

A photograph of an older man with white hair, wearing a light blue button-down shirt, holding a black tray filled with several young green plants. He is standing in a greenhouse, with the structure and other plants visible in the background. A blue patch is visible on his shirt. The text 'financial review' is overlaid in white on a semi-transparent dark box.

# financial review

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# Financial Review

## CERTIFICATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements of the Forest Products Commission have been prepared in compliance with the provisions of the Financial Administration and Audit Act 1985, from proper accounts and records, to present fairly the financial transactions for the financial year ending 30 June 2005 and the financial position as at 30 June 2005.

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



**Derek Oelofse**  
Principal Accounting Officer

26 August 2005

# Financial Review

AUDITOR GENERAL'S REPORT ON THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005



## AUDITOR GENERAL

### INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

### FOREST PRODUCTS COMMISSION FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

#### 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 30 June 2005 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.

A handwritten signature in black ink, appearing to read 'D D R Pearson'.

D D R PEARSON  
AUDITOR GENERAL  
11 November 2005

FOREST PRODUCTS COMMISSION  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 June 2005

	Note	2005 (\$'000)	2004 (\$'000)
<b>REVENUE</b>			
<b>Revenues from ordinary activities</b>			
<i>Revenue from operating activities</i>			
Revenue from natural resource assets	3.1	114,863	117,768
Revenue from commercial share farm operations	4	20	477
Grants & contributions from Commonwealth Government	5	2,040	12
Other revenue from ordinary activities	6	4,565	1,368
Grants and subsidies from State Government	7.1	1,100	1,300
<i>Revenue from non-operating activities</i>			
Other revenue from non-operating activities	6	79	135
<b>Total revenue from ordinary activities</b>		<b>122,667</b>	<b>121,060</b>
<b>EXPENSES</b>			
<b>Expenses from ordinary activities</b>			
Expenses from natural resource assets	3.2	76,754	63,378
Employee expenses	8	14,921	12,100
Other expenses from ordinary activities	9	33,355	23,939
Write off of assets	10	-	3,822
Depreciation	11	2,098	2,234
Borrowing costs	12	5,974	5,661
Administration	13	2,304	716
Accommodation expenses	14	580	580
<b>Total expenses from ordinary activities</b>		<b>135,986</b>	<b>112,430</b>
<b>Profit from ordinary activities before income tax</b>		<b>(13,319)</b>	<b>8,630</b>
Income tax	35	(4,399)	2,592
<b>Net (loss)/profit</b>		<b>(8,920)</b>	<b>6,038</b>
<b>Non-owner transaction changes in equity</b>			
Increase in asset revaluation reserve	27	2,200	25
Dividend Expense		-	(1,470)
<b>Total changes in equity from non-owner related transactions</b>		<b>2,200</b>	<b>(1,445)</b>
<b>Total change in equity other than from transactions with WA State Government as owners</b>	27	<b>(6,720)</b>	<b>4,593</b>

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

FOREST PRODUCTS COMMISSION  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 June 2005

	Note	2005 (\$'000)	2004 (\$'000)
<b>Current Assets</b>			
Cash assets	28.1	6,237	1,569
Receivables	17	14,314	10,824
Inventories	16	4,713	6,610
Other assets	18	2,467	2,445
<b>Total Current Assets</b>		<b>27,731</b>	<b>21,448</b>
<b>Non - Current Assets</b>			
Land and buildings	19.1	9,672	6,461
Plant, equipment and vehicles	19.2	6,263	6,713
Forest infrastructure	20	13,724	16,592
Natural resource assets	21	326,822	320,130
Deferred tax assets	35	14,891	8,122
<b>Total Non - Current Assets</b>		<b>371,372</b>	<b>358,018</b>
<b>Total Assets</b>		<b>399,103</b>	<b>379,466</b>
<b>Current Liabilities</b>			
Payables	22	3,998	3,590
Interest bearing liabilities	23	6,263	2,874
Provisions	24	3,889	3,035
Other creditors and accruals	25	18,322	9,605
<b>Total Current Liabilities</b>		<b>32,472</b>	<b>19,104</b>
<b>Non - Current Liabilities</b>			
Interest bearing liabilities	23	85,361	79,767
Provisions	24	1,260	1,045
Other creditors and accruals	25	5,045	2,431
Deferred tax liabilities	35	19,670	16,989
<b>Total Non - Current Liabilities</b>		<b>111,336</b>	<b>100,232</b>
<b>Total Liabilities</b>		<b>143,808</b>	<b>119,336</b>
<b>NET ASSETS</b>		<b>255,295</b>	<b>260,130</b>
<b>Equity</b>			
Contributed equity	26	233,584	231,699
Reserves	27	2,225	25
Retained profits	27	19,486	28,406
<b>TOTAL EQUITY</b>		<b>255,295</b>	<b>260,130</b>

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

FOREST PRODUCTS COMMISSION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 June 2005

	Note	2005 (\$'000)	2004 (\$'000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash receipts in the course of operations</b>			
Sale of goods and services		89,022	97,555
Sale of goods and services - deferred income		1,242	-
Recoupable works		3,266	4,556
GST receipts on sales of goods and services		7,048	6,824
GST received from Taxation Authority		1,641	1,655
Other receipts		6,525	2,981
<b>Total cash receipts in the course of operations</b>		<b>108,744</b>	<b>113,571</b>
<b>Cash payments in the course of operations</b>			
Employee expenses		13,764	11,394
Supplies and services		27,636	26,558
Harvesting expenses		49,672	55,079
Recoupable works		3,266	5,206
GST payments on purchases		8,040	7,611
GST payments to Taxation Authority		198	116
<b>Total cash payments in the course of operations</b>		<b>102,576</b>	<b>105,964</b>
Interest received		79	42
Borrowing costs paid		(7,155)	(4,208)
Taxation - income tax refund / (paid)		312	(508)
<b>Net cash provided by / (used in) operating activities</b>	28.3	<b>(596)</b>	<b>2,933</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of non-current assets:			
~ Land & Buildings		(1,259)	(3,290)
~ Plant and equipment		(732)	(334)
~ Plantation Afforestation Programme investments		(6,349)	(4,431)
<b>Net cash used in investing activities</b>		<b>(8,340)</b>	<b>(8,055)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		(3,118)	(1,954)
Proceeds from borrowings		12,100	11,000
<b>Net cash provided by / (used in) financing activities</b>		<b>8,982</b>	<b>9,046</b>
<b>CASH FLOWS FROM/(TO) GOVERNMENT &amp; OTHER INSTITUTIONS</b>			
Grants & Subsidies	7.1	1,100	1,300
Commonwealth grants and contributions	5	209	12
Commonwealth contribution to National Action Plan for Salinity and Water Quality		2,859	-
Repayment of Treasurer's liability	25	-	(1,436)
Land sale proceeds (Department of Conservation and Land Management)		654	-
Peel B land sale proceeds	28.2	1,270	1,289
Dividends Paid	27	(1,470)	(1,557)
<b>Net cash provided by / (paid to) Government &amp; other institutions</b>		<b>4,622</b>	<b>(392)</b>
<b>Net increase in cash</b>		<b>4,668</b>	<b>3,532</b>
Cash on hand /(short-term borrowings) at the beginning of the financial year	28.1	1,569	(1,963)
<b>Cash at the end of the financial year</b>	28.1	<b>6,237</b>	<b>1,569</b>

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

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## 1 COMMISSION'S MISSION AND FUNDING

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

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES

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

### 2.01 Basis of preparation

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. No such modifications have been effected.

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 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 share farming investors who are invoiced on a three monthly basis.

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax payable to the taxation authority.

Other revenues, such as proceeds from the sale of minor assets and miscellaneous revenues, are recognised when control of the goods has passed to the purchaser. Interest revenue is recognised when it accrues.

### 2.03 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.

### 2.04 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.

#### 2.05 Roads and bridges expenditure

Forestry road and bridge expenditure is expensed as it is incurred, with the exception of road and bridge expenditure for the Commission's plantation estates, on land permanently accessible by the Commission, which is capitalised and written off over its estimated useful life.

#### 2.06 Research and development costs

Research and development costs are charged against revenue in the Statement of Financial Performance as incurred. Research and development costs are not capitalised until there is clear evidence of a commercial application.

#### 2.07 National Taxation Equivalent Regime (Income Tax)

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 *National Tax Equivalent Regime (Income Tax)*. This in effect requires the Commission to account for income tax as if it were not exempt.

#### 2.08 Income tax

The Commission adopts the liability method of tax-effect accounting, as a result of the effect of the National Tax Equivalent Regime. 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.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt or if relating to tax losses, when realisation is virtually certain.

#### 2.09 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.

#### 2.10 Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand, in banks and on short term deposit, net of bank overdrafts. Bank overdrafts are carried at the principal amount. Interest is expensed as it accrues.

#### 2.11 Foreign Currency

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

A monetary item arising under a foreign currency contract outstanding at the reporting date where the exchange rate for the monetary item is fixed in the contract is translated at the exchange rate fixed in the contract.

Except for certain specific hedges, all resulting exchange differences arising on settlement or restatement are recognised as revenues and expenses for the financial year. Any gains or costs on entering a hedge are deferred and amortised over the life of the contract.

## 2.12 Hedges

Transactions are designated as a hedge of the anticipated specific sale of goods only when they are expected to reduce exposure to the risks being hedged, are designated prospectively so that it is clear when an anticipated transaction has or has not occurred and it is probable the anticipated transaction will occur as designated. Gains or losses on the hedge arising up to the date of the anticipated sale, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the anticipated transaction when the transaction has occurred as designated. Any gains or losses on the hedge transaction after that date are included in the statement of financial performance.

The net amounts receivable or payable under forward foreign exchange contracts and the associated deferred gains or losses are recorded on the statement of financial position from the date of inception of the hedge transaction. When recognised, the net receivables or payables are revalued using the foreign currency current at reporting date. The above is in accordance with AASB 1012 and UIG 33.

## 2.13 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.

## 2.14 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.

## 2.15 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 non-current provision 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.

Unfunded liabilities for the defined benefit superannuation scheme are provided for as at reporting date.

#### 2.16 Accrued logging costs

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

#### 2.17 Provisions

A provision is recognised when there is a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events and it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

#### 2.18 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.

#### 2.19 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.

#### 2.20 Treasurer's liability

The Treasurer's liability is in respect of a liability incurred in constructing the Manjimup Plant Propagation Centre. The amount was repaid over a four year period in equal instalments commencing June 2001. No interest was charged. The final payment was made in the 2003/04 financial year.

#### 2.21 Interest-bearing liabilities and borrowing costs

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. Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred with arrangement of borrowings. These are expensed as incurred.

Interest payments in respect of financial instruments classified as liabilities are included in borrowing costs.

#### 2.22 Leases

The Commission has no finance leases.

The Commission has entered into a number of operating lease arrangements for land, buildings and motor vehicles 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.

#### 2.23 Onerous contracts

A provision for onerous contracts is recognised after impairment losses on assets dedicated to the contract are recognised and when expected benefits are less than the unavoidable costs of meeting the contractual obligations. A provision is recognised to the extent that contractual obligations exceed unrecognised assets.

#### 2.24 Provision for dividend

A provision for dividends payable is recognised in the reporting period in which the dividends are declared. *The Forest Products Act 2000* requires dividends to be paid within 6 months of the end of the financial year.

#### 2.25 Acquisition of assets

The cost method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Assets acquired at no cost or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Assets costing less than \$1,000 are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

## 2.26 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:

	2005	2004
Buildings	20 to 40 years	20 to 40 years
Computer equipment	4 years	4 years
Heavy fleet vehicles	5 years	5 years
Infrastructure	20 years	20 years
Motor vehicles	3 to 7 years	3 to 7 years
Office equipment	6 to 7 years	6 to 7 years
Office furniture	6 to 7 years	6 to 7 years
Plant and machinery	4 to 10 years	4 to 10 years
Software	4 years	4 years

## 2.27 Valuation of 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 assets 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*

For in-forest infrastructure expenditure currently incurred, refer to accounting policy note on Roads and Bridges expenditure. 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. Written down replacement cost is reassessed on an annual basis based on current replacement cost, estimated useful life and the age of the asset. This value is deducted from the net present value of the natural resource asset which it supports to allow for separate disclosure of self generating and non-self generating assets, as required by AASB 1037.

### *Nursery Infrastructure*

Nursery Infrastructure was written down to its estimated future recoverable amount in the 2003/04 financial year.

The Commission has engaged a licensed quantity surveyor to value the individual assets comprising the Nursery Infrastructure asset. This valuation commenced in July 2005 and the results will be effected in the 2005/06 financial year.

### *Land and buildings*

The Commission values land and buildings at fair value as per AASB 1041 (Revaluation of Non-Current Assets). Land is revalued every year and buildings are revalued every four years by the Department of Land Information (Valuation Services). Land and Buildings were revalued in the 2004/05 financial year.

## 2.28 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".

## 2.29 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 assets and liabilities.

### 2.30 Comparative figures

Certain comparative figures are, where appropriate, reclassified so as to be comparable with the figures presented in the current financial year.

### 2.31 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.

### 2.32 Rounding

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

### 2.33 Use and revision of accounting estimates

The preparation of the financial report requires the making of estimations and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

	2005	2005	2004	2004
	m <sup>3</sup>	(\$'000)	m <sup>3</sup>	(\$'000)
	harvested		harvested	

3 Revenue and expenses from natural resource assets

3.1 Revenue from natural resource assets

Revenue from commercial harvesting operations:

**Native Forests:**

- Harvesting operations<sup>1</sup>
- Recovery of harvesting costs<sup>1</sup>
- Inventory valuations
- Standing timber valuation adjustments
- Total Native Forest revenue

**Plantations:**

- Revenue from harvesting operations<sup>1</sup>
- Recovery of harvesting costs<sup>1</sup>
- Inventory valuations
- Plant Propagation Centre revenue
- Contributions to Afforestation Program
- Total Plantation revenue

**Total revenues from natural resource assets**

507,313	20,531	537,778	20,371
	30,092		29,309
	-		928
	20,213		22,831
	<b>70,836</b>		<b>73,439</b>
803,461	18,454	826,909	16,256
	24,279		26,514
	-		10
	942		936
	352		613
	<b>44,027</b>		<b>44,329</b>
	<b>114,863</b>		<b>117,768</b>

3.2 Expenses from natural resource operations

**Native Forests:**

- Native Forest harvesting costs<sup>1</sup>
- Devaluation of forest infrastructure
- Write down of inventory to net realisable value
- Decrease in inventory valuation
- Total expenses from Native Forest natural resource operations

**Plantations:**

- Plantation harvesting costs<sup>1</sup>
- Decrease in inventory valuation
- Write down of inventory to net realisable value
- Devaluation of forest infrastructure
- Standing timber valuation adjustments
- Total expenses from Plantations natural resource operations

**Total expenses from natural resource operations**

<sup>1</sup> refer to appendix 5 for log production statistics

27,999	29,745
2,126	2,414
1,608	2,579
638	2,077
<b>32,371</b>	<b>36,815</b>
22,410	25,195
1,263	-
-	806
-	81
20,710	481
<b>44,383</b>	<b>26,563</b>
<b>76,754</b>	<b>63,378</b>

	2005 (\$'000)	2004 (\$'000)
<b>4 Revenue from commercial share farm operations</b>		
Revenue from commercial share farm operations	20	477
	<u>20</u>	<u>477</u>
Revenue from commercial share farm operations is comprised of management fees from the operation of share farm agency agreements. A revenue accrual is made for services supplied to share farming investors who are invoiced on a three monthly basis.		
The Commission's share farm agency agreements terminated in the 2003/04 financial year.		
<b>5 Grants &amp; contributions from Commonwealth Government</b>		
Commonwealth grant for RIRDC <sup>1</sup> research	209	12
Commonwealth Government contribution to NAP <sup>2</sup>	1,831	-
	<u>2,040</u>	<u>12</u>
<sup>1</sup> Rural Industry Research and Development Corporation.		
<sup>2</sup> National Action Plan for Salinity and Water Quality		
Except where these amounts are included in unearned revenue, expenses associated with these contributions are included in expenses from ordinary activities in the case of RIRDC and in the capitalised costs of the Afforestation Program for NAP (refer note 21).		
<b>6 Other revenue from ordinary activities</b>		
Other revenues from operating activities		
Revenue from cost recovery operations <sup>1</sup>	4,565	1,368
Total other revenue from operating activities	<u>4,565</u>	<u>1,368</u>
<sup>1</sup> Revenue from cost recovery operations increased this year primarily due to services to CALM for fire support and the Department of Agriculture for services associated with pest control. Expenses associated with these contributions are included in expenses from ordinary activities.		
<b>Other revenues from non-operating activities</b>		
Treasurer's contribution to unfunded superannuation liability	-	86
Interest received	79	49
Total other revenue from non-operating activities	<u>79</u>	<u>135</u>
<b>7 Grants and subsidies</b>		
<b>7.1 Grants and subsidies from State Government</b>		
Community Service Obligations / Forest Enhancement Program	1,100	1,300
	<u>1,100</u>	<u>1,300</u>
<b>7.2 Grants and subsidies from State Government expenditure</b>		
Salaries, training, overheads, vehicle, operational materials and interest <sup>1</sup> .	1,100	1,300
	<u>1,100</u>	<u>1,300</u>

<sup>1</sup> These expenses are included in expenses from ordinary activities.

	2005 (\$'000)	2004 (\$'000)
<b>8 Employee expenses</b>		
Wages and salaries	9,778	8,189
Superannuation (refer note 2.15)	1,291	964
Annual leave <sup>1</sup>	1,173	917
Other leave	498	486
Long service leave	1,057	533
Payroll tax	812	682
Workers' compensation	261	293
Fringe Benefits Tax	51	36
	<b>14,921</b>	<b>12,100</b>

<sup>1</sup> Increase due to salary rate increases, the effect of staff transferring to the Commission from the Department of Conservation and Land Management and an increase in leave owing at 30th June 2005 as compared to 30th June 2004.

This increase is currently being addressed via a program of active leave management to ensure leave entitlements decrease to acceptable levels over the next few years.

**9 Other expenses from ordinary activities**

Consultants, contractors and other expenses from ordinary activities:

- Management and other consultants	134	178
- Payments to other contractors and expenses from ordinary expenses	17,689	18,540
Provision for claim under arbitration <sup>1</sup>	10,000	-
Materials	2,369	2,416
Repairs and maintenance	164	128
Travel	530	536
Operating lease rentals	2,469	2,141
	<b>33,355</b>	<b>23,939</b>

<sup>1</sup> Provision for claim arising out of Government's 'Protecting Our Old Growth Forests' policy.

**10 Write off of assets**

Nursery infrastructure at cost	-	9,484
Accumulated depreciation	-	(1,658)
Net book value prior to write down	-	7,826
Write down	-	(3,822)
Residual value	-	4,004
Write off of assets	-	3,822
	-	<b>3,822</b>

During the 2003/04 financial year the Commission wrote down its Nursery infrastructure to reflect a level of production activity aligned with forestry activity projections. The written down value represents the estimated future recoverable amount as per AASB 1010.

The discount rate used was 9.48%

	2005 (\$'000)	2004 (\$'000)
<b>11 Depreciation</b>		
Plant, equipment, vehicles, office equipment and nursery infrastructure	1,085	1,224
Buildings	131	128
Forest infrastructure	882	882
	<u>2,098</u>	<u>2,234</u>
<b>12 Borrowing costs expense</b>		
Interest on WA Treasury Corporation loans	5,960	5,654
Interest on overdraft	14	7
	<u>5,974</u>	<u>5,661</u>
<b>13 Administration expenses</b>		
Telephone, postage, communications	423	419
Audit fees	89	45
Provision for doubtful debts	1,422	20
Bad debts written off	1	-
(Gain) / Loss on disposal of assets (note 15)	(6)	29
Asset revaluation movements:		
- Land <sup>1</sup>	-	63
- Buildings <sup>1</sup>	145	-
Other administration costs	230	140
	<u>2,304</u>	<u>716</u>
<sup>1</sup> Valuation adjustments arising from valuations by Department of Land Information (Valuation Services)		
<b>14 Accommodation expenses</b>		
Lease rentals and travel accommodation	430	452
Other property	150	128
	<u>580</u>	<u>580</u>
<b>15 Net (profit)/loss on disposal of non-current assets</b>		
(Profit)/loss on disposal:		
Office equipment	(6)	29
	<u>(6)</u>	<u>29</u>

	2005 (\$'000)	2004 (\$'000)
<b>16 Inventories</b>		
<i>Current</i>		
Inventories held for resale:		
- Plant Propagation Centre	2,572	3,623
- Sandalwood	1,684	2,322
- Timber on forest landings	407	541
- Timber technology stocks	50	124
	<u>4,713</u>	<u>6,610</u>
At cost <sup>1</sup>	4,713	6,610
At net realisable value	-	-
	<u>4,713</u>	<u>6,610</u>

<sup>1</sup> 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	4,713	6,610
	<u>4,713</u>	<u>6,610</u>

**17 Receivables**

Trade debtors <sup>1</sup>	16,608	11,729
Provision for doubtful debts	(2,294)	(905)
	<u>14,314</u>	<u>10,824</u>

<sup>1</sup> Accounts receivable have increased mainly as a result of the implementation of Government policy associated with the Forest Management Plan 2004/2013 that allows deferred payment terms to qualifying customers.

**18 Other assets**

<i>Current</i>		
Prepayments	597	345
Performance Security Account - Plantations 2005 <sup>1</sup>	1,127	-
GST (payable)/refundable	(10)	440
Accrued revenue	753	1,660
	<u>2,467</u>	<u>2,445</u>

<sup>1</sup> Performance Security Account is funds held on trust, able to be drawn down against the delivery of future services.

	2005 (\$'000)	2004 (\$'000)
<b>19 Property, plant, equipment and vehicles</b>		
<b>19.1 Land and buildings</b>		
Freehold land at fair value <sup>1</sup>	5,597	4,274
	<u>5,597</u>	<u>4,274</u>
Buildings at valuation <sup>2</sup>	4,604	2,625
Accumulated depreciation	(529)	(438)
	<u>4,075</u>	<u>2,187</u>
Total land and buildings	<u><b>9,672</b></u>	<u><b>6,461</b></u>
<p><sup>1</sup> Commission owned land is revalued each financial year in accordance with an independent valuation by the Department of Land Information (Valuation Services). The valuations are based on "fair value" as per AASB 1041 <i>Revaluation of Non-Current Assets</i>. Market value is equal to fair value where an active and liquid market exists.</p> <p><sup>2</sup> Commission owned buildings located in the SW district of WA were revalued during the 2004/05 financial year by the Department of Land Information (Valuation Services). The valuations are based on "fair value" as per AASB 1041 <i>Revaluation of Non-Current Assets</i>. For specialised assets where there is no readily available market evidence of selling price, fair value is calculated as 'market buying price' (replacement value).</p>		
<b>19.2 Plant, equipment and vehicles</b>		
Nursery infrastructure at cost <sup>1</sup>	5,662	9,484
Write down of infrastructure (refer note 10)	-	(3,822)
Accumulated depreciation	(1,940)	(1,658)
	<u>3,722</u>	<u>4,004</u>
Plant, equipment and vehicles at cost	3,679	3,286
Accumulated depreciation	(1,743)	(1,232)
	<u>1,936</u>	<u>2,054</u>
Office equipment at cost	1,550	1,369
Accumulated depreciation	(945)	(714)
	<u>605</u>	<u>655</u>
Total plant, equipment and vehicles	<u><b>6,263</b></u>	<u><b>6,713</b></u>

<sup>1</sup> The Commission engaged a licensed quantity surveyor to value Nursery Infrastructure on a written down replacement cost basis, to comply with the provisions of TI 1106 *Transition to Australian Equivalents to International Financial Reporting Standards*. The valuation commenced in July 2005 and the results will be reported in the 2005/06 financial year.

### 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.

	2005					
	Freehold land	Buildings	Nursery infrastructure	Plant equipment and vehicles	Office equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Carrying amount at start of period</b>	4,274	2,187	4,004	2,054	655	13,174
Transfers from CALM	-	-	-	-	4,004	2,054
Reclassifications	-	29	(1)	(28)	-	-
Additions	1,259	1,298		495	237	3,289
Disposals	-	(145)	-	(19)	(57)	(221)
Revaluation increment	64	837	-	-	-	901
Adjustments			1	6	1	8
Depreciation	-	(131)	(282)	(572)	(231)	(1,216)
<b>Carrying amount at end of period</b>	<b>5,597</b>	<b>4,075</b>	<b>3,722</b>	<b>1,936</b>	<b>605</b>	<b>15,935</b>

	2004					
	Freehold land	Buildings	Nursery infrastructure	Plant equipment and vehicles	Office equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Carrying amount at start of period</b>	1,071	2,245	8,300	2,283	790	14,689
Transfers from CALM	-	35	-	33	33	101
Reclassifications	(13)			17	(3)	1
Additions	3,255	36	-	209	127	3,627
Disposals	-	-	-	(12)	(18)	(30)
Infrastructure written off	-	-	(3,822)	-	-	(3,822)
Revaluation Decrement	(39)	-	-	-	-	(39)
Depreciation	-	(129)	(474)	(476)	(274)	(1,353)
<b>Carrying amount at end of period</b>	<b>4,274</b>	<b>2,187</b>	<b>4,004</b>	<b>2,054</b>	<b>655</b>	<b>13,174</b>

	2005 (\$'000)	2004 (\$'000)
<b>20 Forest infrastructure</b>		
Native Forests	12,355	14,937
Plantations	1,369	1,655
	<b>13,724</b>	<b>16,592</b>

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	16,592	19,969
Capitalised Amounts	137	-
Revaluation decrement	(2,123)	(2,495)
Depreciation	(882)	(882)
Carrying amount at the end of the period	<b>13,724</b>	<b>16,592</b>

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 facilitate separate disclosure of forest infrastructure.

Infrastructure is subject to valuation each year in accordance with the policy set out under Note 2.05.

**21 Natural resource assets**

*Natural resource assets at valuation*

*Native Forest*

	2005 Ha under Manage- ment <sup>1</sup>	2005 (\$'000)	2004 Ha under Manage- ment <sup>1</sup>	2004 (\$'000)
Native forest standing timber	n/a	105,231	n/a	72,464
Standing sandalwood	n/a	51,718	n/a	64,336
Native forest natural resource assets at valuation		156,949		136,800

*Plantations*

Plantations standing timber <sup>1</sup>	76,935	152,345	76,644	166,931
Plantations Reforestation program <sup>1</sup>	12,698	10,709	12,371	8,559
Plantations natural resource assets at valuation	89,633	163,054	89,015	175,490

**Total natural resource assets at valuation**

*Natural resource assets at cost*

*Plantations*

Plantations Afforestation program <sup>2</sup>	3,914	6,819	2,414	7,840
<b>Total natural resource assets at cost</b>		6,819		7,840

**Total natural resource assets at valuation and cost**

	2005 Ha under Manage- ment <sup>1</sup>	2005 (\$'000)	2004 Ha under Manage- ment <sup>1</sup>	2004 (\$'000)
<b>Total natural resource assets at valuation</b>		320,003		312,290
<b>Total natural resource assets at valuation and cost</b>		326,822		320,130

<sup>1</sup> Area under management as at 31 December - refer appendix 2

<sup>2</sup> The Commission's Afforestation program, commenced in the 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.

	2005 (\$'000)	2004 (\$'000)
Carrying amount at the start of the period	320,130	293,351
Additions at cost	7,189	4,431
Revaluation (decrements) / increments	(497)	22,348
Carrying amount at the end of the period	<u>326,822</u>	<u>320,130</u>

**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	11.15%	9.25%
Standing sandalwood	9.90%	8.00%

*Plantations*

Plantations standing timber	9.90%	8.00%
Plantations Reforestation Program	11.65%	9.75%

Discount rates are based on the Commission's current weighted average cost of capital (pre-tax, real).

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 Commission's valuation.

**21.2 Sensitivity analysis**

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

			2005 (\$'000)	2004 (\$'000)
			Increase/ (decrease)	Increase/ (decrease)
Discount rate:	+ 3%	Total natural resource assets at valuation	(63,717)	(79,259)
	- 3%	Total natural resource assets at valuation	124,018	145,248
Future costs:	+ 3%	Total natural resource assets at valuation	(11,750)	(3,866)
	- 3%	Total natural resource assets at valuation	(2,015)	10,931
Future income:	+ 3%	Total natural resource assets at valuation	(8,360)	20,819
	- 3%	Total natural resource assets at valuation	(5,404)	(13,838)

### 21.3 Change in estimate

#### 21.3.1 Reason for change in estimate

Valuation of the Commission's natural resource assets is an estimate of the net market value of the Commission's standing timber and standing timber harvest rights. There is ongoing debate within the Timber Industry on the most appropriate method of valuing standing timber and of the most appropriate elements of this valuation. Reviews and discussions undertaken by the Commission over the last year with industry and valuation experts have led to the Commission amending elements of the valuation of its natural resource assets, as discussed in 21.3.2 below. The quantification is detailed under 21.3.3 below.

#### 21.3.2 Nature of change in estimate

Discount rates applied by the Commission have traditionally been based on the Commission's pre tax Weighted Average Cost of Capital (WACC) calculated using the Commission's effective tax rate. WACC rates have been revised this financial year to give effect to the corporate tax rate rather than the Commission's effective tax rate. Adjusting the discount rate in this way results in an increase in the discount rate.

Cash flows used to estimate the net present value of the Commission's natural resource assets have traditionally included an allocation of Corporate Overheads. Cash flows have been amended this financial year to exclude the allocation of Corporate Overheads.

Due to the uncertainties inherent in the estimation of cash flows associated with the Commission's Afforestation Program, the Afforestation Program is carried at cost (as per AASB 1037 Self Generating and Regenerating Assets 5.3.2. (d) (ii)). The Commission has revised the estimate of costs to be included in the Afforestation program valuation.

#### 21.3.3 Effect of change in estimate

	2005 as reported (\$'000)	2005 prior to change in estimates (\$'000)	Increase/ (decrease) in natural resource valuation (\$'000)
<i>Natural resource assets at valuation</i>			
<i>Native Forest</i>			
Native forest standing timber	105,231	89,772	15,459
Standing sandalwood	51,718	65,027	(13,309)
Native forest natural resource assets at valuation	156,949	154,799	2,150
<i>Plantations</i>			
Plantations standing timber	152,345	188,187	(35,842)
Plantations Reforestation program	10,709	13,113	(2,404)
Plantations natural resource assets at valuation	163,054	201,300	(38,246)
<b>Total natural resource assets at valuation</b>	<b>320,003</b>	<b>356,100</b>	<b>(36,097)</b>
<i>Natural resource assets at cost</i>			
<i>Plantations</i>			
Plantations Afforestation program	6,819	15,030	(8,211)
<b>Total natural resource assets at cost</b>	<b>6,819</b>	<b>15,030</b>	<b>(8,211)</b>
<b>Total natural resource assets at valuation and cost</b>	<b>326,822</b>	<b>371,129</b>	<b>(44,307)</b>

	2005 (\$'000)	2004 (\$'000)
<b>22 Payables</b>		
<i>Current</i>		
Trade payables	3,998	3,590
	<u>3,998</u>	<u>3,590</u>
<b>23 Interest bearing liabilities</b>		
<i>Current</i>		
Western Australian Treasury Corporation loan	6,263	2,874
<b>Total current</b>	<u>6,263</u>	<u>2,874</u>
<i>Non-Current</i>		
Western Australian Treasury Corporation loan	85,361	79,767
<b>Total non-current</b>	<u>85,361</u>	<u>79,767</u>
<b>Total interest bearing liabilities<sup>1</sup></b>	<u>91,624</u>	<u>82,641</u>

<sup>1</sup> Refer note 34 for interest rate analysis.

	2005 (\$'000)	2004 (\$'000)
<b>24 Provisions</b>		
<i>Current</i>		
Compensated Absences - Annual leave	1,874	1,522
Compensated Absences - Long service leave	2,015	1,513
	<b>3,889</b>	<b>3,035</b>
<i>Non-current</i>		
Compensated Absences - Long service leave	1,153	1,045
Provision for unfunded superannuation liability <sup>1</sup>	107	-
	<b>1,260</b>	<b>1,045</b>
<i>Employee Benefits (refer note 2.15)</i>		
The aggregate employee benefit liability recognised and included in the financial statements is as follows:		
Provision for employee benefits:		
Current:		
- Provisions	3,889	3,035
- Accrued salaries and wages (refer note 25)	503	413
Non-current:		
- Provisions	1,153	1,045
- Provision for unfunded superannuation liability	107	-
	<b>5,652</b>	<b>4,493</b>

The Commission considers the carrying amount of employee benefits to approximate fair value - refer note 2.15.

<sup>1</sup> The Commission has a provision for the unfunded liability associated with those employees who are currently members of the Gold State Defined Benefits Superannuation scheme.

The disclosure requirements of 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 the appropriate disclosure is provided in whole of government reporting. The Government Employees Superannuation Board records do not recognise plan assets for a group of employees associated with one agency. Accordingly, deriving the information for the Commission is not practical.

	2005 (\$'000)	2004 (\$'000)
<b>25 Other creditors and accruals</b>		
<i>Current</i>		
Payroll tax accrual	93	60
Net hedge contract payable	8	80
Accruals:		
~ Accrued logging costs	2,600	1,979
~ Other accruals <sup>1</sup>	13,419	3,690
Accrued interest	17	1,198
Accrued salaries and wages	503	413
Provision for deferred liabilities	-	182
Provision for land acquisition payments <sup>2</sup>	752	-
Unearned revenue <sup>3</sup>		
~ Manjimup nursery	214	134
~ Southwest share farm project	245	399
Deferred Income - PSA	471	-
Statutory dividend	-	1,470
	<b>18,322</b>	<b>9,605</b>
Treasurer's liability for funding the construction of the Manjimup Plant Propagation Centre	-	1,436
Less: Repayment during the period	-	(1,436)
Total Treasurer's liability	-	-
<i>Non-Current</i>		
Unearned revenue		
~Plantation Establishment Deed <sup>1</sup>	3,060	2,000
Provision for incentive payments	88	-
Deferred Income - PSA	1,897	-
Provision for deferred liabilities	-	431
	<b>5,045</b>	<b>2,431</b>

<sup>1</sup> Includes provision for claims lodged against the Commission arising out of the Government's "protecting our old growth forests" policy.

<sup>2</sup> Provision for land acquisition payments deferred under Profit a Prendre agreements

<sup>3</sup> Unearned revenue is attributable to cash having been received or risk having passed, while the service/product has not yet been invoiced - refer Note 2.02.

<sup>1</sup> Stumpage pre paid under the terms of the Plantation Establishment Deed between Laminex Group Limited and Forest Products Commission. Interest is accrued at a rate equivalent to the rate of return earned by the Commission on the Commission's mature plantation estate.

	2005 (\$'000)	2004 (\$'000)
<b>26 Contributed equity</b>		
Contribution by owners, the Western Australian State Government, represents amounts transferred on establishment of the Commission and net contributions since establishment.		
The following assets and liabilities have been contributed to equity:		
<i>Contributions since formation of the Commission</i>		
Assets transferred	615	101
Reappropriation from Consolidated Funds <sup>1</sup>	1,270	1,289
<b>Total contribution by owners<sup>2</sup></b>	<b>1,885</b>	<b>1,390</b>
<b>Reconciliation:</b>		
Contribution by owners at the beginning of the financial period	231,699	230,309
Amounts contributed during the financial period	1,885	1,390
<b>Contribution by owners at the end of the financial period</b>	<b>233,584</b>	<b>231,699</b>
<sup>1</sup> Reappropriation from Consolidated Funds arising out of the sale of Peel 'B' Baldvis plantation land sale proceeds.		
<sup>2</sup> 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).		
<b>27 Reserves</b>		
<b>Asset Revaluation Reserve</b>		
Opening balance	25	-
Net revaluation increments <sup>1</sup> :		
Land	89	-
Buildings	2,111	25
Closing balance	<b>2,225</b>	<b>25</b>
<b>Retained profits</b>		
Opening balance	28,406	23,838
Net profit for the period	(8,920)	6,038
Provision for statutory dividend	-	(1,470)
Closing balance	<b>19,486</b>	<b>28,406</b>
<b>Reconciliation of movement in reserves and retained profit:</b>		
Opening balance	28,431	23,838
Movements in the period:		
Asset revaluation reserve	2,200	25
Retained profits	(8,920)	6,038
Provision for dividend	-	(1,470)
Total changes in equity other than from transactions with WA State Government as owners	(6,720)	4,593
Closing balance	<b>21,711</b>	<b>28,431</b>

<sup>1</sup> Revaluations as per Department of Land Information (Valuation Services) - refer note 2.27

	2005 (\$'000)	2004 (\$'000)
<b>28 Notes to the Statement of Cash Flows</b>		
<b>28.1 Reconciliation of cash</b>		
<b>Cash assets:</b>		
Petty Cash	4	4
Commonwealth Bank - Cash Management Account	3,240	326
Commonwealth Bank - USD Bank Account	1,965	1,239
Short term deposit <sup>1</sup>	1,028	-
	<b>6,237</b>	<b>1,569</b>
<sup>1</sup> Short term deposit with WA Treasury Corporation. Matures within 20 days. Refer Financial Instruments note, note 34 for interest.		
<b>28.2 Financing and investing activities</b>		
During the financial period assets and liabilities were either transferred or assumed - refer note 26.		
<b>Assets acquired - non cash:</b>		
Assets transferred	-	101
<b>Other - cash:</b>		
Peel B land sale proceeds	1,270	1,289
Equity contributed by owners	1,270	1,390
<b>28.3 Reconciliation of profit from ordinary activities after income tax to net cash flows provided by operating activities:</b>		
Profit from ordinary activities after income tax	(8,920)	6,038
<i>Non-cash items:</i>		
Depreciation expense	2,098	2,234
Doubtful debt expense	1,422	20
Amounts from Commonwealth grants and contributions	(209)	(12)
Disposal of non-current assets	6	(29)
Amounts for income tax	(4,399)	2,592
Revaluation of land and buildings	145	63
Revaluation of timber assets, land and infrastructure	1,780	(19,853)
Write down of Nursery Infrastructure	-	3,822
<i>Decrease / (increase) in assets:</i>		
Current inventories	1,897	4,845
Current receivables <sup>1</sup>	(4,879)	2,395
Other current assets	(1,105)	972
<i>Increase/(decrease) in liabilities:</i>		
Current payables	408	(1,094)
Provisions	1,069	502
Unearned Revenue - Wesfi Contract	1,060	2,000
Other liabilities	9,819	246
Grants and Subsidies from Government	(1,100)	(1,300)
Taxation refund / (paid)	312	(508)
Net cash provided by operating activities	<b>(596)</b>	<b>2,933</b>

<sup>1</sup> 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.

	2005 (\$'000)	2004 (\$'000)
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**28.4 Borrowing facilities**

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

Credit cards	651	805
Bank overdraft facility <sup>1</sup>	8,000	8,000
Short term lending facility with WATC <sup>1</sup>	10,000	-
WA Treasury Corporation - Portfolio Lending Arrangement	91,624	85,441

<sup>1</sup> The combined overdraft and short term lending accessible to the Commission cannot exceed \$8 million (2004 \$8 million) at any one time; the limit approved by the Department of Treasury and Finance.

The facilities in use as at reporting date:

Credit cards	83	71
Bank overdraft facility	-	-
Short term lending facility with WATC	4,300	-
WA Treasury Corporation - Portfolio Lending Arrangement	91,624	82,641

Available facilities not in use as at reporting date:

Credit cards	568	734
Bank overdraft facility	2,300	8,000
Short term lending facility with WATC	5,700	-
WA Treasury Corporation - Portfolio Lending Arrangement	-	2,800

**29 Resources provided free of charge**

During the financial year and in the financial year to 30 June 2004, no resources were provided to other agencies free of charge for functions outside the normal operations of the Commission. Non-commercial activities and associated costs are disclosed under note 42.

**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	5,603	5,220
Later than 1 year and not later than 5 years	17,800	16,660
	<u>23,403</u>	<u>21,880</u>

In addition to other objectives, these commitments support the Wood Processing (WESFI) Agreement Act 2000 for the Plantations Afforestation program. These are to be funded by loans from the Western Australian Treasury Corporation. An amount of \$243k has been committed for the construction of office premises in the Esperance region in 2005/06.

**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	2,170	1,663
Later than 1 year and not later than 5 years	6,219	5,934
Later than 5 years	14,872	15,671
	<u>23,262</u>	<u>23,267</u>

Non-cancellable operating leases	<u>23,262</u>	<u>23,267</u>
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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 is of the opinion that provisions are not required for the following matters as it is either not probable that a future sacrifice of economic benefits will be required, or the amounts are not capable of reliable measurement.

#### *Effect of damage control for pest eradication*

The Commission is currently engaged in an assessment of various strategies to ensure the eradication of the European House Borer. This pest affects softwood timbers. Some proposed strategies currently being examined may involve early harvesting of plantations which may result in a material reduction in the value currently assigned to plantations and may favourably impact the short term operating performance of the Commission. It is anticipated that the task force assessing these strategies will finalise their proposals in the 2005/06 financial year.

#### *Effect of plantation loss to drought:*

The Commission's *pinus pinaster* plantations in the Mid West region (north of Gngangara) have suffered various degrees of drought damage, including deaths and/or stunted growth. The Commission is currently assessing the impact of this damage and the recoverability of affected timber. The outcome of this assessment may impact the valuation of the Commission's plantations by approximately \$4.4 million.

### 31.2 Assets

Under the Wood Processing (Wesbeam) Agreement Act 2002, Wesbeam has a commitment to spend not less than \$1m per annum (or such lesser amount as the Minister determines is reasonable in the circumstances) during the period 1 July 2009 to 30 June 2027 on planting trees suitable for the production of timber to be supplied to Wesbeam by the Commission during the period 2029 to 2054. Due to uncertainty surrounding the quantity, value and length of period of supply of timber by the Commission to Wesbeam under this clause of the Wesbeam Agreement, no value has been attributed to the net benefit that may flow to the Commission as a result of this commitment.

## 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 2005.

## 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

	2005 (\$'000)	2004 (\$'000)	Variance %	Expla- nation:
<b>Revenue and expenses from natural resource assets</b>				
<b>Revenue from natural resource assets</b>				
- Native Forests revenue	70,836	73,439	(4%)	
- Plantations revenue	44,027	44,329	(1%)	
Total revenues from natural resource assets	114,863	117,768	(2%)	
<b>Expenses from natural resource operations</b>				
- Native Forests	32,371	36,815	(12%)	1
- Plantations	44,383	26,563	67%	2
Total expenses from natural resource operations	76,754	63,378	21%	

Statement of financial performance

REVENUE

*Revenue from ordinary activities*

*Revenue from operating activities*

	2005 (\$'000)	2004 (\$'000)	Variance %	Expla- nation:
Revenue from natural resource assets	114,863	117,768	(2%)	
Revenue from commercial share farm operations	20	477	(96%)	3
Grants & contributions from Commonwealth Government	2,040	12	16900%	4
Other revenue from ordinary activities	4,565	1,368	234%	5
Grants and subsidies from State Government	1,100	1,300	(15%)	6
<i>Revenue from non-operating activities</i>				
Other revenue from non-operating activities	79	135	(41%)	7
<b>Total revenue from ordinary activities</b>	<b>122,667</b>	<b>121,060</b>	1%	

EXPENSES

*Expenses from ordinary activities*

Expenses from natural resource assets	76,754	63,378	21%	
Employee expenses	14,921	12,100	23%	8
Other expenses from ordinary activities	33,355	23,939	39%	9
Write off of assets	-	3,822	(100%)	10
Depreciation	2,098	2,234	(6%)	
Borrowing costs	5,974	5,661	6%	
Administration	2,304	716	222%	11
Accommodation expenses	580	580		
<b>Total expenses from ordinary activities</b>	<b>135,986</b>	<b>112,430</b>	21%	

**Profit from ordinary activities**

<b>before income tax</b>	<b>(13,319)</b>	<b>8,630</b>	<b>(254%)</b>	
Income tax	(4,399)	2,592	(270%)	12
<b>Net (loss)/profit</b>	<b>(8,920)</b>	<b>6,038</b>	<b>(248%)</b>	

Explanation:

- 1 Reflects lower level of harvesting activity resulting from the Forest Management Plan (FMP) 2004-2013. The effects of the FMP impacted the 2003/04 financial year from 1 January 2004 onwards (6 month impact in 2003/04 financial year). Product mix and price increases offset potential impact on revenue (refer appendix 5 & 6).
- 2 Standing timber valuation decrease.
- 3 Reduction in level of share farming agency services.
- 4 Higher level of research activity funded by Commonwealth Government in 2004/05.
- 5 The increase in 2004/05 is due mainly to an increase of fire suppression services rendered to the Department of Conservation and Land Management and the recovery of contributions made to European House Borer eradication project.
- 6 Reduction is due to the Jarrah Enhancement Program funding program (\$230k) having finished in the 2003/04 financial year.
- 7 No longer receiving treasurer's contribution to unfunded superannuation liability.
- 8 Variance attributable to increase in leave liability, increase in staff numbers and increased fire suppression related overtime.
- 9 Increase due to increase in accruals and commitments in 2004/05
- 10 Decrease due to write-off of nursery infrastructure assets in 2003/04, not applicable to 2004/05.
- 11 Increase due to increase in provision for doubtful debts, valuation adjustments for land and buildings and increase in telephone, postage and communication costs.
- 12 Refer note 35 for details of Income Tax

33.2 Comparison of 2004/05 actual results to estimated results

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

	2005 actual (\$'000)	2005 estimate (\$'000)	Variance %	Explanation:
<b>Revenue and expenses from natural resource assets</b>				
<b>Revenue from natural resource assets</b>				
- Native Forests revenue	70,836	46,685	52%	1
- Plantations revenue	44,027	44,387	(1%)	
Total revenues from natural resource assets	114,863	91,072	26%	
<b>Expenses from natural resource operations</b>				
- Native Forests	32,371	22,451	44%	2
- Plantations	44,383	22,387	98%	3
Total expenses from natural resource operations	76,754	44,838	71%	

Statement of financial performance

REVENUE

Revenues from ordinary activities

*Revenue from operating activities*

Revenue from natural resource assets	114,863	91,072	26%	
Revenue from commercial share farm operations	20	38	(47%)	4
Grants & contributions from Commonwealth Government	2,040	-	100%	5
Other revenue from ordinary activities	4,565	725	530%	6
Grants and subsidies from State Government	1,100	1,070	3%	
<i>Revenue from non-operating activities</i>				
Other revenue from non-operating activities	79	-	100%	7
<b>Total revenue from ordinary activities</b>	<b>122,667</b>	<b>92,905</b>	<b>32%</b>	

EXPENSES

Expenses from ordinary activities

Expenses from natural resource assets	76,754	44,838	71%	
Employee expenses	14,921	12,842	16%	8
Other expenses from ordinary activities	33,355	24,670	35%	9
Depreciation	2,098	1,760	19%	10
Borrowing costs	5,974	6,116	(2%)	
Administration	2,304	718	221%	11
Accommodation expenses	580	692	(16%)	12
<b>Total expenses from ordinary activities</b>	<b>135,986</b>	<b>91,636</b>	<b>48%</b>	

Profit from ordinary activities

before income tax	(13,319)	1,269	(1150%)	
Income tax	(4,399)	-	100%	13

Net (loss)/profit

	<b>(8,920)</b>	<b>1,269</b>	<b>(803%)</b>	
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**Explanation:**

- 1 Budget estimates do not include standing timber valuation adjustments. Actual is higher than estimate due to movement in standing timber valuations. Cost recovery revenue was higher than estimate, with the additional cost recovery revenue offset by additional expenses (refer to explanation 2 below).
- 2 Higher costs associated with natural resource assets activities offset by higher cost recovery revenue - refer cost recovery KPI
- 3 Budget estimates do not include standing timber valuation adjustments. Actual is higher than estimate due to movement in standing timber valuations.
- 4 This business activity has substantially ceased. Actual activity was lower than anticipated.
- 5 Contribution from Commonwealth to research activities were not factored into the estimates. Costs associated with these contributions are mainly employee expenses - refer explanation 8 below.
- 6 Increase associated mainly with cost recovery activities, not factored into the estimates. Costs associated with increase mainly included in employee expenses.
- 7 Interest received not included in estimates.
- 8 Actual results include \$1m increase in leave liabilities, overtime associated with fire suppression activities, and employee expenses recouped from Commonwealth Grants or under cost recovery operations (explanation 5 & 6 above).
- 9 Affected by a provision for claims against the organisation arising out of the implementation of the Government's "*protecting our old growth forests*" policy - refer note 9.
- 10 Increase in fixed assets (computers, software and heavy duty vehicles) and associated depreciation not factored into estimates.
- 11 Variance due mainly due to an increase in the provision for doubtful debts and write down of buildings arising from Valuation Services assessments.
- 12 Due mainly to savings related to the relocation of Timber Technology activities from Harvey to Perth, which occurred later than was provided for in the estimates.
- 13 Income tax variance relates to timing differences not budgeted for - refer note 35 for details.

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.

	2005							
	USD Balance as at 30-Jun-05	Weighted Average Effective Interest Rate %	AUD Balance as at 30 June 05 \$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		
<b>Financial Assets</b>								
Commonwealth Bank Cash Management Account		5.34%	3,240				3,240	
Commonwealth Bank USD Account	1,501	1.41%	1,965				1,965	
WA Treasury Corporation - short term deposit		5.41%	1,028				1,028	
Performance Security deposit account		5.50%	1,127				1,127	
Receivables		-				14,314	14,314	
Accrued revenue		-				753	753	
	<b>1,501</b>		<b>7,360</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>15,067</b>	
							<b>22,427</b>	
<b>Financial Liabilities</b>								
Payables		-				3,998	3,998	
WA Treasury Corporations (long term loan)		6.32%		3,263	17,217	68,144	88,624	
WA Treasury Corporations (short term loan)		5.63%		3,000			3,000	
Deferred income - Wesfi State Agreement		0.71%	3,060				3,060	
Accrued interest		-				17	17	
	<b>-</b>		<b>3,060</b>	<b>6,263</b>	<b>17,217</b>	<b>68,144</b>	<b>4,015</b>	
							<b>98,699</b>	

	2004							
	USD Balance as at 30-Jun-04	Weighted Average Effective Interest Rate %	AUD Balance as at 30 June 04 \$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		
<b>Financial Assets</b>								
Commonwealth Bank Cash Management Account		4.94%	326				326	
Commonwealth Bank USD Account	854	0.04%	1,239				1,239	
Receivables - USD held in trust on behalf of FPC	202	0.04%	292				292	
Receivables		-				10,824	10,824	
Accrued revenue		-				1,660	1,660	
<b>Financial Assets</b>			<b>1,857</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,484</b>	
							<b>14,341</b>	
<b>Financial Liabilities</b>								
Payables		-				3,590	3,590	
WA Treasury Corporation		6.96%		2,874	15,352	64,415	82,641	
Deferred Income		3.78%	2,000				2,000	
Accrued Interest		-				1,198	1,198	
<b>Financial Liabilities</b>			<b>2,000</b>	<b>2,874</b>	<b>15,352</b>	<b>64,415</b>	<b>4,788</b>	
							<b>89,429</b>	

2005 (\$'000)	2004 (\$'000)
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Summary

Financial assets	22,427	14,341
Financial liabilities	98,699	89,429

### 34.2 Forward foreign exchange contracts

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

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

value date	sell currency	sell amount \$000	forward rate	buy currency	buy amount \$000	current forward rate 30 June 05	revalued buy currency 30 June 05	revalued buy amount 30 June 05
29/7/05	USD	1,500	0.7668	AUD	1,956	0.7626	AUD	1,967
30/9/05	USD	1,557	0.7640	AUD	2,038	0.7599	AUD	2,049
30/12/05	USD	1,557	0.7601	AUD	2,048	0.7566	AUD	2,058
31/3/06	USD	1,557	0.7566	AUD	2,058	0.7535	AUD	2,066
30/6/06	USD	1,557	0.7532	AUD	2,067	0.7508	AUD	2,074
					<u>10,168</u>			<u>10,214</u>

### 34.3 Credit risk exposure

Accounts receivable largely consists of timber debtors, for which deposits and securities equivalent to an average of 6 weeks deliveries are required to be lodged in favour of the Commission under the supply of timber contracts of sale. These deposits and securities are held in trust until the expiry or default of contracts. As at 30 June 2005, the value of overdue accounts exceeded deposits and securities by \$1.4m (2004 \$1.7m).

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 2005 is illustrated by the aged debtors table below:

	2005 Number of customers	2005 Value overdue <sup>1</sup> : (\$'000)	2004 Number of customers	2004 Value overdue <sup>1</sup> : (\$'000)
1 to 30	25	1,825	14	525
31 to 60	11	1,505	13	668
Greater than 60	29	1,171	31	1,352
All overdue accounts	<u>65</u>	<u>4,502</u>	<u>58</u>	<u>2,545</u>

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

The likelihood of recovery as at 30 June 2005 was estimated and factored into the amounts provided for doubtful debts (refer note 17). Where applicable, interest is being charged under the terms of the customer's supply contract.

### 34.4 Fair values

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

The Commission's long and short term borrowings are valued as per the accounting policy in note 2.21. The Commission's borrowings of \$91.124m (2004 \$82.642m) from the Western Australian Treasury Corporation (WATC) have been assessed by the WATC to have a net fair value of \$91.84m (2004 \$85.158m) as at 30 June 2005. The Commission's short term borrowings of \$3m (2004 nil) from the WATC has been assessed by WATC to have a net fair value of \$3m. 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.

	2005 (\$'000)	2004 (\$'000)
<b>35 Taxation</b>		
The prima facie income tax on pre-tax accounting profit reconciles to the income tax equivalent in the statement of financial performance as follows:		
Profit from ordinary activities before Income Tax	(13,319)	8,630
Income tax calculated at 30% of operating profit	(3,996)	2,589
<i>Permanent differences: (refer Note 2.18)</i>		
Entertainment	4	3
Research and Development	(97)	-
Refund of income tax	(310)	-
Income tax attributable to profit from ordinary activities	<u>(4,399)</u>	<u>2,592</u>
Income tax comprises movements in:		
Provision for deferred tax expense	2,680	6,449
Future tax expense benefit	(6,769)	(3,857)
Refund of income tax	(310)	-
Total income tax	<u>(4,399)</u>	<u>2,592</u>
<b>Deferred tax assets</b>		
Future income tax benefit - timing differences	14,891	8,122
Reconciliation:		
Reconciliations of the carrying amounts of future income tax benefits at the beginning and end of the current financial period are set out below.		
Carrying amount at start of period	8,122	4,265
Amount arising during the period	6,769	3,857
Carrying amount at end of period	<u>14,891</u>	<u>8,122</u>
Deferred Tax Assets include an amount of \$2.4m due to tax losses of \$8m carried forward.		
<b>Deferred tax liabilities</b>		
Provision for deferred income tax liabilities	19,670	16,989
Reconciliation:		
Reconciliations of the carrying amounts of deferred income tax liabilities at the beginning and end of the current financial period are set out below.		
Carrying amount at start of period	16,990	10,541
Amount arising during the period	2,680	6,449
Carrying amount at end of period	<u>19,670</u>	<u>16,990</u>
<b>Provision for income tax</b>		
Provision for income tax at start of period	-	508
Income tax refund / (paid) in period	310	(508)
Income tax for the period	(4,399)	2,592
Effect of future income tax benefit arising in the period	6,769	3,857
Effect of provision for deferred income tax arising in the period	(2,680)	(6,449)
Provision for income tax at end of period	<u>-</u>	<u>-</u>

	2005 (\$'000)	2004 (\$'000)
<b>36 Provision for dividend</b>		
Provision for declared dividend <sup>1</sup>	-	1,470

<sup>1</sup> The dividend provision as at 30 June 2004 was paid to WA Treasury within time limit stipulated by part 6, Section 44.4(b) of the Forest Products Act 2000. The Commissioners are not recommending a dividend for the 2004/05 financial year due to insufficient cash generated from operating activities (refer note 28). This was attributable mainly to an increase in accounts receivable which has arisen as a result of a dispensation granted to eligible native forest customers arising out of the Government's 'protecting our old growth forest' policy.

**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, superannuation<sup>1</sup> 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	-	-
10,000 - 20,000	1	6
20,000 - 30,000	4	-
30,000 - 40,000	-	-
40,000 - 50,000	1	-
50,000 - 60,000	1	1
	<u>7</u>	<u>7</u>
	<u>169</u>	<u>171</u>

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

<sup>1</sup> 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:

\$		
80,000 - 90,000	1	-
90,000 - 100,000	-	2
100,001 - 110,000	1	-
110,001 - 120,000	-	2
120,001 - 130,000	1	-
130,001 - 140,000	1	1
140,001 - 150,000	1	-
150,001 - 160,000	-	-
160,001 - 170,000	-	-
170,001 - 180,000	-	-
180,001 - 190,000	-	1
190,001 - 200,000	-	-
200,001 - 210,000	1	-
	<u>6</u>	<u>6</u>
	<u>805</u>	<u>735</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).

2005	2004
(\$'000)	(\$'000)

**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	76	62
Provision for remuneration of auditor		
Opening Balance	62	64
Payments made during the period	(73)	(47)
Amounts provided during the period	87	45
Closing Balance	76	62

**40 Funds held in trust**

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

Opening Balance	872	874
Receipts	374	73
Payments	(184)	(75)
Closing Balance	1,062	872

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

**41 Supplementary information**

**41.1 Write-offs:**

Nursery infrastructure (refer note 10)	-	3,822
Inventory <sup>1</sup>	-	1,948
Debtors <sup>2</sup>	31	457
Seedlings <sup>3</sup>	-	427
Other	2	-
Total	33	6,654

<sup>1</sup> Inventory written down in the financial year due to the lack of a readily identifiable market.

<sup>2</sup> \$31k (2003/04 \$457k) of unrecoverable debt was written-off in the financial year and was fully provided for in the prior financial year. All requisite approvals as stipulated in the Treasury Instructions were complied with.

<sup>3</sup> Seedlings disposed of during the financial period due to reduction in planting levels.

<b>41.2 Losses through theft, defaults and other causes</b>	8	-
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<b>41.3 Gifts of public property</b>	3	2
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#### 42 Segment information

Segment Information has been disclosed by 'main business segment', based on the Commission's management reporting system.

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

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

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

New Plantations - This sector is responsible for the establishment and maintenance of plantations in the low rainfall zone. This arm of the Commission's objective is not only aimed at producing timber to sustain the timber industry, but also to ameliorate salinity and address soil degradation.

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

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

Corporate & Support Services - This sector provides corporate management, business administration (contracts, finance) support and specialised services to the operating arms of the business.

Non-Commercial Revenue and Expenses - This segment isolates and quantifies the Commission's non-commercial activities such as those associated with delivery of services that in the Commission's opinion would not be undertaken were the Commission to be focused purely on generating commercial returns in line with similar enterprises in the private sector.

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

	2004/2005								
	Southwest Forest	Arid Forest	Plant Propagation Centre	New Plantations	Mature Plantations	Business Development	Corporate & Support Services	Non Commercial Revenue & Expenditure	Total
	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)
<b>REVENUE</b>	-	-	-	-	-	-	-	-	-
<b>Revenue from ordinary activities</b>	-	-	-	-	-	-	-	-	-
Revenue from natural resource assets	38,556	12,027	942	762	41,987		277		94,551
Revenue from commercial share farm operations				20					20
Internal sales transferred from Supplies & Services			2,768						2,768
Commonwealth grants & contributions			11	1,831			198		2,040
Other revenue from ordinary activities	604	42	222	743	55	20	2,823	56	4,565
Grants and subsidies from State Government						30		1,070	1,100
Other revenue from non-operating activities							79		79
<b>Total revenue from ordinary activities</b>	<b>39,160</b>	<b>12,069</b>	<b>3,943</b>	<b>3,356</b>	<b>42,042</b>	<b>50</b>	<b>3,377</b>	<b>1,126</b>	<b>105,123</b>
<b>EXPENSES</b>	-	-	-	-	-	-	-	-	-
<b>Expenses from ordinary activities</b>	-	-	-	-	-	-	-	-	-
Expenses from natural resource assets	23,014	7,159	1,222	118	22,232			74	53,819
Employee expenses	2,281	650	2,196	836	885	1,960	6,015	98	14,921
Other expenses from ordinary activities	13,936	1,362	1,340	2,077	9,624	1,240	6,406	138	36,123
Depreciation	735	18	556	113	274	11	277	114	2,098
Borrowing costs				1,342	3,562			1,070	5,974
Administration	698	16	182	9	536	52	773	38	2,304
Accommodation expenses	38	13	68	10	5	138	302	6	580
<b>Total expenses from ordinary activities</b>	<b>40,702</b>	<b>9,218</b>	<b>5,564</b>	<b>4,505</b>	<b>37,118</b>	<b>3,401</b>	<b>13,773</b>	<b>1,538</b>	<b>115,819</b>
<b>Profit/loss before Business Development and Corporate &amp; Support allocation</b>	<b>(1,542)</b>	<b>2,851</b>	<b>(1,621)</b>	<b>(1,149)</b>	<b>4,924</b>	<b>(3,351)</b>	<b>(10,396)</b>	<b>(412)</b>	<b>(10,696)</b>
<b>Business Development and Corporate &amp; Support allocation<sup>1</sup></b>	<b>(4,265)</b>	<b>(1,403)</b>	<b>(953)</b>	<b>(3,384)</b>	<b>(3,742)</b>	<b>3,351</b>	<b>10,396</b>		<b>0</b>
Profit/(loss) from ordinary activities before income tax equivalents and SGARA valuations	(5,807)	1,448	(2,574)	(4,533)	1,182	-	-	(412)	(10,696)
Revenue from SGARA valuations	32,831	(12,618)							20,213
Expenses from SGARA valuations	2,126			7,387	13,323				22,836
<b>Net Revenue / (expenses) from SGARA valuations</b>	<b>30,705</b>	<b>(12,618)</b>		<b>(7,387)</b>	<b>(13,323)</b>				<b>(2,623)</b>
Profit/(loss) from ordinary activities before income tax equivalents	24,898	(11,170)	(2,574)	(11,920)	(12,141)			(412)	(13,319)
Income tax							(4,399)		(4,399)
<b>Profit/(loss) from ordinary activities after income tax equivalents</b>	<b>24,898</b>	<b>(11,170)</b>	<b>(2,574)</b>	<b>(11,920)</b>	<b>(12,141)</b>		<b>4,399</b>	<b>(412)</b>	<b>(8,920)</b>

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

	2004/2005								
	Southwest Forest (\$' 000)	Arid Forest (\$' 000)	Plant Propagation Centre (\$' 000)	New Plantations (\$' 000)	Mature Plantations (\$' 000)	Business Develop- ment (\$' 000)	Corporate & Commercial Support Services (\$' 000)	Non Revenue & Commercial Expenditure (\$' 000)	Total (\$' 000)
<b>ASSETS</b>									
<b>Current Assets</b>									
Cash Assets							6,237		6,237
Inventories	291	1,684	2,572		116			50	4,713
Receivables							14,314		14,314
Other Assets		256		423	655		1,133		2,467
	291	1,940	2,572	423	771		21,684	50	27,731
<b>Non Current Assets</b>									
Land and buildings	495		3,257	247	430		5,243		9,672
Plant, equipment and vehicles	221	59	4,736	286	200		761		6,263
Forest Infrastructure	12,355				1,369				13,724
Natural resource assets	105,231	51,718		17,528	152,345				326,822
Deferred tax assets	4,467				10,422				14,889
	122,769	51,777	7,993	18,061	164,766		6,004		371,370
<b>Segment Assets</b>	123,060	53,717	10,565	18,484	165,537			50	371,413
Unallocated Assets							27,688		27,688
<b>Total Assets</b>	123,060	53,717	10,565	18,484	165,537		27,688	50	399,101
<b>LIABILITIES</b>									
<b>Current Liabilities</b>									
Payables							3,998		3,998
Interest Bearing Liabilities				5,010				1,253	6,263
Tax Liabilities									
Provisions	1,460	98			2,331				3,889
Other creditors and accruals	11,960	694	214	2,659	2,576		219		18,322
	13,420	792	214	7,669	4,907		4,217	1,253	32,472
<b>Non Current Liabilities</b>									
Interest Bearing Liabilities				16,046	55,912			13,403	85,361
Provisions	384	50			719		107		1,260
Other creditors and accruals				1,985	3,060				5,045
Deferred tax liabilities	23,120				(3,452)				19,668
	23,504	50		18,031	56,239		107	13,403	111,334
<b>Segment Liabilities</b>	36,924	842	214	25,700	61,146			14,656	139,482
Unallocated Liabilities							4,324		4,324
<b>Total Liabilities</b>	36,924	842	214	25,700	61,146		4,324	14,656	143,806
Operating Return on total assets (excluding SGARA valuations )	(1.25%)	5.31%	(15.34%)	1.04%	5.13%				(1.18%)
Return on total assets (excluding SGARA valuations, after overhead allocations )	(4.72%)	2.70%	(24.36%)	(17.26%)	2.87%				(1.18%)

**Segment information**

Segment information has been disclosed by 'main business segment', based on the Commission's management reporting system.

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

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

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

New Plantations - This sector is responsible for the establishment and maintenance of plantations in the low rainfall zone. This arm of the Commission's objective is not only aimed at producing timber to sustain the timber industry, but also to ameliorate salinity and address soil degradation.

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

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

Corporate & Support Services - This sector provides corporate management, business administration (contracts, finance) support and specialised services to the operating arms of the business.

Non-Commercial Revenue and Expenses - This segment isolates and quantifies the Commission's non-commercial activities such as those associated with delivery of services that in the Commission's opinion would not be undertaken were the Commission to be focused purely on generating commercial returns in line with similar enterprises in the private sector.

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

	2003/2004								
	Southwest Forest	Arid Forest	Plant Propagation Centre	New Plantations	Mature Plantations	Business Development	Corporate & Support Services	Non Commercial Revenue & Expenditure	Total
	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)
<b>REVENUE</b>	-	-	-	-	-	-	-	-	-
<b>Revenue from ordinary activities</b>	-	-	-	-	-	-	-	-	-
Revenue from natural resource assets	37,345	12,894	937	661	42,964		82		94,883
Revenue from commercial share farm operations				477					477
Internal sales transferred from Supplies & Services			1,937						1,937
Commonwealth grants & contributions			12						12
Other revenue from ordinary activities	244		147	320	105		488	64	1,368
Grants and subsidies from State Government								1,300	1,300
Other revenue from non-operating activities							135		135
<b>Total revenue from ordinary activities</b>	<b>37,589</b>	<b>12,894</b>	<b>3,033</b>	<b>1,458</b>	<b>43,069</b>		<b>705</b>	<b>1,364</b>	<b>100,112</b>
<b>EXPENSES</b>	-	-	-	-	-	-	-	-	-
<b>Expenses from ordinary activities</b>	-	-	-	-	-	-	-	-	-
Expenses from natural resource assets	22,748	6,987		694	24,438		10		54,877
Employee expenses	2,120	589	1,946	625	1,049	812	4,289	670	12,100
Other expenses from ordinary activities	5,168	877	1,296	1,303	10,630	546	4,517	1,539	25,876
Write off of assets			3,822						3,822
Depreciation expense	731	16	748	102	270		248	119	2,234
Borrowing costs expense				903	3,688			1,070	5,661
Administration expenses	145	27	56	15	47	11	407	8	716
Accommodation expenses	19	34	56	12	8	3	430	18	580
<b>Total expenses from ordinary activities</b>	<b>30,931</b>	<b>8,530</b>	<b>7,924</b>	<b>3,654</b>	<b>40,130</b>	<b>1,372</b>	<b>9,901</b>	<b>3,424</b>	<b>105,866</b>
<b>Profit/loss before Business Development and Corporate &amp; Support allocation<sup>1</sup></b>	<b>6,658</b>	<b>4,364</b>	<b>(4,891)</b>	<b>(2,196)</b>	<b>2,939</b>	<b>(1,372)</b>	<b>(9,196)</b>	<b>(2,060)</b>	<b>(5,754)</b>
Business Development and Corporate & Support allocation <sup>1</sup>	(3,202)	(1,283)	(732)	(1,992)	(3,359)	1,372	9,196		-
<b>Profit/(loss) from ordinary activities before income tax equivalents and SGARA valuations</b>	<b>3,456</b>	<b>3,081</b>	<b>(5,623)</b>	<b>(4,188)</b>	<b>(420)</b>			<b>(2,060)</b>	<b>(5,754)</b>
Revenue from SGARA valuations	7,240	15,894	(35)	6,193	(6,888)				22,404
Expenses from SGARA valuations	4,993	2,038	805		145	39			8,020
<b>Net Revenue / (expenses) from SGARA valuations</b>	<b>2,247</b>	<b>13,856</b>	<b>(840)</b>	<b>6,193</b>	<b>(7,033)</b>	<b>(39)</b>			<b>14,384</b>
<b>Profit/(loss) from ordinary activities before income tax</b>	<b>5,703</b>	<b>16,937</b>	<b>(6,463)</b>	<b>2,005</b>	<b>(7,453)</b>	<b>(39)</b>		<b>(2,060)</b>	<b>8,630</b>
Income tax							2,592		2,592
<b>Profit/(loss) from ordinary activities after income tax equivalents</b>	<b>5,703</b>	<b>16,937</b>	<b>(6,463)</b>	<b>2,005</b>	<b>(7,453)</b>	<b>(39)</b>	<b>(2,592)</b>	<b>(2,060)</b>	<b>6,038</b>

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

FOREST PRODUCTS COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 June 2005

	2003/2004								
	Southwest	Arid	Plant	New	Mature	Business	Corporate &	Non	Total
	Forest	Forest	Propagation	Plantations	Plantations	Development	Support	Commercial	
(\$' 000)	(\$' 000)	Centre (\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	Services (\$' 000)	Revenue & Expenditure (\$' 000)	(\$' 000)	
<b>ASSETS</b>	-	-					-	-	
<b>Current Assets</b>									
Cash Assets							1,569		1,569
Inventories	527	2,322	3,623		138				6,610
Receivables							10,824		10,824
Other Assets		1,393		267	234		551		2,445
	527	3,715	3,623	267	372		12,944		21,448
<b>Non Current Assets</b>									
Land and buildings	621		1,279	3,458	550			552	6,460
Plant, equipment and vehicles			4,004				2,709		6,713
Forest Infrastructure	14,937				1,655				16,592
Natural resource assets	72,464	64,336		16,399	166,931				320,130
Deferred tax assets	2,453				5,669				8,122
	90,475	64,336	5,283	19,857	174,805		2,709	552	358,017
<b>Segment Assets</b>	91,002	68,051	8,906	20,124	175,177			552	363,812
Unallocated Assets							15,653		15,653
<b>Total Assets</b>	91,002	68,051	8,906	20,124	175,177		15,653	552	379,465
<b>LIABILITIES</b>									
<b>Current Liabilities</b>									
Payables							3,590		3,590
Interest Bearing Liabilities				2,242				632	2,874
Provisions							3,035		3,035
Other creditors and accruals	1,708	539	134	399	5,092		1,732		9,604
	1,708	539	134	2,641	5,092		8,357		19,103
<b>Non Current Liabilities</b>									
Interest Bearing Liabilities				11,131	54,612			14,656	65,743
Provisions							1,045		1,045
Other creditors and accruals					2,000		431		2,431
Deferred tax liabilities	19,971				(2,982)				16,989
	19,971			11,131	53,630		1,476	14,656	86,208
<b>Segment Liabilities</b>	21,679	539	134	13,772	58,722			14,656	109,502
Unallocated Liabilities							9,833		9,833
<b>Total Liabilities</b>	21,679	539	134	13,772	58,722		9,833	14,656	119,335
Operating Return on total assets (excluding SGARA valuations )	7.32%	6.41%	(54.92%)	(6.43%)	3.78%				(0.02%)
Return on total assets (excluding SGARA valuations, after overhead allocations )	3.80%	4.53%	(63.14%)	(16.32%)	1.87%				(0.02%)

**43 Research and Development Expenditure**

**43.1 Research and Development expenditure**

Expenses associated with research and development are included in expenses from ordinary activities.

The Commission is a member of CRC Wood Innovations, CRC Greenhouse Accounting and CRC Plant Based Management of Dryland Salinity.

CRC for Wood Innovations is a Co-operative Research Centre for innovative wood manufacturing based at the University of Melbourne. The Commission is classed as a research provider along with Swinburne University of Technology, CSIRO Manufacturing and Infrastructure Technology and Queensland Department of Primary Industry and Fisheries. The Commission contributes \$100,000 cash each year and the value of in-kind contributions for 2004/05 was \$62,900.

CRC for Greenhouse Accounting is based in Canberra and undertakes research related to carbon sequestration. Carbon sequestration is a key component of the Commission's Infitree™ program encouraging investment in medium rainfall areas of WA. The Commission has both board and program management roles and receives research funding for a post doctoral fellow. The Commission contributes in-kind salary contributions of approximately \$114,000.

CRC for Plant Based Management of Dryland Salinity is based in Perth and undertakes research related to the development of new farming systems that will reduce recharge and hence salinity. Restoring catchment hydrology is a key component of the Commission's Infitree Program encouraging investment in medium rainfall areas of WA. The Commission is involved in several sub-programs of this CRC but receives no research funding. The Commission contributes in-kind salary contributions of approximately \$37,000

**43.2 Plantation Industry Ministerial Advisory Committee (PIMAC)**

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

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

**43.3 Forestry Ministerial Advisory Committee (FMAC)**

Expenses associated with FMAC are included in expenses from ordinary activities.

The Native Forest Products Ministerial Advisory Committee, with membership representing a range of forest industry stakeholders, meets bi-monthly to advise the Minister for Agriculture and Forestry in relation to native forests products and industry matters.

**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:

Expenditure was incurred in the following areas:

**Advertising expenditure:**

**Supplier:**

Marketforce  
 Marketforce Productions  
 Media Decisions - TV  
 Advertising  
 Elite Publishing  
 Perth Expo Hire  
 Sundry other (less than \$1,600  
 per supplier)  
 Total

**Service:**

Infitree™  
 Productions - Infitree™  
 TV Advertising  
 (Infitree™)  
 FIAA (WA) Awards booklet - 2004 inside front cover  
 Sales signage  
 Various

2005 (\$' 000)	2004 (\$' 000)
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858	1,046
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21	25
----	----

19	13
----	----

2005 \$	2004 \$
------------	------------

10	-
10	57
2	340
2	-
4	-
2	-
<b>30</b>	<b>397</b>

**Consultancy:**

**Supplier:**

Media Monitors WA Pty Ltd  
 Total

**Service:**

Media monitoring, news clippings

19	17
<b>19</b>	<b>17</b>

<b>49</b>	<b>414</b>
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#### 45 Impact of Adopting International Accounting Standards

The Commission is in the process of transitioning its accounting policies and financial reporting from Australian Accounting Standards (AGAAP) to Australian Equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006.

The Commission established a steering committee comprised of key accounting staff to assess the impact of the transition to AIFRS and to achieve compliance with AIFRS reporting for the financial year commencing 1 July 2005.

##### Assessment and planning phase

The assessment and planning phase generated a high level overview of the impacts of conversion to AIFRS on existing accounting and reporting policies and procedures, systems and processes, business structures and staff. This phase included:

- high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting AIFRS;
- assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes;
- evaluation of the implications for staff and
- preparation of a conversion plan for expected changes to accounting policies and systems, business processes and staff training.

The assessment and planning phases is completed as at 30 June 2005.

##### Design phase

The design phase formulated the changes required to existing accounting policies and procedures and systems and processes in order to transition to AIFRS. The design phase incorporated:

- formulation of revised accounting policies and procedures for compliance with AIFRS requirements;
- identification of potential financial impacts as at the transition date and for subsequent reporting periods prior to the adoption of AIFRS;
- development of revised AIFRS disclosures;
- formulation of accounting and business processes to support AIFRS reporting obligations;
- identification of required changes to financial reporting and business source systems and
- development of training programs for staff.

The design phase was complete as at 30 June 2005.

##### Implementation phase

The implementation phase includes implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff. It will enable the Commission to generate the required reconciliations and disclosures of AASB 1 *First Time Adoption of Australian Equivalents to International Reporting standards*. This phase was substantially complete as at 30 June 2005.

The Commission has been deemed as a "not for profit entity" under AIFRS by Treasurer's Instruction TI 1106.

The Commission prepared an opening balance sheet as at 1 July 2004 which has been reviewed by the Auditor General's Office.

Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the Commission's financial position, results of operations and cash flows in accordance with AIFRS. This note provides only a summary, therefore, further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AIFRS.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and the Commission's best estimate of the quantitative impact of the changes on equity and net profit. The actual effects of transition to AIFRS may differ from the estimates disclosed due to ongoing work being undertaken by the steering committee and potential amendments to AIFRS and UIG Interpretations.

The impact of the transition to AIFRS on retained earnings as at 1 July 2004 and 30 June 2005 is summarised in the table below:

	Explanation:	1-Jul-2004			30-Jun-2005		
		AGAAP	Difference	AIFRS	AGAAP	Difference	AIFRS
<b>Current Assets</b>							
Cash assets		1,569		1,569	6,237		6,237
Receivables		10,824		10,824	14,314		14,314
Inventories		6,610		6,610	4,713		4,713
Natural resource assets	1	-	22,423	22,423	-	34,906	34,906
Other assets		2,445		2,445	2,467		2,467
<b>Total Current Assets</b>		<b>21,448</b>	<b>22,423</b>	<b>43,871</b>	<b>27,731</b>	<b>34,906</b>	<b>62,637</b>
<b>Non - Current Assets</b>							
Land and buildings		6,461		6,461	9,672		9,672
Plant, equipment and vehicles	3,5	6,713	1,490	8,203	6,263	1,439	7,702
Intangible Assets	5		153	153		153	153
Forest infrastructure	1	16,592	(16,592)	-	13,724	(13,584)	140
Natural resource assets	1	320,130	(5,831)	314,299	326,822	(18,314)	308,508
Deferred tax assets		8,122	6,748	14,870	14,891	8,450	23,341
<b>Total Non - Current Assets</b>		<b>358,018</b>	<b>(14,032)</b>	<b>343,986</b>	<b>371,372</b>	<b>(21,856)</b>	<b>349,516</b>
<b>Total Assets</b>		<b>379,466</b>	<b>8,391</b>	<b>387,857</b>	<b>399,103</b>	<b>13,050</b>	<b>412,153</b>
<b>Current Liabilities</b>							
Payables		3,590		3,590	3,998		3,998
Interest bearing liabilities		2,874		2,874	6,263		6,263
Provisions	2,10	3,035	3,771	6,806	3,889	4,912	8,801
Other liabilities		9,605		9,605	18,322		18,322
<b>Total Current Liabilities</b>		<b>19,104</b>	<b>3,771</b>	<b>22,875</b>	<b>32,472</b>	<b>4,912</b>	<b>37,384</b>
<b>Non - Current Liabilities</b>							
Interest bearing liabilities		79,767		79,767	85,361		85,361
Provisions	2	1,045	15,073	16,118	1,260	19,497	20,757
Other liabilities		2,431		2,431	5,045		5,045
Deferred tax liabilities		16,989	1,147	18,136	19,670	2,328	21,998
<b>Total Non - Current Liabilities</b>		<b>100,232</b>	<b>16,220</b>	<b>116,452</b>	<b>111,336</b>	<b>21,825</b>	<b>133,161</b>
<b>Total Liabilities</b>		<b>119,336</b>	<b>19,991</b>	<b>139,327</b>	<b>143,808</b>	<b>26,737</b>	<b>170,545</b>
<b>NET ASSETS</b>		<b>260,130</b>	<b>(11,600)</b>	<b>248,530</b>	<b>255,295</b>	<b>(13,687)</b>	<b>241,608</b>
<b>Equity</b>							
Contributed equity		231,699		231,699	233,584		233,584
Reserves		25		25	2,225	600	2,825
Retained profits		28,406	(11,600)	16,806	19,486	(14,287)	5,199
<b>TOTAL EQUITY</b>		<b>260,130</b>	<b>(11,600)</b>	<b>248,530</b>	<b>255,295</b>	<b>(13,687)</b>	<b>241,608</b>

	Explanation:	30-Jun-05		
		AGAAP	Difference	AIFRS
<b>REVENUE</b>				
<b>Revenues from ordinary activities</b>				
<i>Revenue from operating activities</i>				
Revenue from natural resource assets		114,863		114,863
Revenue from commercial share farm operations		20		20
Grants & contributions from Commonwealth Government		2,040		2,040
Other revenue from ordinary activities		4,565		4,565
Grants and subsidies from State Government		1,100		1,100
<i>Revenue from non-operating activities</i>				
Other revenue from non-operating activities		79		79
<b>Total revenue from ordinary activities</b>		<b>122,667</b>		<b>122,667</b>
<b>EXPENSES</b>				
<b>Expenses from ordinary activities</b>				
Expenses from natural resource assets	1.2, 2.1, 2.2	76,754	1,969	78,723
Employee expenses		14,921		14,921
Supplies and services		33,355		33,355
Write off of assets				
Depreciation	1.2, 3	2,098	(596)	1,502
Borrowing costs		5,974		5,974
Administration		2,304	365	2,669
Accommodation expenses		580		580
<b>Total expenses from ordinary activities</b>		<b>135,986</b>	<b>1,738</b>	<b>137,724</b>
<b>Profit from ordinary activities before income tax</b>		<b>(13,319)</b>	<b>(1,738)</b>	<b>(15,057)</b>
Income tax	4	(4,399)	(521)	(4,920)
<b>Net profit</b>		<b>(8,920)</b>	<b>(1,217)</b>	<b>(10,137)</b>
<b>Non-owner transaction changes in equity</b>				
Increase in asset revaluation reserve	3	2,200	235	2,435
Total changes in equity from non-owner related transactions		2,200	235	2,435
<b>Total change in equity other than from transactions with WA State Government as owners</b>		<b>(6,720)</b>	<b>(982)</b>	<b>(7,702)</b>

Reconciliation of effect of conversion to AIFRS on Retained Earnings:

	Ref:	1-Jul-04	30-Jun-05
<b>Retained earnings under AGAAP</b>		28,406	19,486
Increase / (decrease) in retained earnings:			
Net effect on opening retained earnings		-	(11,600)
Dividend	2.3	1,470	(1,470)
Depreciation	1.2, 3	-	596
Revaluation increment - forest infrastructure	1.2	-	2,126
Revaluation decrement - land and buildings	6	-	(365)
Provisions:			
Restoration costs	2.1	(14,015)	1,012
Profit share liability	2.2	(6,299)	(5,107)
Impairment write down	3	1,643	-
Tax effect	4	5,601	521
Total current year effect		(11,600)	(2,687)
<b>Retained earnings under AIFRS</b>		<b>16,806</b>	<b>5,199</b>

**Explanations:**

1) The impact of adopting AASB 141 *Agriculture* is as follows:

1.1) Disclosure enhancement – split into current and non-current

AASB 141.43 requires separate disclosure of “immature” and “mature” biological assets. The conversion to AIFRS will include disclosure of the current portion of the valuation calculation as a current asset as opposed to the traditional disclosure of forestry assets as long-term assets only.

1.2) Separate disclosure of in-forest infrastructure

In forest infrastructure represents roads and bridges which the Commission needs to maintain in order to access timber. Under IFRS the separate disclosure of an estimate of the value of these roads and bridges is no longer required.

1.3) Under AASB 116 Property Plant and Equipment, revaluation decreases can no longer be netted off against revaluation increases for the same asset class. Asset revaluations have been brought to account on an individual asset by asset basis with revaluation decrements flowing through the statement of financial performance / income statement.

2) Under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* a provision is required

to be raised when an entity has a present obligation as a result of a past event and a reliable estimate can be made of the amount of the obligation.

2.1) Provision for Native Forest Restoration Costs

The Commission has an obligation under the Forest Management Plan (2004 to 2013) to ensure re-growth native forest harvested is restored after harvest.

The Commission has not traditionally placed a value on the obligation to restore native forest after harvest, as these costs relate to the establishment of the second rotation of native forest harvest rights, the value of which has not been included in the Commission's financial statements. Under AIFRS, the Commission is required to raise a provision for Native Forest restoration costs.

2.2) Separation of profit share liability

The Commission's biological assets include assets held under Profit a Prendre (PaP). A number of PaP include a profit share payment, akin to a deferred rental to the landowner. Traditionally the Commission has accounted for this by valuing only the net cash flows arising from the PaP. AASB 137 will require the Commission to separate the liability for the profit share from the value placed on the rights to access the timber.

Revenues will be required to be calculated at the full anticipated receivable revenues, as opposed to the net revenues after profit share as was previously the case in the Commission's forestry valuations.

2.3) Provision for dividend

Formal approval is required by the Minister before the Commission can pay a dividend to the Treasurer. This is usually obtained from the Minister in the financial year following the year of declaration and approval by the Commissioners.

Under AGAAP, AASB 1044 *Provisions, Contingent Assets & Contingent Liabilities*, a liability for a dividend can be recognised if is declared on or before reporting date. The Commissioner's declared a dividend in June 2004 and subsequently a provision for dividend liability was recognised. However, formal approval from the Minister was not obtained until the 2004/2005 financial year. Under AIFRS, AASB 110 Events after the Balance Sheet Date a provision for a dividend liability is not recognised if the dividend is still to be approved at the reporting date.

3) Under AASB1010 Recoverable amount of Non-current Assets, a non current asset must be written down to its recoverable amount when its carrying amount is greater than its recoverable amount. The Commission raised a provision per AASB 1010 in the 2003/04 financial year for Nursery Infrastructure. The AIFRS standard, AASB136 *Impairment of Assets*, applies only to “for profit” entities.

Due to the effect of TI 1106 issued in November 2004, which deems the Commission to be “not for profit” for AIFRS purposes, the Commission is required to reverse this provision and re-assess the value of the Nursery Infrastructure on a “written down replacement cost” basis.

4) Under AASB112 Income Taxes the Commission is required to use a balance sheet method for the assessment of deferred tax assets and liabilities. This results in the recognition of a deferred tax asset on the recognition of certain provisions.

5) Under AASB138 *Intangible Assets*, the Commission is required to disclose intangible assets separately. The Commission's capitalised investments in purchased software has therefore been transferred to a separate asset category.

**Other impacts on adoption of AIFRS include:**

Under AASB 119 *Employee Benefits* the Commission is required to separate on-costs from employee liabilities and report these separately.

AASB 139 *Financial Instruments: Recognition and Measurement*, which applies to reporting periods commencing 1 July 2006 will have the following effects:

**Long term loans**

Under AIFRS the Commission will be required to measure its long-term loans with the WATC at amortised cost. Currently these loans are recognised at fair value.

**Hedge accounting**

The Commission has elected to adopt hedge accounting to account for its forward foreign exchange contracts. This will entail an extension to the Commission's current hedge accounting policy to include measuring the effectiveness of hedge contracts.

**Embedded derivatives**

The Commission is required to recognise and measure embedded derivatives. An exercise has commenced for the valuation of embedded derivatives at the Commission.

**Statement of Cash Flows**

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

**46 Additional information**

Additional information provided in terms of the requirements of AASB 1034 (5.1) *Financial Report Presentation and Disclosures*.

**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:**

Number of employees<sup>1</sup>:

2005	2004
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207	202
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<sup>1</sup>Refer 'Our People' report.