

Forests for Tomorrow

Quarterly Report
June 30, 2006

PRICEWATERHOUSECOOPERS 

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1. Overview

We are pleased to submit our report covering the operations and administration of the Province's Forests for Tomorrow Program ("FFT") for the first quarter ending June 30, 2006.

In March, 2005 the BC government announced funding earmarked at addressing the long term timber supply in management units that have been heavily impacted by the mountain pine beetle ("MPB") and/or wildfires. At that time, it was estimated that the FFT may run for 15 years, with a budget that would increase annually commencing in 2008/09 and decrease as free-growing forests are achieved.

In 2006/07, PricewaterhouseCoopers ("PwC") will administer \$6.7 million on behalf of the Ministry of Forests & Range ("MoFR"). The first quarter of the fiscal 2007 has seen a steady submission of project plans by Recipients. Overall, PwC's investment team has received project plans representing over 69% of the budget and approved 21 projects (84% of the Recipient's submissions).

As of quarter end, PwC has concluded the financial and performance audit program for the 2005/06 FFT program. These reports are currently being finalized and will be forwarded to the MoFR and Recipients early in the second quarter.

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2. Program Analysis

As of June 30, 2006 we have received 25 project plans for \$4.6 million in the FFT investment schedules (June 30, 2005 – 24 projects/\$1.4 million/), representing 69% of the FFT budget (\$6.7 million) allocated to eligible FFT Recipients. To-date, we have approved 21 projects (84% of the submissions) worth an aggregate value of \$4.3 million (June 30, 2005 – 12 projects/\$0.8 million).

A summary of the number and value of program projects submitted by the end of the first quarter by Recipients is found in the following table.

Summary of FFT Submitted Projects as of June 30, 2006

Component	#	\$
Brushing	2	145,945
Planting	7	2,002,692
Site Preparation	9	1,889,153
Surveys	7	554,619
Total Submitted	25	\$4,592,409
FFT Allocation Under Investment Schedules		\$6,674,925

The summary of those Recipients involved in the 2006/07 FFT can be found in Appendix 1.

As shown in the table above, the majority of projects submitted to-date under FFT has been focused on the site preparation and planting activity areas, accounting for almost 85% of the submissions to PwC. Under the 2006/07 FFT, the MoFR has identified eligible activities to be completed by each Recipient and as a result, PwC anticipates the program to be more efficient in delivery in this fiscal year. A summary of the projects submitted by region is shown in Appendix 2.

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3. Administrative Analysis

Financial Statements

As of June 30, 2006, \$2.7 million (June 30, 2005 - \$0.4 million) of the FFT funding has been distributed to Recipients. We expect that approximately \$1.9 million will be distributed in the second quarter.

Auditing

a) 2005/06 Audit Program

As of June 30, 2006, PwC has substantially completed the 2005/06 financial and performance audit programs. Currently, PwC is working with Recipients to finalize the reports and associated action plans. Once comments are received and action plans agreed upon with PwC, or audit contractors as applicable, the reports will be issued to MoFR and the respective Recipients. We expect that all performance and financial audit reports will be issued during the summer. PwC will prepare a consolidated summary of audit findings for the MoFR once the program has been fully completed.

b) 2006/07 Audit Program

Based on our approach for the Land Base Investment Program ("LBIP"), PwC's planned audits for the FFT will be completed in a similar manner, leveraging our LBIP experience to ensure that these audits are carried out efficiently and effectively. Planning for the 2006/07 performance audits will commence in the third quarter and auditing (both financial and performance) are scheduled to take place during April to June, 2007. PwC will be contacting the Recipients who will be audited during the third quarter.

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4. Quarter 2 Administrator Objectives

The following is a summary of objectives that PwC has established for the second quarter:

- PwC will continue to work with the MoFR Forest Practices Branch to streamline the delivery of the FFT, focusing on the utilization of funds to ensure that Recipients are using the available funds to complete the priority areas determined by the MoFR. PwC will also determine if excess funds will be available under any investment schedule and subsequently develop an action plan with the MoFR to utilize any excess funds identified.
- The 2005/06 financial and performance audits will be completed by the end of the first quarter in 2006/07. PwC will forward the completed audit reports to the MoFR as available. PwC will also compile and forward to the MoFR and Recipients, a list of common audit findings.

Appendix 1

2006/07 Forests for Tomorrow Allocation by Region & Management Unit				
Management Unit	Location	Investment		Allocation
		Schedule #	Licensee	
Northern Interior Forest Region				
TSA 24	Prince George	NOTSA242580	Canadian Forest Products Ltd.	\$430,000
			Regional Total	\$430,000
Southern Interior Forest Region				
TSA 05	Cranbrook	SOTSA054675	Beliveau Consulting	\$990,204
TSA 09	Invermere	SOTSA094676	Beliveau Consulting	\$288,964
TSA 11	Kamloops	SOTSA114677	Beliveau Consulting	\$1,638,383
TSA 13	Kootenay Lake	SOTSA134678	Beliveau Consulting	\$1,709,805
		SOTSA134683	Leesing Consulting	\$96,000
TSA 15	Lillooet	SOTSA154679	Beliveau Consulting	\$225,822
TSA 18	Merritt	SOTSA184680	Beliveau Consulting	\$827,170
TSA 22	Okanagan	SOTSA224681	Beliveau Consulting	\$117,427
		SOTSA224685	Weyerhaeuser Company Ltd.	\$16,000
TSA 29	Williams Lake	SOTSA294682	Yun Ka Whu'ten Holdings Ltd.	\$28,500
TFL 15	Inkameep	SOTFL154686	Weyerhaeuser Company Ltd.	\$9,150
TFL 35	Jamieson Creek	SOTFL354687	Weyerhaeuser Company Ltd.	\$297,500
			Regional Total	\$6,244,925
			Provincial Total	\$6,674,925

Appendix 2

Summary of Total Projects and Dollars for Each Forests for Tomorrow Component and Activity by Region as at June 30, 2006

	Northern Interior Forest Region		Southern Interior Forest Region		Total #	Total \$	Total %
Activity	#	\$	#	\$			
Brushing	0	-	1	36,462.25	1	36,462.25	0.79%
Planting	0	-	1	53,023.60	1	53,023.60	1.15%
Site Preparation	2	274,084.37	0	-	2	274,084.37	5.97%
Surveys	0	-	1	6,474.60	1	6,474.60	0.14%
Stand Establishment and Treatment - Backlog Reforestation Total	2	274,084.37	3	95,960.45	5	370,044.82	8.06%
Brushing	0	-	1	109,482.63	1	109,482.63	2.38%
Planting	0	-	6	1,949,668.89	6	1,949,668.89	42.45%
Site Preparation	0	-	7	1,615,068.33	7	1,615,068.33	35.17%
Surveys	0	-	6	548,144.82	6	548,144.82	11.94%
Stand Establishment and Treatment - Current Fire and Pest Reforestation Total	0	-	20	4,222,364.67	20	4,222,364.67	91.94%
Grand Total	2	\$ 274,084.37	23	\$ 4,318,325.12	25	\$ 4,592,409.50	100.00%