

DPI FORESTRY 95-96 YEARBOOK



DPI FORESTRY

We are a commercial business group of the Department of Primary Industries.

OUR VISION

DPI Forestry is a profitable, reliable and internationally recognised supplier of:

- quality products from sustainably managed forests; and
- scientifically-based expertise in tropical and subtropical forest management.

OUR MISSION

We manage State-owned forest and quarry material resources to earn commercial returns having regard to the Government's environmental and other relevant policies.

OUR VALUES

- Responsibility to customers
- Responsibility to the environment
- Commitment to market-based processes
- Support for the forest industries
- Commitment to timber as a construction material
- Commitment to benchmarked best practice
- Commitment to staff

ABOUT THE YEARBOOK

This yearbook was produced in accordance with DPI Forestry's *Commercialisation Charter* to provide a public report of its business performance for 1995-96 and the performance of its core business segments.

The yearbook augments financial and non-financial information provided in the *Department of Primary Industries 1995-96 Annual Report* to the Minister and Parliament with additional information and statistics for the benefit of the forest industry, Government and community stakeholders, and other interested parties.

INTERNET ACCESS

This yearbook can also be accessed through the DPI Forestry Home Page on the Internet (<http://www.dpi.qld.gov.au/fiqweb/forind/forestry/index.htm>).

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Produced by Business Services, DPI Forestry



EXECUTIVE DIRECTOR'S REPORT

The First Year of Commercialisation

Established as a commercialised entity within the Department of Primary Industries on 1 July 1995, DPI Forestry was given the task of managing the Crown forest production operations of the former DPI Forest Service to earn commercial rates of return.

This mandate has presented a variety of significant opportunities and challenges for DPI Forestry. First and foremost it has meant the immediate implementation of a range of new business management systems and procedures, including accrual accounting, a tax equivalents regime and commercially orientated planning, budgeting and reporting processes.

Secondly, it has underscored the need for ongoing improvements in the efficiency and effectiveness of everything we do. On their own these tasks are significant. When coupled with the continuing need to meet public sector requirements and standards in various areas they represent a substantial undertaking.

Under these circumstances, I am very proud to report excellent progress in implementing DPI Forestry's

We intend to strive to improve DPI Forestry's efficiency as a forest grower, increase its sales and grow the quantum and profitability of all four product sectors.

commercialisation charter and the successful implementation of key Government policy initiatives to enhance sustainable forest management and the prosperity of Queensland's forest industries.

DPI Forestry's financial performance has been very pleasing. In its first year of commercial trading, DPI

Forestry achieved a return on assets (including a timber revaluation component) of 10 percent. This compares very favourably with returns achieved by other Australian forest growers.

Overall profit performance held up well at \$17.6m in the face of a severe downturn in building activity. This downturn, which saw housing starts fall by 35 percent during 1995-96, impacted on our timber processing customers in both plantation and native forest sectors.

Overall sales revenue for the year was \$85m, 6.2 percent below expectation. This shortfall was partially offset by higher than expected cost savings of more than 5 percent achieved under an ongoing productivity improvement initiative.

As a result of this solid profit performance and our strong cash flows from operations, a dividend of \$8.978m - 96 percent of profit after interest and tax - will be paid to the State Government as shareholder during 1996-97. Overall returns to the State from the first year of commercialised operations total \$20.8m and include dividends, interest, debt repayments and sales tax. No income tax (under the Tax Equivalents Regime) was payable due to depreciation of the acquisition cost of plantation forests.

The commercial reform process undertaken during the year was highlighted by a variety of achievements. These included the establishment of formal service agreements with both the Department of Primary Industries (DPI) and the Department of Natural Resources (DNR) for a range of contracted functions.



A commercially orientated organisation structure with two regional profit centres (at Gympie and Rockhampton) was also established.

Continued business growth was fostered by the successful negotiation of significant research and development joint ventures with local and international clients and the purchase of 1971 ha of freehold plantation land at Beerburrum to expand the plantation estate.

In consultation with our customers, we also worked towards a more flexible and market-based approach to the sale of forest products. A new price indexing system reflecting changing market conditions was developed for plantation sales. This system will be trialed during 1996-97. Discussions also commenced with the Queensland Timber Board regarding a major review of pricing for native forest timbers.

During the year, DPI Forestry continued to enhance the environmental integrity of its forest production operations in cooperation with DNR. Key achievements included the trialing of a draft Code of Practice for native forest production. This code is being developed by DNR in consultation with industry, conservation groups, DPI Forestry and other stakeholders to provide agreed standards for commercially viable and ecologically sustainable timber harvesting in native forests.

In addition, DPI Forestry committed itself to the development of an environmental management system predicated on the continuous improvement process inherent in the ISO 9000 and ISO 14000 international standards.

As the principal forest grower and an integral part of Queensland's forest industries, DPI Forestry will work over the coming year to bring Government and industry sectors together in partnership to enhance the viability and international competitiveness of the industry. To this end, the Forest Industries Development division was established within DPI Forestry in March 1996 to provide a clear point of



contact and advocacy on forest industry issues. With funding primarily from DPI's Consolidated Revenue, the division will support private forestry development and address key industry issues related to planning certainty, industry competitiveness and sustainable growth.

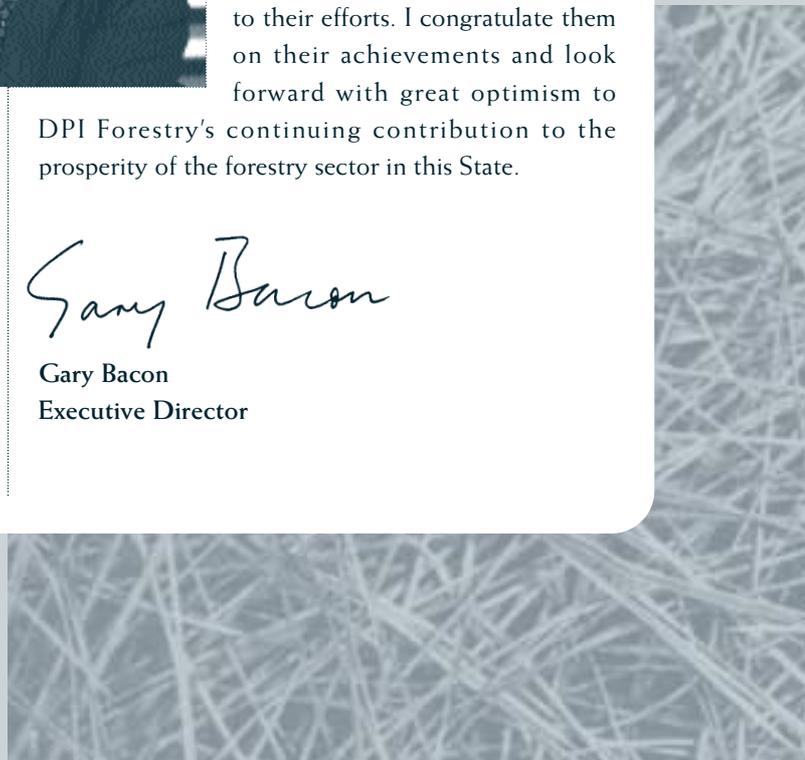
We intend to strive to improve DPI Forestry's efficiency as a forest grower, increase its sales and grow the quantum and profitability of all four product sectors of our business - plantations, native forests, quarries and other business ventures.

I would like to thank all DPI Forestry staff for their hard work, dedication and creativity in implementing the many changes that were necessary during the year. The successes we have registered in this first year as a commercial entity are due entirely to their efforts. I congratulate them on their achievements and look forward with great optimism to

DPI Forestry's continuing contribution to the prosperity of the forestry sector in this State.

A handwritten signature in cursive script that reads "Gary Bacon".

Gary Bacon
Executive Director



HIGHLIGHTS OF THE YEAR



- Earnings before interest, tax and timber revaluation of \$17.6m and a return on assets of 10 percent achieved in the first year of business trading

- An \$8.978m dividend on 1995-96 earnings to be paid to the State Government



- Crown plantation timber sales of 1.37 million m³ achieved (down only 3.5 percent on 1994-95 in the face of a 35 percent decline in housing starts)

- Cost-related savings of more than 5 percent achieved as part of an ongoing productivity improvement initiative

- Commercial financial systems and accrual accounting introduced



- More than 3.5 million tree seedlings planted including the replanting of more than 1000 ha of burnt plantation at Beerburrum



- 15 000 coppiced plants established for taking cuttings for clonal propagation of the slash and Caribbean hybrid



- A Forest Industries Development division established to support private forestry development and address key industry issues related to planning certainty, industry competitiveness and sustainability



- Construction of a mechanised nursery at Beerburrum to meet future planting stock needs of DPI Forestry's plantations and private forestry plantation initiatives



- Trials of a draft Code of Practice for timber production in native forests commenced in conjunction with the Department of Natural Resources and customers

- A computer-based harvesting checklist system developed as part of an environmental management system, along with a system incorporating data on rare and threatened species into timber planning processes



- An additional 44 permanent native forest measurement plots established to improve information for sustainable forest production

- A review of Crown native forest resource volumes available to industry completed for western Queensland



- A five-year tree-breeding and clonal forestry program for Acacia plantations commenced with a subsidiary of a large Indonesian pulp and paper conglomerate

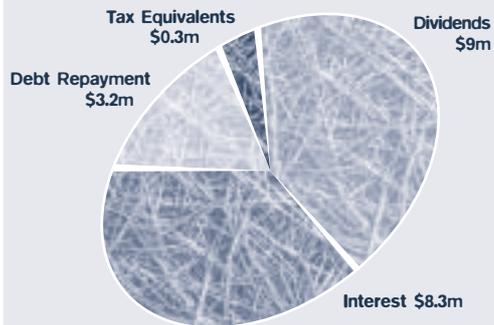


- 1971 ha of private plantation land purchased increasing the Beerburrum Crown plantation estate by 11 percent

FINANCIAL SUMMARY

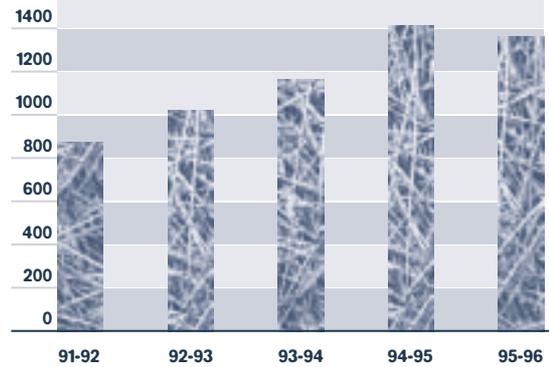
| | | | |
|--------------------------------------------------------------|----------|------------------------------------------------------|----------|
| Operating revenue..... | \$85.01m | Return on assets..... | 10% |
| Earnings before interest, tax and timber revaluation..... | \$17.6m | Return on equity..... | 10.2% |
| Operating profit after tax..... | \$9.35m | Debt to equity ratio..... | 7.6% |
| Profit after tax including timber revaluation..... | \$96.52m | Interest cover ratio..... | 2.1 |
| Profit (EBITR) margin..... | 20.7% | Current ratio..... | 1.3 |
| Dividend..... | \$8.98m | Revenue per employee (full time equivalents)..... | \$89 771 |

RETURNS TO THE STATE FROM FIRST YEAR OF COMMERCIALISATION

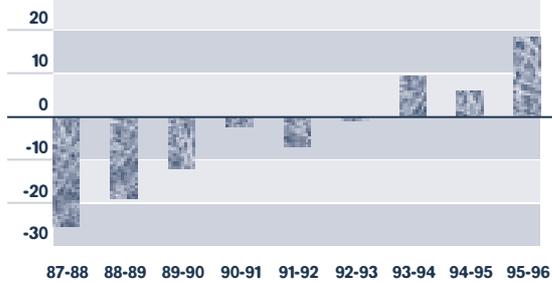


Total = \$20.8m

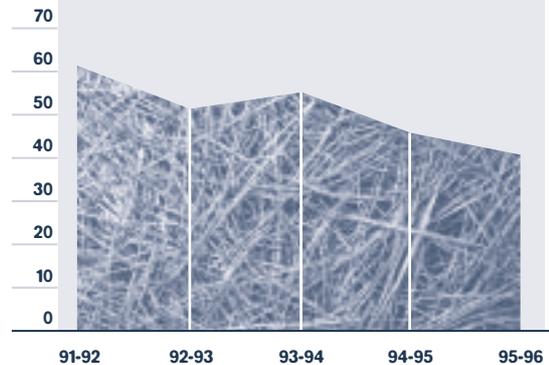
PLANTATION TIMBER REMOVALS ('000s M³)



NET CASH FLOWS FROM CROWN FOREST PRODUCTION (\$ MILLION)



EMPLOYEE SAFETY (ACCIDENTS PER MILLION WORK HOURS)



BUSINESS PROFILE



Thinning exotic pine, Beerburum Forestry District

Commercial Mandate

DPI Forestry was established on 1 July 1995 as a commercial business group of the Department of Primary Industries. Its mandate was determined by administrative arrangement with the Queensland Treasury and is set out in DPI Forestry's *Commercialisation Charter*. The business group also operates in accordance with the provisions of the Forestry Act and a range of other State legislation.

Under its charter, DPI Forestry's business goal is to 'maximise the market value of its assets while observing all regulatory (including environmental) requirements to which it is subject'.

DPI Forestry's assets are vested in the Primary Industries Corporation under the control of the Minister for Primary Industries. Their book value at 30 June 1996 was \$1.14 billion. As DPI Forestry's sole 'shareholder', the State Government is entitled to annual dividends from DPI Forestry's earnings on these assets.

Core Business

DPI Forestry's core business segments are:

1. Plantations

Since 1920-21, when softwood plantations were first established in Queensland, the State Government has developed some 176 000 ha of plantations, making DPI Forestry the second largest plantation timber grower in Australia.

The distinctive exotic and native pines that make up most of the estate have desirable properties that set them apart from plantation softwoods grown elsewhere. The coastal exotics - slash pine and Caribbean pine (and a hybrid variety developed by

DPI Forestry's Queensland Forestry Research Institute) - have mechanical properties that place them near the top of the range for structural softwoods. The native hoop pine, grown in south-east and north Queensland, is an even-textured tropical conifer with a reputation as a fine veneer and furniture component timber.



DPI Forestry is Queensland's largest forest grower producing 75 percent of the State's timber harvest and supplying 65 percent of Queensland's timber consumption.

2. Native Forests

DPI Forestry sells timber selectively harvested from 3.3 million ha of the State's reserved native forests and around 7 million ha of other Crown land. The dominant commercial species, eucalypts and cypress, provide timber with distinctive characteristics related to strength, durability and appearance.

3. Quarries

DPI Forestry has the rights to manage and market quarry materials on Crown lands (except those administered under Acts such as the *Water Resources Act 1989*) and on certain freehold land. Sand, gravel, road base, crushed aggregate, landscaping rock and other material sourced from these lands supply around 8 percent of the State's quarry material market.

4. Other Business Ventures

Through its Queensland Forestry Research Institute, a world leader in tropical and subtropical forest research, DPI Forestry markets its

Intellectual Property to customers in Australia, South-East Asia, the Pacific and other regions. Products and services include genetically improved tree stock, forest and timber expertise, research services and forestry technologies.

DPI Forestry also uses its extensive forest management expertise and resources to provide a wide range of other forestry-related products and services to industry, government and community customers on a commercial basis.

These include services aimed at:

- expanding plantations on private lands;
- improving the management of private native forests;
- enhancing the viability and international competitiveness of the forest industry sector; and
- implementing Government regulations and providing advice related to timber processing and use.

Contribution to the Economy

Queensland's forest industry is the seventh largest manufacturing sector in Queensland, contributing more than \$1.4 billion annually to the State's economy and employing almost 15 000 people.

Most of DPI Forestry's annual forest harvest is sold as standing trees to timber processing companies who cut and extract the trees for processing in regional centres throughout Queensland. This timber is converted into a wide range of products for use in house construction and extensions, industrial applications, furniture making and paper production.

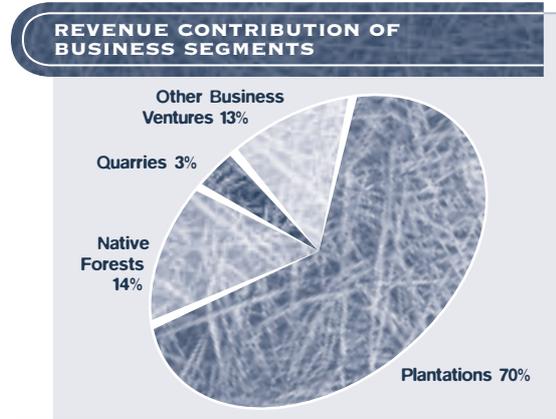
Environmental Integrity

DPI Forestry is committed to high standards of environmental integrity in all its forest production activities. Through its professional and scientifically-based management practices, DPI Forestry strives to

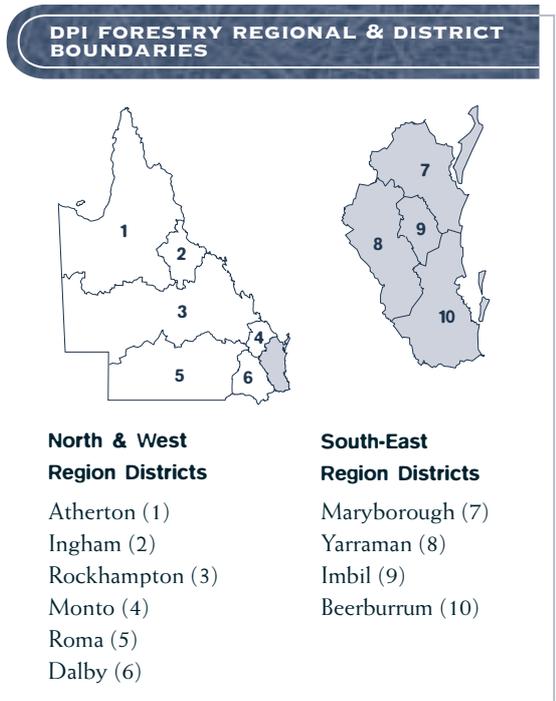
Studying dryland conditions, Debra Hector, Plant Physiologist, Rockhampton Forestry District



ensure Queensland's forests are managed as a renewable resource for future generations. It is also subject to environmental standards established independently by the Department of Natural Resources as well as environmental legislation such as the *Nature Conservation Act 1992* and the *Environmental Protection Act 1994* administered by the Department of Environment.



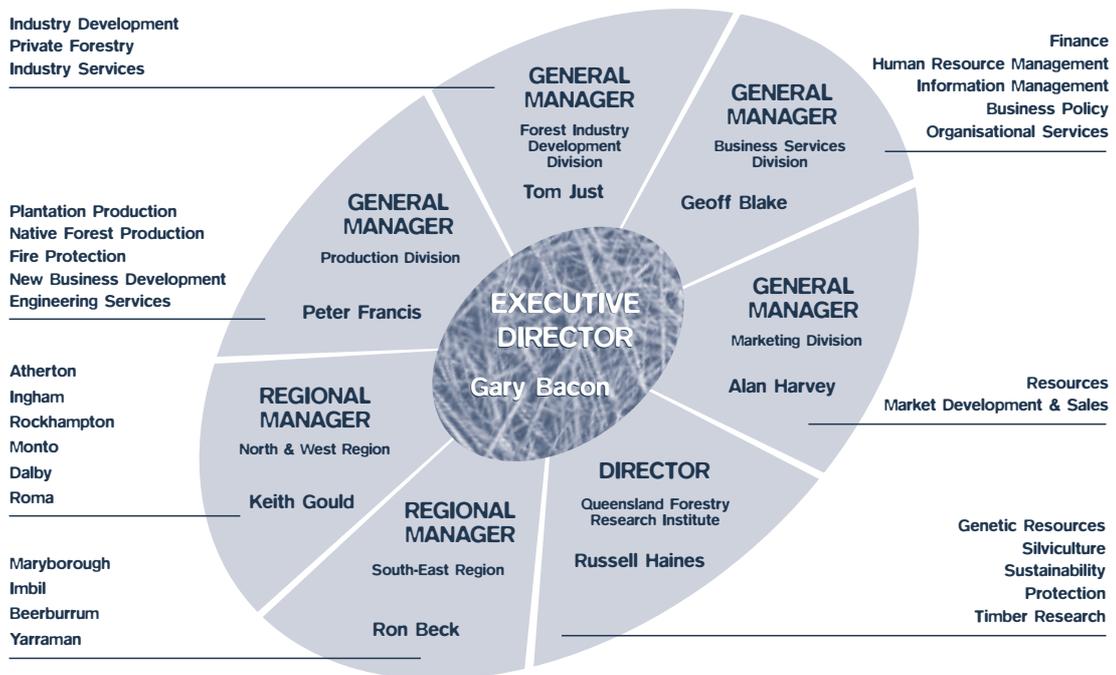
Total Revenue = \$85m





DPI Forestry Executive (seated from left to right): Ron Beck, Keith Gould, Gary Bacon and Tom Just
 (standing from left to right): Peter Francis, Geoff Blake, Russell Haines and Alan Harvey

DPI FORESTRY ORGANISATIONAL STRUCTURE



WORKING WITH OUR STAFF



Controlled burning, Laurie Carmody, Plant Operator, Dalby Forestry District

DPI Forestry employs 1042 people in many regional centres throughout the State and in Brisbane. Working closely with our staff, several key initiatives were successfully implemented during the year to improve employment conditions while achieving better results for DPI Forestry.

Enterprise Agreement

During the year, DPI Forestry implemented an Enterprise Agreement covering the majority of its employees throughout the State. The agreement, which fell within the Department of Primary Industries Agency Agreement, applied from 30 September 1994 to 11 October 1996. It required the achievement of productivity savings to offset an 8 percent wage increase paid in three stages to employees.

The Enterprise Agreement was implemented through a project team consisting of DPI Forestry management, union representatives and observers. This team coordinated 15 workplace productivity consultative committees through which staff identified and implemented productivity savings that achieved targets set under the agreement.

New Award

A new Forestry Employees Award, affecting around 600 DPI Forestry staff, was granted by the Queensland Industrial Relations Commission on 24 August 1995 with implementation backdated to 5 January 1995. The new award greatly simplifies the previous system of payments, based on a mixture of tasks and allowances, to a new competency-based system. It also provides greater equity for staff with improved training opportunities and will help ensure flexibility and consistent standards in field work.

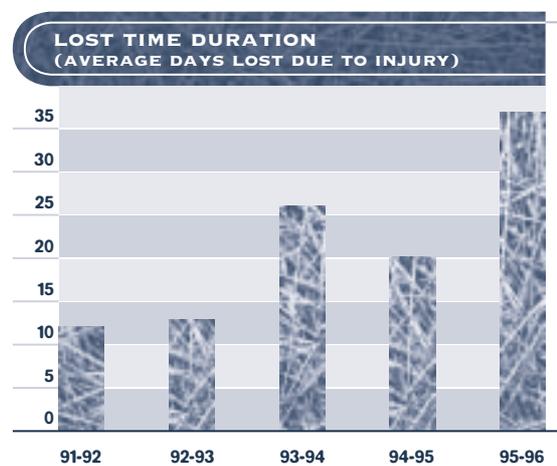
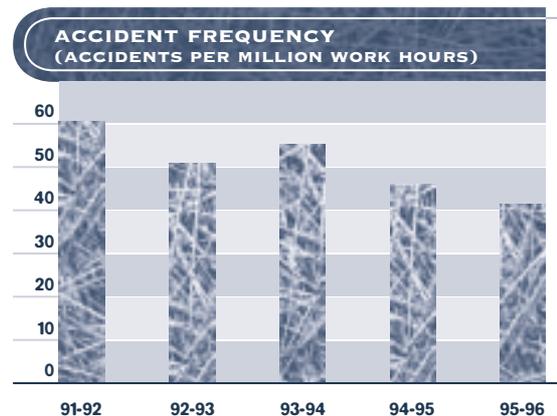
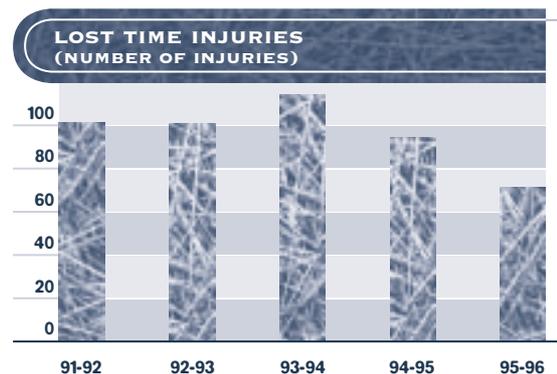
After wide consultation with unions and employees, DPI Forestry translated employees to new levels under the award and adjusted pay rates including back-pay entitlements. Work also started on establishing accredited training programs to enable employees to develop and progress under the award.

Safety

DPI Forestry introduced safety conditions for timber purchasers performing harvesting operations in State forests. The conditions define the use of personal protective equipment, protective structures for

harvesting machinery, safety signs and certificates of competency for the use of vehicles, machinery and chainsaws.

These new conditions, which complement the Code of Practice for Forest Harvesting released by the Minister for Employment, Vocational Education and Training in May 1995, will apply to purchasers harvesting forest products under all new sale agreements.



RENEWABLE SUSTAINABLE BIODEGRADABLE



Contour planting, hoop pine, Imbil Forestry District

Timber is part of our everyday life. We use it in our houses, offices, furniture and gardens. In fact, every year, Australians use around 1.1 m³ of timber per person and about 19 million m³ in total. Although most of this is harvested from Australian forests (including about 2.3 million m³ in Queensland), our negative balance of trade in timber products costs the country around \$3 billion a year.

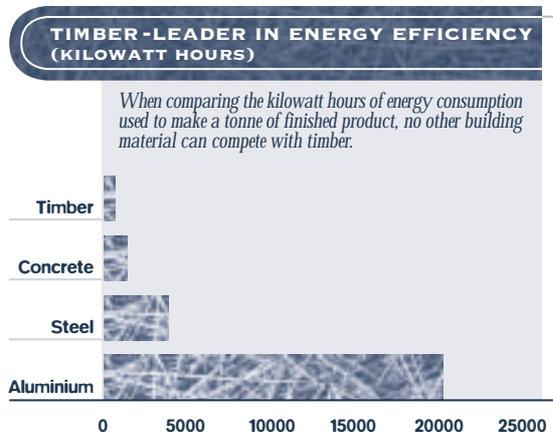
Timber is the most environmentally-friendly building product, being renewable, sustainable and biodegradable. It is also many times more energy efficient to produce than other construction materials such as concrete, steel and aluminium.

Commercial timber production in plantations and native forests can be successfully balanced with the needs of the environment. Our success at this is on show in well-maintained State forests.

Plantations

Queensland's 176 000 ha of Crown plantation has been progressively planted over the past 70 years and is essentially a large-scale and intensive tree farming operation. Every year, about 3 percent of the plantation is harvested as trees reach maturity, or as younger areas are thinned to enable the remaining trees to grow more vigorously.

*DPI Forestry -
meeting our need for
timber and our concern
for the environment.*



Marking buffer strip, John Hannagan, Forester, Imbil Forestry District

As mature trees are harvested by clearfelling, DPI Forestry replants the area with genetically improved seedlings for the next harvest, 30 years or more in the future. In this way, DPI Forestry maintains a continuous and reliable supply of logs to Queensland's capital intensive and efficient softwood processing industry.

All of these forest-growing activities are done in accordance with research-based environmental standards prescribed in DPI

Forestry's plantation design, harvesting and operational guidelines. For example, native vegetation is preserved as corridors through plantations for wildlife and also around streams in protective buffer strips to limit soil erosion and protect water catchments. Field implementation of DPI Forestry's environmental standards is routinely monitored using a system of sound practice indicators.

In addition, it is State Government policy that no native forest areas are cleared for plantations. New plantings are only established on previously cleared land such as former farm land. In fact, most planting is now done on harvested areas of the existing plantation estate.

Native Forests

Queensland's Crown native forests cover a range of forest types including rainforest, wet sclerophyll, dry sclerophyll and cypress. In keeping with Government policy, DPI Forestry excludes timber harvesting from all rainforest areas. In addition, large areas of forest are set aside under management plans for conservation, catchment protection, recreation and other public uses.

*Monitoring water catchments, Trevor Spedding, Hydrographer,
Imbil Forestry District*



Many of Queensland's existing native forests were declared as State forests early this century and have been harvested sustainably since that time.

Under draft Interim Management Arrangements with the Department of Natural Resources, timber harvesting has been excluded from certain key areas of high conservation value (including areas of old growth) pending the completion of comprehensive regional assessments of native forests. DPI Forestry's forest managers also evaluate conservation values when planning harvesting operations.

DPI Forestry spends more than a million dollars each year on forest assessment operations to set harvest levels which ensure native forests can naturally regenerate after harvesting and sustain timber production in the long-term. This system is based on extensive sampling processes from about 384 permanent tree-growth measurement plots and 97 874 temporary plots in native forests throughout the State. This information is available to the public through computer terminal access.

Harvesting of native forest areas is managed in accordance with DPI Forestry's harvesting guidelines which are designed to minimise environmental and visual impacts. In accordance with these guidelines, DPI Forestry develops harvesting plans with its customers and carefully controls all aspects of harvesting operations against standards developed from scientific research over many years.

Whereas mature plantation areas are harvested by clearfelling all trees, saleable native forest trees are harvested by selectively logging designated areas. This process leaves behind a viable forest containing habitat trees, protective buffer strips around streams and growing stock for the next cutting cycle which may be several decades in the future. Timber cutters



Many of Queensland's existing native forests were declared as State forests early this century and have been harvested sustainably since that time.



Checking bat boxes, Gordon Agnew, Wildlife Technician, Maryborough Forestry District

are also required to control felling direction of trees to minimise damage to remaining vegetation.

Less than 1 percent of Crown native forest areas set aside for forest production is harvested for sawlogs each year.

Compared with plantation operations which yield on average over 400 m³ of sawlog per ha, harvesting of native forests is a much less intensive operation with average yields of between 5 and 10 m³ of sawlog per ha.

Queensland's native forests are harvested primarily for sawlogs, poles and round timber. Standing green trees have never been harvested from Crown native forests to support a woodchip export program. However, timber harvesting and milling naturally produce significant quantities of residual material. In conjunction with stakeholders, DPI Forestry is currently examining options for environmentally-friendly

applications of native forests residues to minimise the need to burn or dump such material.

REPORT ON OPERATIONS

DPI Forestry's Business Goal

To maximise the market value of DPI Forestry's assets while observing all regulatory (including environmental) requirements.

DPI Forestry's draft *Business Plan 1995-2000* set out its strategic direction for 1995-96 and beyond. Goals and targets were identified under three Key Result Areas:

- Commercial Performance
- Ecologically Sustainable Production
- Successful Commercialisation

In accordance with DPI Forestry's *Commercialisation Charter*, a report on business performance for 1995-96 is provided below, including the performance of the main business segments:

- Plantations
- Quarries
- Native Forests
- Other Business Ventures



Harvesting hoop pine, Imbil Forestry District

Key Result Area 1 - Commercial Performance

Goal: Maximise the market value of DPI Forestry and achieve an agreed economic rate of return.

Key targets from the Business Plan

1. **Commercial Returns** - Maximise market value and achieve a commercial rate of return on business assets
2. **Marketing and Sales** - Enhance marketing and sales performance in all product areas
3. **Efficient and Effective Operations** - Pursue cost efficient and effective operations including achievement of 5 percent productivity improvements per annum to the year 2000
4. **Commercial Relations with Industry** - Develop appropriate commercial relations with industry to achieve greater long-term returns from Queensland's forests
5. **New Business** - Pursue new business opportunities

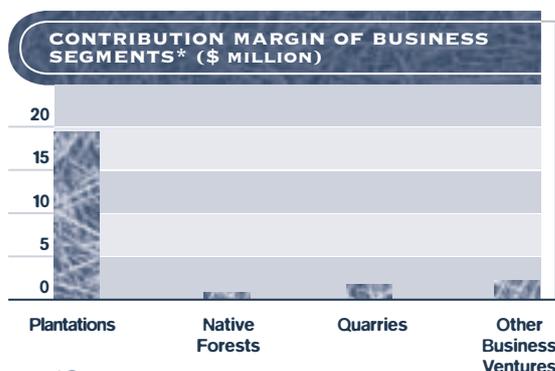
1. Commercial Returns

For its first year of commercialised operations, DPI Forestry achieved a nominal return on assets of 10 percent (including a timber revaluation component) which compares well with other Australian forest growers. DPI Forestry's earnings before interest, tax and revaluation of growing timber were \$17.6m.

Unlike many private sector companies, DPI Forestry cannot measure its performance in maximising the market value of its assets by referencing changes in share market capitalisation, or other direct market-based measures of value. Instead, a system for assessing DPI Forestry's market value based on discounted cash flows will be developed during 1996-97 as a performance planning and evaluation tool.

Plantations

Plantations were by far the major revenue and profit earner for DPI Forestry during the year with sales of



\$59.9m (70 percent of business revenue) and an operating surplus (operating revenues less operating expenses) of \$19.3m. DPI Forestry's plantation growing timber had a book value (based on net realisable value) of over \$1.03 billion at 30 June 1996 increasing by \$87m during the year.

Native Forests

The operating surplus on native forest operations for the year was \$0.9m. Native forest timber sales grossed \$11.5m, or 13 percent of business revenues.

An expected return to more buoyant market conditions over the next couple of years should improve the profitability of native forest operations. DPI Forestry will also seek to improve margins through ongoing productivity gains in management, marketing and sales.

Quarries

Although accounting for only 3 percent of business revenue (\$2.6m), quarry material sales provided an operating surplus of \$2.1m during the year. In terms of operating margin on sales, the quarries segment, at more than 80 percent, was DPI Forestry's best performing business segment.

Other Business Ventures

Other Business Ventures recorded an operating surplus for the year of \$2.2m.

2. Marketing and Sales

DPI Forestry's first year of commercialisation coincided with a major Australia-wide downturn in the forest and timber industries. This decline was associated with a cyclical slump in building activity during 1995 and 1996. This was particularly severe in Queensland where the number of new dwelling commencements for the year ended April 1996 was 35 percent lower than the previous year. At the same time, the level of new dwelling approvals per capita fell more than 50 percent from its peak in 1994 following a prolonged period of growth over the previous three to four years.

This significantly affected demand and prices for many timber products in the Queensland market resulting in generally lower sales by Queensland's timber growers and processors and a substantial decline in timber imports, particularly for coniferous sawn wood (down approximately 40 percent).

Plantations

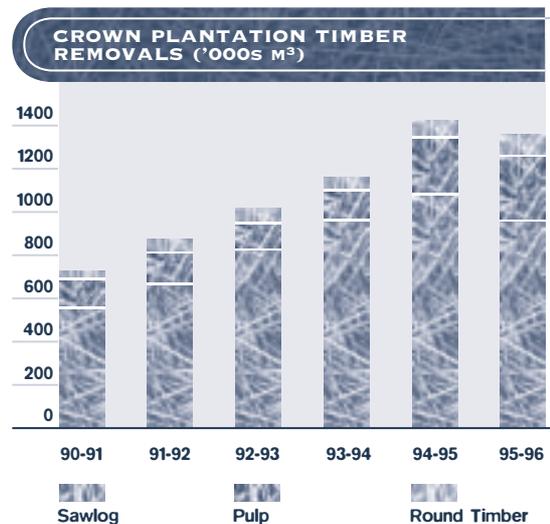
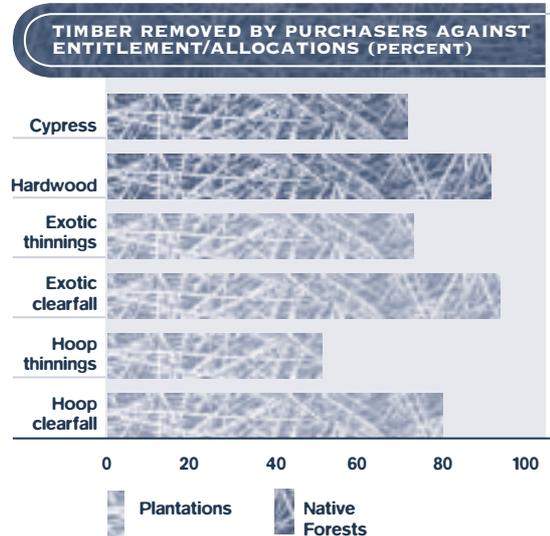
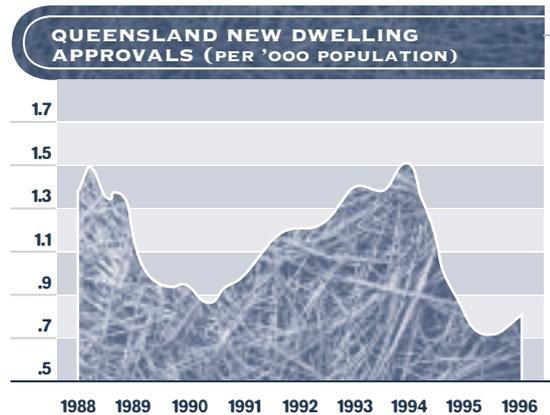
DPI Forestry's 176 000 ha of plantation estate is the second largest in Australia.

Plantation timber removals totalled 1.37 million m³, 3.5 percent down on the record 1994-95 figure. This included 986 000 m³ of milling timber, 314 000 m³ of pulpwood and 71 000 m³ of roundwood and poles.

A major 10 year sale of 1.7 million m³ of surplus softwood plantation thinnings to Canterwood Pty. Ltd, a joint venture operation between Hyne & Son and the Sumitomo Corporation of Japan, became fully operational during the year.

The thinnings are being harvested from DPI Forestry's pine plantations at Tuan, near Maryborough, and Toolara, near Gympie, for export to Japan through Gladstone as woodchips for paper making. During the year, Canterwood exported 260 000 Green Metric Tonnes in eight shipments to Japan. The thinning of DPI Forestry's plantations from the sale will greatly improve the value of final crop removals in future years.

A national and international sales campaign was initiated in May 1996 to sell the remaining resource held in DPI Forestry's log store near Beerburrum, north of Brisbane. This facility was constructed after major wildfires swept through nearly 5000 ha of DPI Forestry's plantations near Beerburrum in late 1994.



However, in January 1996, a wood decay fungus began to spread in the store following a prolonged period of exceptionally high temperatures and humidity making it necessary to empty the store before the return of hot weather at the end of the year. Around 330 000 m³ were in store at the end of 1995-96 but prospects for sale were encouraging.

Increased sales of plantation timber are expected during 1996-97 as a result of a predicted slow recovery in the housing sector, increased log uptake with Hyne & Son's purchase of ACI Timber Product's sawmilling assets and Crown hoop pine entitlement, and the doubling of Laminex Industries plant capacity at Gympie.

Additionally, new sales of maturing plantation timber in north Queensland are expected to be secured under long-term contracts during 1996-97.

Native Forests

Sales were affected by very difficult trading conditions with overall native forest timber removals down 15.5 percent on the previous year to 408 600 m³. The milling timber component was down by 16% to 307 400 m³.

Native forest sales are expected to improve in 1996-97 as the market for timber products recovers from the very low levels of 1995-96. Continued improvement is expected at least until 1999 as the projected recovery in the building industry gathers pace.

Quarries

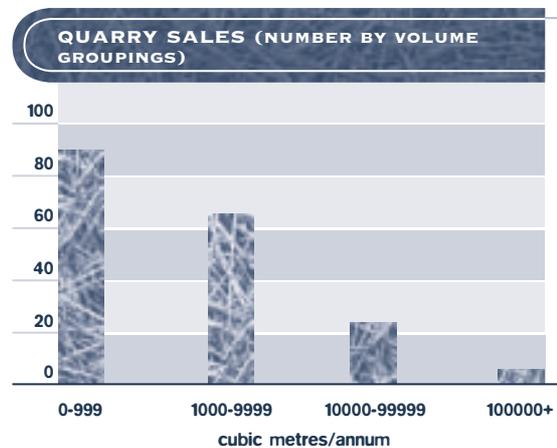
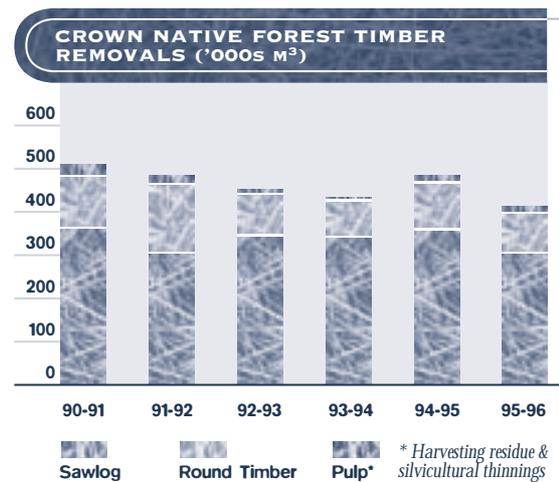
Approximately 1.89 million m³ of Crown quarry materials were removed during the year, excluding material supplied at no charge to Government agencies. This was down 4.7 percent on the previous year, reflecting completion of a number of significant infrastructure projects and the downturn in the building industry.

During 1996-97, sales of quarry materials west of the Great Dividing Range are expected to increase due to the continued expansion of the south-west Queensland gas pipeline network and a number of large-scale mining proposals.



Sunrock Quarry, Phil Woodward, Beerburum Forestry District

In the longer term, DPI Forestry expects significant growth in its quarry materials business as it steps up the proving and marketing of high value quarry resources in key areas of the State.



3. Efficient and effective operations

Productivity savings of 5.7 percent on total costs were achieved as a result of strong staff support for efficiency improvements.

Plantations

To provide for future timber supplies, 3531 ha of softwood plantation were planted on the Crown plantation estate. This comprised replanting of 3118 ha of harvested plantation (including 1016 ha of the area affected by the 1994 Beerburrum fires) and 413 ha of new plantation areas.

In the first significant plantation land purchase in Queensland in the past decade, DPI Forestry bought 1971 ha of freehold plantation land near Beerburrum, north of Brisbane from the EFG Australia Group. This brings DPI Forestry's exotic pine plantation estate in the area to 20 370 ha.

The existing plantation on the land is being harvested by CSR Timber Products under arrangement with EFG. DPI Forestry will begin to replant exotic pine on cleared areas in the near future. Future timber production from this land will help sustain a world-scale softwood processing industry in south-east Queensland.

At 30 June 1996, the total area of the Crown plantation estate on State forests was 183 595 ha, 96 percent (176 000 ha) of which was planted. In addition, DPI Forestry held the 1971 ha purchased at Beerburrum on a freehold basis.

Million dollar nursery redevelopment, Linda Cerchi, Nursery Worker, Beerburrum Forestry District



A \$2.2m redevelopment and mechanisation of DPI Forestry's Beerburrum tree nursery commenced during the year. By the turn of the century, the nursery will have the capacity to produce three million containerised seedlings as planting stock in DPI Forestry's hoop pine plantations as well as eucalypts for expanded private plantations.

Native Forests

A review of Crown native forest cypress and hardwood allowable cuts under the Native Forest Sawlog Allocation System was completed for western Queensland during the year. Implementation of the review required wide consultation with stakeholders, including the local timber industry and the Department of Natural Resources.

4. Commercial Relations with Industry

Plantations

In consultation with customers, DPI Forestry developed a new plantation price indexing system to provide a more flexible and market-based approach to the pricing of plantation products. Trials of this system will commence with interested customers during 1996-97.

Native Forests

A review of the Native Forest Sawlog Allocation System began during the year in conjunction with the timber industry. DPI Forestry uses this system to make annual allocations of most of its native forest sawlog harvest to identified sawmillers. These allocations are made on a non-competitive basis and are normally reviewed every five years.

The review is examining the allocation system and associated long-term wood supply contracts in relation to provisions of the Trade Practices Act. This Act targets business arrangements that substantially lessen competition. A range of options which address identified problems and lead to improved methods of sawlog allocation will be submitted to Government in 1996-97.

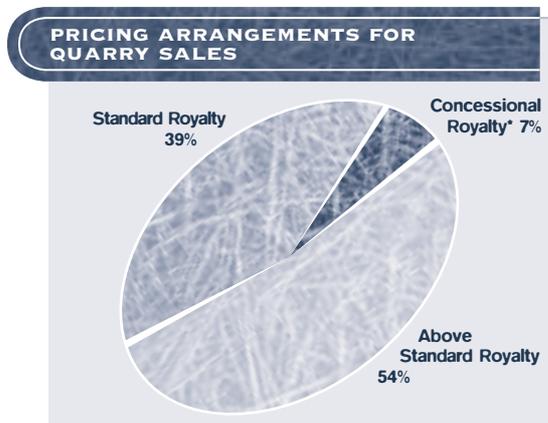
During the year, discussions commenced with the Queensland Timber Board, which represents a large percentage of Queensland's native forest timber millers, regarding a major review of pricing for Crown native forest timbers.

Quarries

Up until the mid-1980s, virtually all Crown quarry resources were sold at administratively determined prices. Since that time, considerable progress has been made towards market-based approaches by:

- the competitive tendering of selected quarry resources; and
- the negotiation of above standard royalties in exchange for extended access rights for quarry operators.

During 1995-96, DPI Forestry sold 39 percent by volume and 54 percent by value of its resources at above standard royalty rates.



*Applies to sales to Local Authorities.

5. New Business

Other Business Ventures

Using its world-class expertise in tropical and subtropical forestry, DPI Forestry provides a range of forestry-related products and services to customers in Australia and overseas including in South-East Asia, the Pacific, South America and Africa.

During the year, a memorandum of understanding was signed and project work commenced on a five-year contract with a subsidiary of a large Indonesian pulp and paper conglomerate which is establishing Acacia plantations in northern Sumatra to feed the world's largest and most modern pulp mill. DPI Forestry, through its Queensland Forestry Research Institute, will manage a tree-breeding and clonal forestry program for the company.



Exporting expertise, Stephen Walker, Propagation Scientist, with APRIL Forestry representatives, Sumatra

DPI Forestry also entered into a contract with the Forest and Wood Products Research and Development Corporation to conduct softwood seasoning research, in collaboration with the Queensland University of Technology and the University of Queensland. Industry partners in the project are the Timber Research and Development Advisory Council and Pine Australia. The project will examine fundamental wood science issues concerning wood/water relationships that affect the quality of softwood timber as it is seasoned.

A range of on-ground forest management services, including fire protection, road maintenance and forest surveillance, were successfully provided under service agreement with the Department of Natural Resources on Queensland's 4 million ha of State Forests and Timber Reserves.

In March 1996, DPI Forestry established a Forest Industries Development division to coordinate forest industry development issues, assist in the forging of a Forest Industries Strategy and provide a clear point of contact and advocacy on forest industry and farm forestry matters.

To underpin farm forestry in the State, DPI Forestry's Queensland Forestry Research Institute began work on a major plantation hardwood research and development initiative. Research will focus on land suitability, silviculture, genetic improvement, sustainability and protection from pests and diseases.

Key Result Area 2 - Ecologically Sustainable Production

Goal: Ensure all forest product operations are conducted in accordance with national and State policy guidelines and codes of practice for ecologically sustainable use.

Key targets from the Business Plan

1. Codes of Practice - Implement Codes of Practice in accordance with timelines negotiated with the Department of Natural Resources
2. Comprehensive Regional Assessments - Participate in the Comprehensive Regional Assessment of Native Forests
3. Environmentally-sound Management Practices - Implement independent audits of management practices and forest condition

1. Codes of Practice

Trials of a draft Code of Practice for native forest timber production (conforming to Forest Practices Related to Wood Production in Native Forests: National Principles) commenced throughout the State in 1995-96. These trials are being conducted in cooperation with the timber industry and the Department of Natural Resources and will enable the proposed operational standards in the code to be evaluated before implementation. The trials are expected to be finalised during 1996-97.

2. Comprehensive Regional Assessments

In accordance with the National Forest Policy Statement, a Comprehensive Regional Assessment of South-East Queensland's native forests is being undertaken to allocate forested areas under a Regional Forest Agreement to various uses, including the establishment of a forest reserve system. Pending completion of these assessments, the Department of Natural Resources is developing Interim Management Arrangements (IMA) for forest areas of high conservation value.

Consistent with the proposed IMAs, DPI Forestry adapted its harvesting plans and excluded logging in a number of native forest areas. Supplies of timber to sawmillers accessing these areas were maintained from other native forest resources.

In addition, a review of logging moratoriums over several native forest areas continued with the Departments of Natural Resources and Environment.

3. Environmentally-sound Management Practices

To enhance the scientific basis of its commercial forest management, DPI Forestry continued its ongoing environmental research program. Key components of this program included:

- a long-term native forest ecological sustainability study; and
- a plantation hydrology study

These studies, which are jointly funded by DPI Forestry and the timber industry, will provide valuable information on the environmental impacts of forest operations.

DPI Forestry routinely monitors performance of most of its plantation and native forest field operations using a system of 'Sound Practice Indicators' (SPI) to ensure high-standard implementation of its scientifically-based forest management prescriptions. Throughout the year, SPI audit results showed generally high quality performance of silvicultural and harvesting operations by field workers.

During the year, DPI Forestry developed a computer-based harvesting checklist system as part of a comprehensive environmental management system. A system which allows incorporation of data on rare and threatened species into timber planning processes was also developed.

Timber is a renewable resource and one of the most environmentally-friendly products used in the construction industry. To capitalise on this strength and to enhance their market position, forest industries are moving towards ecolabelling of their products. To ensure a sound basis for this, DPI Forestry continued work to adapt and enhance its quality and environmental management systems for independent certification to international standards.



Negotiating Codes of Practice; DNR's John Kehl; Alan Harvey, General Manager (Marketing); and industry representatives, Dalby Forestry District

Our Commitment to Environmental Integrity

Environmental integrity is a core value of DPI Forestry and integral to its future commercial success. DPI Forestry is committed to ensuring and demonstrating that all its commercial forestry operations are ecologically sustainable and that the biological diversity of Crown native forests is being maintained in accordance with soundly-based scientific standards.

Queensland's Department of Natural Resources is the agency responsible for independently setting and monitoring environmental and resource management standards for DPI Forestry's production activities. DPI Forestry is also subject to the *Nature Conservation Act 1992* and the *Environmental Protection Act 1994* administered by the Department of Environment.

In addition, DPI Forestry implements its own environmental standards and sets annual harvest limits at levels which ensure timber production from Crown forests can be sustained in perpetuity.

As the controller of all Crown land used by DPI Forestry, the Department of Natural Resources is responsible for implementing Queensland's

commitment to the National Forest Policy Statement - the primary document of the Commonwealth and State governments on the sustainable management of Australia's forests. This includes conducting an open and comprehensive assessment and planning process of all Crown and private forests on a regional basis so that Crown forested land can be allocated to various uses including conservation and timber production. In addition, the Department of Natural Resources is developing Codes of Practice to provide standards for the ecologically sustainable use of forested areas.



Environmental integrity is a core value of DPI Forestry and integral to its future commercial success.

These processes are of key importance to DPI Forestry and Queensland's timber industry, particularly the native forest sector. The National Forest Policy Statement recognises that commercial wood production based on ecologically sustainable practices is an appropriate and desirable activity. DPI Forestry is therefore encouraging a balanced use of Queensland's forests to protect biodiversity and other conservation values while providing greater planning certainty for the timber industry.

Key Result Area 3 - Successful Commercialisation

Goal: To establish and manage a successful commercial forestry enterprise.

Key targets from the Business Plan

1. **Commercial Financial Structure** - Establish and maintain an appropriate commercial financial structure and systems
2. **Commercial Management Practices** - Adopt commercial management practices, staffing arrangements and business services functions

When DPI Forestry was established as a commercialised business group, it was set the task of achieving a commercial rate of return on its assets while being subject to similar taxes and regulatory controls as private sector businesses.

This was a complete change in the management of State forestry in Queensland and major structural changes were required. These included the creation within DPI Forestry of a commercial financial structure, business management systems and reporting arrangements to provide appropriate accountability to the State Government as shareholder.

Core commercial structures and systems were in place when DPI Forestry came into existence on 1 July 1995. However, further developments were made during 1995-96 to enhance business management systems, performance and reporting.

Negotiating, Glenda Bell, Senior Human Resources Consultant, Brisbane

1. Commercial Financial Structure

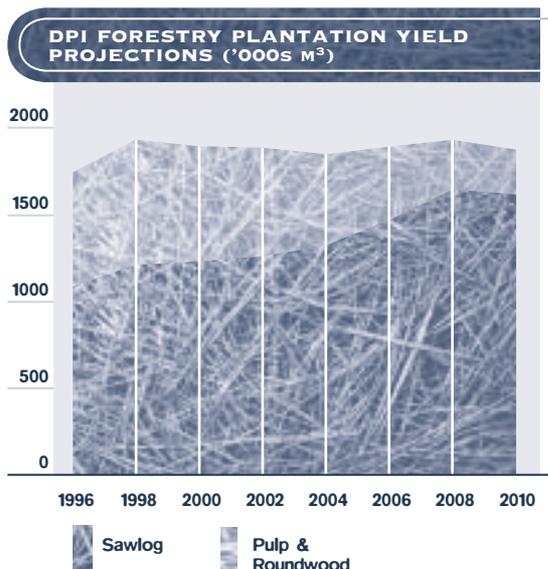
Key achievements for the year included the successful implementation of an accrual-based accounting system, which produces standard commercial financial reports including a profit statement, balance sheet and statement of cash flow. The financial statements are prepared in accordance with the historical cost convention except for certain non-current assets and growing timber which are at valuation.

A commercial capital structure, with debt payments to be met by funds generated from business operations, was negotiated with Treasury during the year. Under this agreement, interest bearing debt at 30 June 1996 amounted to 7.6 percent of total equity and interest expense was covered 2.1 times by earnings before interest and tax.

To ensure it competes on an equal footing with the private sector, DPI Forestry became liable for payment of income and sales tax under Queensland's Tax Equivalents Regime. Under this arrangement, assessed tax equivalents are remitted to the Queensland Treasury.

DPI Forestry sought to minimise its liability for tax equivalents during the year, and, mainly due to a depreciation allowance on the acquisition cost of plantation grown timber, recorded a tax benefit of \$7.2m. A tax equivalent liability of \$349 000 was incurred consisting entirely of sales tax on certain plant and equipment.





2. Commercial Management Practices

During the year, DPI Forestry established two regional profit centres under Regional Managers based at Gympie for South-East Region and Rockhampton for North and West Region.

A Business Services division was also established to provide in-house services and policy advice in the areas of business planning, finance, human resource management, information technology and general administration. A number of services in these areas (valued at \$2m) were also obtained from DPI Corporate Services under service agreements.

Although much has been achieved in successfully commercialising DPI Forestry, a number of issues still require attention for it to operate in an environment comparable to a private sector business. Key issues to be addressed in the coming year include:

- identifying and obtaining recognition for Community Service Obligations performed as a result of Government policy;
- negotiating licence fees payable by DPI Forestry, and a valuation methodology, for Crown native forest and quarry material property rights;
- seeking greater flexibility in relation to certain public sector administrative processes consistent with a commercial environment; and
- developing a Market Valuation Model (based on Net Present Value) to measure performance against DPI Forestry's overall business goals.



F1 hybrid tube stock, Alan 'JO' McCabe, Nursery Labourer, Beerburum Forestry District

LOOKING TO THE FUTURE



Taking cuttings, Private Forestry Plantation Initiative, Grant White, QFRI Research Officer, Beerurrum Forestry District

As we approach the 21st century, Queensland's forest industry is entering a new era of global activity in wood markets promising growing export opportunities as well as increased competition in local markets.

On the world scene, many market analysts are predicting world wood-supply shortfalls, particularly in the high growth Pacific Rim region. This could mean substantial real timber price increases over time, especially for premium quality products.

By 2005, DPI Forestry aims to market approximately 1.8 m³ of sawlog, pulpwood and roundwood annually from its maturing softwood plantations. Provided there are no significant reductions in supplies from Crown native forest, this will increase DPI Forestry's total wood production by more than 20 percent on present levels.

Despite this increase, imports will continue to enjoy a significant share (presently 8 percent) of the Queensland market, due to increasing demand from the expected surge in the State's population over coming years. These imports from New Zealand, North America and interstate - combined with new and improved wood substitutes - will maintain competitive pressures on Queensland's forest industry.

In this environment, it is vital that the State's forest industry - which includes timber growers, processors, manufacturers and merchants - is internationally competitive and market focussed. As an integral part of the industry, DPI Forestry will play a key role in this by:

- improving efficiency in all areas of its commercial operations;
- pursuing more market-based approaches to the sale and allocation of forest resources;
- cooperating with customers to improve processing technology, product development and marketing;
- seeking the removal of unnecessary barriers to the marketing and export of wood products; and
- seeking secure access to forest resources to enable the industry to improve competitiveness and add value to its products.

Security of access to forest resources is dependent on the successful resolution of current initiatives related to ecological sustainability and conservation under the National Forest Policy Statement. DPI Forestry is keen to demonstrate the ecological sustainability of its commercial forest production operations in accordance with balanced and soundly-based standards. It will continue to participate in the development of workable Codes of Practice for forest operations and the allocation of forested land for various uses, including sustainable timber production, under the Regional Forest Assessment process.

At the same time, DPI Forestry will seek to provide the basis for ecolabelling of timber products by adapting its environmental management system for independent certification to international standards.

Business growth is also a priority area. DPI Forestry will closely examine commercially-viable options for expanding its plantation growing activities - either independently or through joint ventures - to enhance the resource base for world-scale timber processing. Programs will also be implemented to foster viable private plantation growing.

DPI Forestry's advanced research, technical and operational expertise in tropical and subtropical plantation management is another area promising significant business growth opportunities in the longer term. Increased sales of genetically improved planting stock, technological systems and expertise will be pursued both in Australia and overseas. DPI Forestry will also seek to increase its sales of quarry material into the Queensland market.

In the immediate future, market prospects for DPI Forestry and its customers look brighter with a forecast return to stronger demand as the building industry slowly recovers from its extended downturn. In the longer term, Queensland's forest industry faces significant challenges. However, with a clear vision and cooperative effort, the State's forest industry, including DPI Forestry, will emerge strongly and competitively.

FINANCIAL STATEMENTS

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Profit and Loss Statement for the financial year ended 30 June 1996

| | Notes* | \$'000 |
|----------------------------------------------------------|--------|--------------|
| Operating profit before income tax | 3 | 9 346 |
| Income tax attributable to operating profit | 4 | - |
| Operating profit after income tax | | 9 346 |
| Retained profits at the beginning of the financial year | | - |
| Total available for appropriation | | 9 346 |
| Dividend provided for | 13, 16 | (8 987) |
| Retained profits at the end of the financial year | | 368 |

**The accompanying Notes on pages 32-39 form part of the Financial Statements*

Balance Sheet as at 30 June 1996

| | Notes* | \$'000 |
|------------------------------------------------|--------|------------------|
| Current Assets | | |
| Cash | 5 | 16 644 |
| Deposits held in trust | 6 | 833 |
| Receivables | 7 | 9 955 |
| Inventories | 8 | 2 378 |
| Total current assets | | 29 810 |
| Non-Current Assets | | |
| Receivables | 7 | 999 |
| Property, plant and equipment | 9 | 74 814 |
| Total non-current assets | | 75 813 |
| Self Generating and Regenerating Assets | | |
| Plantation Growing Timber | 10 | 1 033 590 |
| Total Assets | | 1 139 213 |
| Current Liabilities | | |
| Creditors | 11 | 5 614 |
| Borrowings | 12 | 3 606 |
| Provisions | 13 | 13 688 |
| Total current liabilities | | 22 908 |
| Non-Current Liabilities | | |
| Creditors | 11 | 1 400 |
| Borrowings | 12 | 74 803 |
| Provisions | 13 | 7 505 |
| Total non-current liabilities | | 83 708 |
| Total Liabilities | | 106 616 |
| Net Assets | | 1 032 597 |
| Equity | | |
| Capital | | 945 055 |
| Retained profits | | 368 |
| Reserves | 14 | 87 174 |
| Total equity | | 1 032 597 |

*The accompanying Notes on pages 32-39 form part of the Financial Statements

Statement of Cash Flows

for the financial year ended 30 June 1996

| | Notes* | Inflows (Outflows) | |
|-----------------------------------------------------------------------------------------------------------------------------------------|--------|-----------------------|----------------|
| | | \$'000 | \$'000 |
| Cash Flows from Operating Activities | | | |
| Receipts from customers | | 85 751 | |
| Payments to suppliers and employees | | (60 635) | |
| Interest received | | 726 | |
| Interest paid | | (6 117) | |
| Miscellaneous receipts | | 61 | |
| Net cash provided by operating activities | 19 | | 19 786 |
| Cash Flows from Investing Activities | | | |
| Payments for property, plant and equipment | | (8 248) | |
| Proceeds from sale of property, plant and equipment | | 1 156 | |
| Net cash used in investing activities | | | (7 092) |
| Cash Flows from Financing Activities | | | |
| Repayment of borrowings | | (3 237) | |
| Funds relating to non-commercial activities paid to the Consolidated Fund - Department of Primary Industries, Fisheries and Forestry | | (1 183) | |
| Net cash used in financing activities | | | (4 420) |
| Net increase in cash held | | | 8 274 |
| Cash at the beginning of the financial year | | | 8 370 |
| Cash at the end of the financial year | 5 | | 16 644 |

* The accompanying Notes on pages 32-39 form part of the Financial Statements

Notes to and forming part of the Financial Statements

1. Constitution

By Cabinet Decision number 4637 dated 15 May 1995, the DPI Forest Service was restructured and a commercial business group (DPI Forestry) was established within the Department of Primary Industries commencing 1 July 1995. By Order in Council dated 26 February 1996 the name of the Department of Primary Industries was changed to the Department of Primary Industries, Fisheries and Forestry.

2. Statement of Significant Accounting Policies

The significant accounting policies which have been adopted in the preparation of these financial statements are as follows:

2.1 Basis of Preparation of the Accounts

The accounting policies adopted comply with the requirements of the Public Finance Standards, Statements of Accounting Concepts and applicable Australian Accounting Standards. The accounts have been prepared on an accrual basis and in accordance with the historical cost convention except for certain non-current assets and plantation growing timber which are reported at valuation.

Comparative figures have not been disclosed as this is the first year in which a general purpose financial report has been prepared for DPI Forestry.

2.2 Receivables

Receivables are reported net of any doubtful debts.

2.3 Bad Debts

All known bad debts are written off.

2.4 Inventories

Inventories are valued at lower of cost and net realisable value.

2.5 Library Assets

Purchase of library materials are expensed as incurred.

2.6 Property, Plant and Equipment

Recording of Property, Plant and Equipment

All items of property, plant and equipment with a value in excess of \$500 are capitalised and items under this threshold are recorded as an expense in the year of acquisition. Items or components which form an integral part of an asset are recognised as a single asset and the capitalisation threshold is applied to the aggregate cost of the asset.

Depreciation on Property, Plant and Equipment

Depreciation on depreciable assets is calculated on a straight line basis so as to allocate the cost, or other value, of each depreciable asset progressively over its estimated useful life.

Valuation of Property, Plant and Equipment

Non-current physical assets, with the exception of plant and equipment, are valued on the "deprival" basis in accordance with the Queensland Treasurer's Policy dated October 1994 entitled "Recording and Valuation of Non-Current Physical Assets in the Queensland Public Sector". Additions of non-current physical assets acquired during the year are recorded at the acquisition cost.

The carrying values of property, plant and equipment are reviewed annually. An asset revaluation threshold of \$1 million has been established for the purpose of carrying out comprehensive revaluations which are to be performed at five year intervals. An interim revaluation (by indexation) of Land Improvements, Buildings and Access Roads was carried out as at 30 June 1996. This revaluation has not taken into account potential capital gains tax.

DPI Forestry has not valued Plant and Equipment at deprival value. In accordance with a determination provided by the Queensland Treasury Department in respect of the 1995-96 financial year, such assets have been reported at either historical cost or valuation.

Capital works in progress represent payments and other costs incurred in respect of assets under construction.

2.7 Plantation Growing Timber

The Net Realisable Value (NRV) methodology has been adopted by DPI Forestry for the valuation of Plantation Growing Timber. NRV is the amount that could be expected to be received from the disposal of an asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of such a disposal. Under this methodology, value changes arise mainly from:

- i) changes in timber volume associated with growth and also changes to the overall estate as a result of annual planting and harvesting activity;
- ii) changes in timber prices; and
- iii) changes in realisation costs.

Volume increments are determined both by periodic re-measurement of samples of plantations and by modelling growth from the date of the most recent measurement to the valuation date. The market valuation is prepared by appropriately qualified staff employed by DPI Forestry using advanced modelling techniques/methods accepted by the forestry industry. Current market prices have been applied in determining the plantation growing timber valuation. Realisation costs are based on weighted average costs of existing sales.

Only merchantable stands of timber have been included in the valuation and comprise stands 20 years and older for hoop pine and 15 years and older for exotic pine species. Other plantation areas considered unmerchantable for the purposes of the valuation include:

- plantations containing minor species which previous marketing experience suggests are likely to be unmerchantable or of problematic value;
- areas subject to experimental treatments which previous marketing experience suggests are likely to be unmerchantable or of problematic value; and
- small, fragmented plantation areas likely to be unmerchantable or of problematic value.

Costs incurred in relation to pine plantations establishment and maintenance are expensed as incurred with the exception of access roads construction and upgrade, which are capitalised.

DPI Forestry revalues plantation growing timber annually. The net change in market value from the beginning to the end of the year is not shown as revenue in the Profit and Loss Statement. It is treated as an adjustment to the Plantation Growing Timber Revaluation Reserve. This treatment of the net change in market value varies from that of some other forest growing agencies and needs to be borne in mind in any comparative analysis of profits.

2.8 Native Forests

The management and marketing of timber from specified Crown native forests is part of the core business of DPI Forestry. Valuation difficulties arise as a consequence of the need to assess volume and growth characteristics across an extensive range of forest types and areas. In addition there are unresolved issues associated with the Comprehensive Regional Assessment process in Crown native forests. Both of these factors raise reliability problems for any native forest valuation approach and have resulted in native forest property rights not being valued in the financial statements for the year ended 30 June 1996. The volume of timber harvested from native forests approximates annual forest growth, i.e. the forests are managed on a sustained yield basis. Accordingly, costs are expensed on the basis that these costs are incurred to maintain the constant forest resource.

2.9 Land

DPI Forestry carries out its operations (establishment, management and marketing) principally on Crown Land allocated for production purposes by the Department of Natural Resources, except for freehold land purchased by the Department of Primary Industries, Fisheries and Forestry prior to 1 July 1995 and freehold land purchased by DPI Forestry since that date. Only the value of land purchased and controlled by DPI Forestry has been brought to account.

2.10 Quarries

DPI Forestry obtains royalties from quarry operators for the extraction of quarry materials located on Crown lands and identified freehold land. Revenues are taken to account when received and any expenditure when incurred. The extent of quarry resources has not been quantified and accordingly a value for these assets has not been included in the accounts.

2.11 Employee Entitlements

Employee entitlements relate to amounts expected to be paid to employees for accrued recreation leave and long service leave as well as accrued salaries and wages. In addition, associated on-costs and outstanding employer contributions to employee superannuation schemes have also been recorded.

Recreation leave liability is based on each employee's statutory entitlement based on current salary and wages rates. Long service leave liabilities expected to arise in future in respect of service accrued at the reporting date have been calculated in accordance with the State Actuary's model by taking into consideration the long service leave entitlement of all employees. The model is based on the assumption that salaries and wages will increase on average by 6% per annum and also in line with age-based promotional salary scales appropriate to the employees and that the expected cash flows are discounted to present value using a discount rate of 8.5% per annum. The assumed rates of salary inflation and discount rate are based on Commonwealth Government bond yields at the reporting date and the expected long term gap between salary inflation and investment return. The weighted average term to settlement of the liabilities is approximately 14 years.

Sick leave is charged as an expense in the period in which it is taken.

2.12 Research and Development

Research and development costs are charged to operating profit before income tax as incurred. Research and development costs will only be deferred to the extent that future benefits are expected, beyond any reasonable doubt, to equal or exceed those costs, any previously deferred costs, and any future costs necessary to give rise to the future benefits.

2.13 Taxation

DPI Forestry is subject to the payment of Income Tax Equivalents and Sales Tax Equivalents under the Queensland Tax Equivalents Regime as from 1 July 1995. Income tax expense, assets and liabilities arising from the levying of income tax including capital gains tax (refer Note 4.), have been calculated using the liability method of tax effect accounting in accordance with Australian Accounting Standard AAS 3 "Accounting for Income Tax (Tax-effect Accounting)".

2.14 Insurance

In accordance with Government policy, assets are not insured, and losses are treated as an expense as they are incurred, except for workers' compensation insurance for which premiums are paid to the Workers' Compensation Board of Queensland.

2.15 Rounding

Amounts included in the financial statements have been rounded to the nearest one thousand dollars.

2.16 Financial Reporting by Segments

DPI Forestry operates principally in the forestry industry within Queensland.

3. Operating Profit

| | Notes | \$'000 |
|------------------------------------|-------|--------|
| Revenue - Sales | 3(a) | 74 615 |
| - Other | 3(a) | 10 398 |
| | | 85 013 |
| Operating expense | 3(b) | 75 667 |
| Operating profit before income tax | | 9 346 |

Operating profit before income tax has been determined after:

3(a) Crediting as Revenue

| | \$'000 |
|-------------------------------------------|---------------|
| Sales Revenue | |
| Plantations - Native Pine | 22 661 |
| - Exotic Pine | 36 110 |
| - Hardwood | 114 |
| Native Forests - Cypress | 2 980 |
| - Hardwood | 5 733 |
| - Sandalwood | 1 447 |
| Quarries | 2 637 |
| Seeds and seedlings | 1 256 |
| Freehold selections - timber revenue | 905 |
| Fees and permits | 292 |
| Other sales revenue | 480 |
| Total sales revenue | 74 615 |
| Other Revenue | |
| Interest | 828 |
| Specialised forest industry services | 6 527 |
| External workshop charges | 1 036 |
| External plant hire | 319 |
| Profit on disposals of non-current assets | 374 |
| Miscellaneous | 1 314 |
| Total other revenue | 10 398 |

3(b) Charging as an Operating Expense

| | \$'000 |
|-----------------------------------------------------------------|---------------|
| Salaries, wages and related costs | 29 346 |
| Interest and other cost of finance | |
| - Queensland Treasury Corporation Loan | 4 682 |
| - Commonwealth Softwood Loans | 3 574 |
| Contracted forestry, professional, technical and other services | 5 585 |
| Depreciation on property, plant and equipment | 5 636 |
| Hire of plant and equipment | 4 575 |
| Provision for employee entitlements | 4 221 |
| Superannuation contributions | 3 116 |
| Motor vehicle expenses | 2 993 |
| Occupancy costs | 2 809 |
| Materials | 1 991 |
| Forest maintenance expenses | 1 710 |
| Workers' compensation insurance | 1 061 |
| Travel expenses | 1 045 |
| Computer operating expenses | 844 |
| Postage, printing and stationery | 424 |
| Auditor's remuneration | 90 |
| Doubtful debts expense | 16 |
| Bad debts written off | 2 |
| Other operating expenses | 1 947 |
| Total operating expenses | 75 667 |

4. Income Tax

| | \$'000 |
|------------------------------------------------------------------------------------------|----------------|
| Operating profit | 9 346 |
| The prima facie income tax expense (calculated at 36% of operating profit) | 3 365 |
| Tax effect of permanent differences which increase/(decrease) income tax expense: | |
| Acquired timber felled - Queensland Income Tax Equivalents Ruling 95/4 | (10 056) |
| Research and development concession | (587) |
| Entertainment - non-deductible | 3 |
| Diesel fuel rebate | 26 |
| Prepayments | 21 |
| Total income tax benefit | (7 228) |
| | \$'000 |
| Net income tax benefit | (6 934) |
| Deferred income tax liability | 66 |
| Future income tax benefit | (360) |
| Total income tax benefit | (7 228) |

Accounting depreciation rates were used for the purpose of income tax calculation. This treatment is an administrative arrangement for the 1995-96 financial year. In future years depreciation will be calculated using taxation depreciation rates in accordance with the *Income Tax Assessment Act 1936* and the Queensland Income Tax Equivalents Regime.

A future income tax benefit has not been brought to account as an asset of DPI Forestry as realisation of the benefit cannot be regarded as being assured beyond any reasonable doubt.

The future income tax benefit will only be obtained if:

- a) DPI Forestry derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- b) DPI Forestry continues to comply with the conditions for deductibility imposed by the law; and
- c) no changes in tax legislation adversely affect DPI Forestry in realising the benefit from the deductions for the loss.

5. Cash

| | \$'000 |
|----------------------------|---------------|
| Cash on hand | 29 |
| Cash at bank | 37 |
| Cash other - Forestry Fund | 16 575 |
| Travel advances | 3 |
| Total cash | 16 644 |

6. Deposits Held in Trust

| | \$'000 |
|-----------------------|------------|
| Security deposits | 789 |
| Tender deposits | 43 |
| Other deposits | 1 |
| Total deposits | 833 |

7. Receivables

| | \$'000 |
|-------------------------------------|---------------|
| Current | |
| Trade debtors | 9 357 |
| Less - Provision for doubtful debts | (16) |
| | 9 341 |
| Freehold selection debtors (1) | 385 |
| Interest receivable | 124 |
| Other debtors | 105 |
| | 9 955 |
| Non-Current | |
| Freehold selection debtors (1) | 999 |
| Total receivables | 10 954 |

- (1) Freehold selection debtors arise where Crown Land under lease is converted to freehold. Debtors represent the value of unpaid installments due on the timber component of the property sold. These debtors are managed by the Department of Natural Resources. Doubtful debts have not been provided for as at 30 June 1996.

8. Inventories

| | \$'000 |
|---------------------------------------|--------------|
| Finished goods: | |
| Seeds and seedlings | 1 214 |
| Harvested timber on hand | 67 |
| | 1 281 |
| Raw materials and stores: | |
| Fertilisers, chemicals and herbicides | 491 |
| Saleable publications | 259 |
| Fuel | 92 |
| Miscellaneous | 255 |
| | 1 097 |
| Total inventories | 2 378 |

At 1 July 1995, seedling inventory was determined on the basis of Net Realisable Value (NRV). At 30 June 1996, seedling inventory was valued at cost. As a result of the change in the basis of valuation, seedling inventory and operating profit have been reduced by \$0.337 million.

9. Property, Plant and Equipment

| | \$'000 |
|--------------------------------------------|---------------|
| Land | |
| At cost | 3 200 |
| Land improvements and buildings | |
| At cost | 475 |
| At valuation | 27 513 |
| Accumulated depreciation | (1 668) |
| | 26 320 |
| Access roads | |
| At cost | 232 |
| At valuation | 30 863 |
| Accumulated depreciation | (1 561) |
| | 29 534 |
| Plant and equipment | |
| At cost | 23 931 |
| At valuation | 3 239 |
| Accumulated depreciation | (12 136) |
| | 15 034 |
| Capital works in progress | |
| At cost | 726 |
| Property, plant and equipment | |
| At cost | 28 564 |
| At valuation | 61 615 |
| Accumulated depreciation | (15 365) |
| Total property, plant and equipment | 74 814 |

Valuation of Non-Current Assets

Land Improvements, Buildings and Access Roads were valued at deprival value as at 1 January 1995 in accordance with the Queensland Treasurer's Policy dated October 1994 entitled "Recording and Valuation of Non-Current Physical Assets in the Queensland Public Sector" by the following independent expert valuers:

Australian Valuation Office

J F McAuliffe, L.F.V.L.E. (Val. & Econ.) and C J Tuttle, Dip. Val., F.V.L.E. (Val. & Econ.)

Interim revaluation (by indexation) of Land Improvements, Buildings and Access Roads as at 30 June 1996 was carried out in accordance with the "Recording and Valuation of Non-Current Physical Assets in the Queensland Public Sector" policy by the responsible officers of DPI Forestry.

Market valuation of Plant and Equipment was performed internally between 1994 and 1996 (\$2.196 million), except for items relating to infrastructure assets which were valued at deprival value by the Australian Valuation Office as at 1 January 1995 (\$1.043 million).

10. Self Generating and Regenerating Assets

| Plantation Growing Timber | Notes | \$'000 |
|------------------------------|-------|------------------|
| Balance as at 1 July | | 946 493 |
| Net increment for the year | 14 | 87,097 |
| Balance as at 30 June | | 1 033 590 |

Log Storage Facility Valuation

An area of 4800 hectares of Beerburrum plantation was burnt by bushfire in September and November 1994. If left standing the timber would have very quickly deteriorated and become unusable. It was decided to attempt to recover as much timber as possible by immediately logging salvageable material, creating a stockpile, and maintaining moisture by constant spraying with water. The majority of expenditure was incurred in the 1994-95 year to establish a fenced storage area, place the logs and set up irrigation systems.

At 1 July 1995 the quality and hence marketability of the stored timber were not known with any certainty since wet storage had never been previously attempted in a subtropical environment. As a result of continuing uncertainty as to the market value of the stockpile, no value has been applied at 1 July 1995 and 30 June 1996.

11. Creditors

| | Notes | \$'000 |
|------------------------------------------------------------------------------|-------|--------------|
| Current | | |
| Trade creditors | | 874 |
| Amount owing to the Department of Primary Industries, Fisheries and Forestry | | |
| - Consolidated Fund | | 19 |
| Accrued interest | | |
| - Commonwealth Softwood Loans | | 1 077 |
| - Security deposits | | 21 |
| Accrued loan guarantee fee | | |
| - Commonwealth Softwood Loans | | 151 |
| - Queensland Treasury Corporation Loan | | 246 |
| Deposits held in trust | 6 | 833 |
| Tax payable | | |
| - Payroll | | 109 |
| - Sales | | 349 |
| Land purchase (1) | | 700 |
| Accrued expenses | | 418 |
| Prepaid royalties | | 391 |
| Miscellaneous | | 426 |
| | | 5 614 |
| Non-Current | | |
| Land purchase (1) | | 1 400 |
| Total creditors | | 7 014 |

- (1) During the 1995-96 year additional plantation land was acquired at a total cost of \$3.2 million. The acquisition involved a payment of \$1.1 million in 1995-96 with subsequent payments of \$0.7 million due in each of the next three financial years.

12. Borrowings

| | \$'000 |
|-----------------------------------------------------------------------------------------------|---------------|
| Current | |
| Commonwealth Softwood Loans (3(a)) | 1 366 |
| Queensland Treasury Corporation Loan (market value at 30 June being \$2.220 million)(2,3(b)) | 2 240 |
| | 3 606 |
| Non-current | |
| Commonwealth Softwood Loans (3(a)) | 29 008 |
| Queensland Treasury Corporation Loan (market value at 30 June being \$45.378 million)(2,3(b)) | 45 795 |
| | 74 803 |
| Total borrowings as at 30 June | 78 409 |

DPI Forestry's debt was restructured by the following transactions which have been taken into account in establishing the 1 July 1995 opening balances:

- (1) On 18 August 1995 Queensland Treasury Department wrote off the remaining State sourced Forestry loans, effective 1 July 1995, of \$31.143 million (comprising a principal amount of \$29.138 million and accrued interest, capitalised as at 1 July 1995, of \$2.005 million);

- (2) During 1995-96 DPI Forestry reached an agreement with the Queensland Treasury Department reducing DPI Forestry's QTC debt to \$50.188 million, with the remaining debt (\$98.358 million) being transferred to the Queensland Treasury Department effective 1 July 1995;
- (3) Borrowings established on 1 July 1995 were:
- (a) Commonwealth Softwood Loans (at book value)
\$30.010 million
- (b) Queensland Treasury Corporation Loan (at book value)
\$50.188 million.

13. Provisions

| | Notes | \$'000 |
|-------------------------|-------|---------------|
| Current | | |
| Provision for dividend | 16 | 8 978 |
| Employee entitlements | 13(a) | 4 710 |
| | | 13 688 |
| Non-current | | |
| Employee entitlements | 13(a) | 7 505 |
| Total provisions | | 21 193 |

13(a) Employee Entitlements

| | Notes | \$'000 |
|------------------------------------|-------|---------------|
| Current | | |
| Annual leave | | 3 162 |
| Long service leave | | 834 |
| Other - Salaries and Wages | | 644 |
| - Superannuation | | 70 |
| Total current | | 4 710 |
| Non-current | | |
| Long service leave | | 7 505 |
| Total non-current | | 7 505 |
| Total employee entitlements | | 12 215 |

14. Reserves

| | Notes | \$'000 |
|---------------------------------------------|-------|---------------|
| Balance as at 1 July | | - |
| Land improvements and buildings revaluation | | 77 |
| Plantation growing timber revaluation | 10 | 87 097 |
| Balance as at 30 June | | 87 174 |

15. Contingent Liabilities

DPI Forestry was self-insured for workers' compensation prior to 1 July 1995. Nine matters relating to this period of self-insurance remain unresolved. Claims made by employees for injuries sustained on or after 1 July 1995 in the course of carrying out their employment duties are fully covered by insurance through the Workers' Compensation Board of Queensland.

There are four third party matters currently outstanding to which DPI Forestry is a party.

The above cases were filed in the courts prior to the end of the financial year:

| | |
|---------------------------|---|
| Supreme Court | 6 |
| District Court | 6 |
| Other Jurisdictions | 1 |

The above matters are being managed according to commercial considerations and will be resolved through the courts, by discontinuance of the action, or by settlement.

It is not expected that any outstanding claims will materially impact on DPI Forestry's financial position.

16. Dividend

\$8.978 million dividend provided for comprises 100% of the 1995-96 operating profit after income tax reduced by \$0.368 million being Q-Fleet dividend compensation. The dividend is payable to the Queensland Government.

17. Events Subsequent to Balance Date

Under the terms of DPI Forestry's debt restructuring an amount of \$10 million has been converted from equity to debt. The conversion came into effect on 1 July 1996. The agreement with the Queensland Treasury Department allows for a further conversion from equity to debt held by DPI Forestry of an amount of \$10 million on 1 July 1997. The debt will be repaid to the Queensland Treasury Corporation on a commercial basis.

18. Commitments for Capital Expenditure

Commitments for capital expenditure - plant and equipment payable within 1 year: \$0.182 million.

19. Reconciliation of Net Cash provided by Operating Activities to Operating Profit after Income Tax

| | \$'000 |
|--------------------------------------------------|---------------|
| Operating profit after income tax | 9 346 |
| Depreciation | 5 636 |
| Diminution in value of assets | 47 |
| Non-Current assets written off | 152 |
| Provision for doubtful debts | 16 |
| Bad debts written off | 2 |
| Profit on disposal of non-current assets | (374) |
| Capitalised interest | 1 448 |
| Increase in employee entitlements | 1 193 |
| Increase in inventories | (53) |
| Decrease in receivables | 651 |
| Increase in creditors | 1 722 |
| Net cash provided by operating activities | 19 786 |

Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and deposits at call which are readily convertible to cash and which are used in the day-to-day cash management function of DPI Forestry. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as detailed in Note 5.

20. Financing Facilities

Standby arrangements to provide funds and support facilities

| | \$'000 |
|-------------------------------|--------------|
| Credit facility | 3 000 |
| Amount utilised | - |
| Unused credit facility | 3 000 |

The credit facility is arranged with the Queensland Treasury Department with the general terms and conditions being set and agreed upon from time to time. The provider of this credit facility is Queensland Treasury Corporation.

Certificate of DPI Forestry

We have prepared the foregoing annual financial statements pursuant to section 40 of the *Financial Administration and Audit Act 1977* and other prescribed requirements and certify that -

In our opinion:

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the foregoing annual financial statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards and other prescribed requirements, of the transactions of DPI Forestry for the financial year ended 30 June 1996 and of the financial position as at the end of that year.

R E NIEPER
Director-General

G J BACON
Acting Executive Director (Forestry)

5 November 1996

Audit Certificate

Scope

I have audited the financial statements of DPI Forestry for the year ended 30 June 1996 comprising the Profit and Loss Statement, Balance Sheet, Statement of Cash Flows, Notes to and forming part of the financial statements and certificates given by the Accountable Officer and person responsible for financial administration as required by the *Financial Administration and Audit Act 1977*.

The Accountable Officer is responsible for the preparation and the form of presentation of the financial statements and the information they contain. I have audited the financial statements in order to express an opinion on them.

The audit has been conducted in accordance with QAO Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures adopted have included the examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with prescribed accounting standards and other prescribed requirements so as to present a view which is consistent with my understanding of the entity's financial position and the results of its operations.

The audit opinion expressed in this certificate has been formed on the above basis.

Audit Opinion

In accordance with the provisions of the *Financial Administration and Audit Act 1977*, I certify that I have received all the information and explanations I have required in respect of the financial statements of DPI Forestry and, in my opinion-

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards and other prescribed requirements of the transactions of DPI Forestry for the financial year ended 30 June 1996 and of the financial position as at the end of that year.

.....
B M ROLLASON

Auditor-General



STATISTICAL APPENDICES

Statistical Appendix 1

DPI Forestry Plantation Timber Removals 1995-96 (cubic metres)

| Product/District | Atherton | Beerburum | Dalby | Imbil | Ingham | Maryborough* | Monto | Rockhampton | Roma | Yarraman | Total 95-96 | Total 94-95 |
|-----------------------------|---------------|----------------|---------------|----------------|--------------|----------------|---------------|--------------|----------|---------------|------------------|------------------|
| Milling Timber | | | | | | | | | | | | |
| Native Pine | 20 803 | - | - | 173 072 | - | 6 171 | 23 847 | 160 | - | 71 595 | 295 648 | 366 551 |
| Exotic Pine | 3 113 | 322 548 | 20 440 | 612 | 4 020 | 315 553 | 56 | 1 424 | - | 18 926 | 686 692 | 708 662 |
| Non-Conifers | 93 | 745 | - | 307 | - | 2 771 | - | - | - | 99 | 4 015 | 3 609 |
| Total Milling Timber | 24 009 | 323 293 | 20 440 | 173 991 | 4 020 | 324 495 | 23 903 | 1 584 | - | 90 620 | 986 355 | 1 078 822 |
| Pulpwood | | | | | | | | | | | | |
| | - | 46 876 | - | - | - | 266 782 | - | - | - | - | 313 658 | 253 598 |
| Miscellaneous | | | | | | | | | | | | |
| Plantation roundwood | - | 15 324 | - | - | - | 47 166 | - | - | - | - | 62 490 | 78 956 |
| Plantation poles | - | 8 908 | - | - | - | 4 | - | - | - | - | 8 912 | 9 993 |
| TOTAL | 24 009 | 394 401 | 20 440 | 173 991 | 4 020 | 638 447 | 23 903 | 1 584 | - | 90 620 | 1 371 415 | 1 421 369 |

* Amalgamation of the former Maryborough and Gympie Districts

Statistical Appendix 2

DPI Forestry Native Forest Timber Removals 1995-96 (cubic metres)

| Product/District | Atherton | Beerburrrum | Dalby | Imbil | Ingham | Maryborough* | Monto | Rockhampton | Roma | Yarraman | Total 95-96 | Total 94-95 |
|-----------------------------------|---------------|---------------|---------------|---------------|--------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
| Milling Timber | | | | | | | | | | | | |
| Hardwoods | 7 535 | 29 487 | 18 476 | 25 250 | 16 | 17 777 | 29 912 | 41 588 | 6 883 | 9 341 | 186 265 | 219 492 |
| Cypress | - | - | 40 071 | - | - | - | 1 175 | 3 118 | 76 343 | - | 120 707 | 145 363 |
| Other Pine | - | - | - | 435 | - | - | - | - | - | - | 435 | 1 760 |
| Total Milling Timber | 7 535 | 29 487 | 58 547 | 25 685 | 16 | 17 777 | 31 087 | 44 706 | 83 226 | 9 341 | 307 407 | 366 615 |
| Pulpwood*** | - | - | - | - | - | - | - | - | - | 2 722 | 2 722 | 2 493** |
| Miscellaneous | | | | | | | | | | | | |
| Railway sleepers & like timber | 1 117 | - | 5 966 | - | 2 023 | - | 1 070 | 539 | 61 | - | 10 776 | 20 047 |
| Landscaping and fencing timber | 2 091 | 251 | 1 862 | 2 361 | 207 | 5 105 | 2 603 | 802 | 183 | 590 | 16 055 | 9 875 |
| Mining timber | - | - | - | - | - | 3 | - | 5 385 | - | - | 5 388 | 3 535 |
| Girders, corbels, piles and sills | 6 496 | 912 | 573 | 1 963 | 604 | 3 779 | 813 | 3 036 | - | 396 | 18 572 | 28 149 |
| Hardwood poles | - | 754 | 152 | 205 | - | 2 854 | 296 | 176 | - | 190 | 4 627 | 7 698 |
| Other hardwood round timber | 3 224 | 626 | 5 013 | 376 | 1 020 | 5 350 | 312 | 25 177 | 227 | 1 140 | 42 465 | 44 771 |
| Sandalwood | 659 | - | - | - | - | - | - | - | - | - | 659 | 766 |
| TOTAL | 21 122 | 32 030 | 72 113 | 30 590 | 3 870 | 34 868 | 36 181 | 79 821 | 83 697 | 14 379 | 408 671 | 483 949 |

* Amalgamation of the former Maryborough and Gympie Districts

** Revised figure

*** Pulpwood obtained from forest harvesting residue and silvicultural thinnings

Statistical Appendix 3

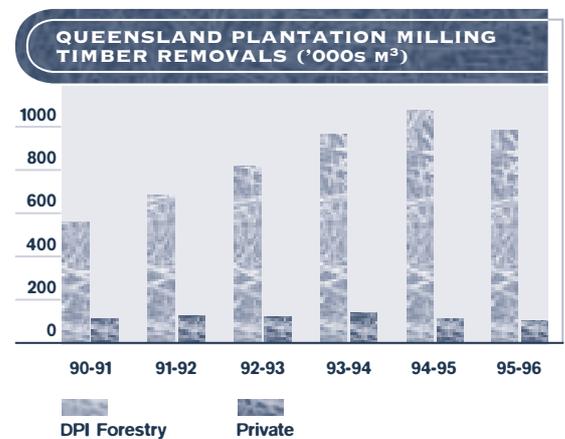
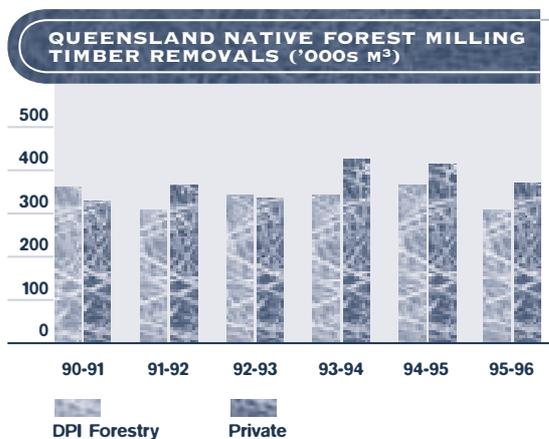
Queensland Milling Timber Removals from Private Forests (cubic metres)

| Product/District | Atherton | Beechburum | Dalby | Imbil | Ingham | Maryborough* | Monto | Rockhampton | Roma | Yarraman | Total 95-96 | Total 94-95 |
|-------------------------------|---------------|---------------|---------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|-------------|
| Private Native Forests | | | | | | | | | | | | |
| Hardwoods and Scrubwoods | 23 312 | 74 050 | 18 008 | 4 872 | 24 329 | 45 871 | 55 358 | 29 224 | 1 607 | 30 031 | 306 662 | 339 225 |
| Cypress | 2 | 5 | 28 644 | - | 477 | - | 1 740 | 194 | 26 157 | 3 | 57 222 | 62 363 |
| Other Pine | 24 | 4 945 | 90 | - | 340 | 3 310 | 5 222 | 32 | - | 668 | 14 631 | 14 409 |
| Total 95-96 | 23 338 | 79 000 | 46 742 | 4 872 | 25 146 | 49 181 | 62 320 | 29 450 | 27 764 | 30 702 | 378 515 | |
| Totals 94-95** | 13 189 | 101 334 | 57 615 | 3 032 | 29 241 | 49 945 | 70 451 | 32 413 | 26 641 | 32 136 | | 415 997 |
| Private Plantations | | | | | | | | | | | | |
| Native Pine | 361 | - | - | 600 | 70 | - | 5 | - | - | 577 | 1 613 | 3 010 |
| Exotic Pine | 14 | 82 982 | 9 589 | - | 31 | 4 472 | 13 | - | - | 6 262 | 103 363 | 105 192 |
| Broadleaf | - | 52 | - | - | - | - | - | - | - | - | 52 | 1 819 |
| Total 95-96 | 375 | 83 034 | 9 589 | 600 | 101 | 4 472 | 18 | - | - | 6 839 | 105 028 | |
| Totals 94-95** | 424 | 88 286 | 11 246 | 289 | 522 | 799 | 863 | 323 | - | 7 269 | | 110 021 |

Note: This Appendix shows removals from privately-owned forests by other forest growers. See Appendices 1 and 2 for DPI Forestry's removals statistics.

* Amalgamation of the former Maryborough and Gympie Districts

** Revised figure



Statistical Appendix 4

DPI Forestry Quarry Materials and Minor Forest Products Removals 1995-96

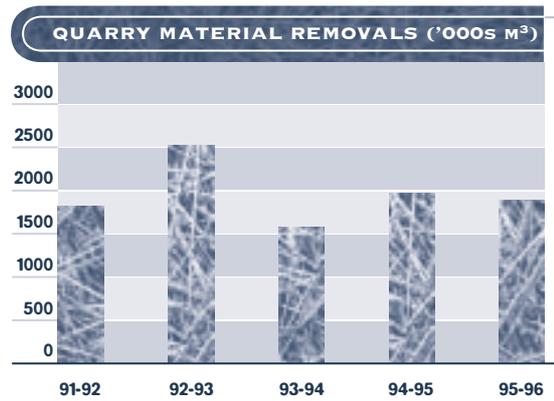
| Product/District | Atherton | Beerburrum | Dalby | Imbil | Ingham | Maryborough* | Monro | Rockhampton | Roma | Yarraman | Total 95-96 | Total 94-95** |
|------------------------------------|----------|------------|--------|-------|---------|--------------|-------|-------------|-------|----------|-------------|---------------|
| Quarry Materials (cubic metres)*** | 317 106 | 831 565 | 20 510 | 510 | 204 701 | 39 490 | 7 568 | 456 435 | 7 845 | 2 059 | 1 887 789 | 1 981 625 |
| Minor Forest Products (\$)**** | 28 852 | 80 639 | 3 722 | 3 967 | 5 217 | 17 185 | 393 | 27 380 | 37 | 2 703 | 170 095 | 133 473 |

* Amalgamation of the former Maryborough and Gympie Districts

** Revised figure

*** Includes sand, gravel, fill, hard rock and like material

**** Includes seed, wildflowers and foliage, epiphytes, small trees, miscellaneous wood



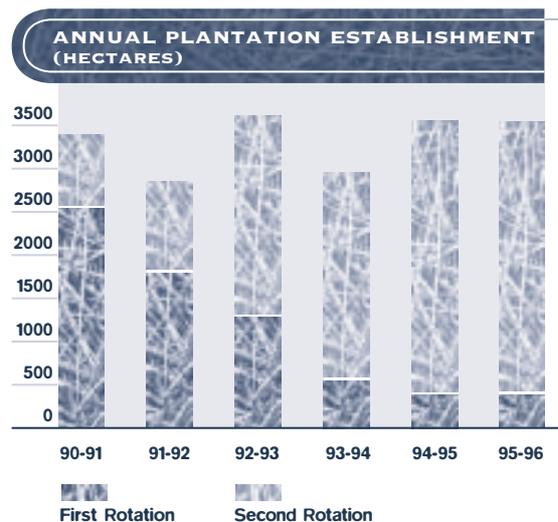
Statistical Appendix 5

DPI Forestry Area of Plantation Established 1 July 1995 to 30 June 1996 (hectares)

| Type/District | Atherton | Beechburrum | Dalby | Imbil | Ingham | Maryborough* | Monto | Rockhampton | Roma | Yarraman | Total 95-96 | Total 94-95 |
|--------------------|-----------|--------------|-----------|------------|------------|--------------|-----------|-------------|----------|------------|--------------|--------------|
| Native Pine | | | | | | | | | | | | |
| First Rotation | - | - | - | - | - | - | - | - | - | 15 | 15 | - |
| Second Rotation | 19 | - | - | 290 | - | - | 38 | - | - | 212 | 559 | 601 |
| Total | 19 | - | - | 290 | - | - | 38 | - | - | 227 | 574 | 601 |
| Exotic Pine | | | | | | | | | | | | |
| First Rotation | - | - | - | - | 202 | 96 | - | 100 | - | - | 398 | 375 |
| Second Rotation | - | 1 245 | 72 | - | - | 1 178 | - | 29 | - | 2 | 2 526 | 2 593 |
| Total | - | 1 245 | 72 | - | 202 | 1 274 | - | 129 | - | 2 | 2 924 | 2 968 |
| Hardwoods | | | | | | | | | | | | |
| | - | - | - | - | - | 33 | - | - | - | - | 33 | 27 |
| Total 95-96 | 19 | 1 245 | 72 | 290 | 202 | 1 307 | 38 | 129 | - | 229 | 3 531 | |
| Total 94-95 | 4 | 845 | - | 287 | 255 | 1 792 | 23 | 101 | - | 289 | | 3 596 |

Note: Plantation established during the year comprises new planted areas (first rotation) and replanting (second rotation) of harvested plantation areas.

* Amalgamation of the former Maryborough and Gympie Districts



Statistical Appendix 6

DPI Forestry Area of Plantation at 30 June 1996 (hectares)

| Type/District | Atherton | Beerburrrum | Dalby | Imbil | Ingham | Maryborough* | Monto | Rockhampton | Roma | Yarraman | Total 95-96 | Total 94-95 |
|--------------------------|--------------|---------------|--------------|---------------|---------------|---------------|--------------|--------------|----------|---------------|----------------|----------------|
| Native Pine | | | | | | | | | | | | |
| Hoop Pine | 1 027 | 1 605 | 8 | 21 128 | 4 | 910 | 4 078 | 267 | - | 15 875 | 44 902 | 44 933 |
| Other Native Pine | 106 | 9 | - | 299 | 1 | 24 | 5 | 3 | - | 113 | 560 | 571 |
| Total Native Pine | 1 133 | 1 614 | 8 | 21 427 | 5 | 934 | 4 083 | 270 | - | 15 988 | 45 462 | 45 504 |
| Exotic Pine | | | | | | | | | | | | |
| Slash Pine | 2 | 7 250 | 210 | 12 | 2 | 44 297 | 13 | 692 | - | 417 | 52 895 | 54 330 |
| Caribbean Pine | 2 262 | 2 993 | - | 102 | 9 931 | 32 466 | 3 | 6 439 | - | 398 | 54 594 | 54 556 |
| Pinus Hybrids | - | 4 381 | 1 | - | 53 | 12 495 | - | 236 | - | - | 17 166 | 14 622 |
| Other Exotic Pine | 39 | 405 | 2 152 | 284 | 96 | 164 | 9 | 57 | - | 1 474 | 4 680 | 4 679 |
| Total Exotic Pine | 2 303 | 15 029 | 2 363 | 398 | 10 082 | 89 422 | 25 | 7 424 | - | 2 289 | 129 335 | 128 187 |
| Hardwoods** | | | | | | | | | | | | |
| | 190 | 229 | - | 116 | 15 | 754 | 1 | 2 | - | 52 | 1 359 | 1 378 |
| Miscellaneous*** | | | | | | | | | | | | |
| | 7 | 24 | 2 | 11 | 29 | 99 | - | 6 | - | 30 | 208 | 220 |
| Total 95-96 | 3 633 | 16 896 | 2 373 | 21 952 | 10 131 | 91 209 | 4 109 | 7 702 | - | 18 359 | 176 364 | |
| Totals 94-95**** | 3 633 | 16 422 | 2 313 | 21 979 | 10 014 | 90 897 | 4 112 | 7 575 | - | 18 344 | | 175 289 |

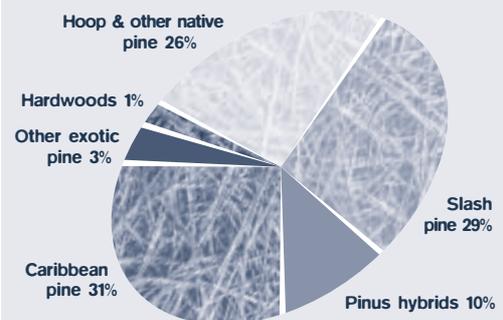
* Amalgamation of the former Maryborough and Gympie Districts

** Mostly eucalypt and native rainforest species

*** Mostly small research plantings

**** Revised to include hardwoods and miscellaneous species

COMPOSITION OF THE CROWN PLANTATION ESTATE



Statistical Appendix 7

State Forest and Timber Reserves Reservation Figures for the Year Ended 30 June 1996

| State Forests | No. of Reservations | Area (ha) |
|--------------------------------------------------------------------------|---------------------|------------------|
| Figures as at 1 July 1995 | 491 | 3 840 719 |
| Crown land declared State Forest | 1 | 717 |
| Crown land declared State Forest and added to existing State Forest | | 5 379 |
| Timber Reserves declared State Forest | 1 | 121 |
| Timber Reserves declared State Forest and added to existing State Forest | | 4 935 |
| State Forests revoked | | |
| State Forests partially revoked | | |
| Areas excluded for road and railway purposes | | -46 |
| Recomputation of boundary | | -1 007 |
| Amalgamation of existing State Forests | -1 | |
| Total | 492 | 3 850 818 |

| Timber Reserves | No. of Reservations | Area (ha) |
|--------------------------------------------------------------------------|---------------------|----------------|
| Figures as at 1 July 1995 | 55 | 468 615 |
| Timber Reserves declared State Forest | -1 | -121 |
| Crown land declared and added to existing Timber Reserves | | |
| Timber Reserves declared State Forest and added to existing State Forest | -3 | -4 935 |
| Timber Reserves revoked | -2 | -1 |
| Timber Reserves partially revoked | | -3 906 |
| Areas excluded for road and railway purposes | | -17 |
| Recomputation of boundary | | -1 |
| Total | 49 | 459 634 |

Note: Totals include 397 659 ha of State Forests and 99 496 ha of Timber Reserves within the Wet Tropics of Queensland World Heritage Area.

Statistical Appendix 8

DPI Forestry Operational Statistics 1995-96

| Operations | Total 95-96 | Total 94-95 |
|-------------------------------------------------------|--------------------|--------------------|
| Plantation Establishment/Re-establishment (ha) | | |
| Native Pine | 574 | 601 |
| Exotic Pine | 2 924 | 2 968 |
| Hardwoods | 33 | 27 |
| Plantation Weed Control (ha) | | |
| Native Pine | 13 363 | 8 476 |
| Exotic Pine | 15 837 | 14 964 |
| Fertilising (ha) | | |
| Established | 2 099 | 2 919 |
| Maintenance | 1 903 | 1 307 |
| Pruning(ha) | | |
| Low | 3 379 | 1 852 |
| High | 1 607 | 1 955 |
| Native Forest Treated (ha) | | |
| Eucalypt | | 488 |
| Cypress | 406 | 641 |
| Wildfires on State Forests (ha burnt) | | |
| Native Forest | 20 678 | 85 141 |
| Plantation | 166 | 5 115 |
| Prescribed Burning (ha) | | |
| Native Forest - Eucalypt | 47 890 | 80 327 |
| Native Forest - Cypress | 10 465 | 500 |
| Plantation - Exotic Pine | 2 712 | 20 212 |