



Forester Paula Ibell in the Beerburrum State Forest.

DPI Forestry yearbook 2002-03

A growing business



DPI Forestry
Queensland Government
Department of **Primary Industries**



our vision, mission, business goal, values

Our vision

DPI Forestry is a successful and innovative forestry business that the community and staff are proud to support.

Our mission

DPI Forestry will responsibly manage commercial forestry activities on behalf of the State of Queensland.

Our business goal

To maximise the market value of DPI Forestry assets within a sustainable development framework.

Our values

Responsiveness to business challenges and opportunities, and the needs of the forest industry and the wider community.

Recognition of the achievements and needs of our staff.

Professionalism in all our dealings.

Innovation through continuous business improvement.

Reliability in delivering agreed outcomes.



DPI Forestry
Queensland Government

Department of **Primary Industries**



DPI Forestry yearbook 2002-03

Walkamin Nursery Overseer Jill Heilbronn with 20,000 three-week-old Araucaria (hoop pine) seedlings for planting in DPI Forestry's north Queensland plantations.

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About this yearbook

This yearbook reports DPI Forestry's financial and non-financial performance for 2002-03 fulfilling accountability requirements set out in the organisation's performance contract for the year between the Treasurer of Queensland and the Minister for Primary Industries and Rural Communities.

The yearbook also provides other stakeholders (such as customers, the wider community and staff) with a comprehensive account of DPI Forestry's key activities and performance during the year, augmenting financial and non-financial information set out in the Department of Primary Industries Annual Report 2002-03.

Acknowledgements

DPI Forestry Corporate Affairs coordinated the writing, designing, printing, and the distributing of the *DPI Forestry Yearbook 2002-03*.

Layout and design: John Bottesini.

Photography: Cameron Coward, Russ Boadle, Ross McIntyre, Kieran Lewis, Ian Williams and John Ludlow.

Our thanks

Our thanks to the many DPI Forestry staff who contributed to this yearbook, particularly regional staff for their assistance with photography and text.

Copies

Hard copies of this yearbook can be obtained by telephoning DPI Forestry Corporate Affairs on (07) 3225 2617.

www.dpi.qld.gov.au/forestry



General forest worker Michael Lepp in the Beerburrum State Forest.

DPI Forestry 2002-03 key achievements

More jobs for Queenslanders

- Increased supplies of timber and other forest products to regionally based processors achieving record commercial results with:

Sales and receipts of \$105.5 million (3.2 per cent higher than the previous year) and plantation and native forest timber removals of 2.26 million cubic metres up (7.1 per cent on the previous year).

A \$34.9 million trading surplus, 13 per cent higher than the previous year.

A \$14.8 million dividend payable to the Queensland Government, 35 per cent higher than the previous year.

A \$285.3 million profit from ordinary activities after income tax equivalents, 158 per cent higher than the previous year.

A 26.3 per cent return on assets.

- Under the South East Queensland Forests Agreement (SEQFA) Hardwood Plantation Program:

Created 15 full-time forestry positions and 66 full-time equivalent contract forestry positions in south-east Queensland.

Supported significant growth in Queensland's forestry contractor and seedling production industries.

The Smart State

- DPI Forestry's Clonal Forestry Program recognised by independent consultants as a "well-run, world class forestry R&D and operational enterprise".
- Under the SEQFA Hardwood Plantation Program:
 - Developed hardwood technologies, including sophisticated herbicide-spraying tools and planting and fertilising machines.
 - Developed innovative hardwood management practices such as plant polymer coatings that increased operational efficiencies and overcame drought difficulties

Building Queensland's regions

- Finalised a four-year program under the South East Queensland Forests Agreement to establish 5,000 hectares of hardwood plantations in south east Queensland.
- Established and re-established 5064 hectares of softwood plantation.
- Purchased 4157 hectares of privately owned land for exotic pine and hardwood plantation expansion.
- Obtained government approval to invest \$30.1 million by 2009 on a *Future Directions Strategy* for hardwood plantations and forest management services.
- Secured a major short-term sale of exotic pine from Ingham and Cardwell plantations.
- Continued work to secure a long-term local processor for north Queensland's 14,000 hectares of exotic pine plantations.



Dalby Forester Jodie Millsom with cypress sawlogs at Roma.

DPI Forestry's key achievements for the year helped deliver the Queensland Government's priority initiatives for the State.

Valuing the environment

- Achieved re-certification of DPI Forestry's Environmental Management System (EMS) to international environment standard AS/NZS ISO 14001:1996.
- Assisted the Environmental Protection Agency (EPA) implement a native forest Code of Practice.
- Implemented environmental awareness training for staff through a new Enterprise Bargaining Agreement and coordinated environmental training for contract forest workers.
- Under the SEQFA Hardwood Plantation Program:
Integrated forest plantations into cropping systems to enhance regional water quality and reduce salinity.
Sequestered 10,000 tonnes of carbon dioxide since the program started, increasing to more than 20,000 tonnes per annum as DPI Forestry's hardwood plantations mature.

Safer and more supportive communities

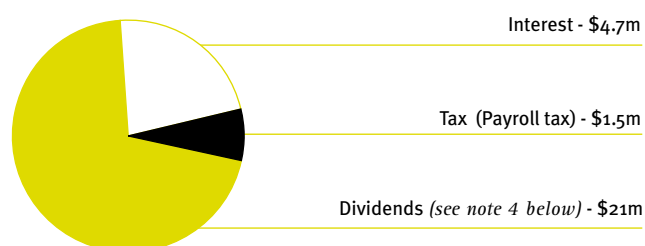
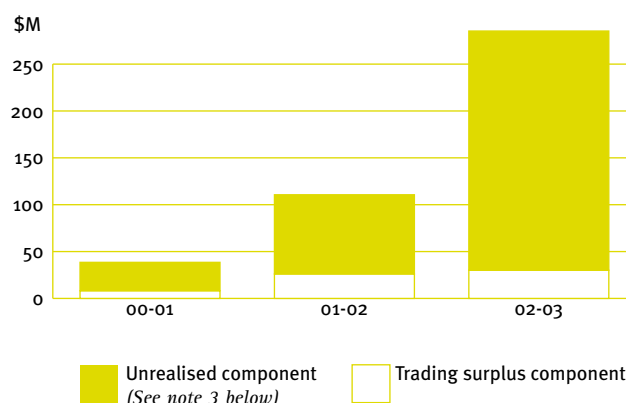
- Accredited forest harvesting operators and DPI Forestry harvesting supervisors to National Competency Units FPIC 1009A ("Act in an environmentally responsible manner") and FPI OHS 1A ("Follow occupational health and safety policies and procedures").
- Commenced a three-year Well-Being at Work project with staff to foster healthy work lifestyles.
- Under the SEQFA Hardwood Plantation Program:
Developed chemical applicators and fertilising machines that minimise chemical use and eliminate overspraying.

Community engagement and a better quality of life

- Implemented a new *Community Engagement Strategy*, fostering wider community input to forest management planning.
- Under the SEQFA Hardwood Plantation Program:
Collaborated with more than 70 landowners through joint-venture and land-rental agreements to grow hardwood plantations.

DPI Forestry - Returns paid to State

Total - \$27.2m

**DPI Forestry - Profit from ordinary activities**

Performance summary

	1998-99	1999-00	2000-01	2001-02	2002-03
Sales and receipts	\$83.4M	\$94.2M	\$81.3M	\$102.5M	\$105.5M
Trading surplus ¹	\$15.9M	\$24.3M	\$12.9M	\$30.8M	\$34.9M
Revenue from ordinary activities ²	n/a	n/a	\$111.4M	\$186.7M	\$360.7M
Profit from ordinary activities after income tax ³	n/a	n/a	\$38.5M	\$110.6M	\$285.3M
Return on assets	6.5%	5.2%	3.4%	11.4%	26.3%
Dividend payable ⁴	\$4.6M	\$10M	\$3.8M	\$11M	\$14.8M
Percentage of debt to equity	7.8%	7.5%	8.6%	7.7%	6.1%
Interest on borrowings	\$6.1M	\$4.7M	\$4.7M	\$4.7M	\$4.7M
Current ratio	1.8	2	2.9	2.8	2.5
Softwood plantation establishment on State-owned land	4566 ha	3,088 ha	5381 ha	4257 ha	5064 ha
Hardwood plantation establishment ⁵		309 ha	1,051 ha	2,401 ha	1265 ha
Plantation timber sales	1.42M m ³	1.64M m ³	1.67M m ³	1.75M m ³	1.89M m ³
Native forest timber sales	0.38M m ³	0.35M m ³	0.34M m ³	0.36M m ³	0.37M m ³
Quarry material sales	2.0M m ³	2.0M m ³	2.2M m ³	2.3M m ³	2.9M m ³

1 Represents the operating surplus before interest, tax and the unrealised increment in the value of plantation assets.

2 Revenue includes the net increment in the net market value of plantation growing timber (largely unrealised) in accordance with Australian Accounting Standard (AAS) 35 "Self-Generating and Regenerating Assets" (adopted by DPI Forestry on 1 July 2000).

3 Calculated in accordance with AAS 35. The large unrealised component of the 2002-03 figure (\$255.2M - see Note 2) reflects the effects of lower market interest rates and increased timber market demand on the value of plantation assets under the 'net present value' asset valuation method.

4 Dividend payments to the Queensland Treasury during the year totalled \$21M, comprising the dividend payable for 2001-02 (\$11M) plus an additional \$10M reflecting DPI Forestry's strong financial position. The dividend declared for 2002-03 (\$14.8M) will be paid in 2003-04.

5 Plantings on public and private land under the South East Queensland Forests Agreement.



DPI Forestry Executive Director Ron Beck: “Commercial and operational performance for 2002-03 surpassed in many respects previous record levels set in 2001-02.”



I am proud to present DPI Forestry's yearbook for 2002-03 documenting the impressive achievements of staff across all areas of the organisation. As befits an organisation that pursues commercial returns within a sustainable development framework, these achievements generated a range of positive economic, social and environmental outcomes for the State consistent with the Government's "Priorities for Queensland".

Executive Director's message

A prime example was our completion of a key task allocated to DPI Forestry under the Queensland Government's South East Queensland Forests Agreement, namely, to establish 5000 hectares of hardwood plantation in the State's south-east over the four-year period commencing in 1999. This challenging task was completed on schedule, in the process gaining wide community support, demonstrating the viability of hardwood plantation establishment using native species and helping to secure future hardwood sawlog supplies for the region's timber industry when access to State-owned native forest resources ceases in 2025.

Indeed, the program was such a success that the Government committed a further \$30 million, sourced from DPI Forestry's commercial surpluses, for the organisation to plant a further 5000 hectares in the region over the next six years, as well as maintaining existing plantations and providing a range of commercial forest services to the tree growing sector.

DPI Forestry's ability to operate as an efficient commercial forest grower was also demonstrated during the year, with commercial and operational performance surpassing, in many respects, previous record levels set in 2001-02. As a result, DPI Forestry will return a \$14.8 million dividend to Queensland, by far the highest in its eight year history as a commercialised entity.

These achievements are the result of forestry operations across a wide range of product types, the principal ones being exotic pine, araucaria and hardwood plantations, native forest hardwood and cypress, quarries and forest services. To promote more strategic and accountable management across these seven key products, we started implementing a product focus to our business management during the year. Consequently, this year's yearbook has been modified to include performance reports at a product level.

In addition, we are working to progressively upgrade DPI Forestry's social and environmental reporting and, for the first time, our yearbook includes a separate (and expanded) environmental report.

I congratulate all DPI Forestry staff on their energy, dedication and innovation during the year in achieving results, detailed in this yearbook, which strongly support the continuing growth of DPI Forestry and the Queensland forest industry.

Ron Beck
Executive Director
DPI Forestry



Forest Overseer-in-training Troy Harland, right, with harvesting contractor Jason Callaghan in the Yuleba State Forest. This state forest, in DPI Forestry's South West Region, is a **premium source of cypress pine**.



DPI Forestry was established as a Queensland Department of Primary Industries (DPI) commercial business group on 1 July 1995. Its business goal is to maximise the market value of its assets within a sustainable development framework.

As Queensland's principal forest grower, DPI Forestry supplies 82 per cent of domestically produced log timber used each year by Queensland's regionally based timber industry. The industry includes sawmilling, re-sawn and dressed timber processing, timber preservative treatment, joinery and furniture production, paper and paperboard production and reconstituted board manufacturing.

DPI Forestry in profile

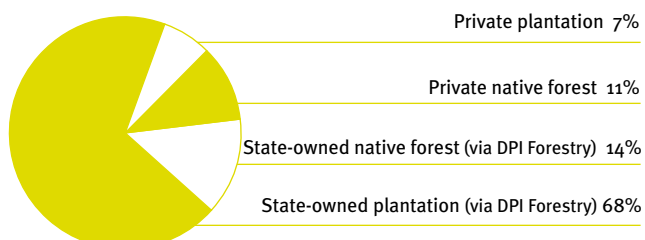
DPI Forestry's role

Queensland's forest and timber industry contributes more than \$500 million in value-adding to the State's economy each year and supports the equivalent of 10,000 full-time jobs. Many of these jobs are in regional areas where more than 80 per cent of DPI Forestry's 809 staff members (757 full-time equivalents) are also located. DPI Forestry helps strengthen the industry's international competitiveness by continuously improving its forest-growing efficiency and the quality of its products.

DPI Forestry's success as a commercial forest grower has returned almost \$150 million to the State (as dividends and other payments) since 1995. In its pivotal role with Queensland's forest and timber industry, DPI Forestry also delivers on Queensland Government priorities by supporting regional areas, generating employment, using skills and innovation to help build the "Smart State" and by valuing the environment.

Queensland Forest Production

State total - 2.75M m³



Core business

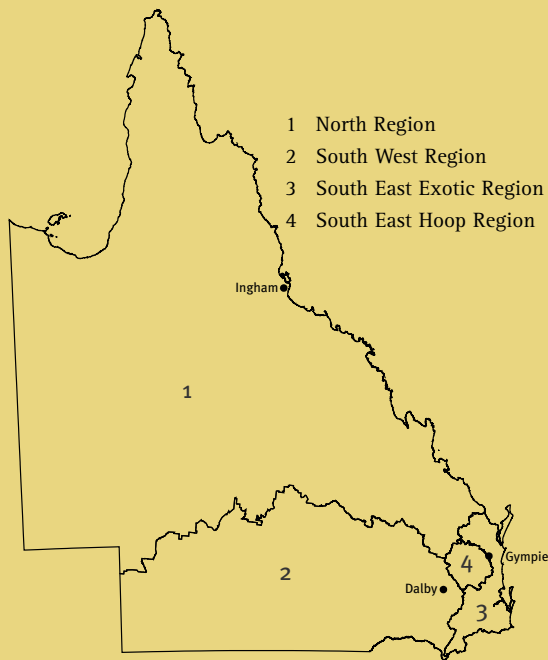
DPI Forestry's core business includes:

- managing forest production and associated timber marketing from Queensland's plantations and State-owned native forest areas designated for this purpose;
- managing and marketing State-owned quarry materials and managing grazing and bee-keeping on State-owned forests; and
- pursuing viable commercial joint-ventures and partnerships associated with producing and marketing forest products and quarry materials.

Within this framework, DPI Forestry manages forest production operations under seven key product areas - exotic pine, araucaria (hoop pine) and hardwood plantations, native forest hardwood and cypress, quarries and forest services.

Sustainable development

Forest production operations are carried out predominantly on 5 million hectares of State-owned land (including 191,000 hectares of plantation). DPI Forestry is committed to managing State-owned production forests, both plantations and designated native forest areas, as renewable resources for future generations. To this end, its forest management practices are subject to a quality-controlled EMS independently certified to environmental standard AS/NZS ISO 14001:1996. Re-certification to this standard occurred during 2002-03.



Following page: DPI Forestry's Senior Management Group, pictured at Miriam Vale, are from left:

- Alan Harvey (Operations General Manager),
- Geoff Kent (North Regional Manager),
- Erwin Epp (Executive Officer),
- Geoff Blake (Business Services General Manager),
- Ian Last (Forest Policy Manager),
- David West (Business Planning and Policy Manager),
- Stephen Walker (Marketing General Manager),
- Ron Beck (Executive Director),
- Brian McCormack (South East Hoop Regional Manager),
- Peter Locos (South East Exotic Regional Manager),
- Ian "Chick" Robb (Hardwood Program Manager),
- Peter Male (South West Regional Manager),
- Stuart Sanderson (Finance Director), and
- Ian Lynch (Operations Support Manager), with
- Andrew Dunn (Forest Manager, Rockhampton).

DPI Forestry's forest production is managed by its Operations Division - through a state-wide four-region structure - in close coordination with the organisation's Marketing Division, Business Services Division and Executive Services Unit.

Accountability and reporting

The Executive Director, DPI Forestry, is a member of DPI's senior executive team and is accountable through the Director-General to the Minister for Primary Industries and Rural Communities. In common with other departmental business groups, DPI Forestry's performance against the department's corporate plan and government outcomes and priorities is reported in the *Department of Primary Industries Annual Report 2002-03*.

As a commercialised agency, DPI Forestry's finances are managed separately from those of the rest of the department and, for the purposes of Goods and Services Tax administration, DPI Forestry is recognised as a separate business entity.

DPI Forestry's financial and non-financial targets for the year are set out in the organisation's Performance Contract between the Treasurer of Queensland and the Minister for Primary Industries and Rural Communities. This yearbook provides a comprehensive report of DPI Forestry's achievements against the 2002-03 Performance Contract.

Management structure

DPI Forestry's forest production is managed by its Operations Division - through a State-wide four-region structure - in close coordination with the organisation's Marketing Division, Business Services Division and Executive Services Unit.

Leadership of DPI Forestry's key product areas is assigned to various senior line managers who perform this role in conjunction with their normal operational management duties.

Management and governance accountabilities under this structure are supported through a number of strategic management committees including:

- *Executive Team* - meets monthly and focuses on governance, strategic leadership and performance management
- *Senior Management Group* - meets quarterly in various locations throughout the State for business planning and performance review in the context of emerging business issues and opportunities
- *Budget Committee* - meets monthly to oversee the preparation, monitoring and review of the organisation's finance plan
- *Risk Management Coordinating Committee* - meets quarterly to monitor and review risk management across the organization, and the
- *Information Steering Committee* - meets quarterly to oversee the strategic direction of DPI Forestry's information systems and technology.

As a DPI business group, DPI Forestry's operations are also monitored by governance committees advising the department's Director-General, including the Audit, Finance, Legislation, Workplace Health and Safety and Risk Management Coordinating Committees. The Executive Director, Forestry, is currently Chair of the department's Audit Committee.



Leadership of DPI Forestry's key product areas is assigned to various senior line managers who perform this role in conjunction with their normal operational management duties.

DPI Forestry's organisational structure

DPI Forestry	Executive Director	Ron Beck
Operations Division	General Manager	Alan Harvey
■ North Region	Regional Manager (and Product Leader Native Forest Hardwood)	Geoff Kent
■ South West Region	Regional Manager (and Product Leader Cypress and Quarries)	Peter Male
■ South East Exotic Region	Regional Manager (and Product Leader Exotic Plantations)	Peter Locos
■ South East Hoop Region	Regional Manager (and Product Leader Araucaria Plantations)	Brian McCormack
■ Hardwoods Program	Manager (and Product Leader Hardwood Plantations and Forest Services-Domestic)	Ian "Chick" Robb
■ Operations Support	Manager (and Product Leader Wollemi from 2003-04)	Ian Lynch
■ Forest Policy	Manager (and Product Leader Forest Services-International)	Ian Last
Marketing Division	General Manager	Stephen Walker
■ Marketing Development and Sales		
■ Resources		
■ Mapping and Geographic Information		
Business Services Division	General Manager (and Product Leader Strategic Support)	Geoff Blake
■ Finance		
■ Business Planning and Policy		
■ Information Management		
■ Human Resources		
Executive Services	Manager	Ralph Allan
■ Strategic Business		
■ Operational Review, Risk and Environmental Management		
■ Corporate Affairs		
■ Governance		



Landowner Beverley Taylor, left, discusses her 7-hectare joint-venture **Gympie messmate plantation** at Cooroy with Hardwood Plantation Project Officer Jade Thomson and Hardwood Plantations Program Manager Ian “Chick” Robb.



SEQFA program completed plus a new plan for future hardwoods

Successfully completing 5000 hectares of hardwood plantings under the South East Queensland Forests Agreement (SEQFA) and designing a visionary \$30 million six-year plan for planting 5000 more hectares of hardwoods by 2009 are two of DPI Forestry's most significant achievements for 2002-03.

The hardwood plantation success story

The new hardwood plan, a major initiative of DPI Forestry's *Future Directions Strategy*, was endorsed by DPI Forestry's shareholding Ministers, Queensland Treasurer Terry Mackenroth and Minister for Primary Industries and Rural Communities Henry Palaszczuk, in April 2003.

Approval for the *Future Directions Strategy* came as DPI Forestry planted the last of its 5 million SEQFA hardwood trees, funding for which ceased on 30 June 2003.

The SEQFA was signed in September 1999 by the Queensland Government, the State's timber industry and conservation representatives. It provided \$17.7 million for the planting of 5000 hectares of hardwood plantations in south-east Queensland to resource the regional timber industry's transition from Crown native forest-based to plantation-based hardwoods by 2025. The agreement also transferred more than 400,000 hectares of State forest, formerly used for timber production, to south-east Queensland's conservation estate.

A further \$8 million was provided for a "Hardwoods Queensland" research and development program, undertaken by the then Queensland Forestry Research Institute (now the Agency for Food and Fibre Sciences, Forestry Research), and focused on producing high-quality hardwood products grown in short-rotation plantations.

This program is providing a firm foundation for hardwood plantations in Queensland through improvement of genetic material for a large number of species, prescription of plantation establishment and management regimes to optimise product yields, quantification of pest and disease risks and development of associated management strategies as well as investigation of wood properties and processing technologies.

The SEQFA hardwood plantations were established on private and public lands throughout south-east Queensland, mainly in the Wide Bay and central and southern Burnett regions.

The major species deployed (with their respective percentage of the total 5026-hectare planted area) were

- Spotted gum (65 per cent),
- Gympie messmate (15 per cent),
- Dunn's white gum (7 per cent) and
- Western white gum (6 per cent).

Other species included Blackbutt and Chinchilla white gum. Key plantation aggregations were built in the Burnett region (with 2387 hectares of plantations) and in the Sunshine Coast region (with 1064 hectares).

The main aim of the SEQFA Hardwood Plantation Program was to provide plantation-based resource continuity for south-east Queensland's hardwood timber industry. The total 5026 hectares of eucalypt plantations will provide approximately 50,000 cubic metres of sawlog timber per annum by 2025, creating a sound base for the timber industry.

The hardwood plantation success story *(cont.)*

But the program also supported Queensland's regional areas in an immediate, tangible way, with more than \$3.6 million investment in regional Queensland by way of 14 freehold land purchases of nearly 2000 hectares. The remainder of the 5026 hectares comprised State forest and other Crown land as well as approximately 1800 hectares obtained through 58 joint venture and 20 land rental agreements, the latter providing a regular and assured income stream for rural landowners. Regional Queensland was also supported by the employment generated by the program.

It is estimated that some 10,000 tonnes of carbon dioxide have been sequestered since the Hardwood Plantation Program commenced, a figure that is expected to increase to more than 20,000 tonnes per annum as the plantations mature and new plantations start to grow.

This included 15 full-time positions and 66 full-time equivalent contract positions. Concurrent with this was significant growth in Queensland's forestry contractor and seedling production industries.

In many cases, the plantations ameliorate past unsustainable land practices that caused erosion and loss of organic matter and created subsoil "hard pans". But they also reduce greenhouse gases. It is estimated that some 10,000 tonnes of carbon dioxide have been sequestered since the Hardwood Plantation Program commenced, a figure that is expected to increase to more than 20,000 tonnes per annum as the plantations mature and new plantations start to grow. Integrating plantations into traditional cropping systems also has a positive effect on local water quality while reducing salinity, particularly in areas subject to waterlogging.


Research and development for the program has also produced a fertilising machine and environmentally safer herbicide applicators that allow a minimum amount of chemicals to be used with maximum efficiency, and eliminate overspray, particularly in windy conditions. As well, almost \$90,000 was invested in fire management during the program to protect lives and property, including constructing and maintaining firebreaks, undertaking controlled burns and other wildfire controls, and working in collaboration with landowners and Rural Fire Brigades to protect property.

DPI Forestry is committed to the ongoing maintenance of the SEQFA hardwood plantations and this is where the Government's *Future Directions Strategy* takes over from where the SEQFA left off.

Among other things, the strategy commits \$13 million from DPI Forestry's future earnings over the next six years for the management and maintenance of the current 5000-hectare hardwood plantation estate. But the strategy is also the blueprint for DPI Forestry to expand the hardwood sawlog plantation estate in south-east Queensland by an additional 5000 hectares over the next six years and provide a range of commercial forest services to the tree-growing sector.

The new hardwood plantations will continue to be planted in the Wide Bay and Burnett regions as they have good land availability, substantial public awareness, an existing resource scale that is well suited to hardwood plantation expansion, and will provide synergies and economies of scale with existing plantations. The plantations will be established mainly on private lands through land rental agreements. In 2003-04, 750 hectares will be planted, with the full additional 5000 hectares to be in the ground by 2008-09.

The success of the SEQFA Hardwood Plantation Program has created a platform of strong community awareness and superior plantation systems and strategies that will underpin future public and private sector expansion of the hardwood plantation industry in south-east Queensland.

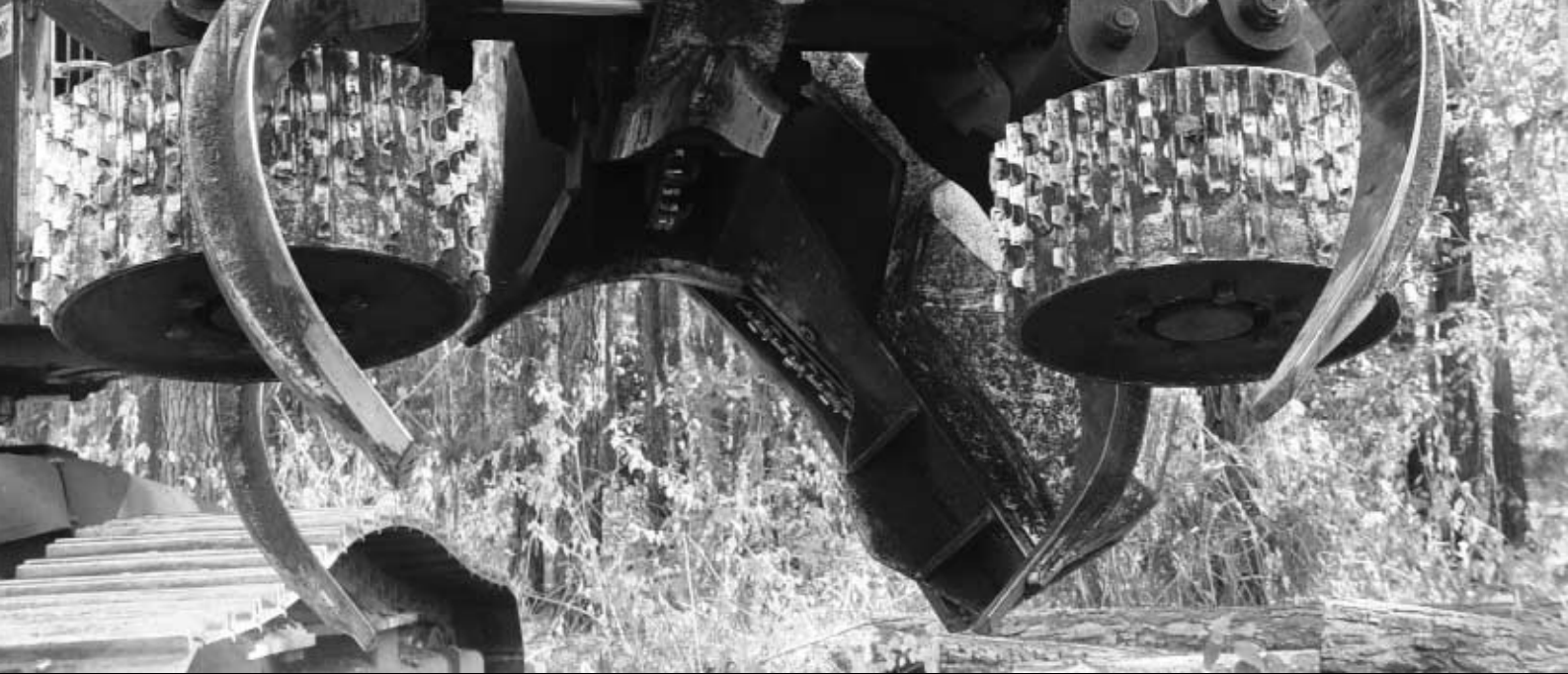


In addition to its successful implementation of the 5000 hectare Hardwood Plantation Program, DPI Forestry has made a series of major contributions in collaboration with other agencies to the SEQFA implementation process.

SEQFA implementation

These include:

- assisting with the progressive transfer of over 400,000 hectares of state forest land to conservation tenure under the control of the EPA;
- continuing road maintenance, fire protection and pest management on the conservation estate under fee-for-service arrangements;
- sourcing native forest timber supplies at previous levels from other State-owned resources;
- implementing 25-year sales permits with eligible hardwood sawmillers in the region together with revised market-based sawlog pricing arrangements;
- assisting a Steering Committee comprising government and timber industry members to review the market-based value of sawlog sourced from Crown native forests;
- developing a proposed competitive sale system in consultation with stakeholders for native forest non-sawlog timber to comply with certain requirements of the Trade Practices Act (still under consideration by the Government); and
- implementing a hardwood sawlog haulage assistance scheme to compensate several sawmills in south-east Queensland required to transport logs longer distances as a result of the SEQFA.



Ingham Forest Ranger in Charge Jeff Mundt, left, discusses **exotic pine harvesting** with contractor Greg Birch in the Cardwell State Forest.



DPI Forestry's goal as a DPI commercial business group is to "maximise the market value of its assets within a sustainable development framework". As such, it seeks to deliver strong commercial performance and dividend returns to the State while making a positive and sustainable contribution to economic, social and environmental outcomes for the people of Queensland in line with the State Government's "Priorities for Queensland".

DPI Forestry's business performance for 2002-03, together with future prospects, under relevant State Government priorities for Queensland, is presented below.

Business performance

More jobs for Queenslanders

The growth and competitiveness of Queensland's \$500 million forest and timber industry depends in large measure on the efficiency and effectiveness of DPI Forestry, the supplier of 82 per cent of the domestically grown log timber used each year by Queensland's timber processing industry.

Commercial performance

During the year, DPI Forestry continued to demonstrate its success as a commercial forest grower by delivering a record trading surplus (before interest, tax and plantation asset revaluation) of \$34.9 million, 13.1 per cent above the previous year. The profit from ordinary activities after income tax equivalents was \$285.3 million, 158 per cent higher than the previous year. This profit figure included a \$255.2 million unrealised increment in the value of plantation assets reflecting the impact of significantly reduced market interest rates and increased demand for timber on the value of these assets under the "net present value" asset valuation method. Return on assets for the year was 26.3 per cent.

DPI Forestry paid \$21 million in dividends to the State during the year, comprising the dividend payable for 2001-02 (\$11 million) plus an additional \$10 million reflecting the organisation's robust financial position. The dividend payable on 2002-03 trading results is a record \$14.8 million.

Forest industry growth

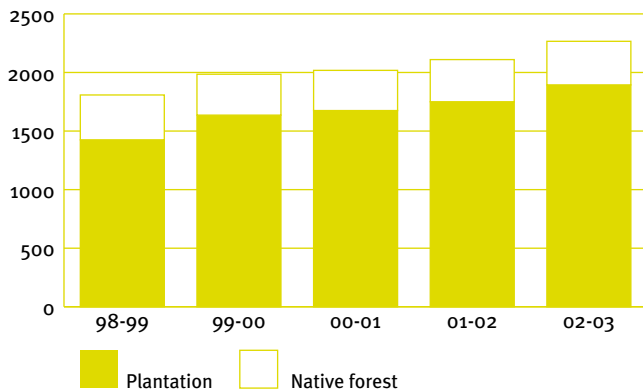
DPI Forestry's sales receipts reached an all-time high of \$105.5 million (3.2 per cent above the previous year) with sales of plantation timber, native forest timber and quarry materials all up significantly both in volume and dollar terms. Sales were buoyed by demand generated by a vibrant housing market and by higher sawlog removals. Although some easing of housing construction is forecast for 2003-04, DPI Forestry expects a further increase in timber sales during the coming financial year.

Of particular note is DPI Forestry's massive increase in exotic pine sawlog production over the past two years - up 360,000 cubic metres, or more than 57 per cent - which has provided an investment climate for the private sector that has contributed to major sawmill upgrades worth more than \$40 million at Maryborough and Caboolture.

This supply increase is due in large measure to the successful implementation of a revised exotic pine allocation policy for central and south-east Queensland approved by the State Government in 2000. A key feature of this policy is a "fibre substitution" process through which pulpwood purchasers can source more of their fibre requirements from sawmilling by-products and harvesting residues, rather than directly from the forest as plantation thinnings. This enables DPI Forestry to supply greater volumes of final-crop sawlog to other processors.

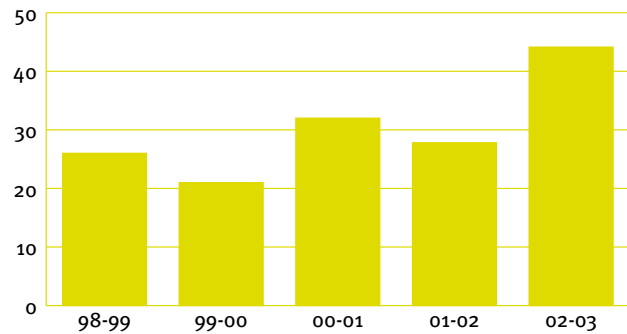
DPI Forestry - State-owned timber removals

(OOOs cubic metres)



Accident frequency

Accidents per million work hours



In a major achievement, DPI Forestry successfully completed the State Government's four-year 5000-hectare hardwood plantation program.

Forest industry growth (cont.)

Despite dry weather conditions in key plantation centres, DPI Forestry continued to provide for future timber supplies to Queensland's timber industry by establishing and re-establishing 6329 hectares of softwood and hardwood plantation, down only 4.9 per cent on the previous year's record level.

Building Queensland's regions

Hardwood and softwood plantation expansion throughout Queensland provides resource security for the State's regionally based timber industry, helping to support regional jobs and economies.

Hardwood plantation expansion in SEQ

In a major achievement during 2002-03, DPI Forestry successfully completed the State Government's four-year, 5000-hectare, South East Queensland Forests Agreement Hardwood Plantation Program (see The Hardwood Plantation Success Story section 06). These plantations, established under joint-venture and land-rental arrangements with other landholders and on State-owned land, will provide the core resource base facilitating transition by the region's timber industry from harvesting of State-owned native forest by 2025.

To further strengthen the future growth potential of the region's timber industry, DPI Forestry will invest \$30.1 million over six years (\$5.1 million in 2003-04) on a *Future Directions Strategy* for hardwood plantations and forest management services and investment.

With funding sourced from DPI Forestry's commercial surpluses, the *Future Directions Strategy* aims to expand the hardwood plantation estate on both private and State-owned land in south-east Queensland by a further 5000 hectares over six years (with 750 hectares to be planted in 2003-04).

Boost for north Queensland's forest industry

During the year, DPI Forestry sold 200,000 cubic metres of uncommitted sawlog from State-owned plantation resources in the Cardwell area to Pentarch Forest Products for export through Townsville to Asian markets. The sale is providing continued employment for many in the region whose livelihoods depend on the forest industry and will allow DPI Forestry to replant some 600 hectares of plantation forest with improved varieties of tropical pines.

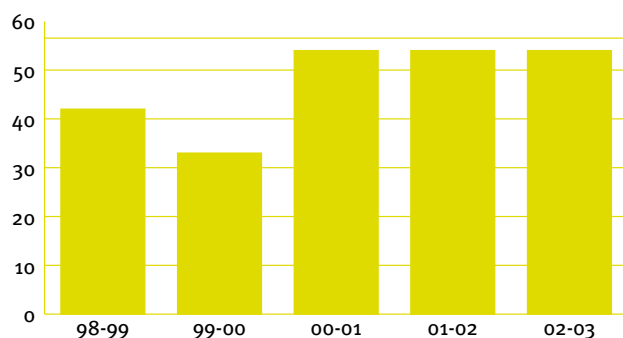
DPI Forestry also commenced a process to secure a long-term local processor for log timber sourced from the 14,000 hectares of State-owned plantation in the region.

Plantation expansion

To underpin growth of Queensland's timber industry, DPI Forestry continued its strategic plantation expansion program during the year, purchasing a further 4157 hectares of privately owned land for both exotic pine and hardwood plantations, including 3364 hectares to expand State-owned exotic pine plantation at Byfield, near Yeppoon, in central Queensland.

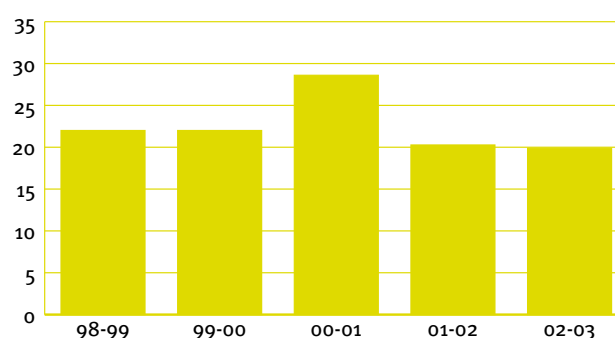
Lost time injuries

Number of injuries



Lost time duration

Average days lost due to injury



DPI Forestry's Clonal Forestry Program was recognised by independent consultants as being 'a well run, world-class R&D and operational enterprise'.

Skilling Queensland - the Smart State

Innovation through continuous business improvement and recognition of the needs and achievements of staff are two DPI Forestry's core values driving initiatives supporting the State Government's "Smart State" priority for Queensland.

Working smarter partnership

One such initiative was a "working smarter" partnership between DPI Forestry and its employees under the organisation's new three-year enterprise agreement ratified by the Queensland Industrial Relations Commission in January 2003. This partnership is based on employment security for permanent employees and includes commitments to enhancing employee skills and developing and implementing a continuous improvement program linked to DPI Forestry's business plan.

The skill enhancement initiative aims to ensure that training is competency-based, that employees are trained to competency levels commensurate with their duties and that employee competency is recognised through accreditation wherever possible.

The continuous improvement program builds on a similar program successfully implemented under the previous enterprise agreement and comprises the following five initiatives for implementation by employees:

- Increasing environmental awareness;
- Enhancing community engagement;
- Improving customer service;
- Tapping workforce creativity and adaptability; and
- Improving workplace health and safety outcomes

World class R&D

During the year, DPI Forestry's Clonal Forestry Program was recognised by independent consultants as being "a well-run, world-class forestry R&D and operational enterprise" which has "catalysed a breakthrough opportunity offered by pine hybrids". DPI Forestry already uses superior cloned hybrids between slash pine and Caribbean pine for its extensive annual planting program in south-east Queensland and on poorly drained sites in central Queensland. It is now collaborating with the Department of Primary Industries' Agency for Food and Fibre Sciences, the University of Queensland, Forest Research New Zealand and the Southern Cross University to secure and enhance the significant benefits for both DPI Forestry and its customers from this landmark tree improvement program.

Meanwhile, DPI Forestry collaborated in an inter-agency initiative to position the Agency for Food and Fibre Sciences Forestry Research at the core of an expanding Queensland-based forestry science community with a clear focus on delivering relevant and measurable outcomes for the State's forest and forest products industry. The results of this process are expected to be finalised and announced in 2003-04.



Hardwood plantations are of great benefit in sustainable land management, mitigating erosion, salinity and local water-quality issues while restoring the productivity of former farm and grazing land. This photograph provides a bird's-eye view of a DPI Forestry joint-venture hardwood plantation at Cooran.

Valuing the environment

DPI Forestry is an environmentally responsible manager of publicly owned forest resources and seeks to meet the longer-term needs of the community through sustainable forest management practices, recognising the balance required between environmental and developmental demands.

Re-certification of Environmental Management System

DPI Forestry's management practices are subject to a quality controlled EMS independently certified to the international standard AS/NZS ISO 14001:1996, demonstrating the organisation's environmental credentials and helping Queensland timber-processors to sell products into markets demanding timber sourced from sustainably managed forests. This certification expired during the year, and following a comprehensive independent audit process, the EMS was re-certified to AS/NZS ISO 14001 for a further three years.

Sustainable production

DPI Forestry is aligning its EMS with the Australian Forestry Standard and Forest Stewardship Council principles to meet international and national requirements for sustainable forest management.

As a key element in this process, DPI Forestry implemented its new *Community Engagement Strategy* during the year fostering wider community input to forest management planning. This strategy includes a new Adjoining Neighbour Policy reinforcing open communication channels and effective working relationships between DPI Forestry and its many neighbours throughout the State.

DPI Forestry is active in ensuring the environmental and safety awareness of forest workers. All forest harvesting operators and DPI Forestry harvesting supervisors engaged on DPI Forestry forest product sales are now accredited to National Competency Units FPIC 1009A ("Act in an environmentally responsible manner") and FPI OHS 1A ("Follow defined occupational health and safety policies and procedures").

DPI Forestry assisted the Environmental Protection Agency (EPA) to implement a Code of Practice for Native Forest Timber Production across all State forests and other Crown lands in Queensland from October 2002. The introduction of a State-wide Native Forest Code marks a major milestone in terms of Queensland's commitments under the National Forest Policy Statement, to deliver ecologically sustainable forest management outcomes in native forest resource use.



Information Management Unit Senior Project Officer Marcia Tommerup, centre, with her Australia Day Achievement Medallion. Supporting her at the presentation were, from left, Business Services General Manager Geoff Blake, DPI InfoResearch Library Technician Antonia Antoniou, Information Management Unit Resource Officer Veena Chotai and Executive Director Ron Beck.

Staff awards

Australia Day Achievement Medallion

Marcia Tommerup, a Senior Project Officer with DPI Forestry's Information Management Unit, received an Australia Day Achievement Medallion in 2003. Marcia was formerly DPI Forestry's Librarian-In-Charge (the library being integrated with the Department of Primary Industries InfoResearch branch in 2002) and was nominated for her many years' service at the forefront of library and information resource management. She received her medallion from Primary Industries and Rural Communities Minister Henry Palaszczuk on 5 February 2003.

Client Service Award

DPI Forestry's work with the Napranum aboriginal community on Cape York, to compile an inventory of native forest timber on Comalco and Alcan mining leases, won a Department of Primary Industries Client Service Award for the Atherton, Ingham and central office (Brisbane) DPI Forestry staff involved.

Field staff from DPI Forestry's North Region undertook the inventory from June 2002 while the project also presented an opportunity to train members of the Napranum aboriginal community in forest inventory techniques and include them in project fieldwork. The Department of State Development and the Napranum Business Enterprise, which operates a small sawmill at Napranum, near Weipa, are using data from the project to explore better uses for native timber resources from the mining leases.

Members of the DPI Forestry project team, included:

- Forest Ranger in Charge (Native Forests, Atherton) Greg Deambrogio;
- Forest Manager (Atherton) Andy Page;
- Senior Project Officer (Resource Information) Steve Grallelis,
- Forester (Ingham) Maria Van Der Geest, and
- Forest Ranger (Resource Inventory, Atherton) Peter Annable.

They received their award from Primary Industries and Rural Communities Minister Henry Palaszczuk on 22 November 2002.

Premier's Awards for Excellence in Public Sector Management

A joint nomination from DPI Forestry's Hardwood Plantation Program team and the Agency for Food and Fibre Sciences Hardwoods Queensland team received two Highly Commended awards at the Premier's Awards for Excellence in Public Sector Management on 27 November 2002. The awards were in the categories "Strengthening Rural and Regional Queensland" and "Sustainable Environment". The nominations highlighted both teams' outstanding achievements in delivering 5000 hectares of hardwood plantations and associated research and development under the South East Queensland Forests Agreement.



Hardwood Plantation Development Officer Neil Halpin, left, and Hardwood Plantation Overseer Fred Langford survey boundaries for a proposed **hardwood plantation joint-venture** at Proston near Kingaroy.



In a key step to strengthen its performance and accountability further, DPI Forestry has realigned its business planning and management processes from a divisional to a product focus.

Product performance

Seven key products have been identified:

- Exotic pine plantations;
- Araucaria plantations;
- Hardwood plantations;
- Native forest hardwoods;
- Cypress;
- Quarries; and
- Forest services (Management and Investment).

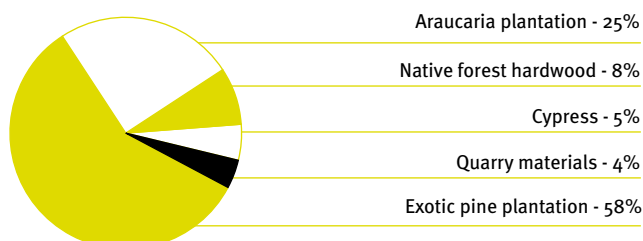
In addition, a Strategic Support product has been established to facilitate management of initiatives related to the workforce, assets, information and corporate governance. Product leaders have been assigned to all products to coordinate strategic product planning and performance management. This role is carried out in conjunction with the normal operational management duties of the product leaders, who include DPI Forestry's four regional managers.

DPI Forestry's current four-region structure aligns well with the main geographic locations of its principal products, helping to improve responsiveness to customers and operational efficiency.

DPI Forestry's Performance Contract with Queensland Treasury for 2002-03, and its business plan, specify strategies and targets at both corporate and product levels. DPI Forestry is working to progressively refine its product management processes, developing and implementing product-based costing, reporting and budgeting systems.

Sales contribution of key forest products

Forest product sales and receipts - \$96.8m





Exotic pine plantations

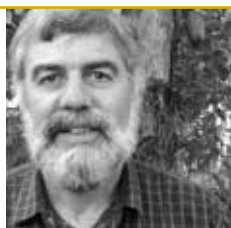
Caribbean pine sawlogs are loaded onboard ship at the Port of Townsville.



Product profile

DPI Forestry's exotic pine production occurs in four Queensland regions: south-east Queensland, at Beerburrum, Tuan, Toolara, Wongi and Elliott River; north Queensland at Cardwell, Ingham and Atherton; central Queensland at Byfield; and inland from the south-east coast, at Passchendaele, Gambubal, Pechey and Esk.

DPI Forestry's exotic pine plantations have a total area of 134,000 hectares - comprising Caribbean pine (40 per cent), hybrids of slash and Caribbean pine (30 per cent), slash pine (27 per cent) and other pines (3 per cent) - and account for 70 per cent of DPI Forestry's total plantation area. Most (84 per cent) of DPI Forestry's exotic pine plantations are located in south-east Queensland. This extensive resource supports a large, competitive and sophisticated softwood industry with a diversified cross-section of processing facilities that can use all the exotic softwood that DPI Forestry makes available.



Product leader - Peter Locos

“Exotic pine log timber sales boomed during the year, up 14.2 per cent to \$55 million, with removals of sawlog, pulpwood and round timber increasing to a record 1.45 million cubic metres”

Operational performance

Sales of exotic pine log timber boomed during the year with receipts up 14.2 per cent on the previous year to \$55.1 million while the volume of removals - comprising sawlog, pulpwood and round timber - increased to a record 1.45 million cubic metres.

This excellent result was due in part to the strong demand for timber products during the year associated with the continued strength of the domestic housing sector. In addition, DPI Forestry has dramatically increased sawlog supplies to the timber industry over the last two years through successful implementation of its Exotic Pine Allocation Policy for Central and South-East Queensland.

Since this policy was approved in 2000, DPI Forestry has offered a substantial volume of additional plantation timber to the market via a series of annual, competitive sales with a further 153,000 cubic metres allocated in 2002-03.

The next stage in the policy's implementation will involve a schedule of competitive sales of final crop exotic pine plantation timber over the coming five-year period.

The majority of this volume will be offered to the market as fixed, five-year term sales with supplementary shorter-term “spot” sales. The resource for these competitive sales will initially come from the Tuan-Toolara-Wongi and Elliott River supply zones.

Production costs for the year were significantly below budget due to effective expenditure control and lower-than-expected plantation establishment of 4422 hectares (5.4 per cent below target, although 19.3 per cent higher than 2001-02) following extended dry weather conditions in key plantation centres. The product's continuous improvement program, aimed at reducing plantation establishment and maintenance costs without compromising productivity or wood quality, also made strong progress during the year, particularly towards developing more cost-effective nursery, site preparation and weed control techniques. In addition, DPI Forestry continued to implement a program of trash retention where, instead of heaping and burning tree residues following harvesting, organic matter is retained on site to sustain soil productivity and increase production efficiency.

In light of below-average rainfalls and hot dry weather over recent years, DPI Forestry has been exploring innovative ways to mitigate fire risks in its exotic pine plantations. For example, recent trials using a herbicide box sprayer have shown that this technique can significantly reduce fuel load in plantations, holding promise of lower fire intensity.



Marketing General Manager Stephen Walker, left, Byfield Forest Ranger Roger Anderson and Rockhampton Forester Francene O'Connor inspect DPI Forestry's recent Byfield land purchases in central Queensland.

A major sale of exotic pine in north Queensland has brought a level of forestry activity not seen for many years, with approximately 20 jobs created to harvest, load, haul and measure logs.

Central Queensland plantation expansion

In a major step forward in its ongoing efforts to increase the size and productivity of the exotic pine plantation estate, DPI Forestry purchased 3364 hectares of private land near State-owned plantations at Byfield, near Yeppoon, in central Queensland. DPI Forestry is seeking to expand its exotic pine plantation estate in the region to 10,000 hectares with the aim of achieving a scale of resource production sufficient to make the region attractive for investment in a sustainable plantation-based wood-processing facility.

Major sale for north Queensland

Large-scale harvesting of exotic pine plantations near Cardwell commenced in May 2003 following extensive community consultation. More than 200,000 cubic metres of the Cardwell resource were sold to Pentarch Forest Products, an Australian company based in Melbourne, for export to Asian markets.

Harvesting of this resource, which will continue until December 2004, brings a level of forestry activity to the region not seen for many years with approximately 20 jobs created to harvest, load, haul and measure logs under this sale. Additionally, re-establishing the resulting 600 hectares of harvested plantations with improved varieties of tropical pines will provide continuing employment for 28 local DPI Forestry staff at Cardwell and Ingham.

Outlook for 2003-04

Some easing in housing approvals and demand for timber products is expected in 2003-04. However, DPI Forestry still expects that exotic pine sales volumes will be up slightly on the 2002-03 level. Weather conditions permitting, DPI Forestry plans a major boost to its annual plantation establishment and re-establishment program, with 5180 hectares of plantings expected, up 17 per cent on 2002-03.

DPI Forestry is seeking to attract a long-term local processor for log timber sourced from the 14,000 hectares of state-owned plantation in north Queensland. With assistance from its appointed advisors, URS Forestry, DPI Forestry will work to develop a shortlist of successful proponents to develop the processing facility with a view to selecting a preferred proponent in 2004.



Ingham Nursery workers
Cherrill Whittington, left,
and Christine Reiffel sterilise
F1 clonal hybrid pots.

Hybrid pine on track to deliver long-term benefits

The centrepiece of DPI Forestry's tree improvement program is the hybrid pine between slash pine and Caribbean pine that has been progressively developed by Queensland researchers over many years.

The hybrid combines complementary attributes of slash pine (excellent straightness, wind-firmness, tolerance to wet sites and dense timber) and Caribbean pine (fast growth, fine branching, drought tolerance and low within-tree-ring variation in wood properties). DPI Forestry already uses cloned hybrids for its annual planting program of almost 4000 hectares in south-east Queensland and on poorly drained sites in central Queensland.

Researchers from various organisations, including the Department of Primary Industries' Agency for Food and Fibre Sciences, the University of Queensland, Forest Research New Zealand and Southern Cross University are collaborating with DPI Forestry staff to ensure that the significant benefits for both DPI Forestry and its customers from the extensive tree improvement and deployment program are realised as quickly and cost effectively as possible.

During 2002-03, DPI Forestry commissioned an international consulting team to review the broad range of risks associated with managing its clonal forestry program. In their executive summary the consultants said:

The Queensland Clonal Forestry Program has impressed the consultants as being a well-run, world-class forestry R&D and operational enterprise. The quality of work done is, for the most part, at par with other equivalent programs in the world, and is sometimes vastly superior. A capable and highly experienced team of professional staff underpins the quality of the scientific, managerial and operational activities.

The investments made to date are relatively unique in so far that they catalysed a breakthrough opportunity offered by pine hybrids when other organisations were hesitant to become involved. DPI Forestry did not hesitate and proceeded to build the modern clonal forestry operation it has today.

Notwithstanding this, the consultants identified a range of potential hazards and risk scenarios relating to technical, operational, marketing, strategic planning and policy aspects of the program and provided a comprehensive report and list of recommendations that are being actively addressed as part of DPI Forestry's research, operational and organisational change programs.



Araucaria plantations

Araucaria plantations in the Imbil State Forest.



Product profile

DPI Forestry's 44,000-hectare araucaria resource represents, in the global context, one of the few examples of a native rainforest species grown in environmentally sustainable plantations.

These plantations, located primarily in the Mary and Brisbane valleys (around Imbil, Jimna, Gallangowan and Yarraman) in south-east Queensland, and in smaller plantations in central Queensland (around Kalpowar) and north Queensland (around Atherton), represent 23 per cent of DPI Forestry's total plantation estate.

Araucaria plantations support a diverse processing sector producing high-grade plywood and sawn wood products for domestic and export markets, sawn wood and residue material for domestic commodity products (such as pallets, door skins and particleboard) and export wood-chip.



Product leader – Brian McCormack

“Our improved performance over the past year reflected strong demand for araucaria products and increased thinnings sales that now exceed the high levels of the mid-1990s”

All araucaria plantations are pruned between ages five and seven years so that a maximum amount of clearwood (wood without knots) is available when mature trees are harvested. This ensures that the timber is suitable for production of high-quality ply, fine furnishings and internal and external joinery that require knot-free timber.

Operational performance

Increased sales of araucaria log timber were recorded during the year with receipts up 4.1 per cent on the previous year to \$23.9 million and the volume of removals up 14 per cent to 440,000 cubic metres. This improved performance reflected strong market demand for timber products and increased thinning sales as a result of DPI Forestry's concerted marketing efforts over recent years.

To provide for future timber supplies, 619 hectares of araucaria plantation were re-established during the year, 16 per cent higher than the previous year's figure.

Operational cost effectiveness was enhanced through continuous improvement initiatives and close liaison between field and research and development specialists. Harvesting productivity and safety have also been improved following significant investment in new mechanical harvesting systems by some harvesting contractors. “Single-grip processors’ and ‘forwarders” are now common on the araucaria estate.

In line with DPI Forestry's Community Engagement Strategy, field days and meetings were held during the year with a range of interested community and stakeholder groups helping to enhance awareness and mutual understanding between all parties.

Collaboration with the timber industry

DPI Forestry continued its support for the araucaria processing industry in 2002-03 through its ongoing commitment to the Araucaria Australia Group. Financial and in-kind contributions were made towards applied research to help processors make better use of the product. This included research into wood quality and drying techniques as well as research to enhance predictive techniques for plywood suitability.

DPI Forestry continued to work with the Department of State Development to assist the owners of the Yarraman Pine Sawmill that was rebuilt following a fire in January 2002, helping this business to recover from this fire and to build its capacity to meet the challenges of the new century.



Kalpowar Forest Ganger Michael Horwood, left, and general forest workers Lee Atkins, centre, and Adrian Enkelmann measure araucaria logs in the Bulburin State Forest. The logs were destined for the Austicks factory at Gladstone (see story next page).

Soil and water

DPI Forestry is an active supporter and industry partner in various research projects aimed at gaining an improved understanding of plantation management impacts on the environment, particularly soil and water processes, the foundations of sustainable management. Collaborating organisations include the Department of Primary Industries' Agency for Food and Fibre Sciences, Griffith University, the Co-operative Research Centre for Sustainable Production Forestry, the Australian Research Council and the Forest and Wood Products Research and Development Corporation.

Current research projects relevant to the araucaria estate include:

- plantation impacts on water quality and flow in a Mary Valley subcatchment;
- mechanised harvesting impacts on soil physical properties, water infiltration, nitrogen cycling and long-term plantation growth (sites in Mary Valley and at Yarraman);
- comparison of soil carbon pools in adjacent natural rainforest, first rotation and second rotation araucaria plantations (Yarraman); and
- soil microbial biomass during early plantation establishment: seasonal variation and impacts of site preparation (Yarraman).

Key findings of these and other projects are presented to DPI Forestry field staff, log purchasers and harvesting contractors during field days.

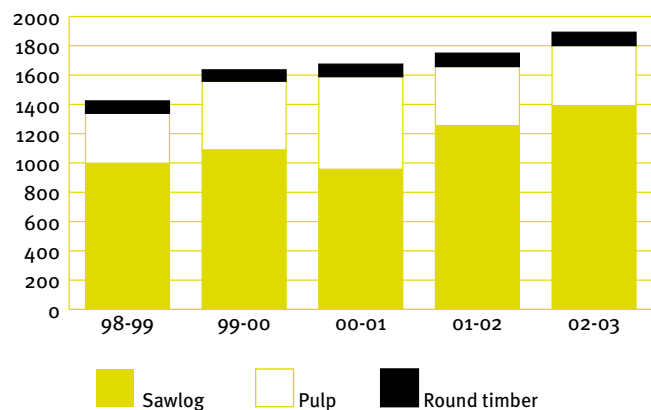
Outlook for 2003-04

Despite a projected easing in market demand for timber during 2003-04, DPI Forestry's araucaria timber sales are expected to remain steady at 2002-03 levels.

DPI Forestry will seek to introduce revised araucaria timber allocation arrangements during 2003-04 with a view to implementing new arrangements by 1 July 2004. This will allow new sale agreements to be established with a number of processing companies whose existing agreements are reaching the end of their terms.

DPI Forestry - Plantation timber removals

(000s cubic metres) Includes exotic pine and araucaria





North Regional Manager Geoff Kent, centre, inspects a veneer of araucaria that will be used to manufacture ice cream sticks at the Austicks factory in Gladstone.

With Geoff are, from left, Business Planning and Policy Manager David West, Business Support Manager Gary Dale, Operations Support Manager Ian Lynch, South West Regional Manager Peter Male and Executive Officer Erwin Epp.

Hi-tech ice cream sticks

Austicks owner Alan Alt admits he can be met with surprise when he tells people he makes ice cream sticks for a living. But anyone who thinks ice cream stick making is a run-of-the-mill venture needs only to visit Alan's Gladstone factory, co-owned with his brother, Dennis, to change their mind. There's nothing low-tech about it.

Using araucaria harvested from DPI Forestry's Kalpowar and Bulburin plantations near Monto, Austicks can turn out 1200 ice cream sticks a minute, adding to one billion sticks per year.

These sticks are high-tech. If you could hold 10,000 of them together you wouldn't see many microns difference in length, breadth or width between them. And they'll all be impossibly straight – not a warped one among them.

"Those that don't make the grade don't become ice cream sticks, they become coffee stirrers," Alan said. He said the ice cream manufacturing process was the reason for the high degree of precision needed with the sticks' specifications. Once a stick went into an ice cream it became the "handle" for the rest of the process, right up to placing the product in its wrapper. An out-of-specification ice cream stick causes enormous problems.

One of the most fascinating stages of the Austick production process is the computer-guided laser grading machines that check the sticks for dimensions, warpage, texture, splits and knots – at 20 sticks per second. Sticks that don't make the grade are ejected so quickly they seem to simply disappear.

But as Austicks is the only factory of its kind in Australia, with Alan and Dennis supplying the full domestic market (complemented by many international markets), almost every stage in the production process is handled by unique and highly specialised milling machinery.

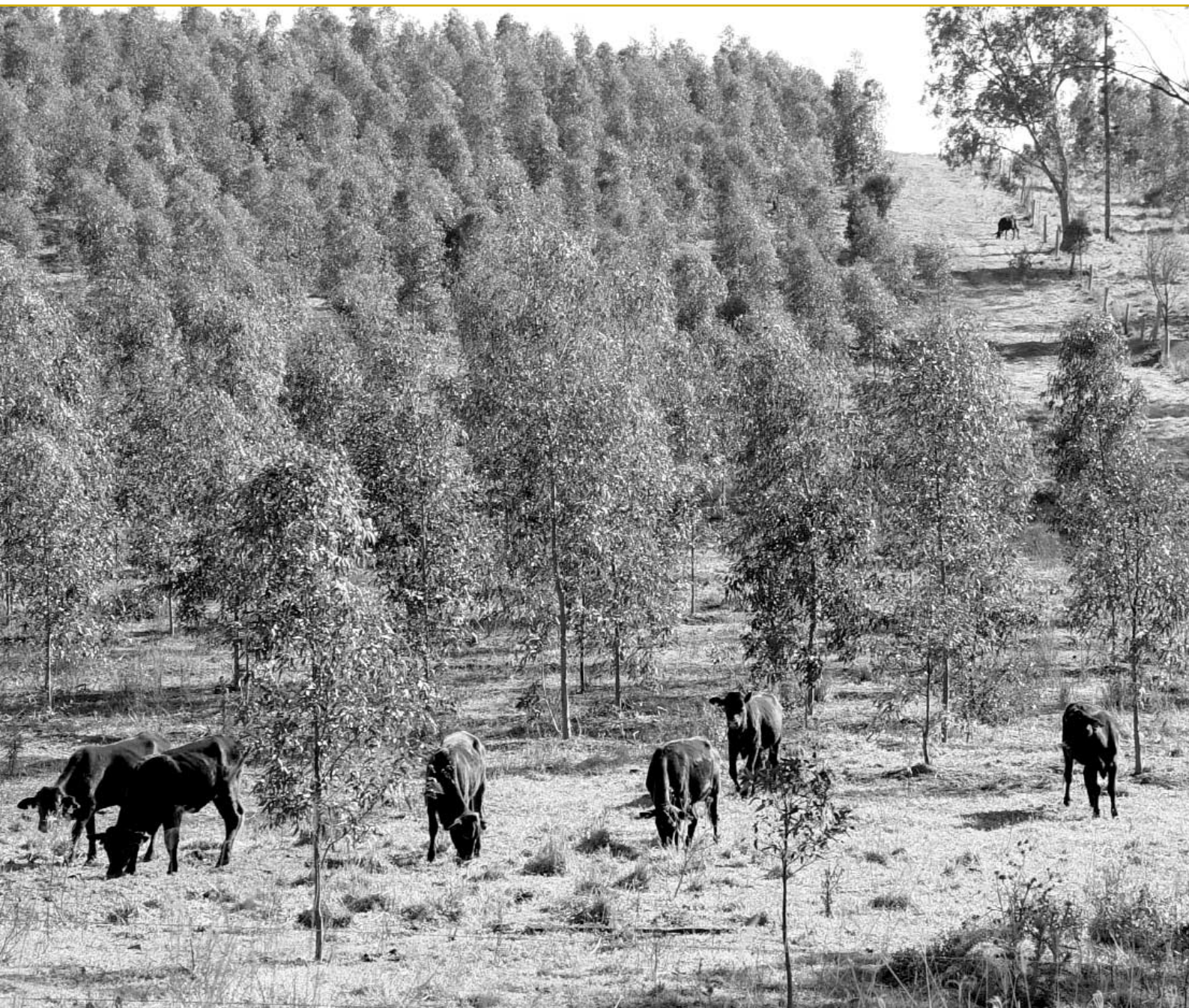
The timber resource is highly specialised as well. Only araucaria meets the strict food and hygiene regulations for use with food products, the timber being finely grained, even-textured, resin-free, tasteless and odourless. Austicks is DPI Forestry's principal customer for the Kalpowar and Bulburin araucaria plantation resource.





Hardwood plantations

Cattle graze in a spotted gum plantation at Coolabunya.



Product profile

DPI Forestry currently manages more than 6000 hectares of State-owned hardwood plantations on State forest, Crown freehold and rented private land (with ownership of trees secured by *profit a prendre* arrangements) and a further 1500 hectares of joint-venture plantations on private land.

Most of these plantations are in south-east Queensland, although there are small areas in north Queensland.

Major plantation aggregations occur in the South Burnett around Kingaroy and Wondai, on the Binjour plateau near Gayndah and Mundubbera and the coastal zone between Beerburrum and Gympie. In total, there are more than 150 plantation developments ranging in size from 10 to 800 hectares.



Product leader – Ian “Chick” Robb

“Our major achievement this year was the successful completion of the State Government’s four-year 5000-hectare South East Queensland Forests Agreement Hardwood Plantation Program”

The major hardwood species are Spotted gum and Gympie messmate, supplemented on appropriate sites by Dunn’s white gum and Western white gum. Just over 5000 hectares of these hardwood plantations were established over the past four years under the State Government’s South East Queensland Forests Agreement Hardwood Plantation Program. A further 500 hectares were planted under State Government joint-venture schemes implemented during the 1990s and the remainder are older DPI Forestry trial plantings.

Plantation expansion

DPI Forestry’s hardwood plantations, being generally in the early stage of growth, generate little revenue at the present time. Over the past few years, the main focus of hardwood plantation management has been developing a commercially viable, high-value, short-rotation hardwood plantation resource to underpin the long-term viability and growth of the south-east Queensland hardwood timber industry as it transitions from reliance on Crown native forest timber over the next two decades.

In a major achievement during 2002-03, DPI Forestry successfully completed the State Government’s four-year, 5000 hectare, South East Queensland Forests Agreement Hardwood Plantation Program (see feature article in section 06). DPI Forestry planted 1265 hectares of hardwood plantation during the year (for a four-year total of 5026 hectares) and maintained a further 4461 hectares (for a total four-year treated area of 8230 hectares).

DPI Forestry faced a number of significant challenges in achieving this result, particularly extended periods of drought that required additional expenditure on silvicultural strategies to maximise plant survival in sub-optimal moisture conditions. Over the four years of the program, DPI Forestry spent \$17.7 million allocated by the State Government to the program for establishment and maintenance plus an additional \$2.1 million during 2002-03 sourced from DPI Forestry’s retained earnings. This included \$3.61 million of the State Government’s SEQFA funding spent to purchase 13 land parcels, ultimately providing 1650 planted hectares to the program.

Shielded sprayers, such as this one operated by contractor John Carlaw, have been especially designed for DPI Forestry's hardwood plantations and are efficient and environmentally friendly.



DPI Forestry's Hardwood Plantation Program saw new technological advances developed to increase silvicultural efficiency.

New technology

A number of technological advances were developed and deployed under the Hardwood Plantation Program to help overcome challenges such as drought and windy conditions and to increase silvicultural efficiencies.

These included a herbicide application wand, shielded sprayers, a fertilising machine and a planting machine.

In addition, hardwood plantation staff, in conjunction with contractors, developed a planting system that involves ripping of the ground, burying fertiliser and planting trees directly into the rip line (without cultivation) thereby minimising soil disturbance and moisture loss, reducing weed germination and improving efficiency.

Community engagement

In implementing the Hardwood Plantation Program, DPI Forestry placed a high priority on effective engagement with local communities through field days, meetings with community groups, liaison with local authorities, media advertising and one-to-one contact with landowners.

These concerted efforts resulted in a high level of community acceptance and attracted 78 landholders to the program who provided 1800 hectares under 25-year land- rental agreements or through joint-venture arrangements.

Outlook for 2003-04

With the finalisation of the 5000-hectare SEQFA Hardwood Plantation Program in 2002-03, the Queensland Government announced a \$30.1 million commitment over six years to the continuing development of Queensland's hardwood plantations with funding sourced from DPI Forestry's future commercial surpluses.

This major commitment, known as the *Future Directions Strategy*, takes over from where the SEQFA left off.

It is the blueprint for DPI Forestry to expand the hardwood sawlog plantation estate in south-east Queensland by a further 5000 hectares over the next six years while maintaining existing plantations and implementing a Forest Management Services and Investment program that will apply DPI Forestry's extensive forest management expertise to forestry-related community and private sector tree-growing projects.

In the coming year, 750 hectares are to be planted on both Crown freehold and rented land, with the full 5000 hectares expected to be in the ground by 2008-09.



Beerburrum Forest Ranger Neil Gourley and Hardwood Plantation Development Officer Neil Halpin check the growth of a two-year-old Chinchilla white gum with Harrisville landholder Keith Dor.

Farm forestry lifestyle at Harrisville

Farm forestry has provided a better lifestyle for Harrisville landholders and retirees Keith and Marian Dor.

On the family's former 57-hectare dairy farm near Ipswich, Mr and Mrs Dor have diversified into growing native hardwood trees.

The Dor family's farm is now covered by a 48-hectare hardwood plantation, and also runs 22 head of beef cattle. Mr Dor said he had always been interested in growing trees and used to work for Greening Australia.

"While working for Greening Australia I realised the potential for growing native hardwood eucalypts. We see it as a long-term investment for us and the environment," he said.

Mr Dor said the family had supplied their land in a joint venture with DPI Forestry and DPI Forestry had "just about done the rest" to establish the plantation. DPI Forestry contoured the land before planting, and supplied the trees for the plantation. A contractor was employed for planting the trees and spraying for weeds.

Mrs Dor said they had planted spotted gum and western (Chinchilla) white gum on the farm's higher country.

"The farm's flatter country was a bit salty due to the overflow from a bore used to provide water for cattle.

In February last year we planted salt-tolerant hybrids of river red gum and rose gum, and Tasmanian blue gum, all of which have been growing exceptionally well," she said.

Mrs Dor said the family was responsible for the daily management of the plantation, including fertilising and pruning the trees.

Beerburrum-based DPI plantation development officer Neil Halpin said many south-east Queensland rural landholders were diversifying their land to grow plantation timber species.

"They are also aiming to manage their freehold native forest timber as long-term commercial ventures. Research data shows that grazing properties that strategically retain 10 to 15 per cent of trees for shade or shelter belts do not incur any loss in production," he said.

Mr Halpin said landholders were also benefiting from the trees' contribution to the environment. This included enhancing water quality, maintaining biodiversity and helping to alleviate land degradation by controlling erosion and salinity.



Native forest hardwoods

Native Forest Overseer Darren Rogers in the Beerburum State Forest where brush box, rose gum, grey gum and grey ironbark have been harvested for milling.



Product profile

Queensland has 56 million hectares of forest that the State Government, leaseholders and private landowners manage for various purposes including nature conservation, forest recreation, timber production and grazing. Of this forest area, DPI Forestry manages hardwood timber production on 3.5 million hectares of State-owned land in south-east, south-west, central and north Queensland. Less than 1 per cent of this area is selectively harvested each year to produce more than 220,000 cubic metres of native hardwood timber.

A large portion (83 per cent) of State-owned native forest removals is sawlog, mainly for use by the domestic building industry. Eucalypts, the dominant commercial species, provide timber with distinctive characteristics related to strength, durability and appearance. Sandalwood, a timber valued for its aromatic oil, is harvested for export to Asian markets.



Product leader – Geoff Kent

“Strong demand for native forest hardwoods during the year boosted sales, increasing by 10 per cent on the past year to total \$7.9 million”

Operational performance

The strong demand for timber during the year helped boost native forest hardwood timber sales, with receipts from sales increasing 10 per cent on 2001-02 to \$7.9 million. The total volume of removals (including sawlog and miscellaneous timbers) was more than 220,000 cubic metres (up 3.7 per cent on the previous year), with sawlog removals 10.6 per cent higher at almost 186,000 cubic metres. Demand for sandalwood also firmed. The majority of sandalwood harvested is now being powdered or cut into rings at Keys Trading’s upgraded processing facility at Richmond.

Native forest hardwood general value review

During 2002-03, a Steering Committee comprised of State Government and timber industry members conducted a review of the market-based value of sawlog sourced from Crown native forests. The review was conducted in accordance with State Government policy for pricing of Crown sawlogs and the requirement under 25-year sales permits, issued by DPI Forestry to sawmillers following the South East Queensland Forests Agreement (SEQFA), for a review of market prices at 1 January 2003.

The review resulted in an increase in native hardwood sawlog values by an average of 12.9 per cent over values in place at 1 July 2002, with the revised values applying statewide from 1 April 2003.

Statewide Forests Process

The Queensland Government is implementing a Statewide Forests Process (SFP) to examine forestry issues in Queensland’s State-owned native forests outside south-east Queensland. The SFP is managed by the Department of State Development with DPI Forestry and the EPA providing key inputs.

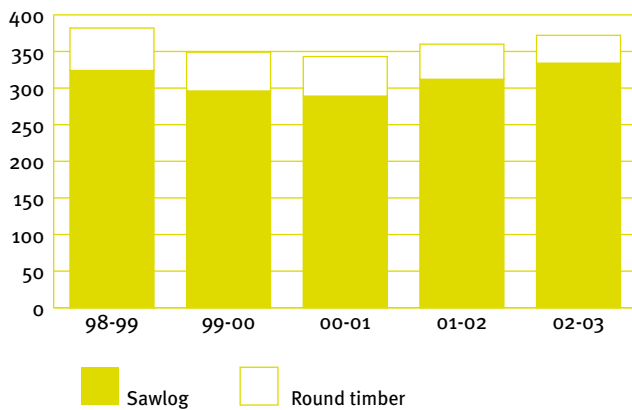
As was the case in developing the South East Queensland Forests Agreement, strong involvement of key stakeholders is expected to result in an SFP outcome that protects environmental values, provides certainty to the timber industry and ensures ecologically sustainable management of public forests.

Reflecting its responsibility for management of native forest timber sales, during 2002-03, DPI Forestry’s contribution to the SFP was directed towards the provision of timber inventory information and yield modelling services. DPI Forestry also managed timber supply arrangements throughout the review process.

During 2003-04, DPI Forestry will complete its comprehensive western hardwoods resource review as part of the SFP process. This project will provide detailed estimates of the available native hardwood sawlog resource in 11 hardwood allocation zones immediately outside the SEQFA region.

DPI Forestry - Native forest timber removals

(000s cubic metres) Includes native forest hardwood and cypress



Blackbutt, a key native forest species.

Hardwood Sawlog Haulage Assistance Scheme

The Queensland Government's Hardwood Sawlog Haulage Assistance Scheme is an initiative under the SEQFA to provide assistance to hardwood processors who incurred additional log haulage costs resulting from SEQFA implementation. DPI Forestry administers the scheme, continuing to provide payments to eligible processors during the year.

Future operation of the scheme is currently under review.

Competitive supply arrangements for non-sawlog timber

In December 2002, State Cabinet endorsed the need to move from an administered pricing system to a competitive sale system by January 2004 for native forest non-sawlog timber (poles, girders etc.) in support of an open and competitive market for these forest resources.

Letters of advice were sent to relevant DPI Forestry customers in late December 2002 advising that non-competitive supply arrangements would continue until December 2003 while the detailed structure of a competitive sale system was developed in consultation with the timber industry and the SEQFA Implementation Advisory Committee. By early 2004, it is proposed that DPI Forestry will have initiated competitive sale processes.



Outlook for 2003-04

Demand for native hardwood log timber should remain firm during 2003-04, although removal volumes are expected to decline slightly.

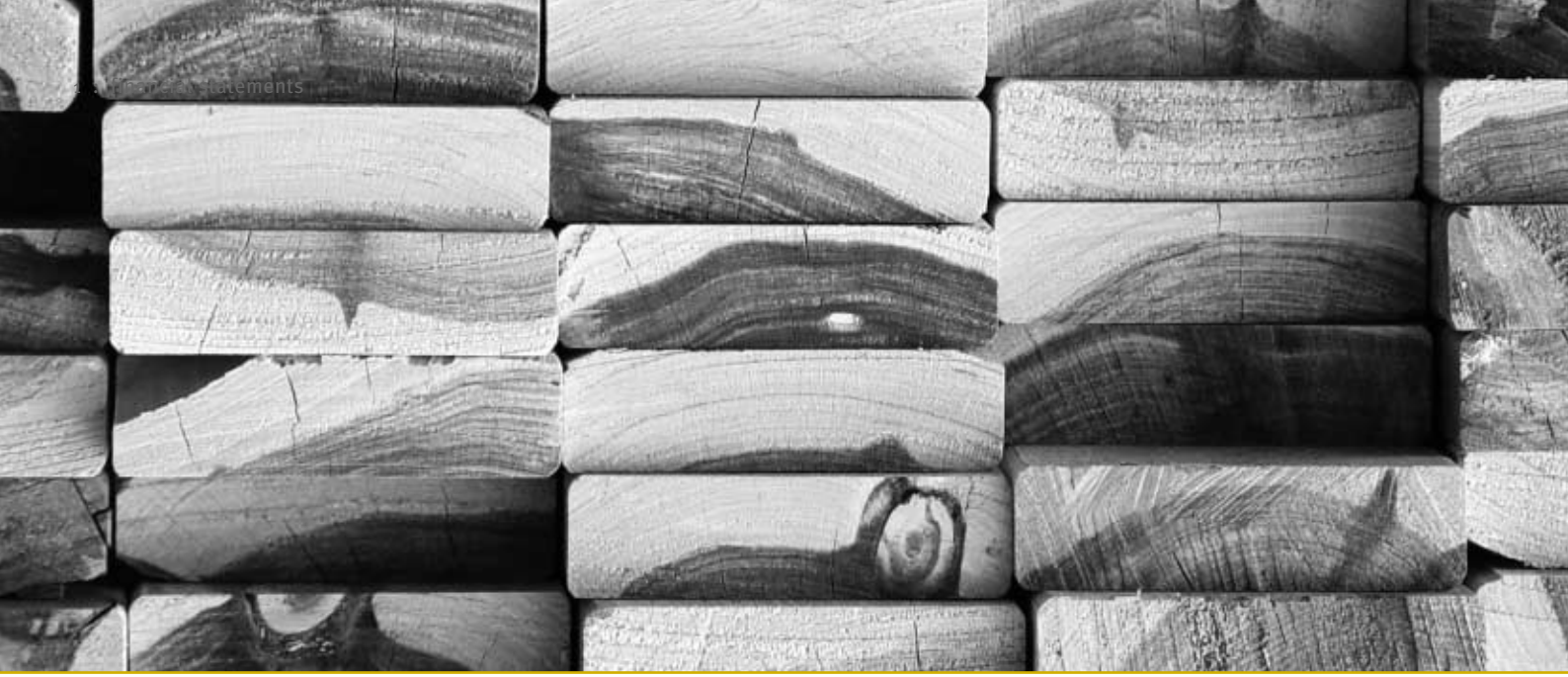
Among a range of ongoing initiatives, DPI Forestry will finalise a review of the indexation methodology used for native hardwood sawlog values in cooperation with the timber industry, and will implement a competitive sale system for non-sawlog timber.

Code of practice for native forest timber production

Starting in October 2002, the Environmental Protection Agency (EPA), with the support of DPI Forestry, began implementing a Code of Practice for Native Forest Timber Production across all State forests and other Crown lands in Queensland. As part of its custodial responsibilities for State-owned forests, the EPA sets the environmental management standards applying to commercial harvesting activities managed by DPI Forestry in Crown native forests.

Although codes of practice for timber production on major timber sales had already been adopted in Crown native forest areas in south-east Queensland and inland cypress areas, the new code developed by the EPA in consultation with the timber industry, conservation stakeholders and DPI Forestry applies to all Crown native forest timber production activities in the State and extends coverage to minor timber sales.

The introduction of a Statewide Native Forest Code marked a major milestone in terms of Queensland's commitments under the National Forest Policy Statement to deliver ecologically sustainable forest management outcomes in native forest resource use. The code also supports key Queensland Government priorities concerning the environment and places the timber industry in a stronger position by assisting it to demonstrate sustainability to markets and the community.



Cypress

Ray Collins, from Flemings Cypress Mill at Roma, discusses cypress pine issues with Dalby Forester Jodie Millsom.



Product profile

DPI Forestry manages cypress pine timber production from 1.5 million hectares of State-owned land in south-west Queensland. Less than 1 per cent of this area is selectively harvested each year to produce almost 150,000 cubic metres of cypress sawlog.

Cypress pine, a native conifer, occurs in natural stands on state forests, timber reserves and other Crown lands around Inglewood, Millmerran, Chinchilla, Yuleba, Roma, Injune, Mitchell and Tambo. It is traditionally used for flooring, scantling, cladding, decking and fence material in the domestic timber market. Export markets are expanding in Japan and the United States, however, and some Queensland mills now export up to 60 per cent of their cypress pine production.



Product leader – Peter Male

“A growing export market and a domestic building and renovation upturn meant the cypress pine market was very buoyant during the year”

Operational performance

The market for cypress pine was very buoyant during the year with removals of resource by the processing industry running at well over 90 per cent of allocation.

This strong demand is attributed to the growing export market and a continuing domestic building and renovation upturn. As a result, removals of State-owned cypress increased 3.2 per cent over the previous year to 148,000 cubic metres, helping to generate increased sales receipts of \$4.4 million, a 15.8 per cent increase on the previous year.

Fire management

DPI Forestry carries out aerial “prescribed” burning of cypress forests to reduce fuel layers on the forest floor and help avoid devastating wildfires that can occur in the summer months. Since DPI Forestry commenced aerial burning in 1998, some 285,000 hectares of State forest at Inglewood, Dunmore and Barakula have been treated.

During the year, DPI Forestry worked with forest researchers from DPI’s Agency for Food and Fibre Sciences to implement a wildfire trial seeking vital information on the effects of fire on cypress pine health and growth rates and the level of fuel reduction and accumulation over time. Preliminary results suggest prescribed burning has had little or no adverse effect on tree growth.

Nature conservation

During 2002-03, DPI Forestry continued working with the EPA to preserve the Bull Oak Jewel Butterfly, a rare and endangered butterfly species. This butterfly is found in small patches of bushland in some areas where DPI Forestry accesses cypress. (The butterfly uses a particular ant species to protect its larvae from predators and it is suggested that harvesting operations may impact on the ants.)

Working with the EPA’s Queensland Parks and Wildlife Service (QPWS), DPI Forestry identified mature butterfly habitat trees in a 240-hectare cypress zone adjoining the Bendidee National Park north-east of Goondiwindi. Trees in this zone were tagged, mapped and assigned protective buffers. Individual cypress pine trees in the zone selected for removal and snig tracks and haul roads were monitored by the QPWS to reduce impact in the area. The QPWS has described its work with DPI Forestry to protect the Bull Oak Jewel Butterfly as being “on the cutting edge of ecological sustainable forest management”.

Outlook for 2003-04

Demand for cypress log timber should remain firm during 2003-04, although removal volumes are expected to decline slightly. Work will also continue on a range of projects aimed at maximising sustainable cypress log production and improving the efficiency and environmental integrity of forest management operations.



Quarries

Regional Sales Officer (North Region) John Ludlow at the Bilyana Quarry in the Bilyana State Forest near Cardwell.



Product profile

DPI Forestry manages and markets quarry materials from State lands, providing about 8 per cent of Queensland's total quarry material supplies through such products as sand, gravel, road base, crushed aggregate and landscaping rock.

Almost 40 per cent of DPI Forestry's quarry material supplies comes from State forest in the Beerburrum area north of Brisbane, while the remainder is extracted from State lands in central, north and western Queensland.

As quarry materials are vital for Queensland's continued development, DPI Forestry responds positively to demands from both private and public sector organisations for supply. This demand, particularly in central, north and west Queensland, is driven mainly by infrastructure development and maintenance projects.



Product leader – Peter Male

“DPI Forestry recorded an all-time high for its quarry material sales this year, with sales of \$4 million and removals of 2.86 million cubic metres”

Operational performance

Demand for quarry materials increased significantly during 2002-03, particularly from quarries near Beerburrum and in central Queensland. As a result, DPI Forestry recorded a 22 per cent increase in quarry material removals to 2.86 million cubic metres, an all-time-high for the organisation, while receipts from sales were a record \$4 million.

Recent and impending changes to environmental, native title and cultural heritage legislation have affected development of new quarry sites on State-owned land across Queensland. As a result, the majority of quarry production for 2002-03 came from existing sites. The only major new quarry site established during the year was one near Nebo in central Queensland operated by Park Equipment Pty Ltd. Material from this quarry is being used for the development of rail infrastructure in the Bowen Basin coalfields. Almost 200,000 cubic metres of hard rock products were removed from this quarry during its first year of operation.

Outlook for 2003-04

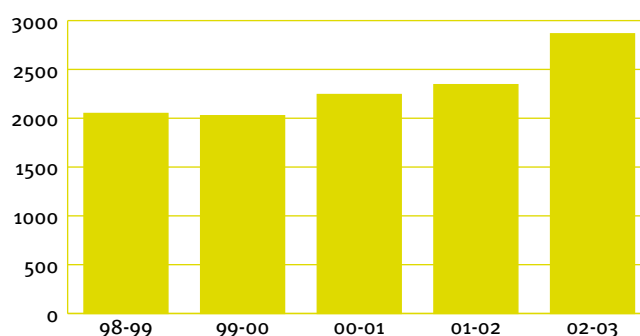
Sales of State-owned quarry material are expected to remain firm during 2003-04, although down slightly on the record 2002-03 level.

To maintain market share and meet industry and community demands for quarry products, DPI Forestry will continue to develop efficient mechanisms for complying with new environmental, native title and cultural heritage legislative requirements. Already, regional staff have devised a new quarry management plan format and work will continue to develop new quarry development guidelines.

A major new initiative for this product is the possible development of a new quarry in the Mackay area. DPI Forestry has commissioned consultants to address preliminary issues relating to the quarry's establishment.

DPI Forestry - Quarry material removals

('000s cubic metres)





Primary Industries Minister Henry Palaszczuk (left) and InterGen managing director David Nelson inspect native tree seedlings to be planted at Millmerran.

Below: Wollemi pine being propagated in a secure DPI Forestry purpose-built facility north of Brisbane.

Forest services - management and investment



Product profile

DPI Forestry can draw on its extensive forest management expertise and operational capabilities to provide a diverse range of forestry services to domestic and international clients. Changing community perceptions of the value of trees for commercial and environmental outcomes, particularly in the areas of carbon sequestration, salinity, water quality, bio-fuel, wastewater and environmental management, have resulted in a greatly increased demand for forest management services including managing forest growing projects, participating in forestry-related joint-ventures, licensing forestry intellectual property and providing consultancy advice.

To take full advantage of these growing opportunities, DPI Forestry has consolidated management of such services within a single product area - Forest Services Management and Investment - with the aim of leveraging the organisation's intellectual and operational capacity for commercial returns and wider social and environmental benefits.



Product leaders – Ian “Chick” Robb (Domestic) and Ian Last (International)

“DPI Forestry’s Forest Services product guarantees our forest expertise will deliver real benefits for the community in terms of social, economic and environmental outcomes”

Wollemi Pine

Work on propagating the Wollemi pine, at a secure purpose-built facility north of Brisbane, continued during 2002-03. A joint-venture between DPI Forestry and Brisbane’s Birkdale Nursery was selected in 1999 by the Royal Botanic Gardens Sydney to undertake the world-wide commercialisation of the pine, a rare primitive tree discovered in 1994 in the remote Wollemi National Park, 150 kilometres north-west of Sydney.

Under licence from the Royal Botanic Gardens, the joint-venture will market, distribute and sell the Wollemi pine and associated products domestically and internationally when the tree is released commercially in 2005-06. Every Wollemi pine sold will return a royalty to Royal Botanic Gardens to fund the conservation of the Wollemi pines in the wild and other threatened and endangered species.

The pine’s propagation has been extremely successful, due largely to the cooperative work by DPI Forestry and DPI’s Agency for Food and Fibre Sciences Forestry Research. For more information on the Wollemi Pine, please visit www.wollemipine.com.

Millmerran hardwood trials

A joint-venture between DPI Forestry and the Millmerran Power Station has given DPI Forestry an extensive scientific hardwood research trial while delivering environmental benefits to Millmerran Power Station and the wider community.

Twenty different hardwood species were represented in the 32,000 trees planted on 37 hectares of Millmerran Power Station land in south-west Queensland during 2002-03.

For DPI Forestry the plantings will provide much-needed data on hardwood species suitable for planting in the State’s semi-arid areas and on the species’ ability to mitigate soil salinity, particularly in the Murray-Darling river system. For the Millmerran Power Station the new plantation offers the benefits of direct carbon sequestration and bioenergy fuels.

Managing Director of InterGen, the company that manages the Millmerran Power Station, Mr David Nelson, said the joint hardwood plantation had significant value and was a project that would bring environmental and economic benefits locally and nationally.

Outlook for 2003-04

As a key element of DPI Forestry’s six-year \$30.1 million commitment to a *Future Directions Strategy*, the organisation will seek to proactively apply its extensive forest management expertise to forestry-related community and private sector tree growing projects of a commercial nature. To facilitate effective management of this enterprise, in 2003-04 DPI Forestry will seek to clarify its marketing strategies and internal management structures and processes associated with this product.



Strategic support

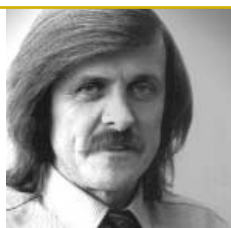
Executive Director Ron Beck, right, and Records Project Officer Jim Nicol with Queensland State Archivist Janet Prowse at DPI Forestry's "Retention and Disposal Schedule" certification.



Product profile

The Strategic Support product develops, implements and manages business policies, systems and services in the areas of workforce, assets, information and financial management, and corporate governance, to support effective and efficient business management at both corporate and product levels.

As a business group of the Department of Primary Industries, DPI Forestry conforms to departmental corporate policies and standards and obtains, through service contracts, a range of corporate services from both the department's Corporate Performance Unit and CorporateLink, one of the State Government's new corporate service providers. However, to support a range of business-specific management and operational needs as a commercialised agency, DPI Forestry also deploys its own finance, human resources, information and business administration capabilities.



Product leader – Geoff Blake

“Our Strategic Support product underpins effective and efficient business management at both corporate and product levels”

Records management

All State Government departments and agencies are required to make their record keeping systems compliant with the *Public Records Act 2002* by 2006. Under the Act, Queensland State Archives is the auditing and certifying body for all State Government record keeping systems. Following concerted review and development work over the last couple of years, DPI Forestry has moved towards record systems compliance by having its new “Retention and Disposal Schedule for Functional Records” independently certified by the Queensland State Archivist in August 2003.

In terms of its commitment to continuous improvement, DPI Forestry also employed external consultants to review its overall record keeping systems and processes. Based on the consultants' recommendations, DPI Forestry issued a tender specification for a new record keeping system in July 2002.

Key features of the new system will include its use of a national standard for records classification, its ability to manage records across Queensland via a central computer server and its management of electronic documents.

Relocating regional administrative functions

Relocating DPI Forestry's South East Exotic regional functions from Maryborough to Gympie, a process that was started in mid-2001, was successfully completed by early 2003. The relocation was implemented over a two-year period to ensure minimal impact on DPI Forestry's customers and clients, the general public and staff.

Gympie is now the regional headquarters for the South East Exotic Region, a region that encompasses all exotic pine centres from Caboolture to Bundaberg and includes about 113,000 hectares of plantation forests. Through assistance given to staff in the change process, five administrative officers were re-employed by other State Government agencies in Maryborough (including the Department of State Development, the Department of Corrective Services and the Environmental Protection Agency). No redundancies occurred as a result of this change.

These organisational changes bring together the regional headquarters for both exotic pine and araucaria softwood products at Gympie. Among other things, this allowed the integration of business support functions for these products, improving the effectiveness and efficiency of these functions.

DPI Forestry retains a strong operational presence in Maryborough with 11 staff working from the city's Department of Primary Industries offices, helping to maintain employment and service to customers and the broader community in the area.



DPI Forestry Injury Management Adviser Kylie Campbell.

A major “Well-Being at Work” initiative aims to empower employees to pursue healthy work lifestyles.

New enterprise agreement

The Queensland Industrial Relations Commission certified a new enterprise agreement for DPI Forestry employees in January 2003 to operate for three years from 1 November 2002. The agreement provides for annual pay increases of 3.5 per cent or \$23 per week (whichever is the greater) to be paid at 1 November each year. Performance bonus payments of \$150 per full-time equivalent employee are also payable each six months commencing 1 January 2003. The bonus is payable for demonstrated commitment to a reduction in WorkCover premiums, a Continuous Improvement Program, and “Working Smarter” initiatives.

Other initiatives included in the new agreement are:

- DPI Forestry’s commitment to employment security for its permanent employees;
- promotion of a safe and healthy working environment for employees by developing a three-year Workplace Health and Safety Strategic Plan;
- a commitment to enhanced training and development for DPI Forestry employees; and
- promotion of a performance culture within DPI Forestry where all parties are focused on the achievement of results.

Occupational Health and Safety

As a commercial business group within DPI, in 2002-03 DPI Forestry qualified for grant funding of \$100,000 per year for three years from the Department of Industrial Relations to improve workplace health and safety and to reduce workers’ compensation premiums.

To help achieve these aims, DPI Forestry appointed an Injury Management Advisor during the year with key tasks of overseeing implementation of a departmental Well-Being at Work project and developing a three-year Workplace Health and Safety Strategic Plan (an initiative also earmarked under DPI Forestry’s enterprise agreement).

The three-year Well-Being at Work program aims to improve organisational health by empowering employees to pursue healthy work lifestyles. Planned initiatives include:

- reviewing DPI Forestry’s rehabilitation processes and procedures;
- training DPI Forestry managers and supervisors in ways to improve DPI Forestry’s organisational climate and culture through enhancing leadership and management capability; and
- conducting staff sessions on topical health issues such as cancer awareness.

A DPI Forestry Personal Protective Equipment (PPE) Plan was developed and implemented in 2002-03 as a requirement of the *Workplace Health and Safety Act 1995*. The PPE Plan provides employees with guidelines for selection, use and maintenance of personal protective equipment and forms a supplement to DPI Forestry’s Occupational Health and Safety Manual.

A draft Medical Testing Policy to provide annual free medical testing to employees who use chemicals as part of their duties was also developed during the year. The policy is expected to be ratified in 2003-04 by DPI Forestry’s Enterprise Agreement Single Bargaining Unit consisting of union and management representatives.



With Primary Industries and Rural Communities Minister Henry Palaszczuk (third from right) are DPI Forestry's 2003 graduates-in-training, from left Nathaniel Lindsay, Bennett Henry, Wesley Martin, Craig Armstrong and Clayton Hunn.

DPI Forestry welcomed five forestry graduates to its state-wide workforce in 2003, one as a forester-in-training and four as forest overseers-in-training.

The graduates attended a DPI Forestry induction course at Forestry House in Brisbane in January prior to starting their careers at various forestry locations.

Graduates welcomed

Outlook for 2003-04

During 2003-04, DPI Forestry will further enhance business management and staff well-being through a range of initiatives, including:

- implementing an electronic document management system;
- upgrading DPI Forestry's public-access internet site;
- continuing implementation of Well-Being at Work initiatives, including a supportive leadership training program for managers and training and support systems for rehabilitation coordinators and workplace health and safety officers; and
- developing and implementing staff training and development initiatives identified under the DPI Forestry's Enterprise agreement.

They will work for DPI Forestry for 12 months in a temporary capacity and can then apply for permanent positions when their training is complete, depending on available vacancies and other criteria being met. DPI Forestry has taken on 52 graduates since 1997 when the program started. Thirty-five of these took up permanent positions after completion of their training.

The 2003 graduate trainees were from Queensland, New South Wales and Victoria, although all but one received their forestry qualifications in Queensland. Forester-in-training Craig Armstrong, from Lennox Head, NSW, has a Bachelor of Applied Science (Forestry) degree from the Southern Cross University in Lismore and started his forestry training in Atherton.

Overseers-in-training were:

- Bennett Henry, from Tamworth, NSW, who has a Diploma of Applied Science (Forestry) from the University of Queensland and started his forestry training at Dunmore;
- Clayton Hunn, from Brisbane, who has a Diploma of Applied Science (Forestry) from the University of Queensland and started his forestry training at Mundubbera;
- Nathaniel Lindsay, from Brisbane, who has an Associate Diploma of Applied Science (Forestry) from the University of Queensland and started his forestry training in north Queensland; and
- Wesley Martin, from Castlemaine in Victoria, who has a Diploma of Applied Science (Forestry) from the University of Queensland and started his forestry training at Byfield.



Department of Primary Industries forest researcher Trevor Wittmar tests **water quality** in the Imbil State Forest.



DPI Forestry is committed to ensuring that its production systems can be sustained over time, based on sound scientific principles, applied research and community standards.

It aims to be an environmentally-responsible manager of publicly owned forest resources, and seeks to meet the longer term needs of the community through sustainable forest management practices, recognising the balance required between environmental and developmental demands.

Environmental report

DPI Forestry conducts all operations in accordance with relevant legislation such as the *Environmental Protection Act 1994*, the *Nature Conservation Act 1992* and the *Forestry Act 1959* along with other requirements such as codes of practice for forest production. At the same time, the organisation works to continually improve its operations to enhance sustainable production and prevent waste and pollution in forests under its control and to avoid harmful environmental impacts to adjacent or downstream ecosystems.

DPI Forestry's management practices are subject to a quality-controlled EMS independently certified to the international standard AS/NZS ISO 14001:1996. The certification covers management of the environmental aspects of selective harvesting in native forest; establishing, growing and harvesting forest plantations; and establishing infrastructure such as forestry roads and associated works.

Forest production operations are carried out predominantly on State-owned land to which access to forest resources has been granted by the State's Environmental Protection Agency (EPA). The EPA has responsibility for regulatory and custodial functions on these lands, including developing and prescribing environmental and forest management codes of practice and standards for native forest timber production and independently monitoring DPI Forestry's compliance with these.

Sustainable production

EMS re-certification

DPI Forestry gained independent certification of its EMS to AS/NZS ISO 14001 in December 1999. This initial certification applied, subject to ongoing surveillance audits, for a three-year period with certification expiring in 2002-03.

During the year, a comprehensive re-certification audit was undertaken by DNV Certification Pty Ltd (accredited by the Joint Accreditation System of Australia and New Zealand) resulting in re-certification of the EMS for a further three years. Following this, DPI Forestry's audit agreement with DNV Certification was extended to cover a further three-year period and to include a Forestry Stewardship Council (FSC) Gap Analysis audit (see below).

In conducting the re-certification audit, DNV Certification reviewed operations at a wide and representative range of Forestry centres, namely: Central Office (Brisbane), Ingham, Cardwell, Rockhampton, Byfield, Duaringa, Gympie (including the Forest Policy Unit), Jimna, Beerburrum (including the nursery and hardwood plantations), Passchendaele, Pechey, and Yarraman.

The audit resulted in five minor non-conformances and thirty observations. The non-conformances related to:

- inappropriate watercourse crossing stabilisation;
- dated sections of a manual;
- use of an unauthorised herbicide mixing form;
- absence of a site preparation plan; and
- localised soil contamination at a fuel shed.

All five non-conformances and thirty observations have been addressed.

Table 1: Audit summary

Type of audit	Agency	Number of audits & Non-compliance rate
External audit: ISO 14001 Re-certification*	DNV Certification Pty Ltd	9 audits 0.6 NC/audit**
External audit: Code of Practice for Native Forest Timber Production***	Environmental Protection Agency (EPA)	39 audits 1.2 CAR/audit****
Internal audit: Environmental Management System (EMS)*	DPI Forestry	8 audits 0.8 NC/audit**
* Each audit covers one or more districts/branches	*** Each audit covers a sale area	
** NC = Minor Non-conformances	**** CAR = Corrective Action Requirement	

DPI Forestry's management practices are subject to a quality-controlled Environmental Management System independently certified to the international standard AS/NZS ISO 14001.

Other compliance audits

In addition to the re-certification audits conducted by DNV Certification Pty Ltd, a number of other regular environmental audit processes were conducted during the year. The results of these audits (summarised in Table 1 and detailed below), while highlighting certain localised matters for attention, showed a generally high level of environmental awareness by forest workers and good overall compliance with relevant codes and standards. The ongoing system of audits serves as a useful tool in reinforcing environmental management requirements and in improving environmental outcomes.

Code of Practice audits

The EPA conducts an annual program of audits to monitor DPI Forestry's compliance with forest production codes of practice, developed as a consequence of Queensland commitment to Australia's National Forest Policy Statement.

Based on summary information received from the EPA, 39 native forest harvesting code of practice compliance audits were carried out by the EPA resulting in 48 Corrective Action Requirements relating to issues including:

- inappropriate road or snig track maintenance or drainage;
- absence of records of Code training;
- inappropriate road location;
- unnecessary localised clearing of watercourse buffer; and
- localised littering.

The corrective action requirements have been, or are being addressed by DPI Forestry.

Licence audits

DPI Forestry holds authorities to carry out the following Environmentally Relevant Activities (ERAs):

- Extracting Rock or Other Material (Authority no. SR1290)
- Regulated Waste Management (Authority no. SR1291)
- Motor Vehicle Workshop (Authority no. SR1285)
- Metal Forming (Authority no. SR2052)

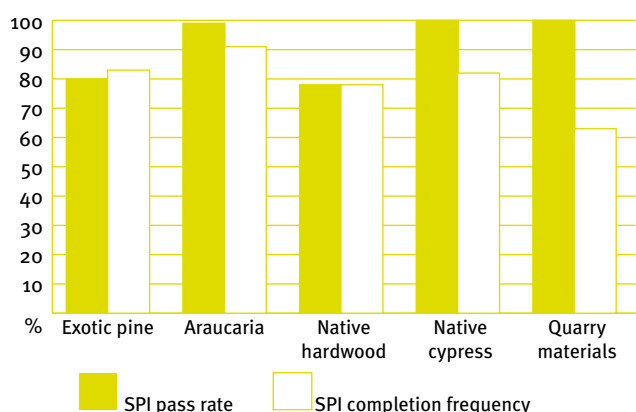
No audits related to Environmentally Relevant Activities (ERAs) were conducted by the EPA during 2002-03. However, a number of mechanical workshops were inspected by the EPA in relation to a requirement for wastewater from washing equipment to pass through an oil water separator prior to release. Advice is still awaited from the EPA of the outcome of the inspections.

Internal EMS audits

DPI Forestry conducts its own program of EMS audits. During 2002-03, operations at the following centres were audited:

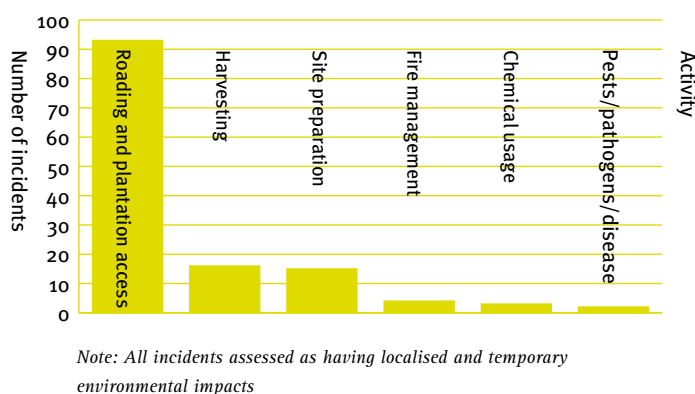
- Atherton, Dalby, Rockhampton, Monto, Maryborough and Beerburrum Forest Management Units (FMUs)
- Forest Policy, Gympie
- Hardwood Plantations, Beerburrum.

DPI Forestry - Statewide sound practice indicator (SPI) performance



DPI Forestry Environmental Management

Incidents reported by operational workers



DPI Forestry’s field supervisors use a system of Sound Practice Indicators, covering the range of activities from planting to harvesting, to monitor compliance with environmental and other forest management procedures.

Six non-conformances arose from the audits, and were subsequently addressed, relating to:

- out-of-date planning documents;
- incomplete plan implementation;
- plantation design not complying with the relevant manual;
- inappropriate snig track location;
- standard of timber utilisation (exotic pine plantation clearfall); and
- a fallen tree head left in an eroded gully.

Operational monitoring

DPI Forestry’s field supervisors use a system of Sound Practice Indicators (SPI) and checklists, covering a range of field activities from plantation tending to harvest management, to monitor compliance with established environmental and other operational management procedures. Generally, satisfactory pass rates (see table 2 and chart) were recorded under this system during the year, although improvements in both pass rates and completion frequency of SPIs and checklists are targeted in 2003-04. The SPI and checklists system will be refined during 2003-04 to adapt it to changing management requirements.

DPI Forestry also maintains an incident reporting system to manage operational incidents which may have negative or positive environmental impacts, and which are not picked up by the SPI and checklists system. Such incidents are documented by operational workers for corrective, preventative or enhancement action as directed by supervisors.

During the year, 147 such operational incidents relating to a range of forestry operations were recorded (see chart) and addressed by regional staff. The environmental impacts associated with all of these incidents were assessed as being localised and not long-lasting.

Table 2

DPI Forestry - Statewide environmental management

% pass rate on sound practice indicators

Activity	2000-01	2001-02	2002-03
Fuel and oil spillage management	90	78	50
Plantation fertilising	100	99	98
Nursery environmental management	100	100	100
Forest controlled burning	97	99	92
Pesticide management checklist	78	86	92
Management of quarry operations	87	97	100
Native rat control*	100	100	
Road construction	100	100	100
Road maintenance	100	100	100
Site preparation	99	97	87
Sale area inspection	70	77	57
Sale area management (all forest types)	90	95	93
Weed control operations	99	98	100
Results of weed control activities	100	94	98

* Rat control was not necessary in 2002-03

DPI Forestry's Pechey fire tower – fire towers, forestry barracks, camps and abandoned sawmills are being assessed as part of a DPI Forestry/EPA Non-Indigenous Cultural Heritage project.



DPI Forestry is reducing chemical and herbicide use in its forest operations for both environmental and economic reasons.

Pollution and waste

DPI Forestry aims to reduce its use of herbicides and chemicals in forest production operations for both environmental and economic reasons. To this end, monitoring of chemical use will be improved during 2003-04 and alternative plantation establishment and chemical utilisation practices will be examined, informed by past and ongoing research work.

DPI Forestry complies with DPI reporting requirements for waste management, and waste records are monitored internally with a view to improving waste management practice.

Codes of Practice

Native Forest Code of practice

During 2002, in consultation with DPI Forestry and timber industry and conservation stakeholders, the EPA completed a review of the existing codes of practice applying in native forests in south-east Queensland and cypress areas.

This review led to the acceptance and implementation of a single native forest code to all Crown native forests from 1 October 2002. As well as replacing existing native forest codes, application of the Code was extended across the whole State. The Code also triggered revised sale approval processes between DPI Forestry and the EPA, and in those areas of the State where the Code was new, DPI Forestry conducted “awareness” training of timber industry operators.

Plantation Code of Practice

While DPI Forestry is confident that the management practices it applies to State-owned plantations are sustainable, a formal Queensland plantation code of practice has not yet been prepared. DPI Forestry is committed to developing a plantation code to assist in enhancing its management systems, and communicating, demonstrating and marketing the environmental integrity of the plantation timber industry.

The Department of State Development is leading a process to develop a Queensland Forest Practices System (QFPS), the process engaging DPI Forestry and other government agencies, as well as timber industry and conservation stakeholders. In terms of plantations, a key aim of the QFPS is the development of a single plantation code to regulate plantation management on all tenures, both State and privately owned plantations. DPI Forestry maintained a strong interest in the process during 2002-03, contributing to discussion surrounding the draft plantation code.



Indigenous site surveyor Alex Bond audits sensitive cultural sites in the Pumicestone State Forest on Bribie Island.

DPI Forestry consulted with indigenous groups concerning forest management operations during the year.

Indigenous Cultural Heritage

In 2002, the Department of Natural Resources and Mines released two draft Bills for public consultation – the Aboriginal Cultural Heritage Bill and the Torres Strait Islander Cultural Heritage Bill. These bills propose that DPI Forestry and timber industry operators be required to demonstrate and maintain a “duty of care” to protect cultural heritage from harm and to do this, where appropriate, in consultation with indigenous people with an interest in a relevant site.

In anticipation of the requirements of the proposed legislation, DPI released Interim Duty of Care Guidelines for Indigenous Cultural Heritage, offering principles that should be followed by DPI Forestry and other DPI business groups to protect indigenous cultural heritage. In response, DPI Forestry commenced development of its own operational procedures consistent with the DPI Interim Guidelines.

In addition, the EPA delivered cultural heritage “awareness” training to DPI Forestry staff engaged in native forest activities as part of its introduction of the new Native Forest Code of Practice.

DPI Forestry also consulted with, or offered consultation to, a number of indigenous groups during 2002-03 including:

- local indigenous people on Bribie Island in relation to modifying plantation cultivation practices to protect midden sites;

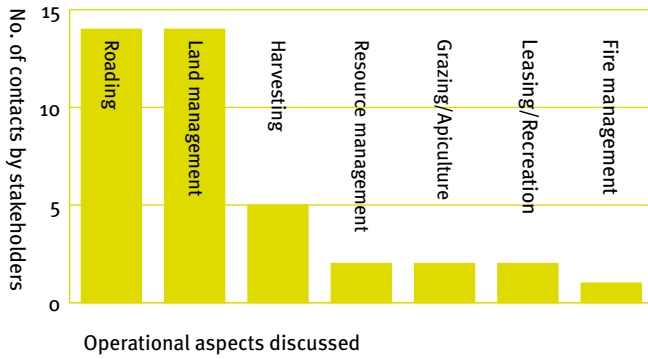
- the Mitakoodi people, to address cultural heritage interests relating to sandalwood harvesting activities;
- indigenous groups in south-east Queensland as part of the South East Queensland Forests Agreement tenure allocation and planning process led by the EPA.

Non-Indigenous Cultural Heritage

As a joint project, DPI Forestry and the EPA engaged a consultant to report on the heritage associated with the forestry and timber industry in DPI Forestry’s South West and North Regions. Fire towers, forestry barracks, internee camps and abandoned sawmills were assessed as part of the study. The environs of the Barakula State Forest Station were highlighted as having a particularly rich heritage; the site including the forestry office, a World War II igloo, and the ruins of the State Government sawmill and tramway terminus that operated from 1912 to 1970. The report made recommendations as to protective management measures depending on the significance of sites.

Drawing on this study and previous heritage studies in south-east Queensland, DPI Forestry and the EPA have initiated another joint project to assess fire towers and cabins located on State lands and used for wildfire surveillance. Between 1933 and 1998, 119 fire structures are believed to have been constructed and the remaining structures display innovative design.

DPI Forestry - Communication from external parties concerning forest operations



DPI Forestry’s *Community Engagement Strategy* and *Adjoining Neighbour Policy* promote open communication and effective working relationships between DPI Forestry and regional communities throughout Queensland.

Community Engagement

DPI Forestry’s *Community Engagement Strategy*, fostering wider community input to forest management planning, is being implemented through annual action plans in each of the organisation’s four regions. Satisfactory implementation of these action plans, along with customer service action plans, is a key performance criterion for staff performance bonuses under DPI Forestry’s enterprise agreement.

The *Community Engagement Strategy* is supported by an *Adjoining Neighbour Policy* and associated procedures, reinforcing open communication channels and effective working relationships between DPI Forestry and its many neighbours throughout the State.

DPI Forestry documents communication concerning its operations from interested members of the public and other external parties, and records follow-up action taken. Such communications cover a wide range of issues (see chart—the land management issues raised related to clearing of some native vegetation including regrowth on one largely cleared property purchased by DPI Forestry for plantation establishment. Clearing of remnant vegetation was commenced by DPI Forestry only after the property had been inspected by the EPA and a permit granted under the *Vegetation Management Act 1999* by the Department of Natural Resources and Mines).

In response to rural community concerns about the impacts of increased populations of wild dogs, the Department of Natural Resources and Mines led an enhanced baiting program of State lands during the year which also involved DPI Forestry and the EPA as land management agencies. DPI Forestry carried out baiting of plantation areas at Toolara, in coordination with baiting of neighbouring native forests undertaken by the EPA.



Beerburum Assistant Forest Manager Stan Ward, left, meets with Pumicestone Regional Catchment Coordination Association members, from left, Jenny Clarke, Beverly Hand and Jim Pulsford. DPI Forestry's Community Engagement Strategy and Adjoining Neighbour Policy ensure community consultation remains an integral part of DPI Forestry activities.

Initiatives undertaken by DPI Forestry during 2002-03 have significantly enhanced the environmental and safety awareness of forest workers.

Continuous improvement

Compliance with sustainable management principles

DPI Forestry is aligning its EMS with the Australian Forestry Standard (AFS) and Forest Stewardship Council (FSC) principles to meet international and national requirements for sustainable management. To this end, it has already implemented a *Community Engagement Strategy* a key requirement of these standards. DPI Forestry also updated its Environmental Policy Statement during the year to bring it into closer alignment with the AFS and FSC principles.

Further work necessary to enhance DPI Forestry's Environmental Management System will be identified through a 'gap analysis' with FSC principles.

Environmental awareness training

Initiatives undertaken by DPI Forestry during the year have significantly enhanced the environmental and safety awareness of forest workers. As a result, forest harvesting operators and DPI Forestry harvesting supervisors have been accredited to relevant environmental and occupational health and safety national competency units.

In addition to increasing the environmental and legislative awareness of DPI Forestry staff, training during 2003-04 will focus on accreditation of silvicultural contractors (and through the contractors, their workforce) to environmental and occupational health and safety national competency units.

Improved forest management practices

Through its commercial collaboration with the Agency for Food and Fibre Sciences, Forestry Research and its links with other research organisations, DPI Forestry continues to investigate improved forest management practices which promote sustainable production and minimise on- and off-site impacts of forest operations. During 2002-03 this work resulted in eight articles published in journals (with a further three in press), 20 reports and eight papers presented at major national or international conferences.

DPI Forestry collaborated with leading research bodies, including the Forestry Research unit of DPI's Agency for Food and Fibre Sciences, Queensland University of Technology and Griffith University to investigate the key areas of:

Impact of machinery trafficking on soil in Pinus plantations

Recent changes in the management practices within DPI Forestry *Pinus* plantations have sought to minimise the impact of harvesting and site preparation operations, particularly through the preservation of relatively uniform coverage of litter and harvest debris after clearfall harvesting. Investigation of harvesting effects, under a range of site conditions, has provided managers with information to refine best management practices to minimise the risk of soil compaction and to ensure site fertility is maintained.

Impact of roads on water quality at Beerburrum

As part of DPI Forestry's ongoing commitment to sustainable forest operations, a water quality monitoring system has been set up to examine the sediment contribution to streams from forestry roads, especially during periods when harvesting traffic is high. The study's results will provide feedback on optimum management practices to ensure the impact on water quality from forest road infrastructure is minimised.

Forest roads like this one through the Beerburrum State Forest are monitored for their effects on water quality.

Change in soil properties under different management practices

Recent development of innovative techniques (such as cross-polarisation with magic-angle-spinning nuclear magnetic resonance) has provided sophisticated tools to monitor the effects of harvest debris management systems. This technology identifies the major processes involved in the recycling of nutrients associated with harvest debris, and provides forest managers with a better understanding of how to best manage and conserve this valuable resource.

Lyngbya management

During 2002-03, DPI Forestry continued to contribute as a stakeholder to the Lyngbya Steering Committee established by the EPA following major outbreaks of toxic blooms in Deception Bay during 1999 and 2000. Lyngbya, also known as fireweed or mermaid's hair, is a toxic marine cyanobacteria (blue-green algae) that grows attached to seagrass and on the water surface in various parts of Moreton Bay, Pumicestone Passage, Deception Bay and Amity Point.

As a major land user in the Moreton Bay region, DPI Forestry is contributing to collaborative scientific effort with the University of Queensland and the University of NSW under the auspices of an Australian Research Council project investigating the impact of plantation management practices on the export of nutrients implicated in stimulating Lyngbya growth.



Environmental integrity (responsible, sound environmental management) is a core value of DPI Forestry and essential to its future commercial success.

From a commercial perspective, DPI Forestry will be an environmentally responsible forest resource manager and will support industry towards gaining environmental recognition in marketing derived timber products.

Environmental management policy statement

In particular, DPI Forestry will:

- Conduct all operations in accordance with legislative and other requirements, and demonstrate due diligence in regard to preventing environmental harm.
- Achieve sound and balanced environmental outcomes in a cost-efficient and transparent manner (viz):
 - (i) provide input into the development of policies and standards;
 - (ii) apply agreed principles, criteria, indicators and standards that aim to achieve sustainable forest management outcomes in a systematic manner (e.g. Montreal, Forestry Stewardship Council, Australian Forestry Standard, ISO 14000), and
 - (iii) subject compliance to regular independent review.
- Allocate sufficient resources towards sustaining production systems over time, based on sound scientific principles, applied research and community standards.
- Strive to continually improve conduct and operations to enhance production, and prevent loss, waste and pollution.
- Ensure operations are carried out with competent staff and contractors.
- Consult with, and consider the views of, stakeholders and affected or interested parties, and communicate environmental management activities and outcomes both internally and externally in an open manner.
- Gain public recognition as a socially and environmentally responsible commercial forest product manager or grower, and assist industry towards enhanced marketing of timber products through external environmental certification.

DPI Forestry **Financial Statements**

for the financial year ended 30 June 2003

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Statement of Financial Performance

for the financial year ended 30 June 2003



	* Note	2003 \$'000	2002 \$'000
Revenues from Ordinary Activities			
Net increment in valuation of plantation timber	3(a)(i)	334,219	155,699
Forest Product sales - non-plantation timber	3(b)	13,500	12,393
Specialised forest industry services		4,439	8,493
Quarry materials		3,960	2,856
Other revenue	3(c)	4,558	7,236
Total revenues from ordinary activities		360,676	186,677
Expenses from Ordinary Activities excluding borrowing costs expense			
Employee Expenses	6	36,359	35,077
Contracted forestry, professional, technical and other services		15,637	17,778
Depreciation and Amortisation	8	3,325	3,667
Hire of plant and equipment		2,441	2,332
Motor vehicle expenses		3,184	3,204
Occupancy costs		2,022	1,919
Forest maintenance expenses		2,944	2,851
Materials		2,111	1,849
Other operating expenses	7	2,611	2,680
Total expenses from ordinary activities excluding borrowing costs expense		70,634	71,357
Borrowing costs expense	5	4,694	4,690
Profit from ordinary activities before income tax equivalents		285,348	110,630
Income tax equivalents relating to ordinary activities	9	-	-
Profit from ordinary activities after income tax equivalents	19(ii)	285,348	110,630
Valuation increment - Asset Revaluation Reserve	19(iii)	684	7,335
Adjustment on adoption of new Accounting Standard AASB1041 - "Revaluation of Non-Current Assets" for reduction in Land value	19(ii)	-	(111)
Total valuation adjustments recognised directly in equity.		684	7,224
Total changes in equity other than those resulting from transactions with owners as owners	19(v)	286,032	117,854

* This Statement of Financial Performance should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2003

	* Note	2003 \$'000	2002 \$'000
Current Assets			
Cash assets	10	39,186	34,273
Receivables	11	14,387	15,143
Inventories	12	2,595	2,777
Total current assets		56,168	52,193
Non-Current Assets			
Receivables	11	95	177
Property, plant and equipment	14	57,217	51,583
Intangibles	13	61	75
Total non-current assets		57,373	51,835
Self - Generating and Regenerating Assets			
Plantation Growing Timber	15	1,237,440	982,252
Total Assets		1,350,981	1,086,280
Current Liabilities			
Payables	16	4,261	4,779
Provisions	18	18,033	14,070
Total current liabilities		22,294	18,849
Non-Current Liabilities			
Interest-bearing Liabilities	17	76,420	76,420
Total non-current liabilities		76,420	76,420
Total Liabilities		98,714	95,269
Net Assets		1,252,267	991,011
Equity			
Capital	19 (i)	844,303	844,284
Retained Surpluses	19 (ii)	29,505	24,138
Reserves			
- Asset Revaluation	19 (iii)	8,469	7,787
- Plantation Growing Timber Unrealised Revenue	19 (iv)	369,990	114,802
Total Equity	19 (v)	1,252,267	991,011

* This Statement of Financial Position should be read in conjunction with the accompanying notes.



Statement of Cash Flows

for the financial year ended 30 June 2003



	* Note	2003 \$'000	2002 \$'000
Cash Flows from Operating Activities			
Inflows:			
Receipts from customers		114,605	110,296
Interest received		1,464	906
Grants and subsidies received		113	-
Outflows:			
Payments to suppliers and employees		(70,566)	(71,194)
Borrowing Costs		(4,693)	(4,706)
Sales taxation equivalents paid		-	-
Grants and subsidies paid		(128)	(5)
GST remitted to ATO		(7,095)	(6,066)
Net cash provided by operating activities	21	33,700	29,231
Cash Flows from Investing Activities			
Inflows:			
Proceeds from sale of property, plant and equipment		486	1,003
Outflows:			
Payments for property, plant and equipment		(8,294)	(8,280)
Net cash used in investing activities		(7,808)	(7,277)
Cash Flows from Financing Activities			
Outflows:			
Dividends paid	20	(20,979)	(3,814)
Net cash used in financing activities		(20,979)	(3,814)
Net increase / (decrease) in cash held		4,913	18,140
Cash at the beginning of the financial year		34,273	16,133
Cash at the end of the financial year	10	39,186	34,273

* This Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to and forming part of the **Financial Statements** for the financial year ended 30 June 2003

1. Constitution

By Cabinet Decision number 4637 dated 15 May 1995, the DPI Forest Service was restructured to operate as a commercial business group (DPI Forestry) from 1 July 1995. DPI Forestry is part of the Department of Primary Industries.

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 financial statements are a general purpose financial report and have been prepared in accordance with applicable Australian Accounting Standards, the *Financial Management Standard 1997* issued pursuant to the *Financial Administration and Audit Act 1977*, Statements of Accounting Concepts, Urgent Issues Group Abstracts and other mandatory professional reporting requirements.

The accounts have been prepared on an accrual basis and except where stated otherwise, in accordance with the historical cost convention. The accounting policies adopted are materially consistent with those of the previous year.

2.2 Cash Assets

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques received but not banked at 30 June as well as deposits at call with financial institutions.

2.3 Trade and other Receivables

Trade debtors are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred. Settlement on trade debtors is within 30 days from the end of the month in which the sale is invoiced. All trade debtors are secured by cash deposit or other financial guarantee.

Other receivables generally arise from transactions outside the usual operating activities of DPI Forestry and are recognised at their assessed values. Terms are net 30 days, except for Freeholding debtors, which are generally of a longer-term nature.

2.4 Payables

Trade Creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price gross of applicable trade and other discounts. Amounts owing are generally settled on 7, 14 or 30-day terms.

2.5 Interest-bearing liabilities

Borrowings are recognised at the face value of the principal outstanding with interest being expensed as it accrues. Borrowings are also disclosed at their fair market value in Note 17.

2.6 Dividend Payable

Dividend payable is recognised when declared by DPI Forestry.

The dividend payable is declared at a negotiated percentage (currently 50%) of profit from ordinary activities after income tax equivalents and after adjustment for plantation timber valuation increments (net of sales.) [Note 3(a)(iii)]. Adjustment for a Qfleet dividend allowance is also made. The dividend is payable to the Queensland Government.



Notes to and forming part of the Financial Statements



2.7 Inventories

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

Cost is assigned on a weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition.

Net realisable value is determined on the basis of DPI Forestry's normal selling pattern.

Expenses associated with marketing, selling and distribution are deducted to determine net realisable value.

2.8 Acquisition of Assets

Cost is used for the initial recording of all acquisitions of assets controlled by DPI Forestry. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use, including architects' fees and engineering design fees.

Assets acquired at no cost or for nominal consideration are recognised at their fair value at date of acquisition in accordance with AAS 21 *Acquisitions of Assets*.

2.9 Property, Plant and Equipment

All items of property, plant and equipment, except intangibles, with a cost, or other value, equal to or in excess of \$1,000 are recognised in the financial statements in the year of acquisition. Items with a lesser value are expensed in the year of acquisition.

2.10 Intangibles

All intangible assets with a cost or value greater than \$50,000 are recognised in the financial statements, while items with a lesser value are expensed. Each intangible asset is amortised over its estimated useful life.

2.11 Depreciation of Property, Plant and Equipment and Amortisation of Intangibles

Land is not depreciated as it has an unlimited useful life.

Property, plant and equipment is depreciated on a straight-line basis so as to allocate the net cost or re-valued amount of each asset, less its estimated residual value, progressively over its estimated useful life to DPI Forestry. Assets under Construction (Work-in-Progress) are not depreciated until they reach service delivery capacity.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate and are depreciated accordingly. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to DPI Forestry.

The depreciable amount of improvements to or on leasehold property is allocated progressively over the estimated useful lives of the improvements or the un-expired period of the lease, whichever is shorter. The un-expired period of leases includes any option period where exercise of the option is probable.

Leased plant and equipment are amortised on a straight line basis over the term of the lease, or where it is likely that DPI Forestry will obtain ownership of the asset, the expected useful life of the asset to DPI Forestry.

Items comprising DPI Forestry's technical library are expensed on acquisition.

For each class of depreciable asset the following estimated useful lives were used:

Asset Class:	Average Estimated Useful Life (Years)
Land Improvements	24
Buildings	30
Access Roads	37
Leasehold Improvements	10
Plant and Equipment	6
Intangibles:	Average Amortisation Period (Years)
Software	7.5

for the financial year ended 30 June 2003

2.12 Revaluations of Non-Current Physical Assets

Land, buildings and access roads are measured at fair value in accordance with AASB 1041 *Revaluation of Non-Current Assets* and Queensland Treasury's *Non-Current Asset Accounting Guidelines for the Queensland Public Sector*.

All other non-current assets, principally plant and equipment and intangibles, are measured at cost.

Non-current physical assets measured at fair value are comprehensively revalued at least once every five years with interim valuations, using appropriate indices, being otherwise performed on an annual basis, where there has been a material variance in the index.

Only those assets, the total values of which are material, compared to the value of the class of assets to which they belong, are comprehensively revalued.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

2.13 Leases

A distinction is made in the financial statements between finance leases that effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership, and operating leases under which the lessor retains substantially all risks and benefits.

Where a non-current physical asset is acquired by means of a finance lease, the asset is recognised at an amount equal to the present value of the minimum lease payments. The liability is recognised at the same amount. Lease payments are allocated between the principal component of the lease liability and the interest expense.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the periods in which they are incurred.

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability.

2.14 Self-generating and regenerating assets.

Under Australian Accounting Standard AAS 35 '*Self-Generating and Regenerating Assets*' Self-generating and regenerating assets (SGARA's) are defined as 'non-human living assets'. In implementing this standard DPI Forestry adopted Net Market Value (NMV) for the valuation of its assets under this category. NMV is the amount that could be expected to be received from the disposal of an asset in an active and liquid market after deducting the costs expected to be incurred in realising the proceeds of such a disposal.

As there is no observable active and liquid market for DPI Forestry's forest assets, DPI Forestry has, in accordance with the provisions of AAS 35, adopted the Net Present Value (NPV) methodology as the most appropriate alternative for estimating the net market value of its SGARA's.

DPI Forestry assets falling into this category consist mainly of plantation and native forest timber resources.

Plantation Growing Timber

DPI Forestry's plantation growing timber resources are comprised principally of exotic and native pine species distributed along the eastern seaboard of Queensland with the majority located in South East Queensland.

All current stands of plantation growing timber have been included in the valuation with the exception of:

- Plantings of minor species, small and fragmented plantation areas and areas subject to experimental treatments which previous marketing experience suggests are likely to be unmerchantable or have a value considered to be unreliable; and
- Hardwood plantations of merchantable and unmerchantable age which are immaterial to the valuation.



Notes to and forming part of the Financial Statements



2.14 Self-generating and regenerating assets (cont).

Native Forests

DPI Forestry's asset in State owned native forests is its right to harvest forest products from certain forest areas on a sustained yield basis in accordance with section 33(1) of the *Forestry Act 1959*.

Current cash flows associated with these native forest products have been examined and on the basis of this information the net value of DPI Forestry's access rights are considered to be immaterial at this point in time. Furthermore the reliability of volumes and prices for Cypress native forest resources extends only for 5 years. Therefore this limited resource information would restrict the reliability of any asset valuation undertaken.

Accordingly the value of access rights to native forest products has not been recognised in the Statement of Financial Position. This position will be re-assessed annually but is not expected to change.

Restrictions on native forest operations.

As a consequence of the signing of the South East Queensland Forest Agreement (SEQFA), DPI Forestry has secure access to a defined quantity of wood from native forests in South East Queensland (SEQ) until 31 December 2024. All harvesting of native forests in SEQ will cease after this date.

Other Self-Generating and Regenerating Assets.

The SGARA assets represented by tree seed orchards, tree hedges and nursery seedlings have been assessed and, on the basis that these assets are not material in the context of financial reporting by DPI Forestry, they have not been recognised. This position will be re-assessed annually but is not expected to change.

Valuation of SGARA's.

The NPV Methodology.

NPV is calculated as the net of the future cash inflows and outflows associated with forest production activities discounted back to current values at the specified Weighted Average Cost of Capital (WACC).

Under the NPV methodology, valuation changes arise mainly from:

- Changes in timber volume associated with growth and also changes to the overall estate as a result of annual planting and harvesting activity;
- Changes in timber prices;
- Changes in forest production costs; and
- Changes in the WACC rate used in the discounted cash flow calculation.

Assumptions underpinning the NPV calculation are:

- Forest valuations are based on the expected volumes of merchantable timber that will be realised from existing stands, given current management strategies and stand recovery rates.
- Only the current crop is valued. The cash flow analysis is based on the anticipated timing of the harvest of existing stands which has been derived from harvest plans developed for the entire estate.
- 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 date of harvest.
- Prices used in the NPV calculation are based on current selling prices at balance date unless market intelligence indicates that such prices are not indicative of future trends.
- The estimated cost of growing the existing stand until maturity is taken to account in determining the net cash flows.

for the financial year ended 30 June 2003

2.14 Self-generating and regenerating assets (cont).

- Costs used in the NPV analysis are three year rolling averages of actual costs for individual plantation operations, inflation adjusted to the current period. Three year averages eliminate significant annual variations caused by things such as variable climatic, topographic and/or silvicultural factors (for example high rainfall years increase the weed spectrums to be controlled). It is also assumed that current (3 year rolling average) costs are the best indicator of future costs.
- Notional costs, particularly imputed land usage charges relating to State owned plantation land which DPI Forestry currently accesses at no charge (refer Note 2.16), have not been included in the calculation.
- All costs incurred in developing and managing the trees in forests are recognised as cash outflows in the NPV calculation except for capital items (e.g. buildings, major roads, heavy plant) which are deemed to have a life independent of the plantation. Usage of these assets is recognised through the application of an annual capital usage charge which is treated as a cash outflow for the purposes of the plantation valuation.
- The discount rate used is based on the Weighted Average Cost of Capital formula in conjunction with the Capital Asset Pricing Model. The discount rate is expressed in real terms, before income tax, and has been set with reference to benchmarked forestry industry risk margins relative to overall market risk margins. The use of 'real' discount rates effectively assumes that both prices and costs will rise over time in line with inflation and allows for all prices and costs to be expressed in current dollar terms.

Source of valuation of SGARA's.

The net market valuation (based on Net Present Value) of the plantation growing timber has been prepared by appropriately qualified staff employed by DPI Forestry using advanced modelling techniques/methods. The net present value calculations utilised for the forest valuation are underpinned by a computerised plantation decision support system.

The modelling component of the system used for plantation valuation has been reviewed by an independent expert [Dr. Jerry Leech, Dip For., M.Sc., Ph.D. (2002 and 1997)] who found the system including the growth and yield modelling components to be '*robust, complete, coherent and consistent, and in line with best practice*'. Results derived from the system are extensively tested on an on-going basis by appropriately qualified DPI Forestry personnel.

2.15 Reserving Policy for Unrealised Revenue

DPI Forestry revalues its plantation growing timber annually and recognises the change in net present value as revenue or an expense in the Statement of Financial Performance in accordance with the treatment required in AAS35 "Self-Generating and Regenerating Assets". A reserve account has been created to isolate unrealised revenue within the equity account. Unrealised revenue is transferred to the Plantation Growing Timber Unrealised Revenue Reserve until the revenue is realised (through timber sales) and becomes available for distribution. The reserve is adjusted annually for the net movement in unrealised revenue and the realisation of prior periods' revenue through current year sales.



Notes to and forming part of the Financial Statements



2.16 Land

DPI Forestry carries out its forestry establishment, management and marketing operations principally on Crown land allocated for forest production purposes by either the Department of Natural Resources and Mines (NR&M) or the Environmental Protection Agency (EPA). While these agencies retain control over the land, DPI Forestry is granted access free of charge to carry out its operations in accordance with the *Forestry Act 1959*.

Only land controlled by DPI Forestry has been recognised as an asset in the Statement of Financial Position. This land includes specified freehold and Crown land parcels held for operational purposes.

2.17 Quarries

DPI Forestry obtains royalties from quarry operators for the extraction of quarry materials located on Crown land and identified freehold land. Revenues are brought 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.

2.18 Employee Benefits

Wages, Salaries, Annual Leave and Sick leave

Wages, salaries and annual leave due but unpaid at reporting date are recognised in the Statement of Financial Position at the remuneration rates expected to apply at the time of settlement and include related on-costs such as payroll tax, Workcover premiums, long service leave levies and employer superannuation contributions.

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to recur in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised.

As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Employee Benefits (cont.)

Long Service Leave

Under the State Government's long service leave scheme, a levy is made on DPI Forestry to cover this expense. Amounts paid to employees for long service leave are claimed from the scheme as and when leave is taken.

No provision for long service leave is recognised in the financial statements, the liability being held on a whole-of-Government basis and reported in the financial report prepared pursuant to AAS 31 *Financial reporting by Governments*.

Superannuation

Employer superannuation contributions are paid to QSuper, the superannuation plan for Queensland Government employees at rates determined by the State Actuary.

No liability is recognised for accruing superannuation benefits in these financial statements, the liability being held on a whole-of-Government basis and reported in the financial report prepared pursuant to AAS 31 *Financial Reporting by Governments*.

2.19 Research and Development

Research and development costs are expensed 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.

2.20 Taxation

DPI Forestry as a commercialised business unit is subject to the payment of income tax equivalents in accordance with the requirements of the National Tax Equivalents Regime.

Pursuant to Australian Accounting Standard AAS 3 "Income Taxes", Income Tax Equivalent expense is calculated on the profit from ordinary activities in the Statement of Financial Performance after adjusting for permanent differences.

for the financial year ended 30 June 2003

Taxation (cont.)

The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes is carried forward as a future tax equivalent benefit or a provision for deferred tax equivalent.

Future tax equivalent benefits are not brought to account unless realisation of the benefit is virtually certain.

No liability has been brought to account as a provision for deferred tax equivalents. Such liabilities are currently wholly offset by an excess of future tax equivalents benefits.

Details of DPI Forestry's tax position are disclosed at Note 9.

2.21 Insurance

DPI Forestry's non-current physical assets and other risks are insured through the Queensland Government Insurance Fund, premiums being paid on a risk assessment basis. In addition DPI Forestry pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

2.22 Financial Reporting by Segments

DPI Forestry operates principally in the forestry industry within Queensland.

2.23 Interests in Joint Ventures

DPI Forestry currently has a financial interest in a number of joint ventures involving the production of self-generating and regenerating assets (SGARA's).

Contributions by DPI Forestry towards the SGARA's are expensed as incurred in line with DPI Forestry's SGARA asset accounting policy (refer Note 2.14).

The assets embodied in DPI Forestry's share of the joint venture outputs have been assessed and, on the basis that these assets are not material, have not been recognised in the Statement of Financial Position. This position will be re-assessed annually. Details of DPI Forestry's interests are disclosed at Note 23.

2.24 Non-reciprocal transfers of assets and liabilities.

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland public sector entities are accounted for as adjustments to capital in accordance with UIG Abstract 38 *Contributions by Owners Made to Wholly Owned Public Sector Entities*.

2.25 Deposits Held in Trust

Security, tender and other deposits administered by DPI Forestry in a trust capacity are not recognised in the financial statements but are disclosed for information purposes in Note 27.

2.26 Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets.

Borrowing costs include:

- Interest on short-term and long-term borrowings;
- Ancillary administration charges; and
- Loan guarantee charges.

2.27 Rounding and Comparatives

Amounts included in the financial statements have been rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.





Notes to and forming part of the Financial Statements

	2003 \$'000	2002 \$'000
3 Revenue		
3(a)(i) Net increment in valuation of plantation timber		
Net increment in net market value of plantation timber recognised as revenue:-		
Plantation timber - Native Pine	77,721	29,926
- Exotic Pine	256,498	125,773
Net increment in valuation of plantation timber (1)	334,219	155,699
3(a)(ii) Proceeds from disposal.		
Proceeds from the disposal of plantation timber during the financial year at net market value:		
Plantation timber - Native Pine	23,882	22,932
- Exotic Pine	55,149	48,276
Total proceeds from disposal of plantation timber	79,031	71,208
3(a)(iii) Unrealised revenue.		
Unrealised revenue transferred to the plantation growing timber unrealised revenue reserve	255,188	84,491
(1) During 2002-03 several of the key determinants of plantation revenue (defined as the gross increment in plantation asset value) varied sufficiently to deliver an increase significantly above that achieved during the 2001-02 financial year. The following factors contributed to the large plantation asset valuation increase under the current net present value methodology:		
■ A substantial decrease (1.25%) in the weighted average cost of capital (WACC) during the year - refer note 15 for sensitivity information.		
■ Increased market demand for certain forest resources resulting in both increased product prices for some products and re-scheduling of harvesting to deal with the demand.		
3(b) Forest product sales - Non-plantation Timber		
Native forest timber - Cypress	4,355	3,762
- Hardwood	7,901	7,190
- Sandalwood	227	154
Other hardwood timber sales	70	79
Seeds and seedlings	947	1,203
Freehold selection timber	-	5
Total forest product sales - non-plantation timber	13,500	12,393
3(c) Other revenue		
Hardwood Plantation Establishment Initiative - land purchase	-	3,616
External Workshop Charges	496	677
Fees and permits	516	439
Interest	1,553	927
External plant hire	381	357
Grants & Subsidies	6	-
Gain on disposal of plant and equipment (1)	426	175
Other sundry revenue	1,180	1,045
Total other revenue	4,558	7,236
(1) Gain on disposal comprised of:-		
Proceeds from sale of plant and equipment	476	1,000
Carrying value of assets sold	(50)	(825)
Gain on disposal of plant and equipment	426	175

for the financial year ended 30 June 2003



4 Indicative Physical Quantities of Plantation Timber and Net Valuation Increment Recognised as Revenue

	Hectares		Volume M ³		Change in Net Market Value	
	2003 '000	2002 '000	2003 '000	2002 '000	2003 \$'000	2002 \$'000
Plantation timber						
- Native Pine	42	43	22,665	22,105	77,721	29,926
- Exotic Pine	128	128	52,471	49,216	256,498	125,773
Total	170	171	75,136	71,321	334,219	155,699

		2003 \$'000	2002 \$'000
5 Borrowing Costs			
Borrowing costs comprised:	Interest expense - QTC loan	4,223	4,223
	Administration charges - QTC loan	88	85
	Loan Guarantee Fee - QTC loan	383	382
Total borrowing costs		4,694	4,690

6 Employee Expenses and Number of Employees

Employee expenses:	Wages and Salaries	29,195	28,901
	Employer superannuation contributions	3,091	2,895
	Payroll Tax	1,533	1,556
	Long service leave levy	440	433
	Termination & Ex-gratia payments	588	115
	Workers' Compensation Expense	1,078	832
	Other	434	345
Total employee expenses		36,359	35,077
Number of employees:	The number of employees includes both full-time and part-time employees measured on a full-time equivalent basis.	758	709

7 Other Operating Expenses

		* Note	
Other expenses	Travel expenses	746	794
	Bad & Doubtful debts	4	4
	Audit fees	111	148
	Insurance premiums -		
	Qld Government Insurance Fund	2.21	25
	Other	1,698	1,709
Total other expenses		2,611	2,680

Notes to and forming part of the Financial Statements



	2003 \$'000	2002 \$'000
8 Depreciation and Amortisation		
Depreciation and amortisation incurred in respect of:		
Access Roads	369	368
Buildings & Building Improvements	532	488
Computer Equipment	379	435
Furniture & Fittings	92	94
Heavy Plant	831	982
Land Improvements	127	136
Motor Vehicles	401	507
Office Equipment	158	159
Staff Amenities	-	1
Plant & Equipment - Other	357	418
Amortisation - Software Developed In-House	14	14
Leasehold Improvements	65	65
Total Depreciation and Amortisation	3,325	3,667
9 Income Tax Equivalents		
Profit from ordinary activities	285,348	110,630
Prima facie tax equivalent expense calculated at 30% (2002: 30%) of profit from ordinary activities	85,604	33,189
Tax effect of permanent differences:		
Acquired timber felled -		
Queensland Income Tax Equivalents Ruling 95/4 -ITAA97 Sec 70-120	(15,595)	(13,971)
Revaluation of Growing Timber	(76,556)	(25,347)
Entertainment - non-deductible	-	6
Depreciation - non-deductible	64	135
Other	3	118
Income tax equivalent expense (benefit) adjusted for permanent differences	(6,480)	(5,870)
Current year tax losses and timing differences not brought to account (1)	6,480	5,870
Total tax equivalent expense (benefit)	-	-

(1) A future tax equivalent benefit related to carry forward losses has not been brought to account as an asset of DPI Forestry, as realisation of the benefit cannot be regarded as being virtually certain. These carry forward losses encompass the effect of the above permanent and timing differences. Accumulated future tax equivalent benefits attributable to tax losses carried forward as at 30 June 2003 are \$64,693,434 (at 30%).

These benefits will only be obtained if:

1. DPI Forestry derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
2. DPI Forestry continues to comply with the conditions for deductibility imposed by the law; and
3. No changes in tax legislation adversely affect DPI Forestry in realising the benefit from the deductions of the losses.

for the financial year ended 30 June 2003

	2003 \$'000	2002 \$'000
10 Cash Assets		
Cash on hand	26	27
Cash at bank (1)	39,160	34,246
Total cash	39,186	34,273
(1) Cash deposited with the Commonwealth Bank earned interest at rates between 3.7% and 4.12% (2002: 3.7%)		
11 Receivables		
Current		
Trade debtors	13,483	13,205
Freehold selection debtors (1)	98	115
	13,581	13,320
Less - Provision for doubtful debts	-	(6)
	13,581	13,314
Interest receivable	386	297
Other debtors	420	1,532
	14,387	15,143
Non-Current		
Freehold selection debtors (1)	95	177
Total receivables	14,482	15,320
(1) Freehold selection debtors arise where Crown Land under lease is converted to freehold. Debtors represent the value of unpaid instalments due on the timber component of the property sold. The Department of Natural Resources and Mines manages the freehold selection debtors.		
12 Inventories		
Finished goods:		
Seeds and seedlings - at cost	1,121	1,472
Raw materials and stores:		
Miscellaneous - at cost	1,474	1,305
Total inventories	2,595	2,777
13 Intangibles		
Internal use software		
At cost	339	339
Accumulated amortisation	(278)	(264)
Total intangibles	61	75



Notes to and forming part of the **Financial Statements**

		2003	2002
		\$'000	\$'000
14 Property, Plant and Equipment			
Land	At fair value (1)	13,902	10,267
Buildings	At fair value (1)	26,308	24,588
	Accumulated depreciation	(13,772)	(12,501)
		12,536	12,087
Land improvements	At cost	3,758	3,592
	Accumulated depreciation	(1,214)	(1,084)
		2,544	2,508
Leasehold improvements	At cost	648	648
	Accumulated amortisation	(203)	(139)
		445	509
Access roads	At fair value (1)	17,585	17,494
	Accumulated depreciation	(5,589)	(5,220)
		11,996	12,274
Plant and equipment	At cost	29,836	27,563
	Accumulated depreciation	(14,583)	(13,971)
		15,253	13,592
Capital works in progress	At cost	541	346
Total Property, plant and equipment	At cost	34,783	32,149
	At fair value	57,795	52,349
	Accumulated depreciation	(35,361)	(32,915)
Total property, plant and equipment - net book value		57,217	51,583

Valuation of Property, Plant and Equipment

All Land, Buildings and Access Roads are carried at fair value, while all other asset classes are carried at cost in accordance with Queensland Treasury's *Non-Current Asset Accounting Guidelines for the Queensland Public Sector*.

- (1) *Land, Access Roads and Buildings* were revalued using fair value principles as at 1 July 2001, by the following independent expert valuers:
Australian Valuation Office, R N Mullins, FAPI LLB



for the financial year ended 30 June 2003



14 Property, Plant and Equipment (cont.)

Property, Plant and Equipment Reconciliation

Reconciliation of the carrying amount of asset classes	Land	Buildings	Land Improvements	Leasehold Improvements	Access Roads	Plant and Equipment	Capital Works in Progress	Total
	2003 \$000	2003 \$000	2003 \$000	2003 \$000	2003 \$000	2003 \$000	2003 \$000	2003 \$000
Carrying amount at start of year	10,267	12,087	2,508	509	12,274	13,592	346	51,583
Acquisitions	3,635	27	120	-	-	3,660	869	8,311
Disposals	-	(23)	(1)	-	-	(26)	-	(50)
Transfer between classes	-	293	45	-	91	245	(674)	-
Revaluation:-								
Increments/(decrements)	-	684	-	-	-	-	-	684
Depreciation/Amortisation	-	(532)	(128)	(64)	(369)	(2,218)	-	(3,311)
Carrying amount at end of year	13,902	12,536	2,544	445	11,996	15,253	541	57,217

	2003 \$'000	2002 \$'000
15 Plantation Growing Timber		
Balance at the beginning of the financial year	982,252	897,761
Valuation increment/(decrement) net of plantation timber sales (1)	255,188	84,491
Balance at the end of the financial year	1,237,440	982,252

(1) Sensitivity of Net Market Valuation of Plantations to changes in significant assumptions used in the valuation modelling process.

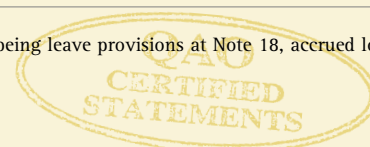
	Change	Effect on Net Market Value
Discount Rate	+1%	(142,688)
	-1%	175,184
Stumpage Rates	+5%	72,818
	-5%	(72,818)
Future Costs	+5%	(10,946)
	-5%	10,946

Stumpage Rates refer to the residual value of timber calculated by deducting the costs of harvest transport to the market or a processing centre.

Notes to and forming part of the Financial Statements

	2003	2002
	\$'000	\$'000
16 Payables		
Current		
Trade creditors	1,158	747
Accrued interest, loan guarantee fee and other costs of finance	1,457	1,456
Long Service Leave Levy Payable	113	109
Accrued staff related expenses	318	221
Tax payable - Payroll	125	113
- GST Payable	935	1,045
- Less GST Receivable	(652)	(392)
Accrued expenses	451	947
Prepaid royalties, grants & other revenue received in advance	76	51
Miscellaneous	280	482
Total payables	4,261	4,779
17 Interest-bearing Liabilities		
Non-current		
Queensland Treasury Corporation Loan (1) - [market value as at 30 June \$88.865M]	76,420	76,420
Total borrowings	76,420	76,420
(1) No part of this loan has been reported as 'current' as the loan is presently operating on an 'interest only basis'. The Treasurer has approved the continuation of 'interest only' terms for a further year concluding on 30 June 2004. As a consequence the period of the loan has been extended a further year. The interest rate is 5.52%. The market value represents the value of the debt if DPI Forestry repaid the debt at 30 June 2003. As DPI Forestry intends to hold the loan for its term, no provision has been made in these accounts for the margin between book and market value. Refer note 5 for information relating to borrowing costs associated with this loan.		
18 Provisions	* Note	
Current		
Provision for dividend	20	14,795
Employee benefits: Recreation leave		3,238
Total provisions		18,033
Movement in dividend provision		
Balance at the beginning of the financial year		10,979
Provision recognised for 2002-03		14,795
Reduction in provision as a result of payments		(10,979)
Balance at the end of the financial year		14,795

Aggregate employee entitlements for 2002-03 amounted to \$3,669,000 (2002: \$3,421,000) being leave provisions at Note 18, accrued long service leave levies and staff related expenses at Note 16.



for the financial year ended 30 June 2003



* Note	2003 \$'000	2002 \$'000
19 Changes in Equity		
(i) Capital		
Balance at the beginning of the financial year	844,284	844,271
Non-reciprocal transfer of assets and liabilities	19	13
Balance at the end of the financial year	844,303	844,284
(ii) Retained Surpluses		
Balance at the beginning of the financial year	24,138	9,065
Net Profit for the period (2)	285,348	110,630
Dividend provided for 18,20	(14,795)	(10,979)
Additional Dividend Paid 20	(10,000)	-
Adjustment on adoption of new Accounting Standard AASB1041 - "Revaluation of Non-Current Assets" for reduction in Land value	-	(111)
Transfer from Asset Revaluation Reserve 19(iii)	2	24
Unrealised revenue transferred to Plantation Growing Timber		
Unrealised Revenue Reserve 3(a)(iii)	(255,188)	(84,491)
Balance at the end of the financial year	29,505	24,138
(iii) Asset Revaluation Reserve		
Balance at the beginning of the financial year	7,787	476
Increment/(Decrement) on revaluation		
- Access Roads	-	5,893
- Land, Land improvements and Buildings	684	1,442
Transfer to Retained Surpluses 19(ii)	(2)	(24)
Balance at the end of the financial year (1)	8,469	7,787
(iv) Plantation Growing Timber Unrealised Revenue Reserve		
Balance at the beginning of the financial year	114,802	30,311
Unrealised revenue transferred from Retained Profits (2) 3(a)(iii)	255,188	84,491
Balance at the end of the financial year	369,990	114,802
(v) Total Equity		
Balance at the beginning of the financial year	991,011	884,123
Changes in equity recognised in the Statement of Financial Performance	286,032	117,854
<i>Transactions with Owners as Owners</i>		
- Non-reciprocal transfer of assets and liabilities	19	13
- Dividends	(24,795)	(10,979)
Balance at the end of the financial year	1,252,267	991,011
(1) Closing Balance of Asset Revaluation Reserve by Class.		
Buildings	2,576	1,894
Access roads	5,893	5,893
Total	8,469	7,787

- (2) The profit figure for the period contains the net increment in the value of standing timber in DPI Forestry's plantations. Under Accounting Standard AAS35, DPI Forestry must bring to account as revenue the increment in the value of its plantations regardless of whether the plantation timbers have been sold or not. This treatment has given rise to the creation and use of the Plantation Growing Timber Unrealised Revenue Reserve, which sets aside the unrealised portion of the increment in plantation growing timber (refer note 2.15). This unrealised revenue is not available for distribution. Calculation details of the unrealised revenue amount can be found at note 3(a)(iii).

Notes to and forming part of the Financial Statements



20 Dividend

The dividend of \$14,794,897 (2002: \$10,978,608) provided for is payable to the Queensland Government. Refer note 2.6.

Note. During 2002-03 financial year an additional dividend amounting to \$10 million was declared and paid out of retained surpluses.

	* Note	2003 \$'000	2002 \$'000
21 Reconciliation of Net Cash provided by Operating Activities to Profit after Income Tax equivalents			
Profit from ordinary activities after income tax equivalents		285,348	110,630
Non-cash items:			
Unrealised plantation growing timber revenue	3(a)(iii)	(255,188)	(84,491)
Depreciation and Amortisation		3,325	3,667
Asset write-downs and decrements		-	74
(Gain)/loss on disposal of non-current assets		(426)	(174)
Changes in assets and liabilities:			
(Increase)/decrease in inventories		181	(71)
(Increase)/decrease in net receivables		832	(752)
(Increase)/decrease in GST input tax credits receivable		(260)	88
(Increase)/decrease in prepayments & other assets		6	(111)
Increase/(decrease) in employee provisions		140	139
Increase/(decrease) in unearned revenue		25	(151)
Increase/(decrease) in GST payable		(110)	237
Increase/(decrease) in creditors		(173)	146
Net cash provided by operating activities		33,700	29,231
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 Statement of Financial Position as detailed in Note 10.			
22 Financing Facilities			
Standby arrangements to provide funds and support facilities			
Credit facility		3,000	3,000
Amount utilised		-	-
Unused credit facility		3,000	3,000

At 30 June 2003, a credit facility with the Queensland Treasury Corporation was in place with a limit of \$3,000,000. This facility remained fully undrawn at balance date.

for the financial year ended 30 June 2003



23 Interests in Joint Ventures

DPI Forestry holds an interest in a number of joint ventures (Refer Note 2.23). These currently fall into two primary categories, namely;

23 (a) Joint Venture Operations.

Inputs to these joint ventures are recorded and accumulated over the life of the venture with the outputs being shared in proportion to the investment. Investments in these ventures are currently classified by output as follows:

Private Forestry Plantations Ventures:

Designed to establish commercially viable timber plantations on private and crown lands. Contributions to these joint ventures for 2002-03 totalled \$485,555 (2002: \$998,722).

Seed Orchard Venture:

Designed to produce and sell improved tree seed from an orchard established for the purpose. Contributions to this joint venture for 2002-03 totalled \$8,314 (2002: \$23,880).

- No output was derived from the joint venture operations during the year (2002: \$nil).
- Total contributions to joint venture operations at 30 June 2003 amounted to \$4,807,676 (2002: \$4,321,451). Of this amount \$3,493,500 (2002: \$3,232,064) has been provided from State funding external to DPI Forestry.

23 (b) Joint Venture Entity.

A company (Wollemi Australia Pty Ltd) was established on 28 May 2001 to manage the propagation and worldwide marketing of the Wollemi pine under licence from the Royal Botanic Gardens in Sydney. The State of Queensland has a 50% interest in this company (1 share at \$1), which will conduct its business primarily via sub-licensing arrangements.

As at 30 June 2003 this company had not commenced trading.

24 Controlled Entity

In August 2001, with the approval of the Treasurer, DPI Forestry formed QFOR Pty. Ltd., and acquired a 100% interest (10 shares at a \$1) in the company. The company was formed as a suitable corporate vehicle from which to conduct certain commercial joint ventures, particularly the Wollemi Joint Venture. See note 23(b).

As investment to date has been minor and the company has not yet commenced trading, the entity is considered immaterial for reporting purposes and has not been consolidated into DPI Forestry's financial statements.

The Auditor-General of Queensland has been appointed as the company's auditor.

25 Contingent Liabilities

DPI Forestry was self-insured for workers' compensation prior to 1 July 1995. There are no outstanding damages actions relating to this period. 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 Workcover Queensland.

The incidents giving rise to the above matters occurred prior to the end of the financial year. The jurisdiction of all contingent liability matters is as follows: -

Supreme Court	3
District Court	2
Other	2

DPI Forestry's legal advisers and management believe that it would be misleading to estimate the final amounts payable, if any, in respect of the litigation filed in the courts.

DPI Forestry has insurance cover with the Queensland Government Insurance Fund. The costs of any successful claims against DPI Forestry may, depending on the circumstances, be met by the insurer.



Notes to and forming part of the Financial Statements

26 Commitments for Expenditure

Capital expenditure - plant and equipment payable within 1 year: \$263,251 (2002: \$71,117).

27 Deposits Held in Trust

Security, tender and other deposits are held by DPI Forestry in trust primarily as guarantees for performance under timber sales agreements and contracts. Deposits held as at 30 June 2003 amounted to \$824,155 (30 June 2002 \$727,369). These deposits are not recognised in the financial statements but are reported for information purposes. Transactions and balances relating to these deposits are subject to audit by the Auditor-General of Queensland.

28 Financial Instruments

28 (a) Interest rate risk.

Financial Instruments	Floating Rate		Fixed Rate Maturing in						Non-Interest Bearing		Total		Average Rate: Fixed		Average Rate: Floating	
			1 year or less		1 to 5 years		Greater than 5 yrs									
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 %	2002 %	2003 %	2002 %
Financial Assets																
Cash	39,160	34,246	-	-	-	-	-	-	26	27	39,186	34,273	-	-	3.89	3.74
Receivables -trade debtors	-	-	-	-	-	-	-	-	13,483	13,205	13,483	13,205	-	-	-	-
Receivables (other than trade debtors)	-	-	-	-	-	-	-	-	999	2,115	999	2,115	-	-	-	-
Total Financial Assets	39,160	34,246	-	-	-	-	-	-	14,508	15,347	53,668	49,593	-	-	-	-
Financial Liabilities																
Payables	-	-	-	-	-	-	-	-	4,261	4,779	4,261	4,779	-	-	-	-
Interest-bearing liabilities	-	-	-	-	28,027	24,148	48,393	52,272	-	-	76,420	76,420	5.52 *	5.52	-	-
Dividend payable	-	-	-	-	-	-	-	-	14,795	10,979	14,795	10,979	-	-	-	-
Total Financial Liabilities	-	-	-	-	28,027	24,148	48,393	52,272	19,056	15,758	95,476	92,178	-	-	-	-

* This rate represents the book rate applicable to an interest only borrowing. The loan reverts to principal and interest on 1 July 2004, at which time an approximate book rate of 5.7% will apply.

for the financial year ended 30 June 2003

28 Financial Instruments (cont.)

28 (b) Net fair values.

	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Financial Instruments	Total carrying amount as per the Statement of Financial Position		Net fair value	
Financial Assets				
Cash	39,186	34,273	39,186	34,273
Receivables -trade debtors	13,483	13,205	13,483	13,205
Receivables (other than trade debtors)	999	2,115	999	2,115
Total Financial Assets	53,668	49,593	53,668	49,593
Financial Liabilities				
Payables	4,261	4,779	4,261	4,779
QTC Borrowings	76,420	76,420	88,865	83,291
Dividend payable	14,795	10,979	14,795	10,979
Total Financial Liabilities	95,476	92,178	107,921	99,049

The fair value of borrowings is the market value as advised by Queensland Treasury Corporation.

28 (c) Credit risk exposure.

DPI Forestry's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

Credit risk in respect of trade debtors is managed in the following ways:

- Payment within 30 days from end of month in which a sale is invoiced; and
- All trade debtors are secured by cash deposit or other financial guarantee.



Notes to and forming part of the **Financial Statements** for the financial year ended 30 June 2003

Certificate of DPI Forestry

The foregoing financial statements have been prepared pursuant to section 40(1) of the *Financial Administration and Audit Act 1977* (the Act) and other prescribed requirements. In Accordance with Section 40(3) of the Act we certify that in our opinion:

in our opinion -

- (i) the prescribed requirements for the establishment and keeping of the accounts have been complied with in all material respects; and
- (ii) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of DPI Forestry for the financial year ended 30 June 2003 and of the financial position as at the end of that year.

G O'FARRELL
Acting Director-General

A HARVEY
Acting Executive Director (DPI Forestry)



INDEPENDENT AUDIT REPORT

To the Accountable Officer of the Department of Primary Industries

Matters relating to the electronic presentation of the audited financial statements

The audit report relates to the financial statements of DPI Forestry for the financial year ended 30 June 2003 included on DPI Forestry's web site. The Accountable Officer is responsible for the integrity of DPI Forestry's web site. The audit report refers only to the financial statements identified below and does not include a review of the integrity of this web site or provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements, available from DPI Forestry, to confirm the information included in the audited financial statements presented on this web site.

These matters also relate to the presentation of the audited financial statements in other electronic media including CD Rom.

Scope

The financial statements

The financial statements of DPI Forestry, a Commercialised Business Unit of the Department of Primary Industries, consist of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, Notes to and forming part of the financial statements and certificates given by the Accountable Officer and officer responsible for the financial administration of DPI Forestry, for the year ended 30 June 2003.

Accountable Officer's responsibility

The Accountable Officer is responsible for the preparation and true and fair presentation of the financial statements, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

As required by law, an independent audit was conducted in accordance with *QAO Auditing Standards* to enable me to provide an independent opinion whether in all material respects the financial statements present fairly, in accordance with the prescribed requirements, including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland

Audit procedures included -

- examining information to provide evidence supporting the amounts and disclosures in the financial statements;
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Accountable Officer;
- obtaining written confirmation regarding the material representations made in conjunction with the audit; and
- reviewing the overall presentation of information in the financial statements.

Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which powers are to be exercised.

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Audit Opinion

In accordance with section 40 of the *Financial Administration and Audit Act 1977* -

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the Statements have been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of DPI Forestry for the financial year 1 July 2002 to 30 June 2003 and of the financial position as at the end of that year.



M R HYMAN, CA
Acting Assistant Auditor-General
(Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

DPI Forestry **Statistical appendices**

for the financial year ended 30 June 2003

Statistical Appendix 1

DPI Forestry

Plantation timber removals	2
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Statistical Appendix 2

DPI Forestry

Native forest timber removals	3
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Statistical Appendix 3

Queensland Private

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Statistical Appendix 4

DPI Forestry

Quarry materials and Minor forest product removals	5
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Statistical Appendix 5

DPI Forestry

Area of State-owned plantation established	6
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Statistical Appendix 6

DPI Forestry

Area of state-owned plantation	7
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DPI Forestry Plantation timber removals (cubic metres)

2002-03 Financial year

Product	North Region				South East Exotic Region			South East Hoop Region		Total		
	Atherton	Ingham	Rockhampton	Monto	Total	Beerburrrum*	Maryborough	Total	Imbil/Yarraman	Total	2001-02	2002-03
SAWLOG												
Native Pine	8,902		143	35,963	45,008		4,389	4,389	350,757	350,757	356,392	400,153
Exotic Pine	15,037	15,117	66,349		96,503	234,595	652,630	887,225	8,060	8,060	898,055	991,788
Non-Comifers	160				160				160	160	620	320
Total	24,099	15,117	66,493	35,963	141,671	234,595	657,018	891,614	358,977	358,977	1,255,067	1,392,261
PULPWOOD												
Total		6,318		2,949	9,267	25,121	344,722	369,843	29,897	29,897		409,007
ROUNDWOOD												
Total	11				11	2,829	89,454	92,283	21	21	92,343	92,315
TOTAL												
2002-03	24,109	21,434	66,493	38,912	150,948	262,546	1,091,194	1,353,740	388,895	388,895		1,893,583
2001-02	8,897	17,623	70,130	35,235	131,885	243,814	1,030,702	1,274,516	343,785	343,785	1,750,186	

* Management responsibility for exotic pine plantations located in the Dalby Forest Management Area has been transferred from South West Region to South East Exotic Region, Beerburrrum Forest Management Area.

DPI Forestry Native forest timber removals (cubic metres)

2002-03 Financial year

Product	North Region				South West Region			South East Exotic Region			South East Hoop Region		Total		
	Atherton	Ingham	Rockhampton	Monto	Total	Dalby	Roma	Total	Beerburrum	Maryborough	Total	Imbil/Yarraman	Total	2001-02	2002-03
SAWLOG															
Hardwoods	5,694	3,630	38,908	55,307	103,539	3,471	4,442	7,913	9,755	39,764	49,519	24,802	24,802	185,772	168,030
Cypress			993		993	53,658	93,209	146,867				221	221	148,080	143,506
Total	5,694	3,630	39,900	55,307	104,532	57,128	97,651	154,779	9,755	39,764	49,519	25,023	25,023	333,853	311,536
PULPWOOD															
Total						126		126						126	363
MISCELLANEOUS															
Railway sleepers & like timber		868			868	2		2						870	1,348
Landscaping & fencing timber	579	32	8,924	6,423	15,958	343	424	768	178	4,366	4,544	339	339	21,609	25,865
Mining timber			582		582									582	45
Girders, corbels, piles, & sills	526		1,640	136	2,302	8	2	10	28	1,604	1,631	100	100	4,043	4,221
Hardwood poles	30			298	328				234	4,456	4,689			5,017	7,924
Other hardwood round timber	444	150	3,396	15	4,005	792	117	908	131	309	440	25	25	5,378	7,924
Sandalwood	4	419			423									423	275
Total	1,583	1,469	14,543	6,871	24,466	1,145	543	1,688	571	10,735	11,305	464	464	37,923	47,602
TOTAL															
2002-03	7,277	5,100	54,443	62,178	128,997	58,399	98,194	156,594	10,325	50,499	60,824	25,487	25,487	371,902	371,902
2001-02	7,388	4,304	68,967	57,958	138,617	53,486	94,415	147,901	11,967	53,311	65,278	7,705	7,705	359,501	359,501

Queensland Private milling timber removals (cubic metres)

2002-03 Financial year

Product	North Region				South West Region			South East Exotic Region			South East Hoop Region			Total		
	Atherton	Ingham	Rockhampton	Monto	Total	Dalby	Roma	Total	Beerburum	Maryborough	Total	Imbil	Yarraman	Total	2001-02	2002-03
NATIVE FORESTS																
Hardwood and scrubwood	4,200	1,367	15,827	68,289	89,683	51,845	317	52,162	55,342	26,931	82,274	10,429	19,649	30,078	190,410	254,196
Cypress			71	120	191	26,792	5,919	32,711							32,902	35,051
Other Pine			16	3,898	3,914	1,935		1,935	192	25	217		55	55	2,791	6,121
Total	4,200	1,367	15,914	72,307	93,788	80,571	6,237	86,807	55,534	26,957	82,491	10,429	19,704	30,133	293,219	228,252
PLANTATIONS																
Native Pine		127	18	3,515	3,660	26		26	7,161		7,161			18,261		7,688
Exotic Pine		1,964	1		1,965	5,083		5,083	143,233	1,257	144,490				151,538	126,940
Broadleaf				6,828	6,828	1,100		1,100	265		265				8,193	310
Total		2,091	19	10,343	12,453	6,209		6,209	150,659	1,257	151,916	18,261		18,261	188,839	134,938
TOTAL																
2002-03	4,200	3,458	15,933	82,650	106,241	86,780	6,237	93,016	206,193	28,214	234,407	28,690	19,704	48,394	482,058	
2001-02	2,737	4,702	16,085	28,720	52,244	53,176	7,305	60,481	189,884	29,223	219,107	10,270	21,088	31,358	363,190	

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

DPI Forestry Quarry materials (cubic metres) and Minor forest product removals (dollars) 2002-03 Financial year

Product	Total	
	2001-02	2002-03
QUARRY MATERIALS (m³)*		
Total	2,344,083	2,864,771
MINOR FOREST PRODUCTS (\$) **		
Native Forest	170,971	173,197
Plantation	116,168	138,498
Total	287,139	311,695
	South East Hoop Region	
	Total	1,050
	Imbil/Yarraman	1,050
	South East Exotic Region	
	Total	1,086,644
	Maryborough	16,285
	Beerburum	1,070,359
	South West Region	
	Total	56,407
	Roma	33,115
	Dalby	23,292
	Total	1,721,720
	North Region	
	Monto	31,282
	Rockhampton	876,750
	Ingham	695,877
	Atherton	117,812
	Total	47,428
	Total	20,895
	Total	68,323

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

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

DPI Forestry Area of State-owned plantation established (ha)

2002-03 Financial year

Product	North Region					South East Exotic Region			South East Hoop Region		Total	
	Atherton	Ingham	Rockhampton	Monto	Total	Beerburrum*	Maryborough	Total	Imbil/Yarraman	Total	2001-02	2002-03
NATIVE PINE												
First rotation				88	108				65	65		65
Second rotation	19			88	108				447	447	533	533
Total	19			88	108				512	512	533	533
EXOTIC PINE												
First rotation		16	356		373		24	24				290
Second rotation	23	23	162		207	1462	2348	3810	7	7	3,416	3,416
Total	23	39	518		580	1462	2372	3835	7	7	3,706	3,706
HARDWOODS **												
First rotation				458	458	59	98	156	619	619	1,700	1,700
Second rotation											7	7
Total				458	458	59	98	156	619	619	1,707	1,707
MISCELLANEOUS												
First rotation									23	23	1	1
Second rotation											17	17
Total									23	23	18	18
TOTAL												
2002-03	42	39	518	547	1146	1521	2470	3991	1160	1160	6,297	6,297
2001-02	28	26	397	376	827	967	2400	3367	1770	1770	5,964	5,964

* Management responsibility for exotic pine plantations located in the Dalby Forest Management Area has been transferred from South West Region to South East Exotic Region, Beerburrum Forest Management Area.

** The hardwood plantations shown above were established on State-owned land and land rented from private landowners. DPI Forestry's ownership of the tree crop on rented private land is secured by Profit a Prendre arrangements. A further 35 hectares of hardwood plantation were established at Millmerran during the year under a joint venture agreement.

DPI Forestry Area of state-owned plantation (ha)

at 30 June 2003

Product	North Region				South East Exotic Region			South East Hoop Region		Total		
	Atherton	Ingham	Rockhampton	Monto	Total	Beerburrum*	Maryborough	Total	Imbil/Yarraman	Total	2002	2003
NATIVE PINE												
Araucaria	955	4	247	4,016	5,222	1	918	919	37,999	37,999	44,140	44,440
Other Native Pine	102	1	1	4	108		24	24	369	369	501	503
Total	1,057	5	248	4,020	5,330	1	942	943	38,368	38,368	44,641	44,943
EXOTIC PINE												
Slash Pine	1		125	2	128	4,684	31,084	35,768	4	4	35,900	41,382
Caribbean Pine	2,296	9,936	6,690		18,922	3,223	31,586	34,809	68	68	53,799	54,256
Pinus Hybrids		52	1,370		1,422	13,704	25,610	39,314	1	1	40,737	33,403
Other Exotic Pine	38	89	29	6	162	3,371	119	3,490	244	244	3,896	4,127
Total	2,335	10,077	8,214	8	20,634	24,982	88,399	113,381	317	317	134,332	133,168
HARDWOODS												
Total	2	3	3	790	798	2,422	625	3,047	2,320	2,320	6,165	2,355
MISCELLANEOUS												
Total	198	36	17	2	253	161	463	624	277	277	1,154	251
UNPLANTED												
Fallow	14	112	93	58	277	1,265	1,818	3,083	920	920	4,280	3,966
Other	18	40	19	46	123	69	381	450	336	336	909	818
Total	32	152	112	104	400	1,334	2,199	3,533	1,256	1,256	5,189	3,966
TOTAL												
2003	3,624	10,273	8,594	4,924	27,415	28,900	92,628	121,528	42,538	42,538	191,481	191,481
2002	3,636	10,272	8,324	4,515	26,747	27,877	92,584	120,461	40,266	40,266	184,683	184,683

* Management responsibility for exotic pine plantations located in the Dalby Forest Management Area has been transferred from South West Region to South East Exotic Region, Beerburrum Forest Management Area.

Note: In addition to the above State-owned plantations, there are approximately 1,500 hectares of hardwood plantations and 300 hectares of araucaria plantation managed under joint venture agreements between DPI Forestry and other landowners.