from Commonwealth Government	55	185	(70%)	5
Other revenue from ordinary activities	2,605	1,018	156%	6
Grants and subsidies from State Government	1,570	500	214%	7
<i>Revenue from non-operating activities</i>				
Other revenue from non-operating activities	121	1,474	(92%)	8
Total revenue from ordinary activities	<u>126,988</u>	<u>146,983</u>	(14%)	

EXPENSES

Expenses from ordinary activities

Expenses from natural resource operations	60,167	78,827	(24%)	see above
Employee expenses	13,012	11,970	9%	
Supplies and services	23,491	30,668	(23%)	9
Depreciation expense	1,974	1,954	1%	
Borrowing costs expense	6,331	6,405	(1%)	
Administration expenses	1,337	1,134	18%	10
Accommodation expenses	554	557	(1%)	
Total expenses from ordinary activities	<u>106,866</u>	<u>131,515</u>	(19%)	

Profit from ordinary activities

before income tax equivalent expense	20,122	15,468	30%	
Income tax equivalent expense	5,622	2,158	161%	11

Profit from ordinary activities

after income tax equivalent expense	<u>14,500</u>	<u>13,310</u>	9%	
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Notes:

- 1 \$3m favourable variance attributable to Standing Timber and Forest Infrastructure valuations. \$13m adverse variance due to the effect of the implementation of the government's 'Protecting our Old Growth Forests' policy, Regional Forest Agreement and business exits. Refer note 3.1.
- 2 \$16m favourable variance due to reduction in Standing Timber and infrastructure devaluation. Refer note 3.1.
- 3 Fundamental errors relating to 2000/01 financial year, corrected in the 2001/02 financial year.
- 4 Variance attributable to reduction in forestry share farming agency services.
- 5 Variance reflects decrease in Commonwealth funded research and development work.
- 6 Increase in cost recoups - mainly fire related activities.
- 7 Increased State contributions to Forest Enhancement Program and increased contribution towards cost of non-commercial debt.
- 8 Peel B land sale proceeds accounted for in accordance with UIG38 - equity contribution this financial year.
- 9 Variance due to lower nursery activity, reduced share farming agency services and Native Forest activity.
- 10 Variance reflects cost savings associated with lower forestry activity offset by increased provision for doubtful debts.
- 11 Increase in provisions for deferred taxation.

33.2 Comparison of 2002/03 actual results to estimated results

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

	2003 actual (\$'000)	2003 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 Forests revenue	72,366	44,672	62%	1
- Plantations revenue	48,777	45,054	8%	
Total revenues from natural resource assets	121,143	89,726	35%	
3.2 Expenses from natural resource operations				
- Native Forests	27,759	22,379	24%	2
- Plantations	32,408	22,083	47%	3
Total expenses from natural resource operations	60,167	44,462	35%	

	2003 actual (\$'000)	2003 estimate (\$'000)	Variance %	Notes
Statement of financial performance				
REVENUE				
Revenues from ordinary activities				
<i>Revenue from operating activities</i>				
Revenue from natural resource assets	121,143	89,726	see above	
Revenue from commercial share farm operations	1,494	2,068	(28%)	4
Grants & contributions from Commonwealth Government	55	-	100%	5
Other revenue from ordinary activities	2,605	2,520	3%	
Grants and subsidies from State Government	1,570	1,570	-	
<i>Revenue from non-operating activities</i>				
Other revenue from non-operating activities	121	-	100%	6
Total revenue from ordinary activities	126,988	95,884	32%	
EXPENSES				
Expenses from ordinary activities				
Expenses from natural resource operations	60,167	44,462		see above
Employee expenses	13,012	12,001	8%	
Supplies and services	23,491	27,676	(15%)	7
Depreciation expense	1,974	1,932	2%	
Borrowing costs expense	6,331	6,450	(2%)	
Administration expenses	1,337	443	202%	8
Accommodation expenses	554	519	7%	
Total expenses from ordinary activities	106,866	93,483	14%	
Profit from ordinary activities before income tax equivalent expense	20,122	2,401	738%	
Income tax equivalent expense	5,622	-	100%	9
Profit from ordinary activities after income tax equivalent expense	14,500	2,401	504%	

Notes:

- 1 \$25m of variance due to revaluation of Standing Timber and Forest Infrastructure. Balance due to conservative approach taken at the time of budget preparation due to market uncertainty associated with the implementation of government's Protecting our Old Growth Forests policy and business exits.
- 2 Attributable to resource activity and product mix.
- 3 \$7.4m attributable to devaluation of plantations and infrastructure. Balance attributable to resource activity and product mix.
- 4 Variance attributable to reduction in share farming agency forestry services.
- 5 Non-budgeted for revenue.
- 6 Non-budgeted for revenue.
- 7 Variance due to savings in non core operational costs.
- 8 Variance mainly attributable to devaluation of land and buildings, provision for doubtful debts expenses and marketing costs for Infinitree™.
- 9 Due to movements in deferred tax balances arising from timing differences associated with natural resource asset and in-forest infrastructure valuation movements.

34 Financial instruments

34.1 Interest rate risk exposure

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

2003							
	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	-					13,219	13,219
WA Treasury Corporations prepayments	4.66	249				-	249
Accrued revenue	-					1,654	1,654
	Nil	249	Nil	Nil	Nil	14,877	15,126
Financial Liabilities							
Payables	-					4,684	4,684
Bank overdraft	8.35	1,967					1,967
WA Treasury Corporations prepayments	7.55		1,864	10,484	61,248		73,596
Finance lease liabilities	-						-
Accrued interest	-						-
Treasurer's liability	-						1,436
		1,967	3,300	10,484	61,248	4,684	81,683

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
WA Treasury Corporation	8.05		2,424	10,254	67,398		80,076
Finance lease liabilities							Nil
Accrued interest						1,366	1,366
Amounts due to the Treasurer							2,872
		2,314	2,424	10,254	67,398	7,682	90,072

2003
(\$'000)

2002
(\$'000)

Summary

Financial assets	15,126	17,976
Financial liabilities	81,683	90,072

34.2 Credit risk exposure

Accounts receivable largely consists of timber debtors, for which deposits and securities equivalent to an average of six weeks deliveries are required to be lodged in favour of the Commission under timber contracts of sale. These deposits and securities are held in trust until the expiry or default of contracts. However, as at 30 June 2003, the value of overdue accounts exceeded deposits and securities by \$1.1m (2002 \$1.3m).

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

The Commission's credit risk exposure at 30 June 2003 is illustrated by the aged debtors table below:

	2003 Number of customers	2003 Value overdue ¹ : (\$'000)	2002 Number of customers	2002 Value overdue ¹ : (\$'000)
1 to 30	24	1,781	28	1,419
31 to 60	12	271	12	853
Greater than 60	36	1,182	44	1,431
All overdue accounts	72	3,234	84	3,703

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

The likelihood of recovery as at 30 June 2003, was estimated and factored into the amount of \$1,342,000 (2002 \$707,000) provided for doubtful debts (refer note 17).

34.3 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 \$73.596m (2002 \$80.076m) from the Western Australian Treasury Corporation (WATC) have been assessed by the WATC to have a net fair value of \$79.498m (2002 \$84.916m) as at 30 June 2003. 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.

2003 (\$'000)	2002 (\$'000)
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35 Taxation equivalent

The prima facie income tax equivalent¹ on pre-tax accounting profit reconciles to the income tax equivalent in the statement of financial performance as follows:

Profit from ordinary activities before income tax equivalent expense	20,122	15,468
Income tax equivalent expense calculated at 30% (2002 30%) of operating profit	6,037	4,640
<i>Permanent differences: (refer Note 2.18)</i>		
Non-deductible travel expenses	11	7
Research and development concession	(89)	(78)
Revaluation of natural resource assets	1,717	367
Depreciation of forest infrastructure	210	(210)
Portion of fundamental error due to error in revaluation of natural resource assets	-	(966)
Employee Provisions - opening balance	(659)	-
Unrealised revaluation in forest assets - prior year	(4,207)	-
Capitalised Plantations afforestation program expenditure	2,602	(1,557)
Change in tax rate 2001/02	-	(46)
Income tax equivalent expense attributable to profit from ordinary activities	5,622	2,157
Income tax equivalent expense comprises movements in:		
Provision for tax equivalent expense	589	250
Provision for deferred tax equivalent expense	8,275	2,256
Future tax equivalent expense benefit	(3,242)	(348)
Total income tax equivalent expense	5,622	2,158

	2003 (\$'000)	2002 (\$'000)
Deferred tax assets		
Future income tax benefit - timing differences ¹	4,265	1,023
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	1,023	675
Amount arising during the period	3,242	348
Carrying amount at end of period	<u>4,265</u>	<u>1,023</u>
Deferred tax liabilities		
Provision for deferred income tax equivalent liabilities ¹	10,541	2,266
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	2,266	10
Amount arising during the period	8,275	2,256
Carrying amount at end of period	<u>10,541</u>	<u>2,266</u>
Provision for income tax equivalent expense		
Provision for income tax equivalent at start of period	109	2,728
Income tax equivalent expense paid in period	(191)	(2,869)
Income tax equivalent expense for the period	5,622	2,158
Effect of future income tax equivalent benefit arising in the period	3,242	348
Effect of provision for deferred income tax equivalent arising in the period	(8,275)	(2,256)
Provision for income tax equivalent expense at end of period	<u>508</u>	<u>109</u>
¹ Increase in deferred tax balances due to bringing to account of deferred tax on timing differences related to natural resource assets and in-forest infrastructure, for the first time in the 2002/03 financial year.		
36 Provision for dividend		
Provision for declared dividend	1,557	-
	<u>2003</u>	<u>2002</u>

37 Remuneration of Members of the Accountable Authority and Senior Officers

Remuneration of Members of the Accountable Authority

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

\$			
5,000 - 10,000	0	0	
10,000 - 20,000	3	4	
20,000 - 30,000	3	2	
30,000 - 40,000	0	1	
40,000 - 50,000	0	0	
50,000 - 60,000	1	0	
	<u>7</u>	<u>7</u>	

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

<u>185</u>	<u>129</u>
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¹ No Commissioner is a member of the Pension Scheme.

Remuneration of Senior Officers

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

\$			
20,000 - 30,000		0	2
30,000 - 40,000		0	1
40,000 - 50,000		1	0
50,000 - 60,000		0	2
60,000 - 70,000		2	0
70,000 - 80,000		1	0
80,000 - 90,000		0	1
90,000 - 100,000		1	0
		<u>5</u>	<u>6</u>
		<u>617</u>	<u>493</u>

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

38 Related/affiliated bodies

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

	2003 (\$'000)	2002 (\$'000)
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39 Remuneration of auditor

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

Auditing the accounts, financial statements and performance indicators	<u>64</u>	<u>44</u>
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40 Funds held in trust

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

Opening Balance	885	123
Receipts ²	357	812
Payments	(368)	(50)
Closing Balance	<u>874</u>	<u>885</u>

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

² \$694,000 of the prior year receipts was attributable to a transfer from DCLM, relating to deposits on hand prior to 16th November 2000

41 Supplementary information

41.1 Write-offs	11	Nil
41.2 Losses through theft, defaults and other causes	Nil	Nil
41.3 Gifts of public property	Nil	Nil

42 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 Plantations Operations Division has three main operating arms - the Plantations Branch which covers State-owned plantations, Share Farms which has the responsibility of share farming 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).

	2003			2002		
	Total (\$'000)	Native Forests (\$'000)	Plantations (\$'000)	Total (\$'000)	Native Forests (\$'000)	Plantations (\$'000)
REVENUE						
Revenue from ordinary activities						
Revenue from natural resource assets	121,143	72,366	48,777	131,875	83,061	48,814
Correction of prior year fundamental errors	-	-	-	10,205	3,800	6,405
Revenue from commercial Share Farm operations	1,494	-	1,494	1,726	-	1,726
Commonwealth grants & contributions	55	-	55	185	2	183
Other revenue from ordinary activities	2,605	991	1,614	1,018	485	533
Grants and subsidies from State Government	1,570	1,570	-	500	500	-
Other revenue from non-operating activities	121	60	61	1,474	53	1,421
Total revenue from ordinary activities	126,988	74,987	52,001	146,983	87,901	59,082
EXPENSES						
Expenses from ordinary activities						
Expenses from natural resource assets	60,167	27,759	32,408	78,827	29,422	49,405
Employee expenses	13,012	6,790	6,222	11,970	6,144	5,826
Supplies and services	23,491	8,549	14,942	30,668	18,313	12,355
Depreciation expense	1,974	883	1,091	1,954	897	1,057
Borrowing costs expense	6,331	1,401	4,930	6,405	1,469	4,936
Administration expenses	1,337	1,047	290	1,134	398	736
Accommodation expenses	554	297	257	557	301	256
Total expenses from ordinary activities	106,866	46,726	60,140	131,515	56,944	74,571
Profit/(loss) from ordinary activities before income tax equivalents	20,122	28,261	(8,139)	15,468	30,957	(15,489)
Income tax equivalent expense	5,622	13,027	(7,405)	2,158	1,759	399
Profit/(loss) from ordinary activities after income tax equivalents	14,500	15,234	(734)	13,310	29,198	(15,888)
Segment Assets	360,369	154,771	205,598	339,922	128,429	211,493
Unallocated Assets	-	-	-	-	-	-
Total Assets	360,369	154,771	205,598	339,922	128,429	211,493
Segment Liabilities	106,222	42,120	64,102	100,137	48,838	51,299
Unallocated Liabilities	-	-	-	-	-	-
Total Liabilities	106,222	42,120	64,102	100,137	48,838	51,299
Return on total assets	7.34%	19.17%	-1.56%	6.43%	25.25%	-4.99%
Return on total assets before natural resource asset revaluations and fundamental errors	2.39%	2.80%	2.08%	3.79%	4.90%	3.12%

	2003			2002		
	Total (\$'000)	Native Forests (\$'000)	Plantations (\$'000)	Total (\$'000)	Native Forests (\$'000)	Plantations (\$'000)
Acquisition of property, plant and equipment and other non-current segment assets						
Transfers from other government departments	168	84	84	54	52	2
Additions	1,203	402	802	298	149	149
	1,371	486	886	352	201	151
Non-cash revenues/expenses other than depreciation:						
Non-cash revenues:						
Revaluation of timber assets and infrastructure	18,648	18,648	-	22,339	22,339	-
Fundamental Errors	-	-	-	10,205	3,800	6,405
Revenue from inventory valuations	2,762	-	2,762	839	839	-
Total non-cash revenues	21,410	18,648	2,762	33,383	26,978	6,405
Non-cash expenses:						
Revaluation of timber assets and infrastructure	4,969	-	4,969	23,564	-	23,564
Doubtful debts expense	635	663	(28)	650	113	537
Revaluation of land	66	-	66	-	-	-
Amount for income tax equivalents	5,621	13,026	(7,405)	2,159	1,759	400
Total non-cash expenses	11,291	13,689	(2,398)	26,373	1,872	24,501
Net non-cash revenues/(expenses)	10,119	4,959	5,160	7,010	25,106	(18,096)

2003	2002
(\$'000)	(\$'000)

43 Research and Development Expenditure

43.1 Research and Development expenditure

1,187	2,468
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Expenses associated with research and development are included in expenses from ordinary activities.

The Forest Products Commission is a member of CRC Wood Innovations, a Cooperative Research Centre for Innovative Wood Manufacturing, based at The University of Melbourne. The Commission has a payment commitment of \$100,000 per year until 2008 together with in-kind contributions of approximately \$65,000 per year.

43.2 Plantation Industry Ministerial Advisory Committee (PIMAC)

17	-
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Expenses associated with PIMAC are included in expenses from ordinary activities.

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

44 Advertising and communication expenditure

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

- Total expenditure for 2002/03 was \$422,907 (2001/02 \$95,402)
- Expenditure was incurred in the following areas:

		2003	2002
Advertising expenditure:			
Supplier:			
Company Directors	Service:		
	Tenders/Auctions	-	2,000
Executive Media Pty Ltd	Tenders/Auctions	-	1,636
Fine Finish	Advertising	2,268	-
Lasergrafix	Printing	3,501	-
Marketforce	Infinintree™ Launch	354,206	-
Marketforce Productions	Productions	19,410	21,346
Media Decisions	TV Advertising	14,783	10,125
Premier and Cabinet	Tenders/Auctions	-	4,821
Sector Vision Consulting	Classification Review	1,620	2,625
Sundry other			
(less than \$1,600 per supplier)	Various	9,244	5,339
	Total	405,031	47,892
Consultancy:			
Supplier:			
One 2 One Communications	Service:		
	Communication consultants	-	47,510
Media Monitors WA Pty Ltd	Communication information	17,876	-
	Total	17,876	47,510
Market Research:		-	-
Polling organisations:		-	-
Direct Mail organisations		-	-
		422,907	95,402

45 Additional information

The following additional information is provided in terms of the requirements of AASB 1034 (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:

	2003	2002
Number of employees ¹ :	184	187

¹Refer 'Our People' report.



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

FOREST PRODUCTS COMMISSION FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2003

Audit Opinion

In my opinion,

- (i) the controls exercised by the Forest Products Commission provide reasonable assurance that the receipt and expenditure of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of the Commission at June 30, 2003 and its financial performance and cash flows for the year ended on that date.

Scope

The Commission's Role

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

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

Summary of my Role

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

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

D D R PEARSON
AUDITOR GENERAL
October 31, 2003

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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
2002	*12,870	0	700	350

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

APPENDIX 2

AREA OF STATE-OWNED CONIFEROUS PLANTATIONS AS AT 31 DECEMBER 2002

Planting Year (S/F) = 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	160	5	16	0	0	0	3486	56	33	0	0	0	0	0	0	0	0	3695	61	3695	61	
1960	34	0	3	0	213	5	306	0	0	0	3825	56	0	0	0	0	0	343	0	4038	61	
1961	43	0	0	0	256	5	434	0	3	0	4262	56	0	0	0	0	0	480	0	4518	61	
1962	79	0	0	0	335	5	411	0	0	0	4673	56	0	0	0	0	0	490	0	5008	61	
1963	97	0	0	0	432	5	301	0	0	0	4974	56	0	0	0	0	0	398	0	5406	61	
1964	60	0	0	0	492	5	501	0	23	23	5498	79	0	0	0	0	0	584	23	5990	84	
1965	83	0	13	0	588	5	433	0	3	0	5934	79	0	0	0	0	0	532	0	6522	84	
1966	92	0	6	0	686	5	693	0	2	0	6629	79	0	0	0	0	0	793	0	7315	84	
1967	130	0	0	0	816	5	905	0	0	0	7534	79	0	0	0	0	0	1035	0	8350	84	
1968	94	0	16	0	926	5	1236	0	3	0	8773	79	0	0	0	0	0	1349	0	9699	84	
1969	242	0	0	0	1168	5	1386	0	9	0	10168	79	0	0	0	0	0	1637	0	11336	84	
1970	406	1	0	0	1574	6	1124	1	19	0	11311	80	0	0	0	0	0	1549	2	12885	86	
1971	685	1	1	0	2260	7	815	1	0	0	12126	81	0	0	0	0	0	1501	2	14386	88	
1972	712	3	4	0	2976	10	663	0	0	0	12789	81	0	0	0	0	0	1379	3	15765	91	
1973	1083	97	51	0	4110	107	533	0	3	0	13325	81	0	0	0	0	0	1670	97	17435	188	
1974	1142	42	2	0	5254	149	309	0	0	0	13634	81	0	0	0	0	0	1453	42	18888	230	
1975	1209	92	0	0	6463	241	1173	0	0	0	14807	81	0	0	0	0	0	2382	92	21270	322	
1976	1468	101	5	0	7936	342	1118	0	1	0	15926	81	0	0	0	0	0	2592	101	23862	423	
1977	1309	9	33	0	9278	351	863	0	0	0	16789	81	0	0	0	0	0	2205	9	26067	432	
1978	1822	8	17	0	11117	359	495	0	0	0	17284	81	0	0	0	0	0	2334	8	28401	440	
1979	1372	2	403	0	12892	361	364	0	0	0	17648	81	0	0	0	0	0	2139	2	30540	442	
1980	1479	0	0	0	14371	361	777	0	0	0	18425	81	0	0	0	0	0	2256	0	32796	442	
1981	1355	0	114	0	15840	361	875	0	5	0	19305	81	0	0	0	0	0	2349	0	35145	442	
1982	1193	0	264	0	17297	361	463	0	5	0	19773	81	0	0	0	0	0	1925	0	37070	442	
1983	1296	0	37	0	18630	361	648	0	0	0	20421	81	0	0	0	0	0	1981	0	39051	442	
1984	1817	0	3	0	20450	361	505	0	9	0	20935	81	0	0	0	0	0	2334	0	41385	442	
1985	1644	48	125	0	22219	409	477	0	2	0	21414	81	0	0	0	0	0	2248	48	43633	490	
1986	1043	164	0	0	23262	573	481	0	0	0	21895	81	0	0	0	0	0	1524	164	45157	654	
1987	1433	739	159	0	24854	1312	654	0	39	39	22588	120	0	0	0	0	0	2285	778	47442	1432	
1988	1547	1127	133	1	26534	2440	190	0	1	0	22779	120	0	0	0	0	0	1871	1128	49313	2560	
1989	924	369	462	32	27920	2841	22	0	20	0	22821	120	0	0	0	0	0	1428	401	50741	2961	
1990	883	741	355	0	29158	3582	0	0	6	0	22827	120	0	0	0	0	0	1244	741	51985	3702	
1991	1131	1050	514	0	30803	4632	4	0	19	0	22850	120	0	0	0	0	0	1668	1050	53653	4752	
1992	1788	1781	488	0	33079	6413	118	118	344	0	23312	238	0	0	0	0	0	2738	1899	56391	6651	
1993	760	675	988	0	34827	7088	136	0	309	0	23757	238	0	0	0	0	0	2193	675	58584	7326	
1994	543	400	419	13	35789	7501	0	0	372	0	24129	238	0	0	0	0	0	1334	413	59918	7739	
1995	100	96	1103	1	36992	7598	266	266	145	0	24540	504	0	0	0	0	0	1614	363	61532	8102	
1996	16	9	1168	0	38176	7607	776	605	31	0	25347	1109	0	0	0	0	0	1991	614	63523	8716	
1997	3	0	1152	0	39331	7607	1121	1121	177	0	26645	2230	0	0	16	16	0	2469	1137	65992	9853	
1998	95	75	70	0	39496	7682	1606	1598	0	0	28251	3828	0	0	300	300	0	2071	1973	68063	11826	
1999	63	32	819	0	40378	7714	2456	2452	184	0	30891	6280	0	0	296	296	0	3818	2780	71881	14606	
2000	203	197	1178	0	41759	7911	3765	3762	13	0	34669	10042	19	19	418	418	0	5596	4396	77477	19002	
2001	0	0	943	0	42702	7911	3062	3062	0	0	37731	13104	0	0	326	326	0	4331	3388	81808	22390	
2002	177	177	721	0	43600	8088	846	846	0	0	38577	13950	0	0	66	66	0	1810	1089	83618	23479	
TOTAL	31815	8041	11785	47	43600	8088	36797	13888	1780	62	38577	13950	19	19	1422	1422	0	83618	23479	83618	23479	

APPENDIX 3

AREA OF STATE-MANAGED EUCALYPT PLANTATIONS AS AT 31 DECEMBER 2002

Planting Year	FPC - OWNED				FPC - MANAGED			All Species			
	E.globulus		Other Eucalypts		Owned by Other Govt.	Privately Owned		Year Total		Culmulative Total	
	STATE (+S/F)	(S/F)	STATE (+S/F)	(S/F)		E.globulus	E.globulus	Other Eucs.	E.globulus	Other Eucs.	E.globulus
<1987	10	0	6634	1	0	0	0	10	6634	10	6634
1988	99	99	9	0	0	0	0	99	9	109	6643
1989	118	118	2	0	0	20	0	138	2	247	6645
1990	33	0	25	0	0	152	0	185	25	432	6670
1991	35	29	31	0	0	298	2	333	33	765	6703
1992	372	358	0	0	0	651	0	1023	0	1788	6703
1993	221	206	6	0	0	1369	25	1590	31	3378	6734
1994	34	34	2	0	0	1923	0	1957	2	5335	6736
1995	3	0	0	0	0	3537	55	3540	55	8875	6791
1996	0	0	3	3	0	5664	16	5664	19	14539	6810
1997	17	0	7	7	0	5462	0	5479	7	20018	6817
1998	68	68	5	5	0	4887	0	4955	5	24973	6822
1999	0	0	1	1	0	5369	0	5369	1	30342	6823
2000	0	0	31	2	0	5610	0	5610	31	35952	6854
2001	0	0	30	30	0	2735	0	2735	30	38687	6884
2002	0	0	485	483	0	2922	0	2922	485	41609	7369
TOTAL	1010	912	7271	532	0	40599	98	41609	7369	41609	7369

APPENDIX 4

AREA OF STATE MANAGED SANDALWOOD (*S.SPICATUM*) PLANTATIONS AS AT 30 JUNE 2003

Year	Hectares
1997	4.7
1998	19.1
1999	0.0
2000	18.9
2001	80.3
2002	61.5
Total	184.5

APPENDIX 5
LOG PRODUCTION FROM CROWN LAND AND PRIVATE PROPERTY 2002/03

Type	Crown Land		Private Property		Total	
	c.metres	tonnes	c.metres	tonnes	c.metres	tonnes
SAWLOG TIMBER*						
Jarrah	187,459	245,588	-	-	187,459	245,588
Karri	74,429	91,526	-	-	74,429	91,526
Marri	8,401	10,418	-	-	8,401	10,418
Blackbutt	1,771	2,262	-	-	1,771	2,262
Wandoo	154	202	-	-	154	202
Sheoak	1,136	1,136	-	-	1,136	1,136
Other	80	99	-	-	80	99
Total Native Forest Sawlogs	273,430	351,231	-	-	273,430	351,231
Globulus	0	0	0	0	0	0
Mallet	270	321	0	0	270	321
Total Plantation Hardwood Sawlogs	270	321	0	0	270	321
Pinaster	41,269	41,269	0	0	41,269	41,269
Radiata	289,546	289,546	30,508	30,508	320,054	320,054
Plantation Softwood Sawlogs and veneer logs	330,815	330,815	30,508	30,508	361,323	361,323
TOTAL SAWLOGS	604,515	682,367	30,508	30,508	635,023	712,875
OTHER LOG MATERIAL						
Native Forests						
Chiplogs	137,965	166,202	-	-	137,965	166,202
Firewood/charcoal logs	101,928	109,746	-	-	101,928	109,746
Sandalwood	2,177	2,177	-	-	2,177	2,177
Other **	18,583	22,551	-	-	18,583	22,551
Sub-total Native Forest Other	260,653	300,676	-	-	260,653	300,676
Plantation Hardwood						
Chiplogs***	0	0	146,044	174,101	146,044	174,101
Firewood/charcoal logs	544	546	0	0	544	546
Other **	57	68	13	16	70	84
Sub-total Hardwood Plantation Other	601	614	146,057	174,117	146,658	174,731
Plantation Softwood						
Industrial wood	198,560	199,090	20,958	20,958	219,518	220,048
Woodchips	64,894	63,483	2,541	2,239	67,435	65,722
Other	9,039	9,039	0	0	9,039	9,039
Pine rounds	23,118	23,118	0	0	23,118	23,118
Sub-total Plantation Softwood Other	295,611	294,730	23,499	23,197	319,110	317,927
Total Other Material	556,865	596,020	169,556	197,314	726,421	793,334
TOTAL LOG TIMBER	1,161,380	1,278,387	200,064	227,822	1,361,444	1,506,209

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

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

*** includes woodchips.

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

APPENDIX 6

NATIVE FOREST SAWLOG PRODUCTION BY THE COMMISSION IN 2002/03

Product type	High Quality m ³	1st & 2nd Sawlogs m ³	Bole Log m ³	Other Sawlogs m ³	TOTAL m ³
Jarrah	1,439	162,527	11,576	11,917	187,459
Karri	1,645	69,268	0	3,516	74,429
Marri	16	0	0	8,385	8,401
Other Species	1,095	1,046	44	956	3,141
Total	4,195	232,841	11,620	24,774	273,430
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes
Jarrah	1,865	213,723	15,222	14,778	245,588
Karri	2,040	85,126	0	4,360	91,526
Marri	21	0	0	10,397	10,418
Other Species	1,213	1,377	58	1,051	3,699
Total	5,139	300,226	15,280	30,586	351,231

* Includes logs from Crown Land sold under Minor Production Contracts

APPENDIX 7

NATIVE FOREST CHIPLOG PRODUCTION

Product type	Crown land 2000/01		Crown land 2001/02		Crown land 2002/03	
	(m ³)	(tonnes)	(m ³)	(tonnes)	(m ³)	(tonnes)
Marri	258,119	318,860	102,618	126,662	56,237	68,153
Karri	87,547	105,919	97,279	117,540	81,728	98,049
Other	-	-	-	-	-	-
Total	345,666	424,779	199,897	244,202	137,965	166,202

APPENDIX 8**NATIVE FOREST FUELWOOD PRODUCTION**

Log Type	2000/01 (tonnes)	2001/02 (tonnes)	2002/03 (tonnes)
- Firewood logs	49,002	48,893	43,119
- Charcoal logs	93,008	45,659	66,627
Total	142,010	94,552	109,746

APPENDIX 9**SANDALWOOD PRODUCTION FROM CROWN LAND**

Type	2000/01 (tonnes)	2001/02 (tonnes)	2002/03 (tonnes)
Green	1,020	1,399	1,392
Dead	763	847	785
Bark	40	0	0
Total	1,823	2,246	2,177

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