



FORESTRYSA ANNUAL REPORT 2008-09



# FORESTRYSA

ForestrySA manages South Australia's state-owned plantation resource, which consists primarily of 84,000 ha of radiata pine in the Green Triangle and Ranges regions.

ForestrySA's Head Office is located in Mount Gambier.

ForestrySA produces log which is used to produce sawn timber, pulp and paper, veneer and posts. An annual replanting program is maintained at about 2500 ha plus new land as available.

ForestrySA also provides community and recreational facilities within these forests and manages an additional 25,000 ha of native forest area for conservation.

ForestrySA is committed to the responsible and sound environmental management of plantation and native forest, and maintains a Forest Management System certified to the internationally recognised Australian Forestry Standard (AS 4708), as well as ISO 9001 and ISO 14001.

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**South Australian Forestry Corporation Head Office**  
 Jubilee Highway East  
 Mount Gambier  
 South Australia, 5290

Phone +61 8 8724 2888  
 Fax +61 8 8724 2870

[www.forestrysa.com.au](http://www.forestrysa.com.au)

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# BUSINESS PROFILE

HIGHLIGHTS	2008-09	2007-08	Measure
<b>Economic</b>			
Sales/Income	115.0	128.9	\$m
Profit from trading before revaluation of standing timber	30.2	39.4	\$m
Profit margin	26.3	30.6	%
Sales per FTE	491	529	\$'000
<b>Sales</b>			
Total sawlog sold from all plantations	1,058	1,159	m <sup>3</sup> '000
Total pulpwood sold from all plantations	672	755	m <sup>3</sup> '000
<b>Assets employed</b>			
Non-current	1,127	1,029	\$m
Current	129	125	\$m
Total	1,256	1,154	\$m
<b>Environment</b>			
Certification	AS 4708 (AFS) ISO 9001 ISO 14001	AS 4708 (AFS) ISO 9001 ISO 14001	
<b>Social</b>			
FTE employed	219.6	227.9	
Lost Time Injury Frequency Rate	10.3	15.6	

For further information please visit [www.forestrysa.com.au](http://www.forestrysa.com.au)

Table #1: Business highlights

# CHAIRMAN'S REPORT



John Ross AM  
CHAIRMAN  
ForestrySA

The ability of this business to produce effectively and profitably during a three year cycle marked with drought, planning for possible impacts of climate change and facing the challenges produced by a global financial crisis reflects well on the present ownership, management and governance structure. Philosophically, I believe a state-owned corporation should meet the test of being competitive in the market, as this result demonstrates.

While there has been some downward pressure on prices, particularly for lower value product, revenue and sales volume have exceeded expectations in the second half. Forest re-establishment on clearfelled land and on new land purchased is at record levels, geared to meeting projected future demand.

The unfortunate recent demise of plantation forest managed investment schemes (MIS), which have provided a significant much needed investment to the industry, has highlighted the risk inherent and the skills required to manage the longer term production cycle of forestry. Market forces will deliver the assets of these MIS companies in liquidation to other players at a discount funded by individual scheme investors.

It is assumed a different business model will evolve to manage the current rotation, but the fundamental issue of where future capital will come from to fund such renewable resource industries capable of generating jobs and wealth deserves consideration.

Expanded forest estates within the Green Triangle region have created much debate about our precious groundwater resource in the unconfined aquifer. Forestry bodies had assumed that equity principles would underpin their requirements but current legislation introduced to the parliament will, if passed, have a regressive impact on our industry limiting re-establishment, production and investment for future growth.

Compliance with the National Water Initiative is important, however, its principles need to be applied equitably and the science supporting the proposed legislation requires much more vigorous debate and industry consultation.

The South Australian Treasurer announced on 19 December 2008 a proposal to investigate a forest divestment policy with the forward sale of up to three rotations being contemplated as a means of potential capital investment for the state in support of its international credit rating. A sale of this type potentially has a term of up to 100 years and would take ForestrySA into uncharted territory. Funding bodies with the capacity to purchase our production for 100 years in advance presumably would seek a discount reflecting their commercial risk and their cost of funds, balanced against the extended term over which their investment could be profitably returned. Our executive is cooperating with treasury officials and consultants to seek answers to the complex questions implicit within this notion.

Relevant infrastructure is the key to being competitive for regional industries - for our industry it is the scale and capacity of sawmills and the road network our harvesting contractors use to deliver our product. For the mill owners after energy supplies it is the road and rail infrastructure available to take processed product and chip to its market or the Port of Portland.

A "Green Triangle Freight Action Plan" developed as a joint initiative of the Victorian and South Australian governments identifies essential infrastructure priorities which require a multi jurisdictional approach. At this time of Federal Government stimulus funding, support for this plan is important.

In March 2009, Independent Member for Mount Gambier the Hon. Rory McEwen stepped down from being Minister for Agriculture, Food, Fisheries, Forests and Regional Development. Over five years as Minister for Forests, he demonstrated a sound knowledge of the industry and was a staunch advocate for it and its people. On behalf of the ForestrySA Board, I wish to record our appreciation of his leadership. The Hon. Paul Caica is to be congratulated on being appointed to assume the portfolio positions Mr McEwen held. He has enthusiastically accepted the challenge and workload involved - we wish him well and look forward to working with him.

In conclusion, I gratefully acknowledge skills and dedication of our executive and staff who contribute to the special culture that maintains the place of ForestrySA as an innovative industry leader.

# CHIEF EXECUTIVE'S REPORT



Brian Farmer  
CHIEF EXECUTIVE  
ForestrySA

The business environment in 2008-09 was one of the most volatile years that I have experienced in my business career.

The first half was all up. Sales, prices in certain markets and costs, especially fuel and fuel-related products such as chemicals and fertilisers. The second half was down. Demand and supply dramatically changed, with special attention on products exposed to export or import competition.

Despite the above, the results overall were depressed from original budget targets but exceeded second half expectations.

Sales revenue dropped from \$121 million to \$108 million.

A dividend of \$15.2 million has been paid to the South Australian Government.

ForestrySA sought and achieved additional log sales late in the year (to export markets and short-term domestic supplies) to maintain our level of harvest and meet commitments with our harvest and transport contractors. These export sales have had a beneficial impact on log quality delivered to domestic customers.

While the practice of exporting logs is not universally endorsed, ForestrySA will utilise the export option to maintain business activity, improve log quality to local processors and ensure placement of all products into the market. Leaving log volume in the forest is not an option. Export of logs continues to underpin other employment and contract arrangements in the short term.

ForestrySA continues to endorse and employ practices that effectively improve safety and people management. Our key safety indicator LTIFR dropped from 15.6 to 10.3 as at 30 June 2009, reflecting a continuing positive trend in safety performance. However, ForestrySA has a major employee legacy issue to manage, arising from the nature of the workers' compensation system and the principles underlying our injury management programs. As such, past injury management practices have led to the current position where redemption payments have grown and will continue to grow in the short term.

The price of fuel continued to make headlines in the first half of the year, with barrel oil prices reaching unprecedented and financially unsustainable levels. Fuel is the single largest purchase by ForestrySA and our contractors amounting to approximately 30% of non-labour expenses. While the price of fuel has now dropped to a more reasonable level, the level of uncertainty remains a large problem. ForestrySA has now

adopted contract management approaches where fuel price increases and decreases are borne by ForestrySA.

ForestrySA is not in a position to pass on fuel costs to its customers in the same way that we adjust prices for harvest and transport contractors. To maintain our financial performance at a reasonable rate long term, ForestrySA will work with customers to find mutually beneficial arrangements to overcome difficult times. Philosophically, our position is to ensure the delivery of products at prices reflecting the resource quality, resource security and quality service. The pricing and supply arrangements are focussed on developing a stable and profitable timber processing industry, as well as a profitable and growing forestry industry.

ForestrySA continues to maintain its Australian Forestry Standard (AFS) certification. Maintenance of this AFS certification is a challenge. The key risks are closely linked with the administrative side of the business as distinct from our field-based activities. Like all systems, the AFS relies on an evidence trail (i.e. paperwork) attesting to activities being undertaken and completed to plan. ForestrySA continues to improve its systems, recognising this management risk.

The fire season of 2008-09 was notable as a function of the Victorian bushfires. ForestrySA provided firefighters to this effort over a four week period. The Victorian effort was our major campaign fire during the season. On our own lands the fire impact was quite limited, which in reflecting upon the severity of the season, was a great result. The results are based upon the work of ForestrySA staff as well as the close cooperation of the industry, various South Australian and Victorian fire agencies and police.

Our sponsorship program remains active, with key relationships between the Belalie Arts Society and the Riddoch Art Gallery remaining cornerstone projects of the program. ForestrySA would like to congratulate both organisations and their respective performers, artists and musicians who all contribute to our vibrant regional culture.

ForestrySA's business and future is now under review. Management will work with the Government to ensure that the potential of the industry underpinned by forest resources is not lost.

Finally, I want to express my thanks in acknowledging the contribution of ForestrySA staff in delivering a broad array of services in a professional and diligent manner.

# SOUTH AUSTRALIAN FORESTRY CORPORATION CHARTER



The South Australian Forestry Corporation was established on 1 January 2001 under the South Australian Forestry Corporation Act 2000.

The Corporation trades as ForestrySA and is subject to the provisions of the South Australian Public Corporations Act 1993.

The Charter of the South Australian Forestry Corporation sets out the South Australian Government's strategic objectives, priorities and requirements for ForestrySA.

A copy of the Charter can be found at [www.forestrysa.com.au](http://www.forestrysa.com.au).

## STRATEGIC PLAN OVERVIEW

### OUR VISION

ForestrySA will be valued by the community as a best practice business providing customer preferred forestry products, services and experiences.

### OUR ROLE

ForestrySA:

- > Manages plantation forests for commercial production in line with best practice standards for forestry operations and environmental management.
- > Undertakes, and where appropriate commercialises, forestry related research for the benefit of ForestrySA and the State.
- > Maximises the value of return on ForestrySA assets.
- > Fosters and supports the growth of an internationally competitive forestry industry within South Australia.
- > Encourages and facilitates regionally based economic activities based on forestry and related industries.
- > Actively participates in regional resource protection initiatives and programs.
- > Engages in sustainable resource management, which assists in the protection of natural assets and market accessibility.
- > Engages in cooperative research activities.

### OUR MISSION

ForestrySA's mission is to operate an innovative and sustainable plantation forestry business, producing and marketing high quality products and services and providing expert forest advice for the benefit of the people, environment and economy of South Australia.

### OUR VALUES

ForestrySA values continuous improvement in the following:

#### Economic

- > Ethical business practices;
- > Competitive and innovative business;
- > Regional development.

#### Environment

- > Sustainable land management practices;
- > Conservation of biodiversity, landscapes and heritage;
- > Wise use of resources.

#### Social

- > Development of enthusiastic and motivated people in a safe work place;
- > Involvement with our communities;
- > A cooperative approach to industry development and protection activities.

# SIGNIFICANT ACHIEVEMENTS 2008-09



## ECONOMIC

### Better Business Practices

- › Maintained positive dividend position for shareholder.
- › Developed a new Chart of Accounts to enhance reporting and cost management.
- › Forest valuation audit qualification removed from 2008-09 annual report.
- › Improved Injury Management processes and outcomes.

### Growth

- › Sawlog Allowable Cut in the Green Triangle increased from 880,000 to 1,040,000 cubic metres per annum.
- › 494 ha of new radiata pine plantation established in 2008.

### Customers, Markets, Products

- › Development of new contracts to increase sales volume and revenue.
- › 90,000 cubic metres of additional sawlog marketed into the Green Triangle.
- › Additional Preservation Log marketed into the Green Triangle and Mount Lofty Ranges.
- › Supplied commercial herbicide effectiveness testing services.
- › Supplied commercial LiDAR forest productivity assessments.

### Operations

- › Fire preparedness and response led to only 3 ha of plantation lost in bushfires.
- › Support of Victorian bushfire fighting effort.
- › Doubled capacity of containerised nursery to 300,000 seedlings. Also supplied 2.2 million seedlings to forest owners in New South Wales and Victoria.
- › Established first stage of a new large radiata pine seed orchard.
- › Contractor audit process developed and implemented.

### Research and Innovation

- › Implemented LiDAR-based productivity forest reports.
- › Trialled terrestrial LiDAR systems for improved log product prediction.
- › Developed systems for acquiring tree harvester and site establishment machinery data.
- › Developed hand held computer-based fire and forest health mapping systems.

## ENVIRONMENTAL

### Sustainability and Certification

- › AS 4708 (AFS), ISO 9001, ISO 14001 certifications maintained.
- › Completed Northern Forests Forest Management Plan.

## SOCIAL

### Culture

- › Annual Lost Time Injury Frequency Rate (LTIFR) reduced to 10.3.
- › Risk management processes and outcomes improved.
- › Cultural Change program underway with positive benefits.
- › Leadership Program providing positive outcomes.
- › Employee retention increased to 93%.

### Communication

- › Major sponsorship provided for Bundaleer Forest Weekend 2009.
- › Increased sponsorship agreed to for the 2010 ForestrySA Wood Sculpture Competition.
- › Delivered advice, reports and field days to fulfil forestry development-related community service obligations.

# EXECUTIVE STRUCTURE AS AT JUNE 2009



## **ForestrySA Chief Executive**

BRIAN FARMER

- > Leadership
- > Strategic Planning
- > Financial Objectives
- > Environmental Objectives
- > Communication and Representation

## **Finance and Information Services**

WAYNE MATERNE

- > Accounting
- > Finance
- > Information Systems
- > Company Secretary

## **Planning and Development**

JIM O'HEHIR

- > Research and Development
- > Geographical Information Systems
- > Resource Planning
- > Forest Management System

## **Operations**

ISLAY ROBERTSON

- > Plantation Establishment
- > Plantation Management
- > Harvesting and Sales
- > Business Development
- > Operations Administration
- > Conservation and Recreation

## **Human Resources**

PETER FUSS

- > Human Resources
- > Industrial / Employee Relations
- > Occupational Health, Safety and Welfare
- > Records and Library

# SOUTH AUSTRALIAN FORESTRY CORPORATION BOARD AND GOVERNANCE



## ForestrySA Board

From L-R: Diana Lloyd, John Ross (Chairman), Stephen Duncan, Julie Meeking and Graham Foreman

## BOARD MEMBERS

The Board consists of five independent, non-executive directors including the Chair. The current Board was appointed from 1 January, 2006 until 31 December, 2009.

### John Ross AM (Chairman)

Mr John Ross has extensive local government and public sector governance experience. He has been an elected member of the Tatiara District Council since 1979 and is currently Deputy Mayor of the Council. He was President of the Australian Local Government Association (ALGA) between 1999 and 2002, and a member of the Council of Australian Governments (COAG). John is currently Chair of the Local Government Workers' Compensation Scheme and the Local Government Mutual Liability Scheme.

### Stephen Duncan B.Ec., FCA

Mr Stephen Duncan is a Chartered Accountant and a Partner of the national firm of specialist corporate advisors KordaMentha. He has been practising in the area of Corporate Advisory, Turnaround Management and Financial Consulting Services since 1980. He specialises in all forms of personal and corporate financial reconstructions, general strategic planning including consulting to management, government and Boards of Directors.

### Graham Foreman B.Ec.

Mr Graham Foreman held a number of senior Public Service positions prior to retirement including Chief Executive of the Department of Administration and Information Services and Commissioner for Public Employment. Graham is currently also Presiding Member of the Coast Protection Board. He was previously Chair of ForestrySA's Advisory Board from 1997-2000.

### Diana Lloyd B.For.Sci., MA, GAICD

Mrs Diana Lloyd is a forester, consulting in forestry, environmental management and communications. Diana has over 20 years experience in the forestry sector. She is involved in forestry education through the Southern Cross University forestry degree in Mount Gambier. Diana is also involved in many local, state and national forestry associations, committees and advisory bodies.

### Julie Meeking BA, LLB, MBA

Ms Julie Meeking is a business consultant and commercial advisor with extensive management experience in finance and industry. She has served as a director of numerous organisations over many years, and is a member of the South Australian Remuneration Tribunal.

## RESPONSIBILITIES OF THE BOARD

The Board has overall responsibility for the corporate governance, direction and performance of ForestrySA. In discharging its responsibilities, the Board has established a Strategic Plan and monitors performance to the plan as well as overseeing the establishment of internal controls and risk management strategies.

The Board approves and monitors performance to the budgets and business strategies prepared by management. It also provides leadership and support to the Chief Executive in exercise of general management functions.

The Board is committed to the principles of corporate governance to high ethical and business standards.

The Board delegates to the Chief Executive responsibility for implementing the Strategic Plan, for the day to day management of ForestrySA and to ensure that ForestrySA management and employees adopt high ethical standards in all aspects of ForestrySA's business.

## BOARD MEETINGS

Board meetings attended by members in 2008-09

Members	Meetings Attended	Eligible for Attendance
John Ross (Chairman)	13	14
Stephen Duncan	14	14
Graham Foreman	13	14
Diana Lloyd	14	14
Julie Meeking	14	14

Table #2: Board meetings

During the year, no benefit was received by any member of the Board, from any interest or involvement in ForestrySA's operations or activities, apart from approved Board remuneration.

# SOUTH AUSTRALIAN FORESTRY CORPORATION BOARD AND CORPORATE GOVERNANCE CONT



## BOARD COMMITTEES

To assist the Board, the following committees have been established:

- > Audit Committee
- > Review Committee

### Audit Committee

The Board maintains an Audit Committee as a commitment to sound corporate governance, and to comply with the requirements of the Public Corporations Act 1993. The Committee operates under Terms of Reference approved by the Board.

The Audit Committee conducts an assessment of systems and practices to facilitate the development and maintenance of effective internal control, continuous improvement and risk management.

The Board has engaged Ernst & Young to provide an internal audit function and to assist the Audit Committee and management in providing independent advice on ForestrySA's business processes, internal controls and risk management.

In addition, the Audit Committee has the responsibility to review ForestrySA's annual financial statements to ensure that the statements represent a fair and true view of the affairs of ForestrySA consistent with the requirements of accounting standards and statutory reporting requirements and to provide the Board with assurance of the reliability of financial information and financial reports.

The committee also liaises with Auditor-General's staff regarding the external audit program and the resolution of matters arising from annual and periodic audits.

### Audit Committee meetings

Members	Meetings Attended	Eligible for Attendance
Stephen Duncan (Chair)	5	5
Diana Lloyd	5	5
Melody Abbott-Economou*	0	0

Table #3: Audit Committee meetings

\* The Department of Treasury and Finance nominates a Ministerial observer to the Board. During 2008-09, Ms Christine Uncle represented the Minister in this capacity. Ms Uncle was replaced by Ms Melody Abbott-Economou in June 2009. Ms Abbott-Economou was also appointed as a member of the Audit Committee in June 2009 after the committee's final meeting for the financial year. Ms Uncle had attended the Audit Committee meetings as observer but was not a member.

### Review Committee

The Review Committee operates under Terms of Reference approved by the Board and its duties include:

- > Making recommendations to the Board regarding the employment contracts and remuneration benefits of the Chief Executive and Executives reporting to the Chief Executive; and
- > Advising the Board on matters affecting the employment conditions within ForestrySA.

### Review Committee meetings

Members	Meetings Attended	Meetings Held
Graham Foreman (Chair)	5	5
Julie Meeking	5	5
John Ross	5	5

Table #4: Review Committee meetings

## BUSINESS SUSTAINABILITY

The Board is committed to the long term sustainability of ForestrySA's business activities, operations and renewable forest resources to optimise the economic, environmental and social benefits to all ForestrySA stakeholders.

The Board is committed to the maintenance of ForestrySA's quality, environmental and safety management systems and to the retention of ForestrySA's certification to Australian Forestry Standard (AS 4708), ISO 9001 (International Quality Management Standard) and the ISO 14001 (International Environmental Management Standard).

# ECONOMIC

HIGHLIGHTS	Indicator	2008-09	2007-08	Measure
Return to Government	Dividends and tax expense	23.2	33.5	\$m
	Return on equity (incl. revaluations)	9.3	5.3	%
Customer satisfaction	Significant complaints	1	2	
	Open and fair tendering system	Yes	Yes	
	Quality certification to ISO 9001	Yes	Yes	
Ethics in business	Taxes paid	8.0	11.7	\$m
	Prevention of fraud	No cases detected	No cases detected	
Marketing and Sales	Volume of timber harvested from ForestrySA plantations	1,613	1,711	m3 '000
	Proportion of softwood logs sold as sawlog or plylog	51	54	%
Productivity	Land available for timber production	94,358	94,286	ha
	Plantation established	3,307	4,159	ha
	Survival rate of newly planted stock - Green Triangle and Ranges	88	85	%

Table #5: Economic highlights

# BUSINESS PERFORMANCE

## BUSINESS OUTLOOK



There are three main drivers of business for ForestrySA:

- > Housing starts;
- > Other construction and renovation activity; and
- > Demand for pulpwood and other wood chip-based products.

As a function of the demand from each of the drivers, the business of ForestrySA peaks and troughs. Demand for each product is not directly linked. Each product has a separate array of substitutes (steel and plastic) and competitors (imports).

ForestrySA has, in line with market information from various industry commentators and from market advice provided by customers, determined that the business activity over the next 12 months to June 2010 will be modest.

Sales activity is anticipated to rise on the back of growing housing demands and consumer confidence thereafter. Profitability of the business is expected to increase during 2010, 2011 and 2012.

Further investment by ForestrySA is expected to continue in regard to plantation expansion and land purchase. ForestrySA's view is long term in this regard.

Demand for timber as a new building input and for paper-based products will continue.

As a supplier of product from sustainably managed forests (Australian Forestry Standard AS 4708) we are confident that demand will increase consistent with population growth and the quality of our goods and services.

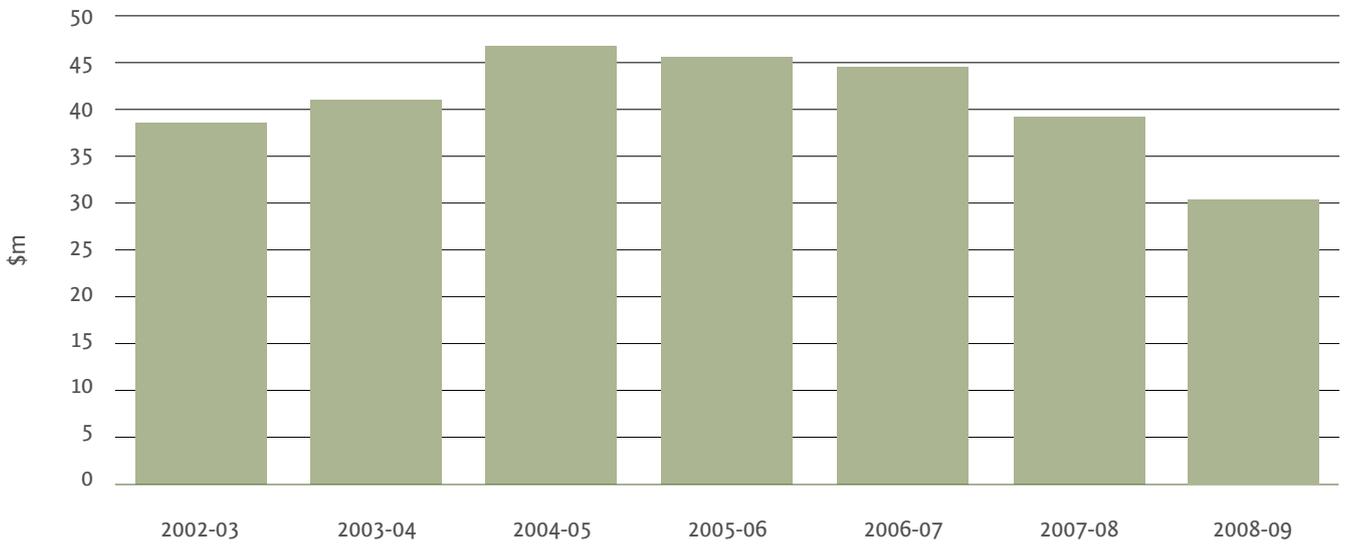
An additional business driver is evolving - the carbon business. ForestrySA sees itself as a potential provider of long term carbon sequestration opportunities consistent with principles established in the Kyoto Protocol and the Australian Government's developing policy positions.

There are risks to our business such as fire, climate change, public policy and similar. ForestrySA is continually developing and challenging itself to deliver better results to ensure our customers are delivered the product they need from a forest managed to community and environmental expectations.

# FINANCIAL OVERVIEW



## TRADING PROFIT BEFORE REVALUATION OF STANDING TIMBER



## TOTAL REVENUE

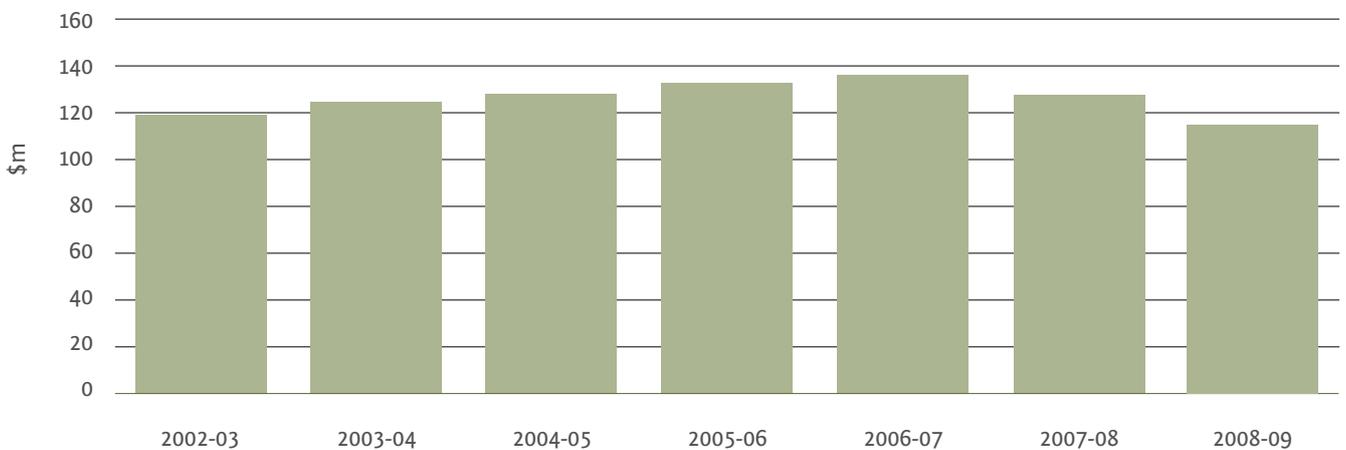


Figure #1: Trading profit and total revenue

# MARKETING AND SALES



Sales held up for the early part of 2008-09, with deterioration in the market occurring over summer.

The slow down continued with reduced sales to existing customers in the last half of the fiscal year offset in part by several new sales.

Overall by key product:

- > **Sawlog:**  
Sales of sawlog to existing customers decreased throughout the year due to tough market conditions. ForestrySA successfully sought additional sales available from an increased allowable cut. The quality and quantity of ForestrySA sawlog continues to assist ForestrySA in holding market share, and monthly sales volumes have stabilised.
- > **Plylog:**  
Over the year, log intake reduced through the year in response to deterioration in demand and reported increases in imports of such products. Log quality issues also arose during the year with ForestrySA instigating a project to better quantify and target the higher density wood of the ForestrySA plantations in the Green Triangle.
- > **Pulplog:**  
Late in 2008 the consequences of the Global Financial Crisis played out in Japan, resulting in a substantial reduction in softwood chip intake.  
  
An unanticipated flow-on effect of lower demand of softwood chips for export has been a difficult market for sale of sawmill chip residues by customers almost constraining the ability of customers to purchase sawlog. Domestic pulplog sales, however, continue to be maintained at positive levels.
- > **Preservation Log:**  
Sales of preservation log products operated at above agreement volumes for most of the year, only dropping-off in the final month.  
  
The remainder of 2009 looks to be a tough year for customers both in volume and timber prices received. Indications are for cautious optimism for calendar 2010 as the housing market shows signs of improvement.

ForestrySA continues to explore potential marketing arrangements for its products.

## TOTAL LOG PRODUCT

Total volume sold (m <sup>3</sup> ) from ForestrySA Plantations	2008-09	2007-08
Sawlog	687,590	754,751
Plylog	134,058	172,854
Recovery log	222,273	225,327
<b>Total log</b>	<b>1,043,921</b>	<b>1,153,032</b>
Pulpwood	341,394	305,869
Preservation	70,441	61,151
Chip	157,654	133,817
<b>Total pulp</b>	<b>569,489</b>	<b>557,567</b>
<b>TOTAL</b>	<b>1,613,410</b>	<b>1,710,599</b>

Total volume sold (m <sup>3</sup> ) from all Plantations	2008-09	2007-08
Sawlog	697,054	758,722
Plylog	134,159	172,995
Recovery log	227,232	227,197
<b>Total log</b>	<b>1,058,445</b>	<b>1,158,914</b>
Pulpwood	435,951	415,091
Preservation	72,460	62,711
Chip	163,912	276,761
<b>Total pulp</b>	<b>672,323</b>	<b>754,563</b>
<b>TOTAL</b>	<b>1,730,768</b>	<b>1,913,477</b>

Table #6: Total log product

# PLANTATION MANAGEMENT



ForestrySA manage approximately 86,000 ha of plantation, of which about 84,000 ha is softwood, principally radiata pine.

During 2008-09 ForestrySA continued with its program of land purchase along with liquidating stocks of others species in favour of radiata pine.

A total of 3307 ha of *Pinus radiata* was planted in 2008 - 2927 ha in the Green Triangle Region, including 494 ha of new plantations primarily in Victoria, and 380 ha in the Ranges Region.

Due to continuing drier than normal conditions experienced across the ForestrySA estate, the overall survival rate of the new plantings in 2008 was slightly lower than the target rate.

Areas that are insufficiently stocked will be replanted or have some remedial treatment during the 2009 planting season.

Total forecast planting area for 2009 is 3325 ha, including 570 ha from the acquisition of new land.

Mid-rotation nutrition continues to be a priority, with a focus on the optimisation of fertiliser use combined with plantation thinning regimes.

As global pressures affect fertiliser pricing, ForestrySA continues to focus on all aspects of this program to ensure maximum returns on this significant investment are realised.

During the 2008-09 period, more than 9000 ha received an application of solid fertiliser.

ForestrySA's nursery, based at Glencoe, South Australia, produced over eight million seedlings and cuttings for the 2009 planting season, for both internal use and external sales.

Increased capacity from this site has been achieved by securing additional seedling and cutting beds, which will also improve rotational cropping options and the long term sustainability of the site.

Production from containerised seedlings has also been increased as an alternative to bare-root seedlings.

# PLANTATION ESTABLISHMENT

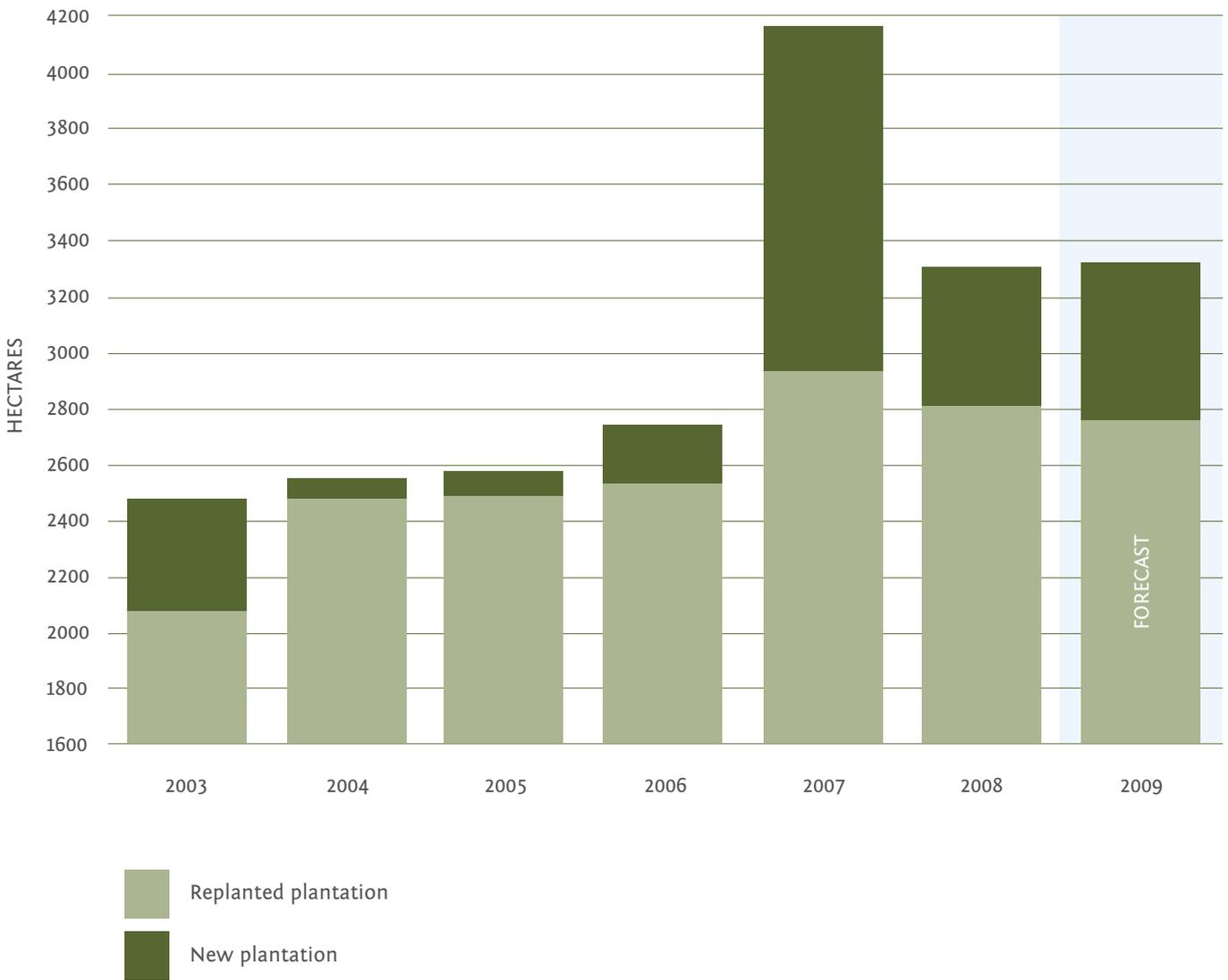


Figure #2: Plantation establishment

## FOREST STATISTICS



Standing plantation area (ha)	2008-09	2007-08
Pinus radiata	83,801	82,475
Other	2,258	1,879
<b>Total</b>	<b>86,059</b>	<b>84,354</b>
Native forest area (ha)		
Proclaimed native forest reserves	15,994	15,994
Other native forest areas	9,275	9,275
<b>Total</b>	<b>25,269</b>	<b>25,269</b>
Owned land area (ha)		
Plantation <sup>1</sup>	93,343	
Native forest	25,269	
Non-forest <sup>2</sup>	16,541	
<b>Total</b>	<b>135,153</b>	

Table #7: Forest statistics

<sup>1</sup> Includes land available for plantation

<sup>2</sup> Includes firebreaks and land not suitable for plantation

## FOREST PLANNING

A new plantation resource data base was compiled for the Mount Lofty Ranges Region enabling the preparation of a new five year Cutting Plan. The Cutting Plan for the Mid North region is being reviewed in light of drought related damage observed in that region.

A project to characterise the wood strength properties of ForestrySA's Green Triangle plantations was commenced using acoustic log stiffness assessment techniques. Initial results suggest this is a worthwhile exercise as log products with high strength properties do not appear to be confined to old plantations with large trees as previously thought.

Comparisons of total yield predictions made using the Yield Regulation System continued to show close agreement with actual yield recorded in the Forest Logging System.

The site quality of the 1999 and 2000 plantations in the Green Triangle was assessed. For the first time this was accomplished using a new method developed by ForestrySA based on airborne LiDAR. Continuing a trend observed in previous years, the 1999 and 2000 plantations were of a higher site quality than the plantations they replaced. The gain in productivity is due to a number of factors, and demonstrates ForestrySA's capacity to sustainably manage plantation forestry.

Projects aimed at innovating the way plantation resource data is captured for yield regulation purposes were progressed. One trial, in cooperation with the CRC Forestry, successfully tested a laser scanning instrument which makes very detailed three-dimensional scans of the forest in a radius of up to 70 metres from the instrument. Another project

## FOREST PLANNING CONT



was successful in extracting useful information from stem diameter and length data captured by sensors built into harvesting machine felling heads. The information extracted showed promising agreement with information derived from conventional forest inventory data and sales records. ForestrySA has developed IT infrastructure necessary to receive and manage this type of data. The vision is that any harvesting machines operating will contribute data to this data base.

ForestrySA is preparing for the introduction of the Carbon Pollution Reduction Scheme and associated reporting requirements. The models built into the FULLCAM model of the National Carbon Accounting System were examined to evaluate how they could be calibrated. The objective was to gain understanding of the circumstances under which FULLCAM models will generate growth predictions that are consistent with observed growth in Permanent Sample Plots.

## FOREST FIRE PROTECTION

Drought conditions experienced during the previous two seasons continued through the 2008-09 fire season, although early summer rainfall eased conditions early. Wildfires were attended by ForestrySA crews from November 2008 through to April 2009. A total of 43 fires were attended with 23 of these being on ForestrySA land.

A total of 5.6 ha of ForestrySA forest was burnt by wildfire in 2008-09, compared with 23.3 ha in 2007-08. These figures included 3 ha and 11.8 ha respectively of plantation forest.

Continuing dry and hot conditions in early 2009 saw 37 days of Very High and Extreme fire danger (long-term average 30) particularly during January and February when South Australia and Victoria experienced record temperatures.

ForestrySA committed considerable support interstate following the Black Saturday fires of February 7 in Victoria. Support over a four week period consisted of crews, vehicles and Incident Management personnel.

Continued drought conditions meant few days suitable for prescribed burning, however a small number of burns were

achieved. ForestrySA has greatly increased its prescribed burning program for the next year and will maximise every suitable day to achieve it.

ForestrySA continues to support local communities surrounding our forests through fire prevention, detection and suppression, its fire tower network, continued fire training and our fire suppression fleet.

ForestrySA continues to be a leader in the rural wildfire community with representation on relevant committees at local, state and national levels. ForestrySA also works closely with Volunteer Fire Services in South Australia and Victoria, the Department of Environment and Heritage, the Forest Owners Conference and the Bureau of Meteorology to ensure fire prevention, fire management and fire risk issues are addressed. ForestrySA supports incident management at the highest levels within the Country Fire Service and considers significant improvements in fire prevention outcomes will be achieved through increased and effective interaction with the community and with other forest growers and fire and land management agencies.

# ENVIRONMENT

HIGHLIGHTS	Indicator	2008-09	2007-08	Measure
Global Carbon Cycles	Carbon sequestration (compliant Kyoto Forests)	286,430	261,052	tonnes
Biodiversity	Rare, endangered or vulnerable plant and animal species in Native Forest Reserves - Green Triangle	364	363	
	Rare, endangered or vulnerable plant and animal species in Native Forest Reserves - Ranges	211	209	
	Biodiversity Corridors	56	56	ha
Energy Use	Electricity consumption	511,054	430,080	Kwh
	ForestrySA Total Energy Use *	29,621	30,031	Gj
	ForestrySA Total GHG Emissions *	2,475	2,438	tonnes
Water Conservation	Area of watercourse and wetland buffer zones	203	175	ha
Compliance	EPA notifiable incidents	0	1	
	AS 4708 (Australian Forestry Standard)	Yes	Yes	Certification
	ISO 9001	Yes	Yes	Certification
	ISO 14001	Yes	Yes	Certification

\*Refer to Energy Efficiency Action Plan on page 69

Table #8: Environmental highlights

# RESEARCH AND FOREST HEALTH



## Research

A forest research program is maintained by ForestrySA to ensure that its forest management practices are continually improved and to maintain a high standard of environmental and social performance.

The forest research program aims to improve wood growth and characteristics, lower costs and better manage risk particularly with respect to environmental outcomes. The program also seeks to support industry activities. A range of internal and joint trials and activities are jointly funded by ForestrySA and Community Service Obligation funds provided by the South Australian Government.

Research highlights in 2008-09 included:

- ForestrySA continues to be represented on various research and industry groups including the Board and Technical Advisory Committees (Pinus radiata) of the Southern Tree Breeding Association, the Forest and Wood Products Australia sustainable resources advisory group, the International Union of Forest Research Organisations, the Research Working Group (RWG) 1 Forest Genetics, RWG2 Forest Measurement, RWG 3 Forest Hydrology and RWG 5 Plantation Silviculture.
- Liaison with the Department of Water Land and Biodiversity Conservation (DWLBC) and other forest hydrologists from the Forest Research Working Group 3 (RWG 3) regarding an equitable and transparent accounting of plantation water use in South Australia. ForestrySA has been involved with providing scientific advice on a range of hydrological projects across South Australia.
- ForestrySA has co-authored the Guidelines for Efficacy Evaluation of Herbicides-Weeds in Australian Forests. This document is to be adopted by the Australian Pesticides and Veterinary Medicines Authority (APVMA) as the national standard for the field evaluation of herbicides for forestry use in Australia. Three ForestrySA research procedures and a scientific reporting template are to be used as Australian forest industry references.
- ForestrySA coordinated and hosted the South Australian leg of a four state information and industry liaison tour by senior scientists from the Australian Pesticides and Veterinary Medicines Authority (APVMA). This tour has provided the APVMA with an understanding of the Australian forest industry operational practices, pesticide use and operational needs.
- Cooperative herbicide, forest carbon lifecycle, plantation water use and other research continued with CSIRO, Cooperative Research Centres (CRCs), chemical manufacturers, the South Australian EPA and other forest growers. ForestrySA has also been contracted to provide specific weed control research for Nufarm Australia, Macspred Australia and SST Chemicals Australia.
- As part of an international gene conservation effort research staff have successfully collected and transferred the most significant collection of the Guadalupe provenance of radiata pine in Australia to Warreanga Native Forest Reserve. This resource is being preserved and managed in a gene conservation planting where it is isolated from other pine pollen sources to avoid contamination and is in a low fire risk zone.
- Funding was received from the Australian Bureau of Meteorology to install pluviometers at all major forest reserves on ForestrySA land. Data from this network will extend the knowledge of rainfall patterns and help contribute to the understanding of climate change and plantation water use.
- A total of 27 research trial reports were completed and released. These included four Community Service Obligation research reports written on Tasmanian blue gum weed control and nutrition for PIRSA Forestry and seven reports written on herbicide efficacy for chemical companies under contract.
- ForestrySA research conducted on the control of the Western Australian Blue Bell (Sollya) in native forest using fire management and chemical control options has been provided to PIRSA, Natural Resource Management Boards, National Parks South Australia and Parks Victoria.
- A young age fertiliser response model for radiata pine is being developed using data from young age growth plots established between 1983 and 2009. The model uses soil type, rainfall zone and plantation stocking levels linked to the ForestrySA GIS (geographic information system) to predict potential fertiliser responses. The model will provide a decision making matrix to allow forest managers to better target fertiliser applications to obtain the best economic response from fertiliser application, reducing costs and increasing returns.

## RESEARCH AND FOREST HEALTH CONT



### Forest Health

ForestrySA's Forest Health Program is an essential component of forest risk management given the increasing investment in plantations, uncertainty with climate change and the emphasis on sustainability and compliance with the Australian Forestry Standard. Detecting outbreaks of insect pests, diseases and nutritional disorders in plantations early, before significant damage occurs, is necessary if management actions are to be effective and financial loss minimised.

Aerial forest health surveillance was again conducted in 2008-09 over all Green Triangle and Mount Lofty Ranges forests. The Green Triangle forests were surveyed using a new digital aerial sketch-mapping (DASM) technology (ForestrySA developed) and a tablet PC. Any areas where forest health issues were suspected were mapped and information on extent and severity downloaded directly into the ForestrySA GIS database. Follow up "on ground" surveillance was then conducted to investigate areas of concern.

The Sirex (wood wasp) biological control program has been effective in keeping *Sirex noctilio* numbers low despite increased stress to trees with the drought. Larger numbers of nematodes were released in both the Green Triangle and Ranges regions in 2008-09.

The Monterey Pine Aphid, *Essigella californica*, again caused widespread defoliation in many areas. ForestrySA is involved in a national project to introduce a biological control agent into Australia to control this pest. The biocontrol agent, a tiny wasp, *Diaretus essigellae*, is due to be released late in 2009.

There has been significant and widespread tree mortality in Mid North plantations at Wirrabara and Bundaleer this year. Deaths in this region are associated with drought and attack by *Ips grandicollis* (bark beetle). ForestrySA is considering management options for this problem.

No major nutritional problems were detected this year but there have been isolated areas where trace element deficiencies have occurred. These have been addressed as part of the annual fertiliser program.

ForestrySA is a member of the CRC for Forestry and has continued participation in several projects within the CRC. These include projects on remote sensing and forest health (in pines at Greenhills in New South Wales, and in eucalypts at Wattle Range in South Australia), in biodiversity projects in the Green Triangle, in projects on harvesting and on forest water use.

ForestrySA is a member of the National Research Priorities Coordination Committee, Research Working Group 7 (Forest Health), the National Sirex Coordination Committee, the Green Triangle Industry Pest Management Group (IPMG) and the Green Triangle Pine Growers Forest Health Group. Being involved with these groups ensures that ForestrySA is able to monitor national developments and to participate where appropriate with others in pest control programs.

ForestrySA continues to deliver advice to the forest industry and the public on forest health issues and has been involved with the Mount Gambier campus of Southern Cross University in delivering the Forest Health unit as part of the Forestry Degree course.

## HERITAGE SITES



Significant Aboriginal and historic heritage sites are located across the ForestrySA estate.

ForestrySA actively manages conservation programs to enhance and protect not only biodiversity, but cultural and heritage values as well.

Through its Community Forestry Program, ForestrySA creates opportunities to engage community groups with the restoration of heritage buildings and sites.

Bundaleer Cottage was used extensively during the 2009 Bundaleer Forest Weekend and is a prime example of how these programs not only conserve our heritage, but make heritage sites accessible to the wider community.

Other historic buildings, such as the Conservator's Hut and Curnow's Hut at Bundaleer, have been made available for accommodation following extensive restoration and renovation works, they are now part of a range of accommodation options within the ForestrySA estate.

In the Green Triangle, the old stage coach building in the Dry Creek Native Forest Reserve is being restored, with assistance from Mount Gambier's Grant High School students.

# SOCIAL & COMMUNITY

HIGHLIGHTS	Indicator	2008-09	2007-08	Measure
Staff	Persons employed at 30 June	217	239	
	Lost Time Injury Frequency Rate	10.3	15.6	Number per million hours worked
Community Benefits	Contributions to programs by volunteer and community participants	43,887	26,663	Hours
Develop Broad Community Support	Sponsorship program	68,613	22,000	\$

Table #9: Social and community highlights

# SPONSORSHIP AND MAJOR COMMUNITY EVENTS



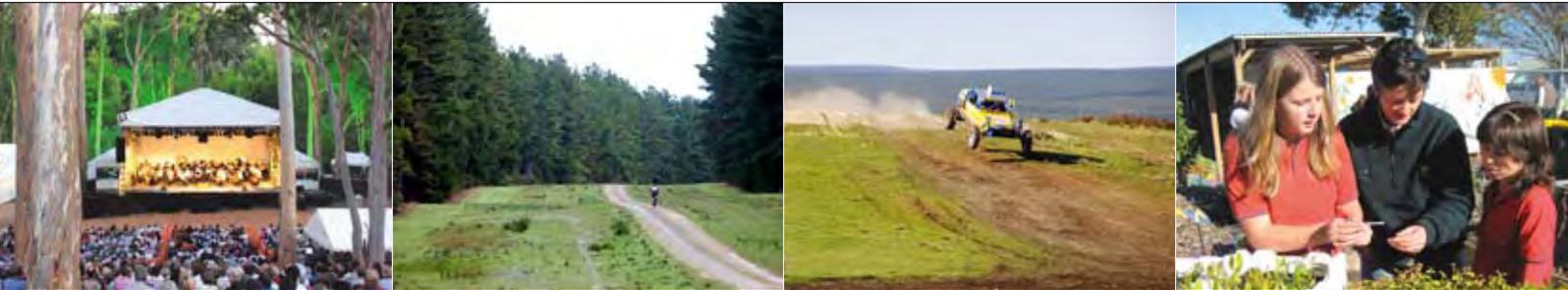
## DIRECT SPONSORSHIP AND DONATIONS 2008-09

Recipient	Event	Amount 2008-09 inc. GST	Amount 2007-08 inc. GST
Christmas Party for Special Children, Adelaide	Sponsorship for Green Triangle children to attend	\$350	\$350
Riddoch Art Gallery, Mount Gambier	Sponsorship – ForestrySA Wood Sculpture Competition 2008	\$8,250	\$8,250
CFS, Melrose	Donation of surplus Bulk Water Tanker	\$17,993*	\$0
Mount Gambier Out of School Hours Care Service	Donation, following arson	\$250	\$0
National Foresters' Grove	Tree dedication nomination	\$300	\$0
Royal Adelaide Hospital Burns Unit	Donation	\$200	
Royal Flying Doctor Service	Donation	\$200	\$0
Mount Gambier Hoo Hoo Club 214	Timber Industry Golf Day sponsorship	\$200	\$200
Mount Gambier Cycling and Triathlon Club	Port MacDonnell Triathlon	\$500	\$0
Mount Gambier Golf Club	Sponsorship – Veterans' Day	\$250	\$0
Belalie Arts Society, Jamestown	Bundaleer Forest Weekend 2009 site preparation etc	\$16,500	\$5,500
Timber Communities Australia	Corporate membership	\$5,720	\$2,750
Mount Gambier City Council	Mayor's Family Fun Day 2009	\$5,500	\$0
Friends of Native Wildlife South East	Donation	\$100	\$0
AusTimber 2012	Gold Sponsorship (part payment)	\$11,000	\$0
Gottstein Trust	Patron	\$1,300	\$1,300
Forest Industries Training Network "A Cut Above"	Careers publication	\$0	\$1,000
Nelson Fire Brigade	Equipment donation	\$0	\$500
Mount Gambier Golf Club	Seniors Championship sponsorship	\$0	\$250
Tarpeena Progress Association	Ash Wednesday commemoration	\$0	\$250
Urrbrae TAFE	Outstanding Student Award	\$0	\$300
Staff sponsorships		\$0	\$1,350
<b>TOTAL</b>		<b>\$68,613</b>	<b>\$22,000</b>

\* Written down value

Table #10: Direct sponsorship and donations 2008-09

# FOREST VISITORS



ForestrySA lands are a significant tourism resource containing interesting and diverse landscape types, such as plantation, native forest, open-space and heritage sites. Many places are popular among local people and visitors alike.

ForestrySA recorded during 2008-09 more than 145,000 forest visitors in the Adelaide Ranges. It is estimated that less than half of the actual visitation is recorded.

Forest Information Centres received over 12,500 enquiries, while nearly 35,000 people participated in 316 events held in ForestrySA managed forest areas.

One of the largest events held on ForestrySA land is the Bundaleer Forest Weekend. The event is held every two years at the historic Bundaleer Forest Reserve and attracted more than 3000 people in March 2009. ForestrySA has been a proud sponsor of the event since its inception, providing the unique forest venue, as well as generous cash and in-kind support.

## COMMUNITY FORESTRY

### Community Forestry Program

- > The ForestrySA Community Forestry Program provides a range of non-commercial services, including conservation, heritage and cultural programs, extensive recreational infrastructure and community engagement.
- > A service level agreement between ForestrySA and PIRSA Forestry monitors the activities undertaken using Community Service Obligation funding provided by the South Australian Department of Treasury and Finance.
- > In 2008-09, ForestrySA received \$1.992 million for its community forestry programs to supplement its own funding and to leverage additional funds from other external sources.

### Highlights

- > ForestrySA secured a \$105,000 federal grant under the Caring for Our Country conservation program and an additional \$115,000 in supplementary funding from the South East Natural Resource Management Board, for habitat rehabilitation in the Mount Burr Forest District. A further \$30,000 was secured from Caring for Our Country and \$24,500 from Adelaide and Mount Lofty Natural Resource Management Board for weed control works in the Mount Lofty Ranges.
- > Close collaboration with BicycleSA has led to continued development of the Cudlee Creek Mountain Bike Trails Project, including the completion of two international standard downhill trails and designs for upgraded and expanded car parks.

Both of these projects were supported by funding from the Office for Recreation and Sport SA, and Department of Planning and Local Government.

- > In 2008-09, a consolidation and expansion of the schools biodiversity corridors project and forestry education program included continued support with propagation nurseries at Millicent High School, Newbery Park Primary School and Glenburnie Primary School, in the Green Triangle.

ForestrySA also provided assistance to Millicent High School for a native fish conservation farm, which now forms an integral part in natural resource management studies within the school.

- > ForestrySA has now established 56 ha of biodiversity corridors linking native forest areas.  
The 25 year program aims to achieve 74 ha of corridors by 2028.
- > Volunteers from a number of community groups including schools, Green Corps and the Department for Correctional Services provided more than 43,800 hours of time to support community forestry activities on ForestrySA land, compared with 26,600 hours in 2007-08.  
This represents about 70% of the labour requirements for these programs.
- > The Mid North Forest Management Plan was released in November 2008, following a public consultation process.

# COMMUNITY FORESTRY CONT



It is the first such plan scheduled for a key ForestrySA forest area and aims to demonstrate and drive the integration of the management of all forest assets and activities.

## COMMUNITY FORESTRY PROGRAM

Community Forestry Program	Performance Measures	2008-09	2007-08	Measure
Public Access and Recreation	Visitors to forests recorded	146,154	191,392	
	Permits	12,688	15,128	
	Forest events	316	274	
	Leases and licences	11	18	
Biodiversity and Heritage	Native forest areas	25,269	25,269	ha
	Biodiversity corridors	56	56	ha
	Rare, endangered or vulnerable plant and animal species in native forest reserves - Green Triangle	364	363	
	Rare, endangered or vulnerable plant and animal species in native forest reserves - Ranges	211	209	
Community Engagement and Participation	Volunteer groups actively engaged	63	44	
	Volunteer hours recorded	43,887	28,000	Hours

Table #11: Community Forestry Program

- 1 Forest visitor data is based on a number of strategically located traffic counters established in 1998-99, and assumes 3.2 occupants per vehicle. Overall forest visitation in the Mount Lofty Ranges is significantly higher than that recorded. Visitation to the Second Valley (Mid North) and Green Triangle forests is not recorded.
- 2 Both the Green Triangle and Ranges recorded an increase in the number of rare, endangered or vulnerable plant and animal species. In the Green Triangle, the discovery of the Mallee-worm Lizard (*Aprasia aurita*), previously only recorded in Victoria, sparked considerable interest in scientific circles, with the specimen now residing at the Adelaide Museum. An additional three species were added to the Ranges biodiversity data base during the year, with the inclusion of Mount Compass Swamp Gum (*Eucalyptus paludicola*): National Rating - Endangered; Pale Everlasting (*Helichrysum rutidolepis*): State Rating - Endangered, Regional Rating - Endangered; Pale Flax-Lily (*Dianella longifolia* var. *grandis*): State Rating - Rare, Regional Rating - Vulnerable.

# FINANCIAL REPORT



*Ploughing new land for planting, Green Triangle*

# STATEMENT OF COMPREHENSIVE INCOME

SOUTH AUSTRALIAN FORESTRY CORPORATION  
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 \$'000	2008 \$'000
<b>Income</b>			
Sales - Timber Products		107,769	120,671
Revenues from SA Government	5 (i)	3,150	3,081
Interest Revenues	5 (i)	2,292	3,098
Other Revenues	5 (i)	1,774	2,075
<b>Total Income</b>		<b>114,985</b>	<b>128,925</b>
<b>Expenditure</b>			
Employee Benefit Costs	7	(15,953)	(15,869)
Contractors		(42,193)	(43,650)
Wood Purchases		(3,965)	(9,944)
Depreciation and Amortisation	5(iii), 14, 15	(2,332)	(2,447)
Council Rates		(1,257)	(1,200)
Finance Costs	5(iii)	(2,474)	(2,080)
Materials		(5,457)	(4,956)
Equipment and Vehicle Costs		(3,239)	(3,310)
Other Expenses		(5,265)	(5,171)
(Loss)/Gain on the Sale of Non-Current Assets	5(ii)	(168)	(27)
Revaluation Increment/(Decrement) on Non-Current Assets	14	(2,480)	(1,062)
<b>Total Expenses</b>		<b>(84,783)</b>	<b>(89,536)</b>
<b>Trading Profit before Revaluation of Standing Timber</b>		<b>30,202</b>	<b>39,389</b>
Net Change in Value of Standing Timber	13	70,484	1,048
<b>Profit before Income Tax Equivalents</b>		<b>100,686</b>	<b>40,437</b>
Income Tax Equivalents Expense	2 (f), 6	(7,931)	(10,861)
<b>Net Profit after Income Tax Equivalents</b>		<b>92,755</b>	<b>29,576</b>
<b>Other Comprehensive Income</b>			
Land Revaluation recorded in Asset Revaluation Reserve	14	19,397	29,181
<b>Total Comprehensive Income</b>		<b>112,152</b>	<b>58,757</b>

The net profit after income tax equivalents and total comprehensive income are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes.

Table #12: Income statement

# STATEMENT OF FINANCIAL POSITION

SOUTH AUSTRALIAN FORESTRY CORPORATION  
AS AT 30 JUNE 2009

	Note	2009 \$'000	2008 \$'000
<b>Current assets</b>			
Cash	9	45,830	41,320
Receivables	10	15,360	12,317
Inventories	11	264	607
Standing Timber	13	67,848	70,439
Assets classified as held for sale	12	340	150
<b>Total current assets</b>		129,642	124,833
<b>Non-current assets</b>			
Standing Timber	13	618,138	544,372
Property, plant and equipment	14	508,307	483,963
Intangible assets	15	405	402
<b>Total non-current assets</b>		1,126,850	1,028,737
<b>Total assets</b>		1,256,492	1,153,570
<b>Current liabilities</b>			
Payables	16	9,664	8,379
Employee Benefits	17	1,550	1,618
Interest Bearing Loans	18	2,781	2,417
Tax Liabilities	6	2,086	2,110
Other Provisions	19	95	124
<b>Total current liabilities</b>		16,176	14,648
<b>Non-current liabilities</b>			
Payables	16	774	699
Employee Benefits	17	2,395	2,087
Interest Bearing Loans	18	33,539	29,402
Other Provisions	19	268	314
<b>Total non-current liabilities</b>		36,976	32,502
<b>Total liabilities</b>		53,152	47,150
<b>Net assets</b>		1,203,340	1,106,420
<b>Equity</b>			
Contributed Capital		4,984	4,984
Reserves		1,111,676	1,017,257
Retained earnings		86,680	84,179
<b>Total equity</b>		1,203,340	1,106,420

The total equity is attributable to the SA Government as owner. Table #13: Statement of financial position

# STATEMENT OF CASH FLOWS

SOUTH AUSTRALIAN FORESTRY CORPORATION  
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2008-09 Inflows (Outflows) \$'000	2007-08 Inflows (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		106,401	124,818
Payments to suppliers and employees		(75,442)	(83,317)
Finance costs		(2,474)	(2,080)
Interest received		2,439	3,071
Receipts from SA Government		3,150	3,081
GST receipts on sales		11,393	12,825
GST payments on purchases		(6,210)	(6,612)
GST remitted to Australian Taxation Office		(5,190)	(5,850)
Income Tax Equivalents paid		(7,955)	(11,721)
<b>Net cash flow from operating activities</b>	9 (ii)	26,112	34,215
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment, incl land and timber		(11,324)	(8,818)
Proceeds from sale of fixed assets		451	353
<b>Net cash flow from investing activities</b>		(10,873)	(8,465)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		7,023	4,860
Repayment of borrowings		(2,520)	(2,033)
Dividend paid		(15,232)	(22,671)
<b>Net cash flow from financing activities</b>		(10,729)	(19,844)
Net increase/(decrease) in cash held		4,510	5,906
<b>Cash at the beginning of the period</b>		41,320	35,414
<b>Cash at the end of the period</b>	9 (i)	45,830	41,320

Table #14: Cash flow statement

# STATEMENT OF CHANGES IN EQUITY

SOUTH AUSTRALIAN FORESTRY CORPORATION  
FOR THE YEAR ENDED 30 JUNE 2009

	Contributed Capital \$'000	Asset Revaluation Reserve \$'000	Standing Timber Reserve \$'000	Fire Insurance Fund Reserve \$'000	Retained Earnings \$'000	Total
<b>Balance at 30 June 2007</b>	<b>4,984</b>	<b>392,765</b>	<b>581,556</b>	<b>8,770</b>	<b>82,259</b>	<b>1,070,334</b>
Gain on revaluation of property, plant and equipment	-	29,181	-	-	-	29,181
Net income/expense recognised directly in equity	-	29,181	-	-	-	29,181
Net profit for the period	-	-	-	-	29,576	29,576
Total comprehensive income for 2007-08	-	29,181	-	-	29,576	58,757
Dividend	-	-	-	-	(22,671)	(22,671)
Transfers to/(from) Equity	-	(3)	983	4,005	(4,985)	-
Total change for the period	-	29,178	983	4,005	1,920	36,086
<b>Balance at 30 June 2008</b>	<b>4,984</b>	<b>421,943</b>	<b>582,539</b>	<b>12,775</b>	<b>84,179</b>	<b>1,106,420</b>
Gain on revaluation of property, plant and equipment	-	19,397	-	-	-	19,397
Net income/expense recognised directly in equity	-	19,397	-	-	-	19,397
Net profit for the period	-	-	-	-	92,755	92,755
Total comprehensive income for 2008-09	-	19,397	-	-	92,755	112,152
Dividend	-	-	-	-	(15,232)	(15,232)
Transfers to/(from) Equity	-	(11)	70,443	4,590	(75,022)	-
Total change for the period	-	19,386	70,443	4,590	2,501	96,920
<b>Balance at 30 June 2009</b>	<b>4,984</b>	<b>441,329</b>	<b>652,982</b>	<b>17,365</b>	<b>86,680</b>	<b>1,203,340</b>

All changes in equity are attributable to the SA Government as owner.

Table #15: Statement of changes in equity

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2009

### 1. CORPORATE INFORMATION

#### Role and function of the South Australian Forestry Corporation (SAFC)

SAFC was established under the South Australian Forestry Corporation Act 2000 on 1 January 2001. The SAFC is subject to the provisions of the Public Corporations Act 1993. SAFC has key responsibilities to:

- > Manage plantation forests for commercial production in line with best practice standards for forestry operations and environmental management;
- > Undertake and where appropriate commercialise forestry related research for the benefit of the Corporation and the State;
- > Maximise the value of the Corporation;
- > Encourage and facilitate regionally based economic activities based on forestry and other industries;
- > Support regional forest resource protection initiatives and programs;
- > Support the concept of environmental sustainability which assists in the protection of natural assets and market accessibility; and
- > Support cooperative research activities within the forestry industry.

In addition to its business operations, SAFC receives funding from the South Australian (SA) Government for the provision of certain community service obligations (CSOs). These are:

- > Community use of forests;
- > Native forest management; and
- > Community protection (including fire protection).

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Preparation

The financial statements are general purpose financial statements. The statements have been prepared in accordance with applicable Australian accounting standards and Treasurer's instructions and accounting policy statements promulgated under the provision of the Public Finance and Audit Act 1987.

#### *Statement of Compliance*

Except for the amendments to AASB 101 Presentation of Financial Statements (September 2007 version), which SAFC has early adopted, Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by SAFC for the reporting period ending 30 June 2009.

SAFC's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the applicable valuation policy.

The Statement of Cash Flows has been prepared on a cash basis.

The preparation of the financial statements requires the use of certain accounting estimates and requires management to exercise its judgement in the process of applying SAFC's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes.

The preparation of the financial statements requires compliance with accounting policy statements issued pursuant to section 41 of the Public Finance and Audit Act 1987, by authority of Treasurer's Instruction 19 Financial Reporting. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures that have been included in these financial statements:

- i. Revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100,000 for separate identification of these items applies;

- ii. Expenses incurred as a result of engaging consultants; and
- iii. Employees whose normal remuneration is \$100,000 or more (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

The financial statements have been prepared based on a twelve month operating cycle and presented in Australian currency.

#### **(b) Comparative Information**

The presentation and classification of items in the financial statements are consistent with prior periods except where adjusted to reflect the early adoption of AASB 101 or where a specific Accounting Policy Statement or Australian Accounting Standard has required a change.

Where presentation or classification of items in the financial statements has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

#### **(c) Rounding**

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

#### **(d) Changes in Accounting Policies**

SAFC has early adopted the September 2007 version of AASB 101 Presentation of Financial Statements – this includes the preparation of a single Statement of Comprehensive Income.

Except for the amendments to AASB 101 Presentation of Financial Statements, which SAFC has early adopted, the Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by SAFC for the period ending 30 June 2009. The Corporation has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Corporation.

#### **(e) Foreign Currency Transactions and Balances**

Transactions in foreign currency are initially recorded in the functional currency by applying the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the Statement of Financial Position date. All exchange differences are reflected in the Statement of Comprehensive Income.

#### **(f) Taxes**

SAFC is liable for income tax equivalent payments, payroll tax, fringe benefit tax, goods and services tax (GST), emergency services levy, land tax and local government rates.

##### *Income Tax Equivalent*

SAFC is an income tax exempt body. As SAFC engages in trading activities in competition with private sector enterprises, a payment in lieu of income tax is paid to the South Australian Government Consolidated Account. The tax calculation method is prescribed by Treasurer's Instruction 22.

An amended Treasurer's Instruction 22 Tax Equivalent Payments was approved in September 2005 requiring SAFC, as at 1 July 2005, to use the State Tax Equivalent Regime (STER). Under the STER the tax equivalent payment is calculated on the Accounting Profit Model. AASB 112 Income Taxes does not apply to SAFC. The Department of Treasury and Finance provided SAFC with a ruling that excludes unrealised gains and losses relating to standing timber revaluations from the accounting profit used to calculate the income tax equivalent payment. The Capital Gains Tax (CGT) division of the ITAA 1997 does not apply to SAFC under the STER.

Under the Accounting Profits Model no future tax assets or future tax liabilities are recognised apart from tax assets or tax liabilities in relation to timing differences in the payment of tax equivalent payments.

##### *Goods and Services Tax (GST)*

Revenue, expenses, liabilities and assets are recognised net of the amount of GST except where the amount of GST incurred by SAFC as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net GST receivable/payable to the Australian Taxation Office has been recognised as a receivable/payable in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Australian Taxation Office is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the Australian Taxation Office. If GST is not payable to, or recoverable from the Australian Taxation Office, the commitments and contingencies are disclosed on a gross basis.

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2009

### **(g) Income and Expenses**

Income and Expenses are recognised in SAFC's Statement of Comprehensive Income when and only when the flow or consumption or loss of economic benefit(s) has occurred and can be reliably measured.

Income and Expenses have been classified according to their nature in accordance with Accounting Policy Framework II General Purpose Financial Reporting Framework Accounting Policy Statement (APS) 3.2 and have not been offset unless required or permitted by a specific accounting standard.

Revenue from Sales – Timber Products is derived from the provision of goods and services to customers. This revenue is driven by consumer demand.

Grants are recognised as income when the SAFC obtains control over the assets. Funding for Community Service Obligations received from SA Government related to operational expenditure is recognised as income when the SAFC obtains control over the assets. Funding for Community Service Obligations received from SA Government related to capital expenditure is recognised in line with the use of the underlying assets.

Interest revenue is recorded on an accrual basis. Interest is calculated on the average daily balance of the account.

The gain or loss on disposal of assets, including revalued assets, is determined as the difference between the book value of the asset at the time of disposal and the proceeds of disposal, and is included in the results in the year of disposal. When revalued assets are sold, the revaluation increments are transferred to retained earnings in accordance with Accounting Policy Framework III Asset Accounting Framework APS 3.9.

Finance costs are recognised as an expense.

### **(h) Current and Non-Current Classification**

Assets and liabilities are characterised as either current or non-current in nature. SAFC has a regular operating cycle of 12 months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle, even when they are not expected to be realised within twelve months after the reporting date, or held primarily for the purpose of being traded, have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

### **(i) Cash and Cash Equivalents**

Cash and cash equivalents in the Statement of Financial Position include cash at bank, cash on hand and cash administered on behalf of other organisations (refer notes 9 and 22).

For the purposes of the Statement of Cash Flows, cash includes cash at bank and deposits at call that are readily convertible to cash and are used in the cash management function on a day-to-day basis.

Cash is measured at nominal value.

### **(j) Financial Assets**

In accordance with the South Australian Government's Accounting Policy Framework IV Financial Assets and Liabilities, SAFC measures financial assets and liabilities at historical cost.

### **(k) Trade and Other Receivables**

Receivables include trade receivables, prepayments and other revenue accruals. Receivables are recorded at amounts due to SAFC less a provision for doubtful debts.

Trade receivables arise in the normal course of selling goods and services. Trade receivables are due within one month after the issue of an invoice or the goods/services have been provided under contractual arrangements. Other debtors arise outside the normal course of selling goods and services to the public and agencies.

If payment has not been received within the terms and conditions of the contractual arrangement, SAFC is able to charge interest at commercial rates as specified until the whole amount of the debt has been paid.

SAFC determines the provision for doubtful debts based on a review of balances within trade receivables that are unlikely to be collected.

### **(l) Inventories**

Inventories are valued at the lower of cost and net realisable value in accordance with AASB 102 Inventories. Harvested log stocks represent timber harvested for sale and are disclosed as a current asset.

## (m) Forestry Accounting

Standing timber of a marketable size is valued at its fair value less estimated point-of-sale costs and disclosed as a current asset for the portion expected to be realised within 12 months after the reporting date and as a non-current asset for the portion expected to be realised more than 12 months after the reporting date. The fair value is determined as the amount which could be expected to be received from disposal of the existing mix of forest products in an active and liquid market. SAFC has determined the fair value by sampling market conditions over the twelve months preceding balance date and has calculated the weighted average return for each diameter class, after deducting direct costs incurred in realising those returns. This policy is in accordance with the requirements of AASB 141 Agriculture. All amounts are calculated in pre-tax dollars in accordance with the Treasurer's Instructions.

Standing timber below a marketable size (classified as young forest in note 13) is valued at fair value by annually compounding the historical establishment and maintenance cost, from the date of preparation of the site for planting, at the 10 year Commonwealth bond rate. This applied to trees up to 9 years old in the Green Triangle region, 10 years old in the Mount Lofty Ranges region and 12 years old in the Mid-North region.

The difference between the fair value of the standing timber held at the reporting date and the fair value at the previous reporting date is recognised in the Statement of Comprehensive Income as the net change in value of standing timber. The reduction in the value of standing timber attributable to fire during the period is reported under Other Expenses. All forest expenditure is recognised as an expense in the year the expenditure takes place.

The net change in the value of standing timber is accounted for in the movement in the Standing Timber Reserve.

The volume of standing timber is estimated using a model that simulates forest growth. Actual growth will invariably differ to some extent from growth predicted by the model resulting in periodic adjustments to net market value for these growth variations. The model uses sample inventory data as the base line from which to start growth simulations. Inventory data is continuously being collected from sample inventory plots with the complete forest estate being covered in five yearly intervals. The inventory master database is updated every three to five years and on these occasions the model simulations are repeated. For the Green Triangle forests, the master database was last updated as at June 2007, affecting the standing timber valuation as at 30 June 2008. For the Mount Lofty Ranges forests the master database was last updated in 2008, affecting the standing timber valuation as at 30 June 2008, while for the Mid North forest the master database was last updated in 2006, affecting the standing timber valuation as at 30 June 2006.

The method used to determine the volume of timber contained in the radiata and non-radiata plantations is 'standing volume' (the volume of wood in the stem of trees which is potentially useable) less an allowance for residues incurred under current harvesting practices. This ensures that the fair value is based upon expected realisable volumes.

There is inherent uncertainty in the standing volume estimate and resultant standing timber valuation and profit determination. This is endemic to all forest valuations and best practice methodology is used to generate reliable estimates.

## (n) Property, Plant and Equipment

### *i. Recognition and Measurement*

Assets are initially recorded at cost plus any incidental costs involved with the acquisition. Where assets are acquired without cash consideration they are recorded at their fair value in the Statement of Financial Position.

SAFC individually capitalises all non-current physical assets with a value of \$1,000 or greater, and a low value pool is created for assets between \$300 and \$1,000. Componentisation of complex assets is performed when the complex asset's fair value at the time of acquisition is greater than \$1 million. These benchmarks are within the limits prescribed in Accounting Policy Framework (APF) III Asset Accounting Framework.

Plant and Equipment and Roads and Land Improvements are stated at cost less accumulated depreciation and impairment losses.

Land, Buildings and Structures are measured at fair value less accumulated depreciation on Buildings and Structures and impairment losses recognised after the date of the revaluation. Fair value represents the value that is able to be achieved in an active and liquid market. Where an active and liquid market does not exist, then the asset will be brought to account at its written down current cost.

### *ii. Impairment*

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstance indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use.

An impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

For property, plant and equipment, impairment losses are recognised in the Statement of Comprehensive Income except for revalued assets where impairment losses are treated as a revaluation decrement to the extent that a revaluation amount exists for the impaired asset.

### *iii. Non-current Assets Held for Sale*

Assets held for sale are separately disclosed and measured at the lower of carrying amount and fair value less cost to sell.

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2009

### iv. Revaluation

Land has been revalued as at 30 June 2009, whilst Buildings and Structures were revalued as at 30 June 2006, in accordance with APF III Asset Accounting Framework. Assets in the other asset classes are deemed to have been revalued to their fair values immediately following recognition at cost.

The basis of the revaluation of Land is the current site value of the unimproved land. In accordance with this policy, Land was revalued in 2008 and 2009 using valuations provided by the Valuer General and/or local Shires. SAFC undertakes an annual revaluation of Land to fair value at the end of June. In accordance with Accounting Policy Framework III APS 3.8, SAFC has elected to take revaluation adjustments to the non-current assets on an individual asset basis.

At least every five years, an independent valuation appraisal of SAFC's Buildings and Structures will be performed. However, if at any time management considers that the carrying amount of an asset class materially differs from its fair value, then the asset class will be revalued regardless of when the last valuation took place. SAFC undertook an independent valuation appraisal of its Buildings and Structures in June 2006.

Non-current physical assets that are acquired between revaluations and are below the revaluation threshold (fair value at the time of acquisition greater than \$1 million and useful life greater than three years) as per APF III will be deemed to have been revalued to their fair values immediately following recognition at cost, until revaluation will take place, when they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrement of the same asset previously recognised in the Statement of Comprehensive Income, in which case the increase is recognised in the Statement of Comprehensive Income.

Any revaluation decrease is recognised in the Statement of Comprehensive Income, except to the extent that it offsets a previous revaluation increase for the same asset, in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Upon disposal or derecognition, any revaluation reserve relating to that asset is transferred to retained earnings.

### v. Depreciation and Amortisation of Non Current Assets

All non-current assets having a limited useful life are systematically depreciated or amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets, while depreciation is applied to physical assets such as property, plant and equipment.

The useful lives of all major assets held by SAFC are reassessed on an annual basis.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate.

The value of leasehold improvements, included in Plant and Equipment, is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

Land and Assets Held for Sale are not depreciated.

The depreciation / amortisation for non-current assets is determined as follows:

Class of Asset	Depreciation Method	Useful Life (Years)
Buildings and Structures	Straight Line	25-57
Leasehold Improvements	Straight Line	Life of lease
Roads and Land Improvements	Straight Line	20-25
Plant and Equipment	Straight Line	3-25

Table #16: Depreciation/amortisation for non-current assets

#### vi. Crown Land

The value of Crown Land amounts to \$438 million (2008: \$420 million). SAFC is entitled to the value of the Crown Land and has the use of the Crown Land for forestry purposes. Generally, the issue of title over Crown Land is required before the land can be disposed of, however, SAFC is exempt from some policies and procedures related to the purchase and disposal of Crown Land, as per the Premier and Cabinet Circular 114 - Purchase and Disposal of Government Real Property (including Crown Lands).

#### (o) Intangible Assets

Intangible assets include purchased software and development costs for software tools. An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost.

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an asset outlined in AASB 138 Intangible Assets and when the amount of expenditure is greater than or equal to \$1,000.

All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 Intangible Assets are expensed.

Capitalised software is amortised over the useful life of the asset, with a maximum time limit for amortisation of five years, using the straight line method. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

#### (p) Trade and Other Payables

Payables include creditors, accrued expenses and employment on-costs.

Payables are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the goods and services have been provided.

Creditors represent the amounts owing for goods and services received prior to, but remaining unpaid, at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of SAFC.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All amounts are measured at their nominal amount and are normally settled within 30 days after invoice date.

Employment on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

SAFC makes contributions to several superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as the schemes have assumed these. The only liability outstanding at the end of the reporting period relates to any contributions due but not yet paid.

#### (q) Employee Benefits

Employee benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement of sick leave.

Liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date. The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2009 and is measured at the undiscounted amount expected to be paid.

In accordance with APF IV Financial Asset and Liability Framework APS 5.10, SAFC applies six and a half years of service (2008: six and a half years) by an employee as the benchmark at which a liability for long service leave is recognised.

#### (r) Interest Bearing Loans

In accordance with APF IV Financial Asset and Liability Framework APS 6.1, SAFC uses the historical cost measurement for interest bearing loans.

All loans are measured at the principal amount. Interest and guarantee fees are recognised as an expense as they accrue.

#### (s) Leases

SAFC has entered into operating leases but has not entered into any finance leases.

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the lease items. Operating lease payments are charged to the Statement of Comprehensive Income on a straight line basis, which is representative of the pattern of benefits derived from the leased assets.

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2009

### (t) Insurance

SAFC has arranged, through South Australian Government Financing Authority, SAICORP Division, to insure all major property and liability risks of SAFC. The excess payable under this arrangement is \$250,000 from an event or occurrence covered by the agreement.

SAFC is self-insured for major fire losses of the forest (see note 2(w)). In addition, SAFC is self insured for workers compensation.

### (u) Provisions

Provisions are recognised when SAFC has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When SAFC expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

SAFC self-insures its workers compensation obligations. The workers compensation liability is based on an actuarial assessment provided by the Public Sector Workforce Relations Division of the Department of the Premier and Cabinet of the estimated unsettled workers compensation claims.

### (v) Contributed Equity

Contributions made by the SA Government through its role as owner of SAFC, which increase the net assets of the entity, are treated as contributions of equity.

### (w) Fire Insurance Fund and Reserve

Cabinet approved SAFC to self-insure for the risk associated with major fire losses of forest from 1 October 2004 and SAFC set up a fund for this purpose at that date. The Fire Insurance Fund has been created as part of SAFC's self-insurance policy. SAFC's annual lump sum contributions to the Fire Insurance Fund are quarantined for both tax equivalent payments and dividend purposes. The use of the Fire Insurance Fund available cash balance is restricted to fund annual fire losses to the plantation of greater than \$250,000. These funds will provide cash for clearing, re-establishment and associated costs. Monies in the Fire Insurance Fund are restricted and are therefore not available for distribution. The movement in the Fire Insurance Fund is transferred between Retained Earnings and the Fire Insurance Fund Reserve.

## 3. FINANCIAL RISK MANAGEMENT

SAFC has significant non-interest bearing assets (receivables) and liabilities (payables) and interest bearing assets (deposits) and liabilities (borrowings from the SA Government). SAFC's exposure to market risk and cash flow interest rate risk is in accordance with the risk management policies and procedures approved by the SAFC Board.

The nature and location of SAFC's forestry operations cause concentration of credit risk in relation to trade receivables as 79% of transactions for the financial year (2008: 81%) were transactions with the six largest of SAFC's customers.

As part of its financial risk management policies, SAFC manages and monitors log supply commitments to ensure the commitments are within the long term forest yield forecasts, thereby maintaining SAFC's long term viability and profitability.

## 4. SEGMENT INFORMATION

SAFC has no separately identifiable geographic or business segments which require separate preparation and disclosure of segment information.

## 5. REVENUE, OTHER INCOME AND EXPENSES

Profit from ordinary activities before income tax has been determined after:

*i Crediting as revenue:*

	Note	2009 \$'000	2008 \$'000
Community Service Obligation funding <sup>1</sup>	1	2,800	2,731
Government Radio Network funding		350	350
Revenues from SA Government		3,150	3,081

<sup>1</sup>Community Service Obligation (CSO) funding is received for operating expenditure, and is recognised in revenue upon receipt, and for capital expenditure, which is recognised in revenue over the life of the asset.

Interest Received or Receivable			
Interest received or receivable related to Cash balances <sup>1</sup>		2,226	3,056
Interest received or receivable related to Trade Receivables	1	66	42
Interest Revenues		2,292	3,098
Other Operating Revenue			
Other Revenues from Non-Government Entities		1,774	2,075
Other Revenues		1,774	2,075

*ii Net gain / (loss) from disposal of assets*

	Note	2009 \$'000	2008 \$'000
Land and Buildings			
Net proceeds from disposal		(7)	14
Less net book value of assets disposed	14	(11)	(16)
Net gain / (loss) from disposal of Land and Buildings		(18)	(2)
Plant and Equipment			
Net proceeds from disposal		458	339
Less net book value of assets disposed	14	(608)	(364)
Net gain / (loss) from disposal of Plant and Equipment		(150)	(25)
Total Assets			
Net proceeds from disposal		451	353
Less net book value of assets disposed	14	(619)	(380)
Net gain / (loss) from disposal of total assets		(168)	(27)

Table #17: Revenue, other income and expenses

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2009

### 5. REVENUE, OTHER INCOME AND EXPENSES CONT.

#### iii Charging as expenses:

	Note	2009 \$'000	2008 \$'000
Harvesting & Transport Costs		36,073	38,615
Interest and guarantee fee paid or payable <sup>1</sup>	18	2,474	2,080
Depreciation of non-current assets	14	2,259	2,347
Amortisation	15	73	100
Rental expense on property operating leases		110	93
Consultants		28	117
Total other expenses related to SA Government entities		2,815	2,928

<sup>1</sup> To/from SA Government entities.

Table #17: Revenue, other income and expenses cont.

### 6. INCOME TAX EQUIVALENTS

As at 1 July 2005, as per a South Australian Department of Treasury and Finance determination, SAFC has become subject to the State Tax Equivalent Regime (STER). Under the STER SAFC uses the Accounting Profits Model to calculate the income tax equivalent payment, in accordance with Treasurer's Instruction 22 Tax Equivalent Payments. Under the Accounting Profits Model, the rate of company income tax is applied to the audited accounting profit. The accounting profit is the net profit/result from ordinary activities determined in accordance with AASB 101 Presentation of Financial Statements.

#### i The prima facie tax on operating profit is reconciled to the income tax equivalent payment provided in the accounts as follows:

	2009 \$'000	2008 \$'000
Prima facie tax equivalent at 30% on trading profit before revaluation of Standing Timber <sup>1</sup> less Fire Insurance Fund contributions <sup>2</sup>	7,931	10,861
Income Tax Expense	7,931	10,861

<sup>1</sup> The Under Treasurer has provided SAFC with written approval to exclude unrealised gains and losses relating to Standing timber revaluations from the accounting profit before SAFC calculates its income tax equivalent payment.

<sup>2</sup> The contributions to the Fire Insurance Fund, which equate to \$3,765,000 (2008: \$3,186,000) are treated as expenses for tax equivalent purposes.

Table #18: Income tax equivalents

#### ii The income equivalent expense comprises amounts set aside as:

	2009 \$'000	2008 \$'000
Income Tax Expense	7,931	10,861
Paid during financial year related to financial year	(5,845)	(8,751)
Income tax equivalent payable at 30 June	2,086	2,110

## 7. EMPLOYEE BENEFIT COSTS

	2009 \$'000	2008 \$'000
Salaries and wages	12,221	11,993
Long service leave	507	488
Annual leave	1,019	1,023
Employment on-costs - superannuation	1,532	1,511
Employment on-costs - other	674	854
<b>Total employee benefit costs</b>	<b>15,953</b>	<b>15,869</b>

Table #19: Employee benefit costs

## 8. AUDITORS' REMUNERATION

	2009 \$'000	2008 \$'000
Amount received, or due and receivable, by the auditors for auditing the accounts	107	106
	107	106

Table #20: Auditors' remuneration

## 9. CASH

	2009 \$'000	2008 \$'000
Cash	1	1
Deposit Account - SAFC	28,509	28,623
Fire Insurance Fund	17,320	12,696
	45,830	41,320

Table #21: Cash

The increase in the Fire Insurance Fund includes the annual contribution of \$3,765,000 (2008: \$3,186,000) and the interest received during the year of \$860,000 (2008: \$785,000).

### Cash flows

#### *i Components of cash*

For the purpose of the Statement of Cash Flows, cash includes cash on hand and deposit account. Cash as shown in the Statement of Cash Flows is reconciled to the beginning and end of period Statement of Financial Position as follows:

	2009 \$'000	2008 \$'000
Cash	45,830	41,320

Table #22: Cash flows

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2009

### ii Reconciliation of net profit after income tax equivalent payments to net cash flow from operating activities

	2009 \$'000	2008 \$'000
Net Profit after Income Tax Equivalents	92,755	29,576
<b>Other reconciling movements</b>		
Net Change in Value of Standing Timber - attributable to Fire	41	65
Net Change in Value of Standing Timber - Other	(70,484)	(1,048)
Loss on Revaluation of Land	2,480	1,062
Depreciation and Amortisation	2,332	2,447
Other Asset Transactions	-	(14)
Loss / (Gain) on Sale of Assets	168	27
	(65,463)	2,539
<b>Changes in operating assets and liabilities</b>		
(Increase)/Decrease in Debtors	(3,142)	2,011
(Increase)/Decrease in GST Receivable	(84)	267
(Increase)/Decrease in Interest Receivable	146	(27)
(Increase)/Decrease in Other Debtors & Prepayments	(47)	30
(Increase)/Decrease in Assets held for Sale	-	25
(Increase)/Decrease in Inventories	343	718
(Decrease)/Increase in Trade Creditors	1,453	(475)
(Decrease)/Increase in GST Payable	78	96
(Decrease)/Increase in Employee Provisions	206	(44)
(Decrease)/Increase in Income Tax Payable	(24)	(860)
(Decrease)/Increase in Other Creditors	(109)	359
Net Cash Flows from Changes in Operating Balances	(1,180)	2,100
<b>Net Cash Flow from Operating Activities</b>	<b>26,112</b>	<b>34,215</b>
Per Statement of Cash Flows	26,112	34,215

Table #22: Cash flows cont.

## 10. RECEIVABLES

	2009 \$'000	2008 \$'000
<b>CURRENT</b>		
Trade Receivables	15,163	11,964
Less Doubtful Debts	(20)	-
Other Receivables	-	23
Accrued Revenue	130	293
Prepayments	87	37
	15,360	12,317

Receivables are raised for all goods and services provided for which payment has not been received.

Receivables are normally settled within 30 days. Trade receivables and accrued revenues are non-interest bearing until after 30 days. It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand.

For details of credit and interest rate risks refer to note 25.

As at 30 June 2009 SAFC did not have any material amounts outstanding greater than 30 days.

	2009 \$'000	2008 \$'000
<b>SA Government Receivables</b>		
Trade debtors	-	284
Other than Trade Receivables	120	266
	120	550
<b>Non SA Government Receivables</b>		
Trade debtors	15,143	11,680
Other than Trade Receivables	97	87
	15,240	11,767

Table #23: Receivables

## 11. INVENTORIES

	2009 \$'000	2008 \$'000
<b>CURRENT</b>		
Harvested log stocks	-	59
Chip stocks	-	69
Materials and stores	264	479
	264	607

Table #24: Inventories

## 12. ASSETS CLASSIFIED AS HELD FOR SALE

	2009 \$'000	2008 \$'000
<b>Non-current assets classified as held for sale</b>		
Land and Buildings	150	150
Plant and Equipment	190	-
	340	150

Table #25: Assets classified as held for sale

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2009

### 13. STANDING TIMBER

	2009 \$'000	2008 \$'000
Opening Balance	614,811	612,748
New Plantings	3,115	2,793
Harvesting	(64,655)	(72,655)
Physical Changes (i.e. Growth)	61,791	68,956
Price Changes	70,233	1,954
Net Change Recorded in Statement of Comprehensive Income	70,484	1,048
New Standing Timber Acquisitions	732	1,080
Loss due to fire	(41)	(65)
Closing Balance	685,986	614,811

The Standing Timber comprises the following:

Fair Value	2009 \$'000	2008 \$'000
Mature Forest	639,136	570,212
Young Forest	46,850	44,599
Total Fair Value	685,986	614,811

Volume	2009 \$'000m <sup>3</sup>	2008 \$'000m <sup>3</sup>
Mature Forest	18,532	18,406
Young Forest	934	969
Total Volume	19,466	19,375

Area	2009 ha	2008 ha
Mature Forest	61,097	60,755
Young Forest	24,962	23,599
Total Area	86,059	84,354

Table #26: Standing timber

13. STANDING TIMBER CONT.

	2009 \$'000	2008 \$'000
<b>CURRENT ASSET</b>		
Current portion of Standing Timber valuation	67,848	70,439
<b>NON-CURRENT ASSET</b>		
Non-Current portion of Standing Timber valuation	618,138	544,372

Table #26: Standing timber cont.

14. PROPERTY, PLANT AND EQUIPMENT

	Land \$'000	Buildings and Structures \$'000	Roads and Land Improve \$'000	Plant and Equipment \$'000	Total \$'000
<b>Year ended 30 June 2009</b>					
As at 1 July 2008, net of accumulated depreciation and impairment	453,718	10,194	4,216	15,835	483,963
Additions	7,100	289	581	2,526	10,496
Disposals	-	(11)	-	(608)	(619)
Assets reclassified to assets held for sale	-	-	-	(190)	(190)
Revaluation Increments	19,481	-	-	-	19,481
Revaluation Decrements	(2,565)	-	-	-	(2,565)
Depreciation Charge for the year	-	(353)	(308)	(1,598)	(2,259)
Net of accumulated depreciation and impairment	477,734	10,119	4,489	15,965	508,307
<b>As at 1 July 2008</b>					
Cost or fair value	453,718	10,873	7,078	26,577	498,246
Accumulated depreciation and impairment	-	(679)	(2,862)	(10,742)	(14,283)
Net carrying amount	453,718	10,194	4,216	15,835	483,963
<b>As at 30 June 2009</b>					
Cost of fair value	447,734	11,149	7,660	26,411	522,954
Accumulated depreciation and impairment	-	(1,030)	(3,171)	(10,446)	(14,647)
Net carrying amount	447,734	10,119	4,489	15,965	508,307
<b>Year ended 30 June 2008</b>					
As at 1 July 2007, net of accumulated depreciation and impairment	419,985	10,459	4,002	17,215	451,661
Additions	5,778	144	505	633	7,060
Disposals	(14)	(2)	(8)	(356)	(380)
Assets reclassified to assets held for sale	(150)	-	-	-	(150)
Revaluation Increments	29,181	-	-	-	29,181
Revaluation Decrements	(1,062)	-	-	-	(1,062)
Depreciation Charge for the year	-	(407)	(283)	(1,657)	(2,347)
Net of accumulated depreciation and impairment	453,718	10,194	4,216	15,835	483,963

Table #27: Property, plant and equipment

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2009

### 14. PROPERTY, PLANT AND EQUIPMENT CONT.

	Land \$'000	Buildings and Structures \$'000	Roads and Land Improve \$'000	Plant and Equipment \$'000	Total \$'000
<b>At 1 July 2007</b>					
Cost or fair value	419,985	10,731	6,583	26,825	464,124
Accumulated depreciation and impairment	-	(272)	(2,581)	(9,610)	(12,463)
Net carrying amount	419,985	10,459	4,002	17,215	451,661
<b>At 30 June 2008</b>					
Cost or fair value	453,718	10,873	7,078	26,577	498,246
Accumulated depreciation and impairment	-	(679)	(2,862)	(10,742)	(14,283)
Net carrying amount	453,718	10,194	4,216	15,835	483,963

#### *Revaluation of Land and Buildings and Structures*

In 2006 SAFC engaged Maloney Field Services, an accredited independent valuer, to determine the fair value of its Buildings and Structures. The effective date of the revaluations is 30 June 2006.

SAFC uses the services of the Valuer General in SA and local government shires in Victoria to determine the fair value of its land. Fair value is determined by reference to market-based evidence, which is the amounts for which the assets could be exchanged between knowledgeable willing buyer and a knowledgeable willing seller in an arms' length transaction as at the valuation date. The effective date of the land revaluations is 30 June 2009 (2008: 30 June 2008).

#### *Fair value of Roads and Land Improvements and Plant and Equipment*

The Roads and Land Improvements and Plant and Equipment asset classes contain no single asset with a purchase price (regarded as the fair value at the time of acquisition) of over \$1,000,000. In accordance with APF III Asset Accounting Framework, SAFC has no requirement to revalue any of the assets but applies the assumption that the written down value is an appropriate proxy for fair value.

If Land and Buildings and Structures were measured using the cost model, the carrying amounts would be as follows:

	Land \$'000	Buildings and Structures \$'000	Roads and Land Improve \$'000	Plant and Equipment \$'000	Total \$'000
<b>At 30 June 2009</b>					
Cost	44,576	8,390	7,659	26,411	87,036
Accumulated depreciation and impairment	-	(3,733)	(3,170)	(10,446)	(17,349)
Net carrying amount	44,576	4,657	4,489	15,965	69,687
<b>At 30 June 2008</b>					
Cost or fair value	37,477	8,114	7,078	26,576	79,245
Accumulated depreciation and impairment	-	(3,379)	(2,862)	(10,741)	(16,982)
Net carrying amount	37,477	4,735	4,216	15,835	62,263

Table #27: Property, plant and equipment cont.

#### 14. PROPERTY, PLANT AND EQUIPMENT CONT.

The carrying value of Plant and Equipment held under finance leases at 30 June 2009 is nil (2008: nil).

Leasehold improvements are included in Plant and Equipment.

Included in the Roads and Land Improvements and Plant and Equipment at 30 June 2009 and 30 June 2008 are some plant and improvements in the course of construction.

##### *Impairment*

There were no indications of impairment of Roads and Land Improvements and Plant and Equipment assets at 30 June 2009.

#### 15. INTANGIBLE ASSETS

	2009 \$'000	2008 \$'000
<b>COMPUTER SOFTWARE</b>		
As at 1 July, net of accumulated amortisation and impairment	402	446
Additions	76	56
Amortisation Charge for the year	(73)	(100)
Total Computer Software, Net of accumulated amortisation and impairment	405	402

The intangible assets consist of software for operational systems.

SAFC has no contractual commitments for the acquisition of intangible assets.

	2009 \$'000
<b>At 30 June 2009</b>	
Cost or fair value	1,395
Accumulated amortisation and impairment	(990)
Net carrying amount	405

	2008 \$'000
<b>At 30 June 2008</b>	
Cost or fair value	1,319
Accumulated amortisation and impairment	(917)
Net carrying amount	402

Table #28: Intangible assets

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION  
FOR THE YEAR ENDED 30 JUNE 2009

## 16. PAYABLES

	2009 \$'000	2008 \$'000
<b>CURRENT</b>		
Trade Payables	7,251	6,805
Accrued Expenses	841	1,275
Other Payables - Deferred Income	1,269	25
Employee Benefit On-costs	303	274
	9,664	8,379
<b>NON-CURRENT</b>		
Other Payables - Deferred Income	330	300
Employee Benefit On-costs	444	399
	774	699
<b>SA GOVERNMENT PAYABLES</b>		
Trade Payables	413	224
Accrued Expenses	107	106
	520	330

Table #29: Payables

## 17. EMPLOYEE BENEFITS

	2009 \$'000	2008 \$'000
<b>CURRENT</b>		
Accrued Salaries and Wages	311	406
Long Service Leave	422	410
Annual Leave	761	748
Other Payables - Superannuation	56	54
	1,550	1,618
<b>NON-CURRENT</b>		
Long Service Leave	2,395	2,087
	2,395	2,087

The total current and non-current employee benefits and employee benefit on-costs for 2009 is \$4,692,000 (2008: \$4,378,000). Employee benefit related on-costs are disclosed as payables.

Table #30: Employee benefits

## 18. INTEREST BEARING LOANS

	2009 \$'000	2008 \$'000
<b>CURRENT</b>		
Unsecured <sup>1</sup>	2,781	2,417
	2,781	2,417
<b>NON-CURRENT</b>		
Unsecured <sup>1</sup>	33,539	29,402
	33,539	29,402

<sup>1</sup> SAFC's loans are all provided by the South Australian Government Financing Authority and are unsecured.

Table #31: Interest bearing loans

Details of the fair value of SAFC's interest bearing liabilities, maturity analysis and analysis of interest rate risk are set out in note 25.

Repayments of principal and interest are due monthly with the final payment due on 18 March 2019 (2008: 25 June 2018).

## 19. OTHER PROVISIONS

	2009 \$'000	2008 \$'000
<b>CURRENT</b>		
Workers Compensation	95	124
	95	124
Opening balance	124	95
Payments	(87)	(92)
Increments in provision	58	121
Closing balance	95	124
<b>NON-CURRENT</b>		
Workers Compensation	268	314
	268	314
Opening balance	314	276
(Decrements)/Increments in provision	(46)	38
Closing balance	268	314

The provision is recognised to reflect unsettled workers compensation claims based on an actuarial assessment performed by the Public Sector Workforce Relations Division of the Department of the Premier and Cabinet.

Table #32: Other provisions

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2009

### 20. EQUITY

Equity represents the residual interest in the net assets of the South Australian Forestry Corporation. The SA Government holds the equity interest in the Corporation on behalf of the community.

Since 2006 the requirements of the ownership framework for SAFC indicate that SAFC shall pay an annual contribution to Government consisting of a dividend calculated as 90 percent of after tax profit, adjusted for unrealised gains and losses in relation to forest valuation and for the annual contribution to the fire insurance fund, plus an income tax equivalent payment. SAFC declared dividends of \$15,231,468 (2008: \$22,671,000). This included an adjustment for prior year overpaid dividends of \$1,269,000 (2008: prior year overpayment of \$1,406,000). Based on the above agreement SAFC anticipates to declare an extra dividend to the 2008/09 declared dividends of \$155,000. In accordance with AASB 110 Events after the Reporting Period no payable (2008: receivable) has been accounted for this amount.

### 21. COMMITMENTS AND CONTINGENCIES

#### (a) Commitments

	2009 \$'000	2008 \$'000
<b>i) Operating Lease Commitments</b>		
Non cancellable operating leases contracted for but not capitalised in the accounts:		
Due not later than one year	912	867
Due later than one year but not later than five years	880	716
<b>Total Operating Lease Commitments</b>	<b>1,792</b>	<b>1,583</b>

These operating lease commitments are not recognised in the financial report as liabilities.

	2009 \$'000	2008 \$'000
<b>ii) Remuneration Commitments</b>		
Due not later than one year	3,409	2,860
Due later than one year but not later than five years	3,329	3,888
<b>Total Remuneration Commitments</b>	<b>6,738</b>	<b>6,748</b>

The remuneration commitments relate to employee agreements SAFC has entered into with employees for a fixed period of time. The nature of the calculations to derive the amounts presented, which are based on a range of simplified assumptions about variables that will impact the future dollar outcome of the commitments to SAFC, is such that the presented figures provide an indicative amount.

	2009 \$'000	2008 \$'000
<b>iii) Other Commitments</b>		
Due not later than one year	21,826	26,167
Due later than one year but not later than five years	47,661	70,595
Due later than five years	-	3,966
<b>Total Other Commitments</b>	<b>69,487</b>	<b>100,728</b>

Table #33: Commitments and contingencies

## 21. COMMITMENTS AND CONTINGENCIES CONT.

SAFC's contracting commitments are for agreements for the harvesting and transport of log, silvicultural services and other commitments. The nature of the calculations to derive the amounts presented, which are based on a range of simplified assumptions about variables that will impact the future dollar outcome of the commitments to SAFC, is such that the presented figures only provide an indicative amount.

SAFC has also entered into supply agreements to sell timber that is harvested. The terms and conditions of these agreements vary.

### (b) Contingent Liabilities

#### Legal Proceedings

At the 2008 reporting date SAFC was a defendant in proceedings taken by Auspine Limited in regard to a matter pertaining to the sale of log. This matter was settled in 2009.

#### Defined Benefit Plans - Superannuation Board payments

SAFC and the SA Superannuation Board entered into an arrangement at the time of incorporation of SAFC to allow officers and employees of SAFC, who were immediately before incorporation of SAFC contributors to the State Superannuation Scheme, to remain contributors under the Superannuation Act 1988.

SAFC was notified by the SA Superannuation Board in 2006 of a \$2,490,000 actuarially assessed funding deficit relating to defined benefit members employed by SAFC, requiring additional contributions over 15 years. SAFC has expensed \$224,000 (2008 : \$216,000) being the amount payable during the current financial year. A liability has not been recognised for the remaining balance.

### c) Contingent Assets

Various banks have issued bank guarantees for SAFC customers to SAFC, which form a security in case of default on payment of fees and charges.

## 22. SCHEDULE OF ADMINISTERED ITEMS

### Sirex Fund

SAFC administered a fund on behalf of a collective group interested in the effective control of the Sirex. The fund was for the research into Sirex. The only asset of the fund was cash and there are no assets or liabilities at 30 June 2009 (2008: none). From 29 November 2007 this fund is no longer controlled by SAFC.

	2009 \$'000	2008 \$'000
Summary of cash flows		
Cash at the beginning of year	-	269
Net Funds Received / (Paid)	-	(276)
Interest received	-	7
Cash at end of year	-	-

Table #34: Schedule of administered items

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2009

### 23. EXECUTIVE DISCLOSURES

#### a) Details of the Key Management Personnel

Executive	
B.W. Farmer	Chief Executive
P. Fuss	Executive General Manager - Human Resources
W. Materne	Chief Financial Officer
J. O'Hehir	Executive General Manager - Planning & Development
I. Robertson	Executive General Manager - Operations

#### b) Compensation of Key Management Personnel

	2009 \$'000	2008 \$'000
Short term employee benefits paid or due and payable to or on behalf of key management personnel	831	743
Superannuation benefits paid or due and payable to or on behalf of key management personnel	75	78
Total	906	821

#### c) Compensation of employees whose income was over \$100,000

	2009	2008
The number of employees whose income was within the following bands:	Number	Number
\$100,000 - \$109,999	2	4
\$110,000 - \$119,999	1	2
\$120,000 - \$129,999	4	1
\$130,000 - \$139,999	-	1
\$140,000 - \$149,999	1	-
\$180,000 - \$189,999	1	1
\$200,000 - \$209,999	1	-
\$220,000 - \$229,999	-	1
\$250,000 - \$259,999	1	-

Table #35: Executive disclosures

## 23. EXECUTIVE DISCLOSURES CONT.

	2009	2008
Employee Remuneration		
Income paid or due and payable to or on behalf of employees whose income was \$100,000 or more.	1,604	1,308

Table #35: Executive disclosures cont.

## 24. DIRECTORS AND RELATED PARTY DISCLOSURES

The following persons held the position of director of the Corporation during the financial year:

S. Duncan  
 G. Foreman  
 D. Lloyd  
 J. Meeking  
 J. Ross - Chairman

Transactions between SAFC and its directors are made at arms length. There have been no such transactions in the financial year (2008: none).

	2009 \$'000	2008 \$'000
Directors' Remuneration		
Income paid or due and payable to or on behalf of directors, excluding superannuation benefits	203	152
Superannuation benefits paid or due and payable to or on behalf of directors	19	17
Total	222	169

The number of directors whose income was within the following bands:	Number	Number
\$30,000 - \$39,999	1	4
\$40,000 - \$49,999	3	1
\$50,000 - \$59,999	1	-

D. Lloyd has a declared conflict of interest relating to an associate's involvement in business with Gunns Limited.

Table #36: Directors and related party disclosures

## 25. FINANCIAL INSTRUMENTS

### i) Credit Risk Exposures

The credit risk on financial assets of the economic entity which have been recognised in the Statement of Financial Position, is generally the carrying amount, net of any doubtful debts.

The nature and location of SAFC's forestry operations cause concentration of credit risk in relation to trade receivables as 79% of transactions for the financial year were transactions with the six largest of SAFC's customers (2008: 81%).

Credit risk in trade receivables is managed in the following ways:

- payment terms are 30 days unless otherwise agreed in the terms and conditions of individual contracts.
- a risk assessment process is used for customers with balances over \$10,000.
- bank guarantees are obtained for specific customers (see also note 21).
- interest is charged on overdue balances.

### ii) Foreign Currency Risk Exposures

As at 30 June 2009 SAFC has no direct exposure to foreign currencies.

### iii) Interest Rate Risk Exposures

The economic entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table.

In addition to the interest rate SAFC paid a guarantee fee to SAFA of 0.64% on the daily balance of the outstanding loan amounts (2008: 0.60%). The guarantee fee from 1 July 2009 is 0.75%.

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2009

### 25. FINANCIAL INSTRUMENTS CONT.

	Floating Rate \$'000	Non-interest Bearing \$'000	1 year or less \$'000	Over 1 year to 5 years \$'000	Over 5 years \$'000	2009 Total \$'000	2008 Total \$'000
<b>Financial Assets:</b>			Fixed Interest Maturing				
Cash	45,830	0	0	0	0	45,830	41,320
Receivables	873	14,487	0	0	0	15,360	12,317
<b>Total</b>	<b>46,703</b>	<b>14,487</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>61,190</b>	<b>53,637</b>
Weighted average interest rate	3.16%	-	-	-	-		
<b>Financial Liabilities:</b>							
Interest Bearing Loans <sup>1</sup>	3,244	0	4,821	22,297	17,317	47,679	43,468
Payables	0	10,438	0	0	0	10,438	9,078
Tax Liabilities (net)	0	2,086	0	0	0	2,086	2,110
<b>Total</b>	<b>3,244</b>	<b>12,524</b>	<b>4,821</b>	<b>22,297</b>	<b>17,317</b>	<b>60,203</b>	<b>54,656</b>
Weighted average interest rate, including guarantee fee	4.82%	-	7.08%	7.10%	7.49%		
<b>Net Financial Assets/(Liabilities)</b>	<b>43,459</b>	<b>1,963</b>	<b>(4,821)</b>	<b>(22,297)</b>	<b>(17,317)</b>	<b>987</b>	<b>(1,019)</b>

<sup>1</sup> Based on contractual undiscounted cash flows.

A separate sensitivity analysis for movements in interest rates has been undertaken for the interest rate risk of SAFC. However, results of the analysis have determined the possible impact on profit and loss from fluctuations in interest rates to be immaterial.

All financial assets and liabilities have been recognised at the balance date at their net fair value, except for the following:

	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financial Liabilities	Carrying amount		Net fair value	
Interest Bearing Loans	36,320	31,819	37,265	27,966

Table #37: Financial instruments

#### iv) Financial Liabilities Carried at an Amount in Excess of Net Fair Value

Interest Bearing Loans with a carrying value of \$36,320,000 (2008: \$31,819,000) are recorded at the nominal principle amount to be settled. This is below their net fair value of \$37,265,000 (2008: in excess of their net fair value of \$27,966,000).

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## 25. FINANCIAL INSTRUMENTS CONT.

### v) Net Fair Value of Financial Assets and Liabilities

The net fair value of Cash, Trade Receivables (excl Accrued Revenue) and Trade Creditors approximates their carrying amount.

Short-term Accrued Revenue: The carrying amount approximates fair value because of their short term to maturity.

Short-term borrowings: The carrying amount approximates fair value because of their short term to maturity.

Long-term borrowings: The fair values of long-term borrowings are estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowings.

### vi) Hedging Instruments

*Hedges of specific instruments*

SAFC has not entered into any hedging instruments.

### vii) Liquidity Risk

Liquidity risk relates to difficulties that SAFC may encounter in meeting obligations associated with its financial liabilities. SAFC manages this risk by maintaining a strong working capital position and having appropriate financing arrangements in place. SAFC's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

# CERTIFICATION OF THE FINANCIAL REPORT

## **SOUTH AUSTRALIAN FORESTRY CORPORATION**

### **Certification of the Financial Statements**

We certify that the attached general purpose financial statements for the South Australian Forestry Corporation (SAFC):-

- Complies with relevant Treasurer's instructions issued under section 41 of the *Public Finance and Audit Act 1987* and relevant Australian accounting standards;
- Are in accordance with the accounts and records of the SAFC; and
- Presents a true and fair view of the financial position of the SAFC as at 30 June 2009 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the SAFC for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period and there are reasonable grounds to believe the SAFC will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board members.



Brian Farmer  
**CHIEF EXECUTIVE**  
**SOUTH AUSTRALIAN FORESTRY CORPORATION**  
21 September 2009



Wayne Materne  
**CHIEF FINANCIAL OFFICER**  
**SOUTH AUSTRALIAN FORESTRY CORPORATION**  
21 September 2009



John Ross  
**CHAIRMAN**  
**SOUTH AUSTRALIAN FORESTRY CORPORATION**  
21 September 2009

# INDEPENDENT AUDIT REPORT

## INDEPENDENT AUDITOR'S REPORT



Government of South Australia  
Auditor-General's Department

9th Floor  
State Administration Centre  
200 Victoria Square  
Adelaide SA 5000  
DX 56208  
Victoria Square  
Tel +618 8226 9640  
Fax +618 8226 9688  
ABN 53 327 061 410  
audgensa@audit.sa.gov.au  
www.audit.sa.gov.au

### TO THE CHAIRMAN SOUTH AUSTRALIAN FORESTRY CORPORATION

As required by section 31 of the *Public Finance and Audit Act 1987* and subsection 34(2) of the *Public Corporations Act 1993*, I have audited the accompanying financial statements of the South Australian Forestry Corporation for the financial year ended 30 June 2009. The financial statements comprise:

- A Statement of Comprehensive Income
- A Statement of Financial Position
- A Statement of Changes in Equity
- A Statement of Cash Flows
- Notes to the financial statements
- A Certificate from the Chief Executive, the Chief Financial Officer and the Chairman of the Board.

### The Responsibility of the South Australian Forestry Corporation Board for the Financial Statements

The South Australian Forestry Corporation Board are responsible for the preparation and the fair presentation of the financial statements in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The Auditing Standards require that the auditor complies with relevant ethical requirements relating to audit engagements and plans and performs the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the South Australian Forestry Corporation Board, as well as the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my auditor's opinion.

# INDEPENDENT AUDIT REPORT CONT

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## **Auditor's Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the South Australian Forestry Corporation as at 30 June 2009, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.



**S O'Neill**  
**AUDITOR-GENERAL**  
24 September 2009

# STATUTORY INFORMATION

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Table #38: Statutory information

# LEGISLATION ADMINISTERED BY FORESTRYSA

- > Forestry Act 1950 (including the Forestry Regulations 2005)
- > South Australian Forestry Corporation Act 2000
- > Local Government (Forestry Reserves) Act 1944

## KEY INITIATIVES AND TARGETS FOR 2008 TO 2010

### 1. Better Business

Achieve better business and financial results through efficient and effective processes, systems and practices.

### 2. Growth:

Sustainably and profitably grow the business to maintain market share in the Green Triangle and improve performance in the Mount Lofty Ranges.

### 3. Research and Innovation:

Focus research capability to enhance decision making, improve operational practices and enhance product development.

### 4. Culture:

Sustain and promote a culture focussed on business, safety and the environment.

### 5. Capability and Knowledge Transfer:

Secure a knowledgeable workforce capability and an informed stakeholder community.

## FORESTRYSA'S STRATEGIC PLAN AND ITS RELATIONSHIP TO STATE STRATEGY

The ForestrySA Corporate Strategic Plan is aligned with the South Australian Strategic Plan in a number of Key Result Areas.

FORESTRYSA KEY RESULT AREA : Better Business Practices

South Australia Strategic Plan (SASP)	Progress against SASP
Increase the satisfaction of South Australians with government services by 10% by 2010, maintaining or exceeding that level of satisfaction thereafter ( <b>Growing Prosperity T1.7</b> )	Introduction of Customer Service Charter
Become, by 2010, the best-performing jurisdiction in Australia in timeliness and transparency of decisions which impact the business community ( <b>Growing Prosperity T1.8</b> )	ISO 9001 Forest Management System certification maintained.
Increase the ratio of operational to administrative expenditure in state government by 2010, and maintain or better that ratio thereafter ( <b>Growing Prosperity T1.9</b> )	Savings and cost efficiencies identified and implemented. Introduction of new Chart of Accounts to increase transparency and accountability.
Increase the number of women on all State Government boards and committees to 50% on average by 2008, and maintain thereafter by ensuring that 50% of women are appointed, on average, each quarter ( <b>Building Communities T5.2</b> )	Two of five members of the South Australian Forestry Corporation Board are women (40%).
Maintain the high level of volunteering in South Australia at 50% participation rate or higher ( <b>Building Communities T5.6</b> )	43,887 hours contributed by volunteer and community participants to environment, heritage and education projects.

Table #39: ForestrySA strategic plan

# FORESTRYSA'S STRATEGIC PLAN AND ITS RELATIONSHIP TO STATE STRATEGY CONT

## FORESTRYSA KEY RESULT AREA : Social Impacts

South Australia Strategic Plan (SASP)	Progress against SASP
Increase the number of attendances at selected arts activities by 40% by 2014 ( <b>Fostering Creativity and Innovation T4.4</b> )	ForestrySA sponsors the Bundaleer Forest Weekend and Rid-doch Gallery Wood Sculpture Competition.

## FORESTRYSA KEY RESULT AREA : Environmental Impact

South Australia Strategic Plan (SASP)	Progress against SASP
Lose no known native species as a result of human impacts. ( <b>Attaining Sustainability T3.1</b> )	No loss of rare, endangered or vulnerable plant and animal species in Native Forest Reserves in the Green Triangle, Mid-North or Mount Lofty Ranges. Two new species in the Ranges, one new species in the Green Triangle.
By 2010 have five well established biodiversity corridors aimed at maximising ecological outcomes particularly in the face of climate change ( <b>Attaining Sustainability T3.2</b> )	ForestrySA has established 56 ha of biodiversity corridors (25 year plan - target 74.4 ha by 2028)
South Australia's water resources are managed within sustainable limits by 2018 ( <b>Attaining Sustainability T3.9</b> )	Participation in regional and state water policy initiatives and contribution to NRM boards through stakeholder consultation processes.  ISO 14001 and AS 4708 (Australian Forestry Standard) certifications maintained.
(Modified) Improve the efficiency of government buildings by 25% by 2014 ( <b>Attaining Sustainability T3.13</b> )	ForestrySA's Head Office in Mount Gambier was designed to comply with the 5-star rating system for public buildings.

## FORESTRYSA KEY RESULT AREA : Organisational Development

South Australia Strategic Plan (SASP)	Progress against SASP
Achieve the nationally agreed target of a 40% reduction in injury by 2012 ( <b>Improved Wellbeing T2.11</b> )	Worksite Action Plans in place to prevent injury and accident.
Improve the overall wellbeing of Aboriginal South Australians ( <b>Expanding Opportunity T6.1</b> )	Certification under the Australian Forestry Standard requires ForestrySA to protect and maintain culturally and socially significant sites and values for both indigenous and non-indigenous people.
By 2014 equal or better the national average for the proportion of the labour force with non-school qualifications ( <b>Expanding Opportunity T6.19</b> )	Learning and professional development strategies in place.
Double the number of people with disabilities employed by 2014 ( <b>Expanding Opportunity T6.22</b> )	Employees with ongoing disabilities requiring workplace adaptation = 0.9%.
Increase the participation of Aboriginal people in the South Australian public sector, spread across all classifications and agencies, to 2% by 2010 and maintain or better those levels through to 2014 ( <b>Expanding Opportunity T6.24</b> )	Aboriginal and/or Torres Strait Islander employees = 0.5%.

Table #39: ForestrySA strategic plan cont.

# PROCUREMENT AND CONTRACTUAL ARRANGEMENTS

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No contractual arrangements were entered into of the type prescribed in Department of the Premier and Cabinet Circular PC013.

## FREEDOM OF INFORMATION STATEMENT

(As required by Freedom of Information Act 1991, Section 9 including the Information Summary)

### AGENCY STRUCTURE AND FUNCTIONS

The structure and functions of the South Australian Forestry Corporation are set out within this Annual Report.

#### Information Summary

Types of documents held by ForestrySA:

- > Administrative files (indexed on electronic database)
- > Tender and contract documentation
- > Operational records
- > Policy documents and procedure manuals
- > Research reports and publications
- > Brochures, publications, photographs, information sheets and posters

#### Documents Available Free of Charge

(Available by contacting the individual groups or the Coordinator Records Management on 08 8724 2736)

- > Brochures
- > Fact sheets
- > Selected maps
- > Information packs
- > Policy documents
- > Media releases
- > Annual reports

#### Accessing Documents

Access to documents or requests for information under the Freedom of Information Act 1991 is via the Freedom of Information Officer.

Access restrictions to certain documents may apply under the Freedom of Information Act 1991.

Applications via Freedom of Information must be made in writing and accompanied by an application fee of \$27.75. Additional charges may be levied to process your request. If you are able to prove that you are financially disadvantaged, all fees will be waived. This charge is determined by the Freedom of Information (Fees and Charges) Regulations 2003 and is subject to change. Please consult these regulations before submitting requests.

#### Contact Officer

Freedom of Information inquiries addressed to:

Freedom of Information Officer  
ForestrySA  
PO Box 162  
MOUNT GAMBIER SA 5290

## ACCOUNT PAYMENT PERFORMANCE

Particulars	Number of accounts paid	Percentage of accounts paid (by number)	Value of accounts paid (\$'000)	Percentage of accounts paid (by value)
Paid by due date	11,884	85.6%	110,210	95.3%
Paid late, within 30 days of due date	1,598	11.5%	4,101	3.6%
Paid more than 30 days from due date	404	2.9%	1,358	1.1%
<b>TOTAL</b>	<b>13,886</b>	<b>100%</b>	<b>115,669</b>	<b>100%</b>

Table #40: Account payment performance

## USE OF CONSULTANTS

	Firm	Description	Expenditure
Consultancy below \$10,000		1 consultant	\$5,050
Consultancy between \$10,000 - \$50,000	JP Management Consulting (Asia Pacific) Pty Ltd	Strategic Resource Planning	\$22,856
Consultancies over \$50,000	-	-	\$0
<b>TOTAL</b>			<b>\$27,906</b>

Table #41: Use of consultants

## EMPLOYEE NUMBERS, GENDER AND STATUS

Total Number of Employees					
Persons Employed (as at 30 June)				217	
Average Full Time Equivalent (FTE) employment for 12 months to 30 June				219.6	
Employees by Gender				% FTEs	
Male				76	
Female				24	
Persons During the 2008-09 Financial Year					
Separated from ForestrySA (including casuals)				75	
Recruited to ForestrySA (including casuals)				49	
Number of persons at 30 June 2009 on leave without pay				6	
Employees by Salary Bracket					
SALARY BRACKET	MALE	FEMALE	TOTAL		
\$0 - \$47,999	77	27	104		
\$48,000 - \$60,999	34	17	51		
\$61,000 - \$78,199	35	9	44		
\$78,200 - \$98,499	9	0	9		
\$98,500 +	9	0	9		
<b>TOTAL</b>	<b>164</b>	<b>53</b>	<b>217</b>		
Status of Employees in Current Positions					
TOTAL AS AT 30 JUNE	ONGOING	SHORT-TERM CONTRACT	LONG-TERM CONTRACT	OTHER (CASUAL)	TOTAL
Male	132	2	29	1	164
Female	31	8	13	1	53
<b>TOTAL</b>	<b>163</b>	<b>10</b>	<b>42</b>	<b>2</b>	<b>217</b>

Table #42: Employee numbers, gender and status

## EXECUTIVES BY GENDER, CLASSIFICATION AND STATUS

Classification	Ongoing		Tenured Contract		Untenured Contract		Casual (Other)		Total	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Chief Executive	-	-	-	-	1	-	-	-	1	-
EGM/CFO	-	-	1	-	3	-	-	-	4	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>-</b>

Table #43: Executives by gender, classification and status

## EMPLOYEES' OVERSEAS TRAVEL

Number of employees	Destination	Reason for travel	Total cost to ForestrySA
1	Singapore	2008 International Pulpwood Resource and Trade Conference	\$5,500

Table #44: Employees' overseas travel

## LEAVE MANAGEMENT

Average Days per Full Time Equivalent Employee		
LEAVE TYPE	2008-09	2007-08
Sick Leave	6.21	4.07
Family Carer's Leave	1.26	0.98
Misc Special Leave	1.89	1.58

Table #45: Leave management

## ABORIGINAL AND/OR TORRES STRAIT ISLANDER EMPLOYEES

Male	Female	Total	% of ForestrySA employees
1	0	1	0.5

Table #46: Aboriginal and/or Torres Strait Islander employees

## NUMBER OF EMPLOYEES BY AGE BRACKET, BY GENDER

Age Bracket	Male	Female	Total	% of Total
15-19	0	2	2	0.9
20-24	2	7	9	4.2
25-29	9	6	15	6.9
30-34	10	11	21	9.7
35-39	21	4	25	11.5
40-44	11	7	18	8.3
45-49	37	8	45	20.7
50-54	29	4	53	15.2
55-59	34	2	36	16.6
60-64	11	2	13	6.0
65+	0	0	0	0
<b>Total</b>	<b>164</b>	<b>53</b>	<b>217</b>	<b>100%</b>

Table #47: Number of employees by age bracket, by gender

## CULTURAL AND LINGUISTIC DIVERSITY

	Male	Female	Total	% of ForestrySA
Employees born overseas	21	5	26	12.0
Number of Employees who speak language(s) other than English at home	4	1	5	2.3

Table #48: Cultural and linguistic diversity

## ORGANISATIONAL DEVELOPMENT

Consistent with the Strategic Plan a range of organisational development activities were undertaken during 2008-09.

They included:

- > Ongoing Leadership Development.
- > A Cultural Change Program, which has contributed to enhanced employee engagement.
- > Improved communication and employee consultation processes.
- > Further improvements to Injury Management processes and outcomes.
- > Introduction of an upgraded Human Resource Information System.

## PERFORMANCE DEVELOPMENT

	% Total 2008-09	% Total 2007-08
Performance Development Review within the past 12 months – All Employees	74	65
Performance Development Review within last 12 months – Senior Managers	100	100
Performance Development Review within last 12 months – Salary Staff	100	100
No Review – All Employees	26	35

Table #49: Performance development

## TRAINING AND DEVELOPMENT EXPENDITURE

Training and Development	% of Total Salary Expenditure		% of Total Salary Expenditure	
	Total Cost 2008-09		Total Cost 2007-08	
Total Training and Development Expenditure	300,029	2.2	331,145	2.5
Total Leadership and Management Development Expenditure	41,904	0.3	115,000	0.9

Table #50: Training and development expenditure



## NUMBER OF EMPLOYEES WITH ONGOING DISABILITIES REQUIRING WORKPLACE ADAPTATION

Male	Female	Total	% of ForestrySA 2008-09	% of ForestrySA 2007-08
1	1	2	0.9	1.8

Table #52: Number of employees with ongoing disabilities requiring workplace adaptation

## OCCUPATIONAL HEALTH, SAFETY, WELFARE AND INJURY MANAGEMENT

A number of improvements were achieved during the year. They included a significant reduction in injuries and new and revised systems and processes.

Risk Management has been an area of continuous improvement throughout the year with a number of people from all ForestrySA worksites completing training in risk management processes and documentation. These employees have then been undertaking risk assessments for hazardous substances, manual handling and plant and equipment, thereby identifying improvements in systems and processes to ensure hazards are controlled.

WorkCover undertook a gap analysis in 2008 against the WorkCover Performance Standards for Self Insured Organisations. Improvement opportunities identified during the analysis have been completed. An audit against these standards is scheduled to take place in early 2010. A significant project identified during the gap analysis was to ensure all employees were aware of their OHSW and Injury Management roles and responsibilities. This led to the development and implementation of an internal training package with a procedure now in place to inform existing and new employees.

The Forest Safety Committee continued to develop injury and incident prevention programs, also ensuring that existing programs continue to be invigorated and supported. One example was the Safe Behaviour Observation Program, which now has a system in place for analysing data received and providing employees with appropriate feedback.

During the year ForestrySA extended its Health and Wellbeing Program, which included offering health assessments to all employees along with health and wellbeing provided at monthly information sessions. Due to the nature of the work involved within ForestrySA, in particular the large number of people involved in fire response and outside duties, employee fitness is an important aspect of our workplace. The program was also aimed at improving workplace productivity through reduced "presenteeism", increased energy and concentration, and improved stress management. Along with this structured program assisted by an external provider, ForestrySA also supported and arranged involvement in activities such as the 10,000 Step Challenge, and Ride/Walk to Work Days.

# OCCUPATIONAL HEALTH, SAFETY, WELFARE AND INJURY MANAGEMENT CONT

1 OHS legislative requirements		2008-09	2007-08
	Notifiable occurrences pursuant to OHS&W Regulations Division 6.6	0	0
	Notifiable injuries pursuant to OHS&W Regulations Division 6.6	1	0
	Notices served pursuant to OHS&W Act s35, s39 and s40 (default, improvement and prohibition notices)	0	0
2 Injury Management legislative requirements		2008-09	2007-08
	Employees who participated in a rehabilitation program	8	10
	Employees rehabilitated and reassigned to alternate duties	3	1
	Employees rehabilitated back to their original work	1	1
	Open claims as at 30 June	9	17
	Workers compensation expenditure over gross annual remuneration (%)	5.3	2.9
3 Number of claims		2008-09	2007-08
	New workers compensation claims in the financial year	13	13
	Fatalities,	0	0
	Medical treatment only	9	6
	Lost time injuries	4	7
	Total number of whole working days lost	465	451
4 Cost of workers' compensation		2008-09	2007-08
	Cost of new claims for financial year	\$35,270	\$61,975
	Cost of all claims excluding lump sum payments	\$265,832	\$154,886
	Amount paid for lump sum payments (under the WRC Act)	Section 42 Section 43 Section 44	\$490,000 \$121,977 0
	Total amount recovered from external sources (s54)	0	0
	Budget allocation for workers compensation	\$234,000	\$155,000
5 Trends		2008-09	2007-08
	Injury frequency rate for new lost-time injury/disease for each million hours worked	10.3	15.6
	Most frequent cause (mechanism) of injury	Body stressing, falls, trips & slips, sound and pressure	Body stressing, falls, trips and slips
	Most expensive cause (mechanism) of injury	Body stressing	Body stressing

Table #53: Occupational health, safety, welfare and injury management

# OCCUPATIONAL HEALTH, SAFETY, WELFARE AND INJURY MANAGEMENT CONT

6 Meeting ForestrySA's strategic targets			2008-09	2007-08
Number of New Claims	Target		8	8
	Result		13	13
Expenditure on Workers Compensation	Target		\$234,000	\$155,000
	Result		\$877,809	\$441,826
Injury Frequency Rate	Target		0	0
	Result		10.3	15.6
SBOs completed per month per worksite (Safe Behaviour Observation)	Target		2	2
	Result		1	1.4

Table #53: Occupational health, safety, welfare and injury management cont.

## ENERGY EFFICIENCY ACTION PLAN

An objective of ForestrySA is to ensure compliance with the South Australian Government's Energy Efficiency Action Plan, launched in May 2002. The Action Plan includes two targets for the reduction of energy consumption measured against a 2000-01 baseline:

- > Interim target to reduce consumption by 15% by 2010; and
- > Target to reduce consumption by 25% by 2014.

Energy consumption calculations in the following table include electricity, natural gas and vehicle fleet fuels. The 2008-09 portfolio target reduction is 13.75% of base year 2000-01.

# FOREST MANAGEMENT SYSTEM

## PERFORMANCE AGAINST ANNUAL ENERGY USE TARGETS

	Energy Use (Gj)	GHG Emissions	Expenditure (\$)
Base Year 2000-01 ForestrySA Total	36,942	3,192	840,880
2008-09 ForestrySA Total	29,621	2,475	1,118,963
2008-09 ForestrySA Target	31,862	2,753	NA
Interim Target (2010)	31,401	2,714	NA
Final Target (2014)	27,706	2,394	NA

Table #54: Performance against annual energy use targets

ForestrySA is strongly committed to the economic, environmental and social aspects of sustainable forest practice.

To optimise efficiency and reduce risk, ForestrySA has an integrated Forest Management System which includes the quality, environment and sustainable forest practice requirements for Quality ISO 9001, Environmental ISO 14001 and the Australian Forestry Standard AS 4708.

ForestrySA had one triennial audit and one surveillance audit during 2008-09 and was recertified to the Environmental ISO 14001 standard after the successful closure of non-conformances.

The Forest Management System (FMS):

- > The FMS covers all processes involved in the management and protection of native forests, plantations and other land use activities. It also covers the delivery of forest products by ForestrySA to customers;
- > The FMS applies to the total area of land under ForestrySA management control as defined in the ForestrySA GIS Annual Statistics (Appendix A);
- > The FMS is the collection of all processes that enable ForestrySA to fulfil its obligations to its owner, customers, stakeholders, contractors and employees;
- > The FMS ensures continual improvement in efficiency, consistency and effectiveness;
- > The FMS provides a structure that integrates the various aspects of the business including quality, environment and safety management systems and facilitates better communication; and
- > The FMS supports the Triple Bottom Line approach of integrating social, environmental and financial perspectives.

Significant Achievements:

- > Review of the ForestrySA risk environment and assessment tools;
- > Integration of the Performance Standard for Self-Insured Employers;
- > Review of the Sustainable Forest Management policy to meet self-insurer requirements;
- > Introduction of competency based credentials for employees;
- > Consolidation of injury management documentation;
- > Revision of land acquisition and roading procedures;
- > Biennial internal auditor training;
- > Implementation of Contractor safety administration audits;
- > Centralised controlled document administration;
- > Development of the Operations Plan System; and
- > Revision of the internal incident reporting pocket book.

# SUSTAINABLE FOREST MANAGEMENT POLICY

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ForestrySA is a government business enterprise which manages plantation and native forests and provides forestry services for the benefit of the people and economy of South Australia. ForestrySA is committed to the continual improvement in the sustainable and safe management of our staff, forests and other natural assets. ForestrySA is committed to comply with relevant legislative requirements, standards and codes.

ForestrySA's Sustainable Forest Management Policy seeks to:

- › Provide the framework for Sustainable Forest Management practices, processes and systems;
- › Minimise impact on the environment, conserve and enhance the biodiversity of native forests and areas of conservation significance, maintain cultural, historical and scientific areas and encourage cooperation with the community and other stakeholders;
- › Continually improve the quality of products and services offered while ensuring the expectations of all customers, stakeholders and the community are considered;
- › Protect the health, safety and welfare of all persons involved in ForestrySA activities; and
- › Promote and improve the delivery of Injury Management and Occupational Health Safety and Welfare by developing a proactive safe culture, complying with legislation, allocating appropriate resources, reducing risk and consulting with employees and external stakeholders.

Specifically, we will:

- › Maintain a Forest Management System compatible with appropriate standards to ensure the continual improvement of products and services;
- › Maximise efficiencies, minimise waste, reduce greenhouse gas emissions, prevent pollution, eliminate or control hazards and effectively manage risks;
- › Conserve and enhance the biodiversity of native forests and maintain cultural, historical and scientific assets and areas of conservation significance;
- › Protect soil and water resources in the regions in which ForestrySA operates;
- › Consider the views of stakeholders and engage with the community and agencies involved in environmental monitoring and impact assessment;
- › Maintain long term productive capacity of our forests and lands;
- › Manage and develop plantations in an economically sound manner whilst ensuring environmentally, socially and culturally responsible outcomes;
- › Implement a charter to manage customer service demands;
- › Provide a safe and healthy working environment by promoting employee welfare, reducing the impact of workplace injuries and illnesses, supporting effective rehabilitation and equitable injury management;
- › Ensure employees have the skills and resources required to carry out their duties safely by identifying and documenting responsibilities and accountabilities; and
- › Use internal and/or external expertise when required.

# GREENING OF GOVERNMENT OPERATIONS (GOGO) FRAMEWORK

The GoGo Action Plan provides a framework for South Australian Government Agencies to progress greening programs. ForestrySA is a voluntary participant in the GoGo program.

Priority areas include:

1. Energy management
2. Water conservation
3. Waste management

	Unit	Consumption		Expenditure (\$)	Consumption		Expenditure (\$)
		2008-09			2007-08		
Electricity	kwh	511,054		124,598	430,080		94,815
Water	kl	2,597		4,490	1,291		1,498
Paper	ream	1,307		8,452	1,132		7,244

Table #55: GoGO action plan achievements 2008-09

## REGIONAL IMPACT ASSESSMENT STATEMENTS

No Regional Impact Statements were prepared in 2008-09.

# ASBESTOS MANAGEMENT

Category	Number of sites		Category description	Interpretation One or more item(s) at these sites
	At start of year	At end of year		
1	0	0	Remove	Should be removed promptly.
2	0	0	Remove as soon as practicable	Should be scheduled for removal at a practicable time.
3	4	2	Use care during maintenance	May need removal during maintenance works.
4	2	2	Monitor condition	Has asbestos present. Inspect according to legislation and policy.
5	6	6	No asbestos identified / identified asbestos has been removed	All asbestos identified as per OHS&W 4.2.10 (1) has been removed.
6	0	1	Further information required	These sites not yet categorised.

Table #56: Asbestos management

## Definitions:

### Category:

The site performance score, determined by the lowest item performance score at each site.

### Number of sites in category:

A count of how many sites have the corresponding site performance score, with separate counts done at the start and the end of each year.

### Category description:

Indicates the recommended action corresponding to the lowest item performance score (recorded in the asbestos register by a competent person, as per OHS & W Regulations (SA) 1995, 4.2.10).

### Interpretation:

A brief real-world example of what each category implies for a site.

# GLOSSARY

AFS	Australian Forestry Standard - Identifies accepted specifications for sustainable forest management to enable independent assessment and certification to AS 4708.
Allowable cut	Quantity of log product/s approved for sale by the South Australian Forestry Corporation Board.
Biodiversity	Includes genetic diversity, reflecting the diversity within each species (species diversity and the variety of species) and ecosystem diversity (the diversity different communities formed by living organisms and the relationships between them).
Biodiversity corridor	Strip of native vegetation retained or established to link remnant native vegetation areas to allow wildlife to move from one area to another.
Carbon sequestration	The process by which trees and other plants take up carbon dioxide from the atmosphere and store it as organic carbon in leaves, branches, stems and roots. Plants sequester carbon dioxide as part of the growing process.
CFS	Country Fire Service
Conservation	The management of the natural environment to ensure its survival. A term covering preservation, maintenance, restoration and enhancement of the environment.
CRC	Co-operative Research Centre
Cultural heritage	Encompasses the qualities and attributes of places that have aesthetic, historic, scientific or social value for past, present or future generations. These values may be seen in a place's physical features, but importantly can also be intangible qualities such as people's associations with, or feelings for, a place.
DEH	Department of Environment and Heritage
EPA	Environment Protection Authority
Eucalypts	Plants of the genus Eucalyptus
FTE	Full Time Equivalent
FMS	Forest Management System. The integrated management system that provides a common framework to control the activities undertaken by ForestrySA and, as such, integrates the requirements of the Australian Forestry Standard (AS 4708); Quality Management Systems (ISO 9001); and Environmental Management Systems (ISO 14001).
Forest reserve	An area of State forest, formally gazetted under the Forestry Act 1950 for long-term intent, to be managed for production, recreational, scientific, aesthetic, and environmental or protection purposes.
ha	Hectares
Hardwood	Timber from broad-leaved flowering trees irrespective of physical hardness. Includes eucalypts, wattles and most rainforest species.
ISO 14001	The international standard for Environmental Management Systems. It formalises methods for reviewing, reporting, documenting, monitoring and training in environmental management practices.

Table #57: Glossary

ISO 9001	The international standard for Quality Management Systems. It broadly defines a system to ensure customer expectations are met through an organisation's leadership and adopting a systematic approach which involves its people in managing the interaction of processes while monitoring and continually improving performance.
LiDAR	Light detection and ranging. A remote sensing technology adapted by ForestrySA to assess the productivity of forest plantations.
LTIFR	Lost Time Injury Frequency Rate. Refers to the number of incidents per million working hours incurred where the injured employee is off work for the whole of the following day.
Native forest	Forest consisting of native tree and other species that are endemic to South Australia.
Native forest reserve	An area of proclaimed Forest Reserve that has been further proclaimed as a Native Forest Reserve under the Forestry Act 1950 specifically for the conservation of native flora and fauna.
NRM	Natural Resources Management.
OHS & W	Occupational Health, Safety and Welfare
PEFC	Programme for the Endorsement of Forest Certification Schemes.
PIRSA	Primary Industries and Resources South Australia
Prescribed burning	The planned use of fire in a predetermined area, with an intensity and rate of spread designed to achieve specific results: including promoting biological diversity, reducing the volume of flammable fuels.
Preservation Roundwood	Logs below sawlog quality but suitable for manufacturing posts and poles.
Pulpwood	Logs below sawlog quality but suitable for manufacturing pulp, paper and panel products.
Salvage logging	Logging carried out on areas damaged by fire, disease or storm.
Sawlog	A log for processing into sawn timber.
Silviculture	The cultivation of forest including both native forest and plantations.
Site Quality	A measure of the wood producing capacity of a radiata pine plantation under circumstances of full site occupancy and representative silviculture.
Softwood	Timber of coniferous or cone-bearing trees irrespective of physical hardness. Includes radiata pine.
Standing Plantations	The area of standing plantation less areas that have been clear felled.
Sustainable yield	The level of timber harvest that can be sustained in the long-term under a given forest management regime.
Thinning	Removing some trees in a forest to reduce competition and thus improve or maintain the growth and health of the remaining trees.
Timber	The general term used to describe sawn wood suitable for building and other purposes.
Yield Regulation	Predicting and managing the volume of timber to be harvested from a plantation at one time.
Woodchipping	The process of producing small, uniform pieces of wood (woodchips) from logs. This is the first stage of processing pulpwood into paper and fibreboard.



