



ForestrySA

# FORESTRYSA

## ANNUAL REPORT 2010-11



# CORPORATISATION HIGHLIGHTS



## *Achievements of the last decade*

HIGHLIGHTS	2010-11	2000-01
Total asset value (mostly land and trees)	\$1.3billion	\$0.8billion
Return to Government - dividends and tax expense	\$40.8million	\$23.7million
Sales revenue	\$125.6million	\$99.6million
Trading profit before revaluations	\$48.3million	\$32.6million
Annual allowable sawlog cut - Green Triangle region	1.1million m3	800,000 m3
Volume of timber harvested from ForestrySA plantations	1.8million m3	1.5million m3
Plantation area, Green Triangle region	74,802 ha	66,258 ha
Plantation area, Mount Lofty Ranges and Mid North regions	13,267 ha	14,727 ha
Plantation established (new and replanted)	2,762 ha	2,373 ha
Site quality (refer to glossary, p77)	3.5	3.9
Mean annual increment	22.2 m <sup>3</sup> /ha/yr	20.4 m <sup>3</sup> /ha/yr
Proclaimed Native Forest Reserves (number)	61	58
Proclaimed Native Forest Reserves	15,994 ha	14,500 ha
Biodiversity corridors	58 ha	0 ha
Fire management	Fleet of 15 state-of-the-art FireKings	Fleet of 15 RFW fire trucks and 4 Medium Attack Units
Certification	AS 4708 (Australian Forestry Standard) ISO 14001 (International Standard for Environmental Management Systems)	ISO 9002 (International standard for Quality Management Systems, replaced by ISO 9001)
Employees - as at 30 June	186	260
Lost Time Injury Frequency Rate	10.3	62.2
Workers Compensation claims	13	39

Table #1 : Corporatisation highlights

# SOUTH AUSTRALIAN FORESTRY CORPORATION



## *Celebrating 10 years*

Much has been achieved in the decade since the South Australian Forestry Corporation commenced trading on 1 January 2001.

This date marked ForestrySA's transformation from a business unit of the State Government's Department of Administrative and Information Services, to a corporatised business enterprise.

The ForestrySA Board led the way by developing a vision responsive to the needs of customers and commercial imperatives of a competitive and expanding industry. This vision was defined in a performance agreement with the South Australian Government.

And 10 years on, ForestrySA has gone a long way in meeting its original goal of becoming a highly respected, globally competitive and profitable business.

Substantial growth in asset value has been achieved, plantation area in the Green Triangle region increased, the sustainable yield of plantations raised and solid annual returns delivered to the shareholder, even in challenging years.

This success has been brought about by a successful business model and the skill and stewardship of competent and committed staff over many years.

BOARD MEMBERS 2010-11	2000-01
John Ross (Chair)	Sybella Blencowe (Chair)
Stephen Duncan	Stephen Duncan
Julie Obst	Julie Obst
Graham Foreman	David McLeod
Kathryn Adams	Warren Wilson

CHIEF EXECUTIVE 2010-11	2000-01
Islay Robertson	Ian Millard

Table #2 : Board members and Chief Executive

# BUSINESS HIGHLIGHTS



HIGHLIGHTS	2010-11	2009-10	Measure
<b>Economic</b>			
Sales / Income	132.2	132.9	\$m
Profit from trading before revaluation of standing timber	48.3	46.2	\$m
Profit margin	36.5	34.8	%
Sales per FTE	673	611	\$'000
<b>Sales</b>			
Total sawlog sold from ForestrySA plantations	1,243	1,310	m <sup>3</sup> '000
Total pulpwood sold from ForestrySA plantations	548	451	m <sup>3</sup> '000
Assets employed			
Non-current	1,196	1,228	\$m
Current	148	147	\$m
Total	1,344	1,375	\$m
<b>Environment</b>			
Certification	AS 4708 (AFS) ISO 14001	AS 4708 (AFS) ISO 14001	
<b>Social</b>			
FTE employed (average for the year)	186.6	205.9	
Lost Time Injury Frequency Rate	10.3	11.7	

Table #3 : Business highlights

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AS 4708 (AFS): Certified  
 ISO 14001: Certified

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BUSINESS PROFILE

01



Sawlog



# CHAIRMAN'S REPORT

**John Ross AM**  
CHAIRMAN  
ForestrySA

While our trading results for this reporting period reflect a cautious market, they are commendable in the context of global financial uncertainty and the spectre of divestment that has cast a pall over our operations.

What our shareholders are entitled to expect is being delivered by ForestrySA as custodians of the forest estate to manage it in a way that protects investment by employing the best silvicultural methods for a healthy production regime while meeting our objective of expanding the estate. The first forestry board was appointed in South Australia in 1875 and planting began at Bundaleer, Wirrabara and Mount Gambier the following year. In 1882 the South Australian Woods and Forests Department was formed - the first forestry department in the British Commonwealth.

At the time of corporatisation in 2001 some 125,000 ha of forest estate in the South East, Mount Lofty Ranges and Mid North regions fell within the charter of the Board of ForestrySA, managed from its head office in Mount Gambier.

Corporatisation marked a philosophical adjustment from a public service operated entity to one still owned by the State, but managed by a board pursuant to the Public Corporations Act with a firm focus on developing a competitive business model.

Since that time the dividend paid to the Government has increased by 50%. In the Green Triangle 8,000 ha of land has been purchased with an additional 11,000 ha of the estate planted or scheduled to be planted to radiata pine. The Green Triangle allowable sawlog cut has increased to 1.1 million m<sup>3</sup> per annum, up by over 35%. All senior staff are on contract and the staff numbers have been reduced from 260 to 186. By any measure productivity has increased with a commensurate growth in the asset.

The debate about public ownership of business enterprises continues to favour the proponents of private enterprise. History provides many examples of poorly managed and uncompetitive Government enterprises that have been sold or closed for that reason. It is however, unfortunate, if hasty judgements are made that assume there is not a place for industries such as ours with a proven record of adding to the State's wealth while generating employment and economic activity within its area of operation. Privatising government assets has become a mantra for treasury officers who support their view with economic modelling obtained, usually by external consultants. One wonders what the answer might be if the consultants were asked how to obtain the maximum benefit from an asset producing a renewable resource?

I have previously expressed concern about attracting investment capital to primary industries such as forestry with a long lead time before a revenue stream develops. The recent investments by Managed Investment Schemes were predicated on generous taxation treatment- their demise must shake investor confidence in the forestry industry. The market currently has limited buyers who are able to secure forest estates at discounted values. Presumably the market as the arbiter of value will make its judgement of the sale of forward rotations of our estate being offered.

The fact that our board who understand the inherent strength of this enterprise are not being involved in assessing the offering and subsequent offers is inexplicable. We have been anxious to know that no offer of lesser value than our business as usual model would be considered.

Divestment in this instance, where the harvesting rights of up to three forward rotations is being offered, effectively takes the management of the forest estate out of its owner's hands with the assumption that at the end of that period, possibly 100 years on, it will return in unknown condition to state control and management. This concept ostensibly avoids a label of privatisation and has been promoted as a means of bringing forward revenue to support government budget requirements including preservation of the State's AAA credit rating.

Over its tenuous gestation period this divestment has not been debated by the Parliament. Numerous public protests have taken place. A Senate enquiry cast doubt over the process and the Legislative Council has appointed a Select Committee to investigate it. Their findings are not binding on parliament but will become available to the public. In May Treasurer Snelling announced the Government's intention to proceed with the divestment policy.

The matters canvassed in this report do not reflect policy of the Board - its opinion about a divestment process has not been sought and in the absence of knowledge of the financial modelling developed by the Department of Treasury and Finance, objective comparisons of the value of a forward sale of up to three rotations in comparison with our projected revenue streams cannot be made. Our interest is solely in obtaining the best value possible from the estate we manage for our shareholders, the people of South Australia, as prescribed by our charter.

I wish to record my appreciation to Board members, Chief Executive, Islay Robertson and senior executives for the leadership they have shown which our staff have responded to in generating excellent results in uncertain times for their future and the industry.



# CHIEF EXECUTIVE'S REPORT

**Islay Robertson**  
CHIEF EXECUTIVE  
ForestrySA

The past year marks my first as Chief Executive of ForestrySA and the last of Brian Farmer after six years of successful stewardship.

In response to a difficult economy in 2009-10 ForestrySA sought alternate sales (locally, interstate and to export) and worked on costs for a successful full year result. At the time it was anticipated housing starts and timber sales would improve in 2010-11 but as the year unfolded this was not the case.

2010-11 saw the emergence of the "two speed" economy that favoured mining and related construction but didn't provide a clear benefit to other segments of the Australian economy including housing. The high dollar led to a significant increase in timber imports which impacted both domestic timber prices and volumes. This reduced sawlog demand from a number of our traditional customers.

In short, it was a difficult trading environment that shaped our results for 2010-11 and provided mixed results.

Total sales volumes and revenues for the year were in line with 2009-10 as ForestrySA continued to seek alternate markets. The \$48.3m trading profit achieved was ForestrySA's highest ever, which was assisted by savings from a very mild fire season, lower costs for several key materials and services items and reduced plantation establishment expenditure.

On the other hand a valuation write-down for our standing timber which exceeded the trading profit resulted in ForestrySA's first full year loss. The write-down reflects more of a retreat from last year's significant gain and aligns with the longer term trend of improved volumes and value. While standing volumes of log increased, the major impact arose from reductions in average returns from log for the year.

The successful efforts of the past two years to maintain sales in a declining market are unlikely to be repeated in 2011-12. Timber imports are increasing and housing starts appear to be weakening further. Public announcements by several major customers in regards to their processing assets also add to the uncertainty facing our business over the coming year. Nevertheless, the pursuit of short term and long term sales and the effort to maintain or increase log margins will continue.

The challenges facing our business are not unique. As well as the immediate commercial challenges, the policy environment in which the forest growing and processing industries operate nationally is difficult. Federal Carbon Policy initiatives do not recognise the capacity of commercial forests and timber structures to store carbon. Similarly, Federal renewable energy efforts do not encourage forest and mill residues to replace fossil-fuelled heat and power. Positive movement in these policy areas could improve the economics of forestry and the processing industries it supports.

While ForestrySA has continued to increase its softwood estate in the Green Triangle (600 ha in 2010), it remains challenging for us to meet our targets and virtually impossible for private growers to expand. Without a more accommodating national policy environment for long rotation plantations (via carbon, renewable energy or other mechanisms) this situation is unlikely to change, yet growth of the national plantation estate is needed for the maintenance of a strong domestic processing base.

While Australia's forestry environmental credentials on the whole are best practice, publicity currently dwells on contentious issues. Wood should be a preferred building material to steel and concrete but struggles to get traction. Consumption of domestically and competitively produced timber and paper should be the marque for government, business and the community. The coming together of A3P and NAFI into a single national industry body for growers and processors, AFPA, has been a welcome initiative in raising the profile of forests and forest products.

ForestrySA continued its major sponsorship efforts through support of the Bundaleer Festival 2011, significant support of the upcoming AUSTimber 2012 and a close relationship with the Riddoch Art Gallery. We have also supported many events on ForestrySA lands, as well as charities through the initiatives of our staff.

Of course the achievements of the past year rest with the management team and staff of ForestrySA. Their efforts for increased sales and improved value recovery from the forest and for finding operating efficiencies is acknowledged.

Finally, late in 2010-11 the State Government announced its intention to forward sell up to three rotations of Green Triangle plantations. The announcement, following several years of investigations, represents significant change and challenges for the business, perhaps not unlike that of the decision to corporatise 10 years ago. The organisation and its staff rose to the challenge then and achieved a significant shift toward operating as a commercial enterprise. Over the coming year management will be working with our owners to ensure a smooth and effective sale process. As they did in the past, staff will rise to the challenge to build on what will continue to be a great asset for South Australia.

# FORESTRYSA STRATEGIC PLAN 2010-13



ForestrySA's new Board approved Strategic Plan took effect on 1 July 2010, setting out a range of broad goals, listed below.

The purpose of the Strategic Plan is to provide a framework for all ForestrySA planning and activities, as well as a series of key performance measures.

## Strategy 1 : Maximise returns through business development

- 1.1 Grow the financial return to the shareholder.
- 1.2 Achieve best use and value of the forest resource.
- 1.3 Increase plantation area under management.
- 1.4 Maximise the sustainable harvest.

## Strategy 2 : Continue to improve business productivity

- 2.1 Maximise plantation productivity.
- 2.2 Continue to develop financial and business management systems and skills.
- 2.3 Improve productivity through research application.
- 2.4 Enhance employee capacity, engagement and contribution to business requirements.

## Strategy 3 : Develop organisational culture and reputation

- 3.1 Enhance the ForestrySA brand.
- 3.2 Enhance customer satisfaction through commercial relationships.
- 3.3 Maintain community support for ForestrySA.
- 3.4 Engender values of information sharing, customer service and ethics amongst employees.

Table #4 : ForestrySA Strategic Plan 2010-13

# SIGNIFICANT ACHIEVEMENTS 2010-11



## ECONOMIC

### Better business practices

- ▶ First South Australian Government organisation to achieve Level 2 WorkCover Performance Standards under the new Natural Consequences model.

### Growth

- ▶ 629 ha of new *Pinus radiata* plantation established.
- ▶ 398 ha of radiata pine plantation purchased.
- ▶ 1557 ha of plantation land secured.

### Customers, markets, products

- ▶ Secured additional sawlog sales in the Green Triangle to offset sales volume reductions from traditional customers in a difficult market environment.
- ▶ Commenced thinning of delayed T1 plantations in the Mount Lofty Ranges by securing sale of small diameter log to export, and by securing an additional harvest and transport contractor.
- ▶ Completed Supply Agreement five year review with three Green Triangle sawmillers.
- ▶ Undertook 200 ha windthrow salvage operation in Mid North region.

### Operations

- ▶ Fire preparedness and response resulted in no productive plantation lost from wildfires.
- ▶ Increased capacity of containerised nursery to two million seedlings per annum, using local engineering firms.
- ▶ Established stage three of Peweenaa radiata pine seed orchard.
- ▶ Commenced use of aerial ignition techniques for prescribed burning.

### Research and innovation

- ▶ Paper published in international journal summarising improved productivity of third rotation radiata pine plantations in the Green Triangle (Forest Ecology and Management 259 (2010) 1857-1869).
- ▶ LIDAR based site quality survey findings published in the International Journal of Remote Sensing (Volume 31, 2010, pp1155-1173).

- ▶ Implemented early age fertiliser response model to increase the efficiency of fertiliser use.
- ▶ Prototyped harvester head mounted systems for controlling blue gum coppice at time of harvest.
- ▶ Supported and assisted CSIRO with installation of Cambial Wood Project site in ForestrySA plantation.
- ▶ Commenced development of new Tree Breeding Strategy.
- ▶ Developed comprehensive Forest Health report.
- ▶ Commenced implementation of GIS base data realignment project.

## ENVIRONMENTAL

### Sustainability and certification

- ▶ AS 4708 (AFS) and ISO 14001 certifications maintained.
- ▶ Draft Mount Gambier and Penola Forest Management Plans released for public consultation

## SOCIAL

### Culture and community

- ▶ Presenting partner of Bundaleer Festival 2011.
- ▶ Major sponsorship commitment and support for AUSTimber 2012.
- ▶ Continued sponsorship and support of the Transformations: ForestrySA Wood Sculpture Competition 2012.
- ▶ Provided advice, reports and field days to fulfil forestry development community service obligations.
- ▶ New Forestry Regulations - public consultation process conducted.
- ▶ Represented on the restructured Green Triangle Plantation Committee.

# 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 priorities and requirements for ForestrySA.

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

# SOUTH AUSTRALIAN FORESTRY CORPORATION BOARD AND GOVERNANCE



**John Ross AM**

(Chairman)



**Kathryn Adams**

BSc Agr (Hons),  
LLM, M.Bus, M.Env.  
Stud, Grad Dip Leg  
Pract, Prof Cert  
Arbitration, FAICD



**Stephen Duncan**

BEC, FCA, FAICD



**Graham Foreman**

BEC



**Julie Obst**

BA, LLB, MBA

The Board consists of five independent, non-executive directors including the Chairman. The current Board is appointed from 1 January 2010 until 31 December 2011.

**John Ross** has extensive local government and public sector governance experience. He has been an elected member of the Tatiara District Council since 1979. He was President of the Australian Local Government Association between 1999 and 2002, and a member of the Council of Australian Governments. John is currently Chair of the Local Government Workers' Compensation Scheme and the Local Government Mutual Liability Scheme and a commissioner with the South Australian Local Government Grants Commission.

**Kathryn Adams** is an Agricultural Scientist and a lawyer. She has extensive experience in research and development investment for agribusiness and in business management, and has held senior executive positions in government and business. Kathryn is currently on a number of agribusiness boards, is an adjunct Senior Research Fellow with the Australian Centre for Intellectual Property in Agriculture and a Fellow of the Australian Institute of Company Directors. Her major skills relate to research investment and intellectual property management, effective and sustainable business management and corporate governance.

**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** 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 the Presiding Member of the Coast Protection Board. He was previously Chair of ForestrySA's Advisory Board from 1997-2000.

**Julie Obst** is a lawyer and business consultant who has held executive positions in banking and commerce, manufacturing and property development. In addition to her role with ForestrySA, she is a director of several private companies and a member of the South Australian Remuneration Tribunal.

# SOUTH AUSTRALIAN FORESTRY CORPORATION BOARD AND GOVERNANCE CONT



## 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 members	Meetings attended	Eligible for attendance
John Ross (Chairman)	12	13
Kathryn Adams	11	13
Stephen Duncan	12	13
Graham Foreman	13	13
Julie Obst	12	13

Table #5 : 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.

## BOARD COMMITTEES

- ▶ South Australian Forestry Corporation Audit and Risk Committee
- ▶ South Australian Forestry Corporation Review Committee

### Audit and Risk Committee

The Board maintains an Audit and Risk 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 and Risk 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 and Young to provide an internal audit function and to assist the Audit and Risk Committee and management in providing independent advice on ForestrySA's business processes.

In addition, the Audit and Risk Committee has the responsibility to review ForestrySA's annual financial statements to ensure that the statements represent a true and fair 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 South Australian Auditor-General's staff regarding the external audit program and the resolution of matters arising from annual and periodic audits.

# SOUTH AUSTRALIAN FORESTRY CORPORATION BOARD AND GOVERNANCE CONT



## Audit and Risk Committee meetings

Members	Meetings attended	Eligible for attendance
Stephen Duncan (Chair)	5	5
Kathryn Adams	4	5
Julian Robertson	2	5

Table #6 : Audit and Risk Committee meetings

## Review Committee

The Review Committee operates under Terms of Reference approved by the Board. 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 employment conditions within ForestrySA.

## Review Committee meetings

Members	Meetings attended	Eligible for attendance
Graham Foreman (Chair)	6	6
Julie Obst	5	6
John Ross	6	6

Table #7 : 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 ISO 14001 (International Environmental Management Standard) and the Australian Forestry Standard (AS 4708).

# EXECUTIVE STRUCTURE

(AS AT 30 JUNE 2011)



**Islay Robertson**  
Dip Forestry, BSc  
Forestry (Hons), MBA

**Chief Executive**

- ▶ Strategic planning
- ▶ Market development
- ▶ Communication and representation
- ▶ Human Resources



**Adrian Hatch**  
Dip Forestry, BSc  
Forestry

**General Manager Sales**

- ▶ Business development
- ▶ Commercial sales
- ▶ Customer relationships
- ▶ Harvest and transport



**Wayne Materne**  
BAcc, FCPA, GAICD

**Chief Financial Officer**

- ▶ Accounting
- ▶ Finance
- ▶ Information and communication systems
- ▶ Company Secretary



**Jim O'Hehir**  
BSc Forestry, MFSc,  
PhD

**General Manager Planning and Development**

- ▶ Research and development
- ▶ Geographical Information systems
- ▶ Resource planning
- ▶ Forest Management System



**Greg Saunder**  
BSc Forestry, Grad  
Dip GIS and Remote  
Sensing

**General Manager Operations**

- ▶ Plantation establishment and management
- ▶ Operations administration
- ▶ Fire management
- ▶ Conservation and recreation

ECONOMIC

02



Harvest operations, Green Triangle

# HIGHLIGHTS



HIGHLIGHTS	Indicator	2010-11	2009-10	Measure
Return to Government	Dividends and tax expense	40.8	44.8	\$m
	Return on capital employed (incl. revaluations)	0.3	12.6	%
	Return on equity (incl. revaluations)	-0.8	11.5	%
Marketing and sales	Volume of timber harvested from ForestrySA plantations	1,791	1,761	m3 '000
	Proportion of softwood logs sold as sawlog or plylog	53	56	%
Productivity	Owned land available for timber production	95,029	93,746	ha
	Plantation established	2,762	3,287	ha
	Survival rate of newly planted stock - Green Triangle, Mount Lofty Ranges and Mid North regions	92	86	%
Customer satisfaction	Open and fair tendering system	Yes	Yes	
	Significant complaints	0	0	
Ethics in business	Income taxes paid	13.2	13.0	\$m
	Prevention of fraud	No cases detected	No cases detected	

Table #8 : Economic highlights

# ECONOMIC OUTLOOK



ForestrySA produces a range of log and chip products to a wide variety of markets. The key profit drivers are housing construction and renovation, and wood pulp and panel products. ForestrySA also depends on the sale of log products to export markets and indirectly from the sale of wood chips produced as a by-product from sawmill customers.

Demand is driven by different factors for each of these markets which change from year to year, along with the economic cycle. Balancing production capacity to meet them is a major focus for ForestrySA.

When framing the budget for the 2010-11 year there were already concerns developing regarding the strength of the non-mining section of the Australian economy – part of the two speed economic problems that have been widely reported. Housing initiatives were being scaled back by governments and the level of housing starts was beginning to trend downwards. As a result the budget developed was restrained.

The outlook for 2011-12 is that domestic timber markets will weaken further. The strength of the Australian dollar is leading to increased imports of framing timber. Domestic pulp operations are also impacted by imported tissue and paper products and there is reduced profitability in related export chip operations due principally to weakness in the Japanese market.

Because of the difficult trading environment, ForestrySA has adopted a conservative forecast for the next financial year. Sales to most domestic customers are anticipated to decline. Where practical, alternative domestic sawlog markets are being sought and the volume of export pulp and log is forecast to increase.

ForestrySA has continued to invest in softwood plantation expansion with an active land purchase program in both South Australia and Victoria. The need to expand is based on achieving world scale processing facilities which will drive industry profitability and regional development.

ForestrySA continues to review its costs structures and management practices. This is achieved by benchmarking against other industry participants. Due to the trading pressure faced by all forest growers further emphasis will be placed on this review process during the next year.

# FINANCIAL OVERVIEW



## TRADING PROFIT BEFORE REVALUATION OF STANDING TIMBER

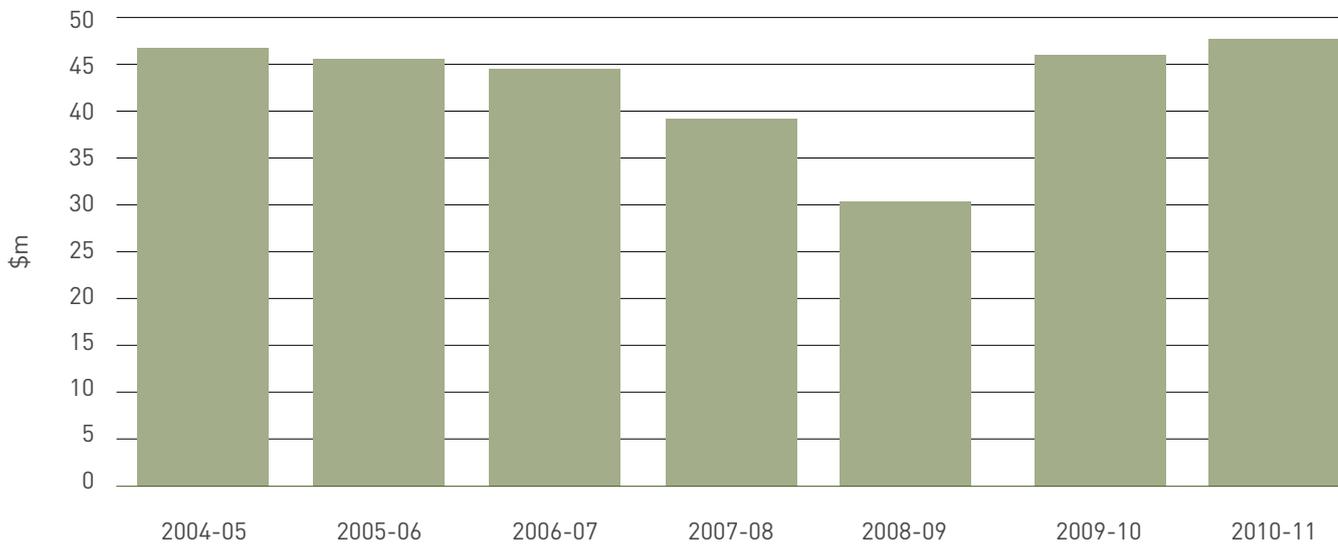


Figure #1 : Trading profit

## TOTAL REVENUE

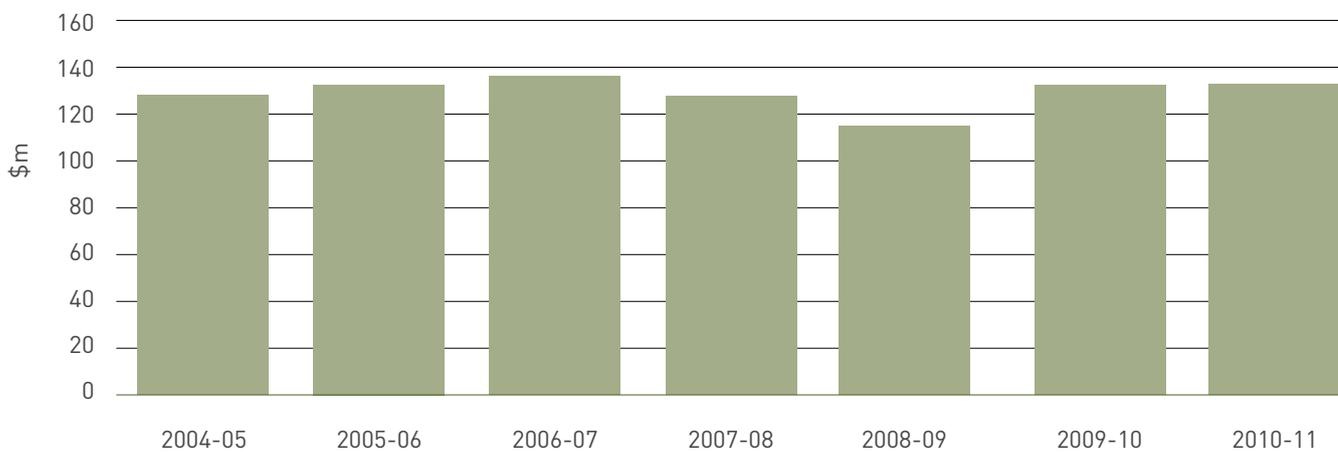


Figure #2 : Total revenue

# MARKETING AND SALES



The market during 2010-11 has been surprisingly resilient given the overall market situation. Sawn timber imports from Europe, in particular, started to impact on both prices and quantity of domestic framing lumber sold. Timber for non-structural use held up well.

In 2009-10, ForestrySA completed a major product-based forest inventory in the Green Triangle which indicated a 10% increase in sawlog production was sustainable from improved forest management. Following this ForestrySA commenced in 2010-11 a sale process for both the additional sawlog available and also for expiring contracted volumes. This process was still ongoing at the end of the financial year.

The review also identified that it was possible to upgrade many of the lower grade recovery logs sold to higher value sawlog. This allowed ForestrySA to complete a review of recovery log contractual commitments late in the financial year allowing increased sales of higher value sawlog and reduced reliance on lower recovery grade products in the future.

Kimberly-Clark Australia's Tantanoola Pulp Mill produces fluff pulp for tissues and hygiene products and has been a ForestrySA customer from the 1960s. In January 2011 Kimberly-Clark Australia, as part of a worldwide parent company review announced the sale of its Tantanoola Pulp Mill located close to Millicent. In the event of a sale not being completed the pulp mill was to be shut by 31 December 2011. ForestrySA continues to work with Kimberly-Clark Australia on future options for the pulp mill. Closure of this plant would require ForestrySA to seek alternative markets.

ForestrySA is currently exporting pulp log from Portland, Victoria, destined largely for the Chinese market. During the year ForestrySA also commenced export of smaller diameter sawlog both from Portland as well as pulp log and small diameter sawlog from the Mount Lofty Ranges from the Port of Adelaide. While ForestrySA is meeting all domestic contracted commitments, and is seeking alternate domestic sales, the need to export is expected to increase due to difficult domestic trading conditions.

## SALES OUTCOMES

Overall sawlog sales from ForestrySA plantations decreased 5% to 941,249 m<sup>3</sup> from the previous year. Recovery log sales also decreased 7% to 301,394 m<sup>3</sup> year to year.

Pulplog sales increased 25% to 338,709 tonnes due principally to targeting export operations in a period when domestic demand was reduced. Chip log to local panels producers increased 23% to 165,415 m<sup>3</sup> reflecting the competitive position of domestic panel products on world markets.

Sales of preservation log (fence posts / strainers / rails) were relatively stable at 44,198 m<sup>3</sup> which is well below market levels previously achieved. Difficulties in clearing stock excess and continued difficulties in the viticulture industry are the major factors.

Overall sales volumes improved slightly on the previous year which is regarded as a positive achievement given overall market conditions.

# TOTAL LOG PRODUCT



Total volume sold (m3) from ForestrySA plantations	2010-11	2009-10
Sawlog	941,249	986,834
Recovery log	301,394	323,345
<b>Total log</b>	<b>1,242,643</b>	<b>1,310,179</b>
Pulpwood	338,709	271,344
Preservation	44,198	45,299
Chip	165,415	134,135
<b>Total pulp</b>	<b>548,322</b>	<b>450,778</b>
<b>TOTAL</b>	<b>1,790,965</b>	<b>1,760,957</b>

Table #9 : Total log product

# PLANTATION MANAGEMENT



ForestrySA manages 95,000 ha of plantation lands, principally radiata pine. ForestrySA has continued with a program of land purchase and progressively liquidating stocks of other species in favour of radiata pine. A total of 2,762 ha of radiata pine was planted in 2010, with 2,450 ha in the Green Triangle region including 629 ha of new plantations primarily in Victoria and 312 ha of replant in the Mount Lofty Ranges and Mid North regions. Significant summer rainfall, combined with good winter and spring totals produced a significantly improved planting survival compared with a number of previous years of drier conditions. Only a few areas insufficiently stocked will receive some remedial treatment during the 2011 planting season.

Total forecast planting area for 2011 is 2,601 ha including 588 ha of new plantings arising from the acquisition of new land, or planting of previously unplanted land. Mid-rotation nutrition continues to be a priority, with a focus on the optimisation of fertiliser use combined with plantation thinning regimes to maximise production without compromising wood quality. Fertiliser prices continued to weaken, allowing ForestrySA to again undertake a full program for 2010. ForestrySA continues to focus on all aspects of this program to ensure maximum returns on this significant investment are realised. During the 2010-11 period over 9,000 ha of plantation received an application of solid fertiliser.

The integrated control of noxious weeds across plantation and native forests remains an ongoing program, but continues to be compounded by the presence of numerous exotic species. A number of strategies are used to maximise this effort including the use of biological controls, selective herbicides and manual techniques combined with a monitoring program to assist in focusing future work.

Planning and execution of operations undertaken across the estate have been streamlined with the use of an "Operations Plan" workflow system, with additional refinement underway to further improve this system. These improvements help to ensure that all aspects of the Australian Forestry Standard (AFS) are incorporated and recorded with normal business practices. This includes the identification of indigenous, heritage and biological values, allowing appropriate buffering or setbacks to be established.

ForestrySA's nursery, based at Glencoe, produced over six million open-rooted seedlings, container seedlings and cuttings for ForestrySA use during the 2011 planting season. The production systems used aim to maximise the genetic material available while controlling the costs of production. As a part of ForestrySA's genetic strategy, additional investment in seed orchard capacity is underway to ensure the best genetic material is available into the future.

# PLANTATION ESTABLISHMENT

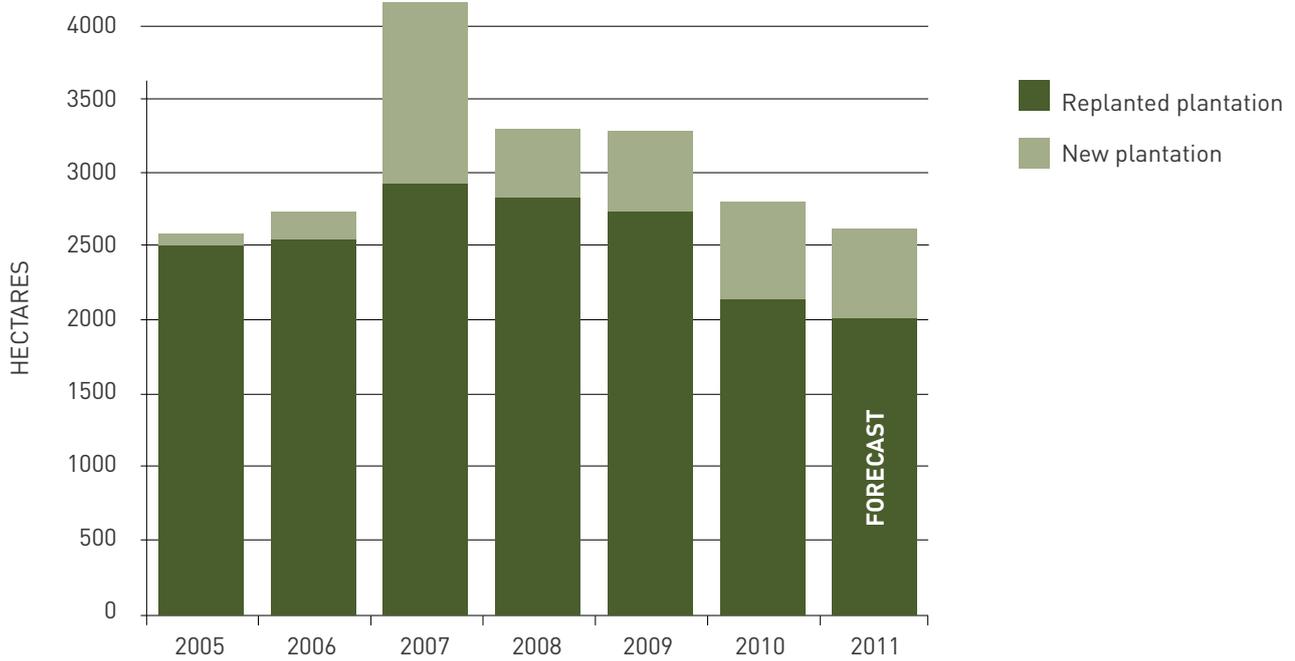


Figure #3 : Plantation establishment

# FOREST STATISTICS



	2010-11	2009-10
<b>Standing plantation area</b>	<b>Hectares</b>	<b>Hectares</b>
Radiata pine	86,075	85,513
Other	1,994	2,176
<b>TOTAL</b>	<b>88,069</b>	<b>87,688</b>
<b>Natural features area</b>		
Proclaimed Native Forest Reserves	15,994	15,994
Natural features zoned "general forestry"	1,384	1,542
Natural features zoned "other" (outside Native Forest Reserve)	8,194	7,880
<b>TOTAL</b>	<b>25,572</b>	<b>25,416</b>
<b>Owned land area</b>		
Plantation <sup>1</sup>	95,029	93,746
Natural features	25,572	25,416
Non-forest <sup>2</sup>	16,647	16,539
<b>TOTAL</b>	<b>137,248</b>	<b>135,700</b>

Table #10 : Forest statistics

<sup>1</sup> Includes land available for plantation, but not planted as at 30 June 2011

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

# PLANTATION RESOURCE PLANNING



- ▶ New Five Year Cutting Plans for Green Triangle and Mount Lofty Ranges forest estates were compiled.
- ▶ Cutting plan information was enriched with product mix estimates derived from Overlapping Feature Inventory data and product models. This product information assisted the revision of new log supply agreements to align future supply commitments with the true value recovery potential of the estate.
- ▶ The 2001 plantations were assessed for site quality using airborne LiDAR data. A post-implementation evaluation of the first operational LiDAR based site quality survey was made and findings were published in the International Journal of Remote Sensing (Volume 31, 2010, pp 1155-1173) and the proceedings of the 2010 SilviLaser conference held in Freiburg, Germany.
- ▶ Encouraged by the success of LiDAR based site quality assessment, opportunities are now being explored to apply LiDAR technology to other forest assessment tasks, more specific pre-harvesting inventory. Two potentially complementary techniques are being pursued, namely Terrestrial Laser Scanning (TLS) and Airborne Laser Scanning (ALS).
- ▶ To this end, ForestrySA is collaborating with Irish company Treemetrics who have developed software to extract stem size and shape information from TLS data. A large field trial has been conducted and data are now ready for analysis. It is anticipated that the TLS solution could provide information comparable to product oriented inventories.
- ▶ Pre-harvest inventory based on ALS data is also being explored. While this solution may not provide the tree-by-tree product information that TLS is expected to provide, it offers other advantages such as lower cost and spatially explicit information across 100% of the assessed area. Possibly ALS and TLS based approaches may be effectively combined.

# FOREST FIRE PROTECTION

Mild conditions and above average rainfall in both the Green Triangle and Ranges Regions resulted in a mild fire season for ForestrySA fire crews.

Only 11 fires were attended in 2010-11 compared with an average of 45 fires per year over the previous five fire seasons. Seven of the fires attended were on ForestrySA land, whilst the other four were on private land or land managed by other agencies. Less than one tenth of a hectare of plantation was damaged by fire during the season.

The 2010-11 fire season was one of the mildest on record and came only four years after one of the worst fire seasons. The fire season in 2006-07 was one of the longest, hottest and driest on record for all forest areas across South Australia. The 2006-07 season ran for 185 days (90 in 2010-11), 83 fires were attended (11 in 2010-11), some 345 ha of ForestrySA plantation was burnt (minor in 2010-11) and there were 20 forest work ban days (one in 2010-11).

ForestrySA continued to contribute to fire management at national, state and local levels. Participation on the Australasian Fire and Emergency Service Authorities Council, Rural Land Management Group, the State Bushfire Coordination Committee and local Bushfire Management Committees ensures that ForestrySA operates in coordination with other responsible fire agencies.

ForestrySA is an active member of the recently formed inter-agency public land fire cooperatives in the Southern Flinders, Mount Lofty Ranges and South East. The cooperatives allow ForestrySA, the Country Fire Service, Department of Environment and Heritage and SA Water to develop joint agency integrated prescribed burning programs and to develop coordinated bushfire response arrangements.

# RESEARCH



ForestrySA's research program aims to develop operational prescriptions which improve radiata pine wood growth and characteristics, lowers costs and better manages risk particularly with respect to the environmental and forest health, as well as our own outcomes. A range of trials and activities are jointly funded by ForestrySA and Community Service Obligation funds provided by the South Australian Government through the Department of Primary Industries and Natural Resources.

Research highlights for 2010-11 include:

- ▶ ForestrySA established a series of post thinning fertiliser trials to compare slow release core coated urea products with the standard urea. The rationale for using urea over alternative products is the cost per unit of nitrogen supplied. However urea may give smaller plantation growth responses than other nitrogen fertiliser forms because it is less stable.
- ▶ ForestrySA established nursery trials to investigate if treatments used in the turf and horticultural industry at sowing could improve seedling health and root development in the nursery and enhance survival and growth following planting. Healthy planting stock, with well developed root systems and high stored nutrient reserves have a higher chance of recovering from transplanting shock than seedlings with poor root development and low stored nutrients.
- ▶ A major impediment to managing eucalypt plantations following harvesting is controlling the emergence of coppice from the stump. Mechanical and chemical control options have not proven to be cost effective. ForestrySA established a eucalypt stump treatment at harvesting trial to investigate chemical application through the harvester head, which will significantly reduce the time from felling to replanting and reduce the quantity of herbicides required to control coppice regrowth. This trial was sponsored by the Australian Forest Industry Herbicide Research Consortium.
- ▶ ForestrySA hosted three field days and presented at the Australian Forest Growers national conference in Mount Gambier on the latest in forest research results and best operational practice. Plantation managers from major forest growers, consultants and farm foresters attended.
- ▶ Trials were established to compare the efficacy of weed control, survival, tree growth and chemical costs of the range of standard and experimental pre plant herbicide prescriptions for radiata pine establishment. Results quantify the loss in site productivity from using establishment herbicide prescriptions other than the current best practice.
- ▶ ForestrySA participated in the national scientists in schools program conducted with the CSIRO and Mount Gambier High School. The program involved nine ForestrySA scientific staff interacting with 300 students and teachers over eight days. ForestrySA presented science education both in the class room and on field trips covering entomology, soils, native forest management and water quality monitoring.

# FOREST HEALTH



The continued existence of a vibrant forest industry is dependent on maintaining our forests at optimum productivity. To ensure this, ForestrySA supports an active forest health program involving regular monitoring, preventive strategies to mitigate known threats, and close working relationships with national organisations and industry to ensure a coordinated approach to issues of a regional nature. This program delivers high quality advice to forest managers and the development of regional strategies to address forest health issues. The forest health program informs and interacts with government, and forest growers through regular communication, and provides a platform for knowledge transfer and exchange. The program is also strongly focused on building the capacity of ForestrySA employees to recognise and report on issues of forest health.

Each year ForestrySA conducts forest health surveillance flights in the Green Triangle and Ranges Regions. Overall, in 2010-11 the plantations were very healthy with less pest, disease and nutritional issues than the previous year. This is largely due to good rains, following several drought years and the continuing long term benefits of biological control programs for the Sirex Woodwasp (*Sirex noctilio*) and the Monterey Pine Aphid (*Essigella californica*). In addition, the continued and growing interest and support of vigilant staff and contractors has added to ForestrySA's surveillance capability.

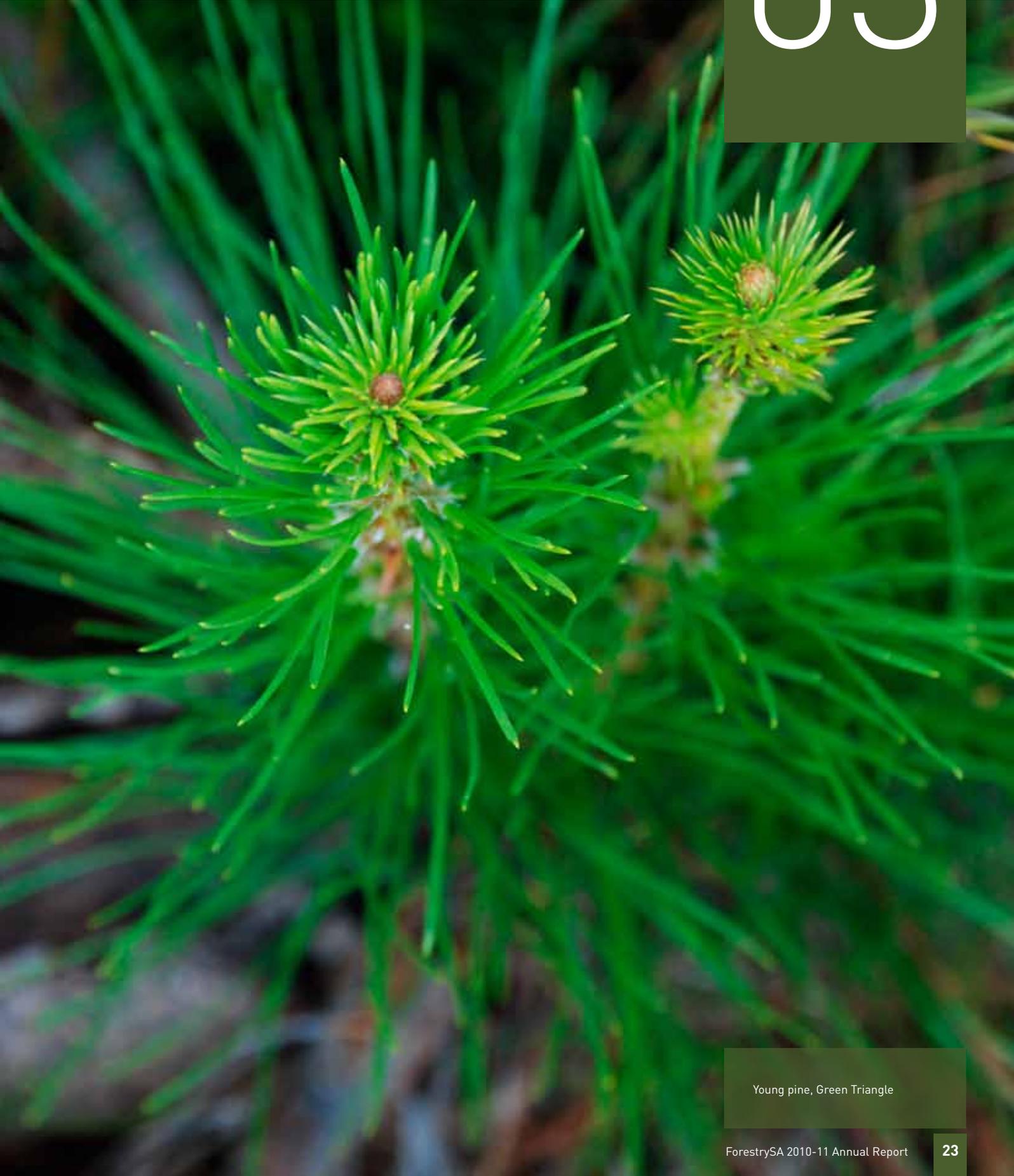
ForestrySA is also involved in forest health projects with the CRC for Forestry and the National Sirex Coordination Committee and the South Australian Research and Development Institute.

ForestrySA is an active member of Research Working Group 7 (Forest Health), the National Sirex Coordination Committee and the Green Triangle Regional Plantation Committee (GTRPC) Forest Health Sub-committee.

ForestrySA is a recognised leader in the field of forest health and provides lecturing and practical input into the Southern Cross University Forestry degree. ForestrySA also provides supervision for a number of PhD students from universities across Australia and peer review for several national and international forest industry journals.

ENVIRONMENT  
AND COMMUNITY

03



Young pine, Green Triangle

# HIGHLIGHTS



HIGHLIGHTS	Indicator	2010-11	2009-10	Measure
Global carbon cycles	Carbon sequestration (compliant Kyoto Forests)	372,062	326,137	tonnes of carbon
Biodiversity	Rare, endangered or vulnerable plant and animal species protected in Native Forest Reserves - Green Triangle region	365	365	
	Rare, endangered or vulnerable plant and animal species protected in Native Forest Reserves - Mount Lofty Ranges and Mid North regions	250	243	
	Biodiversity corridors	58	58	ha
Energy use	Electricity consumption	438,388	487,383	Kwh
	ForestrySA total energy use *	28,917	28,982	Gj
	ForestrySA total greenhouse gas emissions *	1,609	1,642	tonnes of CO <sub>2</sub> e
Water conservation	Area of watercourse and wetland buffer zones	257	225	ha
Compliance	EPA notifiable incidents	1	2	
	AS 4708 (Australian Forestry Standard)	Yes	Yes	Certification
	ISO 14001	Yes	Yes	Certification
Community engagement	Contributions to programs by volunteer and community participants	32,000 (approx)	35,036	Hours
	Forest visitors recorded	145,465	148,848	
Community support	Sponsorship program	27,668	30,770	\$

Table #11 : Environment and community highlights

\* Refer to the Energy Efficiency Action Plan on page 74 of this report

# SPONSORSHIP AND MAJOR COMMUNITY EVENTS



Recipient	Event / cause
Belalie Arts Society	Presenting partner, Bundaleer Festival 2011
AUSTimber 2012	Major sponsor, 2012 expo, Mount Gambier
Riddoch Art Gallery	Naming rights sponsor, Transformations: ForestrySA Wood Sculpture Competition 2012, Mount Gambier
City of Mount Gambier	Sponsor, Mayoress' Family Fun Day 2011
Gottstein Trust	Patron
Christmas Party for Special Children 2010	Sponsor, allowing two South East children to attend the event at Adelaide Zoo
Mount Gambier Breast Cancer Awareness Group	Sponsor, Breast Cancer Awareness Luncheon 2010
Mount Gambier Golf Club	Sponsor, Veterans Club Championships 2010
Rotary Careers Expo 2010	Sponsor
Give Me Five for Kids 2010	Sponsor

Table #12 : Sponsorship and major community events

# COMMUNITY FORESTRY



## COMMUNITY SERVICE OBLIGATIONS

As a government business enterprise, ForestrySA is mandated by The Charter of the South Australian Forestry Corporation to provide a number of Community Service Obligations (CSOs). The provision of funding for CSOs through an administrative agreement with PIRSA is now in its second three year term.

ForestrySA has been progressively working toward the full integration of conservation and recreation functions into forest districts for a number of years. With the completion of state-wide forest management plans and some organisational realignment, accountability and management of a "triple bottom line" (economic/social/environment), is now a shared function across the organisation.

This year, the completion of the state-wide five year fuel reduction burning plan has helped ensure considered and consistent use of ForestrySA resources for the provision of CSOs.

In 2010-11 ForestrySA made significant steps towards protection of an additional 4,200 ha of native forest (Wirrabara Range, Spaniards Gully and Mount Lyon) with gazettal plans now registered and approved by the Land Office ahead of a South Australian Government Cabinet submission proposing formal gazettal. This will increase ForestrySA's area of Native Forest Reserve by 20%, to approximately 20,000 ha (of a total 25,000 ha) or 15% of the total estate.

The release of new draft Forestry Regulations (2010) for public comment was also a significant milestone. The new regulations will allow for additional concessionary categories, improved cost recovery and is more closely aligned with regulations of the Department of Environment and Natural Resources (DENR). Once adopted, the new schedule of fees will be subject to the South Australian Government annual review of fees and charges.

A major achievement for the forestry industry development program in 2010-11 was the release of the Young Age Fertiliser Response Prediction Tool. This tool provides plantation managers with a probability table of young age plantation fertiliser response for use in the Green Triangle Region. At its core is 13 years of data from ForestrySA's young age growth plot measurement program, fertiliser records, the Bureau of Meteorology and ForestrySA soils and site productivity geographic data bases. Although the tool was developed with a Green Triangle focus, ForestrySA has received requests for it from Victoria, Queensland and Western Australian plantation forestry managers.

Favourable weather conditions in both spring and autumn allowed ForestrySA to significantly increase the area of prescribed burning undertaken in native forests. Some 686 ha of prescribed burning was completed statewide, compared with 444 ha in 2009-10. Prescribed burning reduces fuel loads, mitigating the effects of wildfire, and is important in maintaining ecological values. Burning is undertaken in cooperation with other South Australian agencies and in accordance with ForestrySA's prescribed burning plan.

# COMMUNITY FORESTRY CONT



## NATIVE FOREST MANAGEMENT

This program manages the quality and distribution of native forest reserves through the development and implementation of activities that protect and enhance biodiversity and heritage values.

ForestrySA manages 15,994 ha of Native Forest Reserves gazetted under the Forestry Act (1950) and a further 9,275 ha of other native forest areas. They are managed for the conservation of biodiversity to ensure their long-term future. Most of the native forests are integrated as a mosaic with the commercial softwood plantations in the three core ForestrySA plantation areas – Mount Lofty Ranges, Mid North and Green Triangle regions. There is no harvesting of timber from native forests managed by ForestrySA and these areas contribute significantly to biodiversity conservation in South Australia, with a variety of plant associations providing habitat for many listed species of flora and fauna.

Works carried out in Native Forest Reserves and native forest include pest plant and animal control, fire control measures, prescribed burning, revegetation and the provision of natural history information and recreational opportunities to the public.

## COMMUNITY USE OF FOREST RESERVES

The management of public access and recreation in South Australia's Forest Reserves and encouragement of community engagement and participation is central to this program. Recreational activities are managed to balance the wide range of public use with ongoing commercial forestry operations and conservation requirements. Forest reserves play host to a wide range of recreation activities including walking, nature study, picnicking, camping, cycling, cave diving, horse riding and motor sport events.

Substantial forest recreation information and educational materials are provided to the public via forest signs, brochures and maps and via ForestrySA's website, [www.forestrysa.com.au](http://www.forestrysa.com.au). Facilities include forest information centres and roadside stops, trails, camping and picnic areas, as well as purpose-built facilities such as the Cudlee Creek mountain bike trails.

Public access to ForestrySA land has enabled the development of high profile events such as the Bundaleer Festival 2011 and a number of well-attended car rallies and horse endurance rides.

ForestrySA's community engagement program provides school groups and a number of other partner organisations to assist in the management of native vegetation in a voluntary capacity, and is integral to the ongoing management of these areas.

## FOREST INDUSTRY DEVELOPMENT

ForestrySA receives funds to facilitate forestry related research and disseminate information for the benefit of the State and forestry industry, including forestry demonstration and gene conservation trials.

The forest industry development program also supports various forest industry research strategies and/or documents that are regularly compiled or updated by organisations around Australia.

## COMMUNITY PROTECTION (INCLUDING FIRE)

About 12.5% of ForestrySA's annual fire preparedness and suppression program and about one third of its non-commercial efforts are funded through CSOs, significantly above the level provided by any equivalent forestry company in the private sector, and beyond that needed for ForestrySA's own commercial asset management requirements.

ForestrySA also contributes to the fire protection of a number of local and regional communities in South Australia, through a range of fire protection related policies, activities and resourcing that are additional to those required for the protection of its own assets. These are in the areas of fire detection, fire suppression activity outside of forest reserves, fire protection works on public land, and a number of other fire-related sundry services.

# COMMUNITY FORESTRY CONT



## Community Forestry Program

Community Forestry Program	Agreed performance measures	2010-11	2009-10
1. Public access and recreation	Forest visitors (recorded)	145,465	148,848
	Permits issued	13,096	3,617
	Forest events	353	325
	Compliance enforcements	55	109
	Visitor facility planning, development and upgrade updates	10	7
	Ranger FTE delivered	7	7
2. Biodiversity and heritage	Forest Management Plans completed/ reviewed/scheduled during the financial year	2 completed 1 drafted	1 completed 2 drafted
	Field days, tours and presentations to the public providing information and interpretation of natural history and forest management	17	5
3. Community engagement and participation	Groups actively engaged	27	44
	Community engagement hours recorded	32,000 (approximately)	35,036
	Forest education programs supported	10	12

Table #13 : Community Forestry Program

# FINANCIAL REPORT

# 04



New plantings, Green Triangle

# STATEMENT OF COMPREHENSIVE INCOME

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2011

	Note	Year ended 30 June 2011 \$'000	Year ended 30 June 2010 \$'000
<b>Income</b>			
Sales - Timber products		125,553	125,746
Revenues from SA Government	5(i)	2,990	3,258
Interest	5(i)	2,757	2,152
Other	5(i)	891	1,671
Net gain from the disposal of non-current assets	5(ii)	-	111
<b>Total income</b>		<b>132,191</b>	<b>132,938</b>
<b>Expenditure</b>			
Employee benefits	7	(15,438)	(16,027)
Contractors		(47,719)	(43,310)
Wood purchases		(3,338)	(4,179)
Depreciation and amortisation	5(iii), 15, 16	(2,267)	(2,465)
Council rates		(1,439)	(1,344)
Finance costs	5(iii)	(2,564)	(2,494)
Materials		(2,159)	(4,545)
Equipment and vehicle costs		(3,051)	(3,066)
Purchased standing timber harvested	14	(869)	-
Other		(4,690)	(5,109)
Net loss from the disposal of non-current assets	5(ii)	(19)	-
Net revaluation decrement on non-current assets		(367)	(4,157)
<b>Total expenses</b>		<b>(83,920)</b>	<b>(86,696)</b>
<b>Trading profit before revaluation of standing timber</b>		<b>48,271</b>	<b>46,242</b>
Net change in value of standing timber	14	(50,171)	80,581
<b>Profit/(loss) before income tax equivalent</b>		<b>(1,900)</b>	<b>126,823</b>
Income tax equivalent expense	6	(14,288)	(13,737)
<b>Net profit/(loss) after income tax equivalent</b>	9(ii)	<b>(16,188)</b>	<b>113,086</b>
<b>Other comprehensive income</b>			
Land revaluation recorded in asset revaluation surplus	15	4,383	38,658
Buildings & structures revaluation recorded in asset revaluation surplus	15	1,934	-
<b>Total comprehensive income/(loss)</b>		<b>(9,871)</b>	<b>151,744</b>

Table #14 : Statement of comprehensive income

The net profit/(loss) after income tax equivalent and total comprehensive income are attributable to the SA Government as owner.

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

# STATEMENT OF FINANCIAL POSITION

## SOUTH AUSTRALIAN FORESTRY CORPORATION AS AT 30 JUNE 2011

	Note	2011 \$'000	2010 \$'000
<b>Current assets</b>			
Cash and cash equivalents	9	44,755	12,941
Other financial assets	10	-	27,836
Receivables	11	18,180	20,266
Inventories	12	1,849	445
Standing timber	14	82,345	85,181
Assets classified as held for sale	13	413	243
<b>Total current assets</b>		147,542	146,912
<b>Non-current assets</b>			
Standing timber	14	638,250	682,588
Property, plant and equipment	15	557,178	544,847
Intangible assets	16	744	749
<b>Total non-current assets</b>		1,196,172	1,228,184
<b>Total assets</b>		1,343,714	1,375,096
<b>Current liabilities</b>			
Payables	17	8,593	7,907
Employee benefits	18	1,734	1,974
Interest bearing loans	19	7,172	2,926
Tax liabilities	6	3,992	2,858
Deferred income	20	841	1,006
Other provisions	21	123	111
<b>Total current liabilities</b>		22,455	16,782
<b>Non-current liabilities</b>			
Payables	17	491	477
Employee benefits	18	2,602	2,520
Interest bearing loans	19	29,517	30,626
Deferred income	20	605	316
Other provisions	21	414	358
<b>Total non-current liabilities</b>		33,629	34,297
<b>Total liabilities</b>		56,084	51,079
<b>Net assets</b>		1,287,630	1,324,017
<b>Equity</b>			
Contributed capital		4,984	4,984
Reserves		1,187,600	1,231,440
Retained earnings		95,046	87,593
<b>Total equity</b>		1,287,630	1,324,017

Table #15 : Statement of financial position

The total equity is attributable to the SA Government as owner.

# STATEMENT OF CASH FLOWS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2011

	Note	2010/11 Inflows (Outflows) \$'000	2009/10 Inflows (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		129,402	123,706
Payments to suppliers and employees		(78,723)	(78,119)
Finance costs		(2,564)	(2,495)
Interest received		2,532	2,187
Receipts from SA Government		2,591	2,081
GST receipts on sales		12,932	13,022
GST payments on purchases		(6,345)	(6,132)
GST remitted to Australian Taxation Office		(6,704)	(6,867)
Income tax equivalent paid	6	(13,155)	(12,965)
<b>Net cash flows from operating activities</b>	9 (ii)	39,966	34,418
<b>Cash flows from investing activities</b>			
Investment in other financial assets		27,836	(27,836)
Purchase of property, timber, plant & equipment		(12,252)	(6,227)
Purchase of intangible assets		(362)	(334)
Proceeds from sale of assets		4	926
<b>Net cash flows from investing activities</b>		15,226	(33,471)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		6,061	-
Repayment of borrowings		(2,923)	(2,769)
Dividend paid		(26,516)	(31,067)
<b>Net cash flows from financing activities</b>		(23,378)	(33,836)
Net increase/(decrease) in cash held		31,814	(32,889)
<b>Cash and cash equivalents at the beginning of the period</b>		12,941	45,830
<b>Cash and cash equivalents at the end of the period</b>	9 (i)	44,755	12,941

Table #16 : Statement of cash flows

# STATEMENT OF CHANGES IN EQUITY

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2011

	Contributed capital \$'000	Asset revaluation surplus \$'000	Standing timber reserve \$'000	Fire insurance fund reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Balance at 30 June 2009</b>	4,984	441,329	652,982	17,365	86,680	1,203,340
Gain on revaluation of property, plant and equipment	-	38,658	-	-	-	38,658
Net income/expense recognised directly in equity	-	38,658	-	-	-	38,658
Net profit/(loss) for the period	-	-	-	-	113,086	113,086
Total comprehensive income for 2009-10	-	38,658	-	-	113,086	151,744
Dividend	-	-	-	-	(31,067)	(31,067)
Transfers to/(from) equity	-	27	80,581	498	(81,106)	-
Total change for the period	-	38,685	80,581	498	913	120,677
<b>Balance at 30 June 2010</b>	4,984	480,014	733,563	17,863	87,593	1,324,017
Gain on revaluation of property, plant and equipment	-	6,317	-	-	-	6,317
Net income/expense recognised directly in equity	-	6,317	-	-	-	6,317
Net profit/(loss) for the period	-	-	-	-	(16,188)	(16,188)
Total comprehensive income for 2010-11	-	6,317	-	-	(16,188)	(9,871)
Dividend	-	-	-	-	(26,516)	(26,516)
Transfers to/(from) equity	-	(689)	(50,171)	703	50,157	-
Total change for the period	-	5,628	(50,171)	703	7,453	(36,387)
<b>Balance at 30 June 2011</b>	4,984	485,642	683,392	18,566	95,046	1,287,630

Table #17 : Statement of changes in equity

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

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2011

#### 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. 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 SAFC and the State;
- ▶ Maximise the value of SAFC;
- ▶ 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) Statement of compliance

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*.

Except for Australian Accounting Standard AASB 2009-12, 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 2011. These are outlined in note 2(e).

##### (b) Basis of preparation

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*. 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;
- iii. employee targeted voluntary separation package information; and

- iv. employees whose normal remuneration is equal to or greater than the base executive remuneration level (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 report has been prepared based on a twelve month operating cycle and presented in Australian currency.

**(c) Comparative information**

The presentation and classification of items in the financial statements are consistent with prior periods except where a specific accounting standard or accounting policy statement 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.

**(d) Rounding**

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

**(e) New and revised accounting standards**

Except for AASB 2009-12, 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 2011. SAFC 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 SAFC.

**(f) Taxation**

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

i. 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 and the tax equivalent payment is calculated on the Accounting Profits Model. The Department of Treasury and Finance provided SAFC with a ruling that excludes unrealised gains and losses relating to growing timber revaluations from the accounting profit used to calculate the income tax equivalent payment.

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.

ii. Goods and Services Tax (GST)

Income, 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.

Unrecognised contractual 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.

**(g) Income**

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

Income has been classified according to its nature and has not been offset unless required or permitted by a specific accounting standard.

Revenue from sale of timber is recognised when there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined and the price is fixed.

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2011

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.

#### **(h) Expenses**

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

Expenses have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard.

Finance costs are recognised as an expense on an accrual basis.

#### **(i) 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.

#### **(j) Cash and cash equivalents**

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value (refer to note 9).

For the purposes of the Statement of Cash Flows, cash and cash equivalents 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.

#### **(k) Other financial assets**

Other financial assets comprise deposits with an original maturity greater than three months and are measured at nominal value.

#### **(l) 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.

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.

#### **(m) Inventories**

Inventories are valued at the lower of cost and net realisable value in accordance with AASB 102 *Inventories*.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### **(n) 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 14) 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 applies 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, Mount Lofty Ranges and Mid North regions the master database was last updated as at June 2011, affecting the standing timber valuation as at 30 June 2011.

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 of profit determination. This is endemic to all forest valuations and best practice methodology is used to generate reliable estimates.

## **(o) 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. This benchmark is 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 2011

#### iv. Revaluation

Land and buildings and structures have been revalued as at 30 June 2011, 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 2010 and 2011 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 APF III APS 3.8, SAFC has elected to take revaluation adjustments to the asset revaluation surplus 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 2011.

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 surplus, 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 surplus to the extent of the credit balance existing in the revaluation surplus 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 surplus 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 #18 : Depreciation/amortisation for non-current assets

vi. Crown land

The value of Crown land amounts to \$489 million (2010: \$479 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 - *Government Real Property Management*.

**(p) 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.

**(q) Trade and other payables**

Payables include creditors, accrued expenses, deposits held 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.

Deposits held represent funds SAFC holds on behalf of other organisations.

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 are incurred. 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.

**(r) 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.

The liability for salary and wages is 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 the reporting date 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 five years of service (2010: five and a half years) by an employee as the benchmark at which a liability for long service leave is recognised.

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2011

#### **(s) Interest bearing loans**

In accordance with APF IV *Financial Asset and Liability Framework* APS 6.1, SAFC uses 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.

#### **(t) 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.

#### **(u) Insurance**

SAFC has arranged, through SA 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(x)). In addition, SAFC is self-insured for workers compensation.

#### **(v) Provisions**

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.

#### **(w) 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.

#### **(x) 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.

#### **(y) Unrecognised contractual commitments and contingent liabilities**

Commitments include operating and outsourcing arrangements arising from contractual sources and are disclosed at their nominal value.

Contingent assets and liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

### **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 82% of transactions for the financial year (2010: 86%) 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	2011 \$ '000	2010 \$ '000
Community Service Obligation funding <sup>1</sup>	1	2,605	2,852
Government Radio Network funding		364	385
Deferred revenues from SA Government		21	21
Revenues from SA Government		2,990	3,258

<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>		2,627	2,073
Interest received or receivable related to trade receivables		130	79
Interest revenue		2,757	2,152
Other operating revenue			
Other revenue from non-SA Government entities		891	1,671
Other revenue		891	1,671

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

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

	Note	2011 \$ '000	2010 \$ '000
Land and buildings			
Net proceeds/(expenses) from disposal		(2)	444
Less net book value of assets disposed	15	(22)	(289)
Net gain/(loss) from disposal of land and buildings		(24)	155
Plant and equipment			
Net proceeds from disposal		6	179
Less net book value of assets disposed	15	(1)	(186)
Net gain/(loss) from disposal of plant and equipment		5	(7)
Assets classified as held for sale			
Net proceeds from disposal		-	303
Less net book value of assets disposed		-	(340)
Net gain/(loss) from disposal of assets held for sale		-	(37)
Total assets			
Net proceeds from disposal		4	926
Less net book value of assets disposed		(23)	(815)
Net gain/(loss) from disposal of total assets		(19)	111

Table #19 : Revenue, other income and expenses

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2011

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

(iii) Charging as expenses:

	Note	2011 \$ '000	2010 \$ '000
Harvesting & transport costs		42,524	37,366
Interest and guarantee fee paid or payable <sup>1</sup>	19	2,564	2,494
Depreciation of non-current assets	15	2,023	2,311
Amortisation	16	244	154
Rental expense on property operating leases		37	104
Consultants <sup>2</sup>		53	5
Total other expenses related to SA Government entities		3,628	3,361

Table #19 : Revenue, other income and expenses cont.

<sup>1</sup> to/from SA Government entities

<sup>2</sup> includes payments to one (2010: one) consultant

#### 6. INCOME TAX EQUIVALENT

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 result from operations 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:

##### Income tax equivalent

Accounting for income tax for the 2011 financial year is based on the tax equivalent calculations under the Accounting Profits Model prescribed in the State Tax Equivalent Regime (STER) and the applicable accounting standards (see note 2, not including AASB 112 *Income Taxes*).

	2011 \$ '000	2010 \$ '000
Prima facie tax equivalent at 30% of trading profit before revaluation of standing timber <sup>1</sup> less Fire Insurance Fund contributions <sup>2</sup>	14,288	13,737
Income tax expense	14,288	13,737

<sup>1</sup> The Treasurer has provided SAFC with written approval to exclude 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 \$643,000 (2010: \$451,000) are treated as expenses for tax equivalent purposes.

(ii) The income tax equivalent expense comprises amounts set aside as:

	2011 \$ '000	2010 \$ '000
Income tax equivalent expense	14,288	13,737
Paid during financial year related to financial year	(10,296)	(10,879)
Income tax equivalent payable as at 30 June	3,992	2,858

Table #20 : Income tax equivalents

## 7. EMPLOYEE BENEFITS

	2011 \$ '000	2010 \$ '000
Salaries and wages	11,002	11,755
Long service leave	577	535
Annual leave	969	971
Employment on-costs - superannuation	1,754	1,750
TVSP	367	195
Employment on-costs - other	769	821
	15,438	16,027
<b>Targeted voluntary separation packages (TVSPs)</b>		
Amount paid to these employees, included in the above amounts		
TVSP	367	195
Annual leave and long service leave balance paid	138	33
	505	228
Number of employees who were paid TVSPs during the reporting period		
	4	2

Table #21 : Employee benefits

## 8. AUDITORS' REMUNERATION

	2011 \$ '000	2010 \$ '000
Amount received, or due and receivable, by the auditors for auditing the accounts	108	106
	108	106

Table #22 : Auditors' remuneration

## 9. CASH AND CASH EQUIVALENTS

	2011 \$ '000	2010 \$ '000
Cash	3	1
Deposit account - SAFC	26,190	12,940
Fire Insurance Fund	18,562	-
	44,755	12,941

Table #23 : Cash and cash equivalents

### Fire Insurance Fund

During the reporting year the Fire Insurance Fund's assets were transferred from a 12 month term deposit to a cash management fund, available at call (see also note 10).

### Cash flows

(i) Reconciliation of cash and cash equivalents at the end of the reporting period.

	2011 \$ '000	2010 \$ '000
Cash and cash equivalents as per statement of financial position	44,755	12,941
Cash and cash equivalents as per statement of cash flows	44,755	12,941

Table #24 : Cash flows

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2011

#### 9. CASH AND CASH EQUIVALENTS CONT.

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

	2011 \$ '000	2010 \$ '000
Net profit after income tax equivalent	(16,188)	113,086
<b>Other reconciling movements</b>		
Net change in value of standing timber - harvested purchased timber	869	-
Net change in value of standing timber - other	50,171	(80,581)
Loss on revaluation of land	342	4,157
Loss of property, plant and equipment valuation (not land)	25	-
Depreciation and amortisation	2,267	2,464
Other asset transactions	-	(265)
Loss/(gain) on sale of assets	19	(111)
	53,693	(74,336)
<b>Changes in operating assets and liabilities</b>		
(Increase)/decrease in debtors	2,410	(4,812)
(Increase)/decrease in GST receivable	(21)	(4)
(Increase)/decrease in interest receivable	(225)	34
(Increase)/decrease in other debtors & prepayments	(99)	(128)
(Increase)/decrease in inventories	(1,405)	(180)
(Decrease)/increase in trade creditors	678	(512)
(Decrease)/increase in GST payable	(96)	28
(Decrease)/increase in employee provisions	(64)	728
(Decrease)/increase in income tax equivalent payable	1,134	772
(Decrease)/increase in other creditors	149	(258)
<b>Net cash flows from changes in operating balances</b>	2,461	(4,332)
<b>Net cash flows from operating activities</b>	39,966	34,418

Table #24 : Cash flows cont.

#### 10. OTHER FINANCIAL ASSETS

	2011 \$ '000	2010 \$ '000
General account term deposit	-	10,000
Fire Insurance Fund term deposit	-	17,836
	-	27,836

Table #25 : Other financial assets

During the reporting year the Fire Insurance Fund's assets were transferred from a 12 month term deposit to a cash management fund, available at call.

## 11. RECEIVABLES

	2011 \$ '000	2010 \$ '000
<b>CURRENT</b>		
Trade receivables	17,553	19,172
Other receivables	-	789
Accrued revenue	241	166
Prepayments	386	139
	18,180	20,266

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 26.

As at 30 June 2011 \$3.7 million of trade receivables were overdue (2010: \$5.4 million).

	2011 \$ '000	2010 \$ '000
<b>SA Government receivables</b>		
Trade debtors	12	25
Other than trade receivables	208	936
	220	961
<b>Non-SA Government receivables</b>		
Trade debtors	17,540	19,147
Other than trade receivables	420	158
	17,960	19,305

Table #26 : Receivables

## 12. INVENTORIES

	2011 \$ '000	2010 \$ '000
<b>CURRENT</b>		
Roading rubble	106	91
Materials and stores	317	354
Nursery stock - trees	1,163	-
Nursery stock - seeds	263	-
	1,849	445

Table #27 : Inventories

## 13. ASSETS CLASSIFIED AS HELD FOR SALE

	2011 \$ '000	2010 \$ '000
<b>Non-current assets classified as held for sale</b>		
Land and buildings	413	243
	413	243

Table #28 : Assets classified as held for sale

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION  
FOR THE YEAR ENDED 30 JUNE 2011

## 14. STANDING TIMBER

	2011 \$'000	2010 \$'000
Opening balance	767,769	685,986
New plantings	1,808	5,432
Harvesting	(84,994)	(77,961)
Inventory update increase	1,622	10,172
Physical changes (ie. growth)	75,886	72,488
Price changes	(44,493)	70,450
Net change recorded in statement of comprehensive income	(50,171)	80,581
New standing timber acquisitions	3,866	1,202
Purchased standing timber harvested	(869)	-
Closing balance	720,595	767,769

The standing timber comprises the following:

Fair value	2011 \$'000	2010 \$'000
Mature forest	672,511	719,545
Young forest	48,084	48,224
Total fair value	720,595	767,769

Volume	2011 '000 m <sup>3</sup>	2010 '000 m <sup>3</sup>
Mature forest	19,415	19,021
Young forest	982	984
Total volume	20,397	20,005

Area	2011 ha	2010 ha
Mature forest	62,386	61,674
Young forest	25,683	26,014
Total area	88,069	87,688

	2011 \$'000	2010 \$'000
<b>CURRENT ASSET</b>		
Current portion of standing timber valuation	82,345	85,181
<b>NON-CURRENT ASSET</b>		
Non-current portion of standing timber valuation	638,250	682,588

Table #29 : Standing timber

## 14. STANDING TIMBER CONT.

### Proposed forward sale of SAFC's forest rotations

The South Australian Government announced on 3 May 2011 that it would proceed with the forward sale of three forest rotations in the Green Triangle. The transaction envisaged includes the sale of standing timber in the Green Triangle region at the time of the transaction, however excludes standing timber in the Mount Lofty Ranges and Mid-North regions, all land, the SAFC entity, operational management of the Green Triangle estate for an initial period, SAFC staff and carbon and water rights. The proposed sale is subject to a range of conditions including achievement of an acceptable price and agreement of the purchaser to the proposed terms of the sale which include a range of restrictions on future management of the Green Triangle estate.

SAFC considers that the criteria specified in AASB 5 *Non-Current Assets Held For Sale and Discontinued Operations* have not been met at 30 June 2011 and accordingly the non-current Green Triangle standing timber has not been reclassified as a held for sale current asset. This is on the basis that an active program to locate a buyer and complete the sale had not yet been initiated and active marketing of the forward sale had not yet commenced, meaning that the proposed sale could not be classified as highly probable at that date as defined in AASB 5.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Land \$'000	Buildings and structures \$'000	Roads and land improvements \$'000	Plant and equipment \$'000	Total \$'000
<b>Year ended 30 June 2011</b>					
As at 1 July 2010, net of accumulated depreciation and impairment	513,881	9,809	4,828	16,329	544,847
Additions	6,656	307	626	1,041	8,630
Disposals	-	(40)	-	(15)	(55)
Assets reclassified to assets held for sale	(14)	(156)	-	-	(170)
Revaluation increments	4,773	2,483	-	-	7,256
Revaluation decrements	(732)	(575)	-	-	(1,307)
Depreciation charge for the year	-	(439)	(349)	(1,235)	(2,023)
Transfers within asset classes	-	1,157	34	(1,191)	-
Net of accumulated depreciation and impairment	524,564	12,546	5,139	14,929	557,178
<b>At 30 June 2010</b>					
Cost or fair value	513,881	11,089	8,314	27,192	560,476
Accumulated depreciation and impairment	-	(1,280)	(3,486)	(10,863)	(15,629)
Net carrying amount	513,881	9,809	4,828	16,329	544,847
<b>At 30 June 2011</b>					
Cost or fair value	524,564	12,556	8,827	26,498	572,445
Accumulated depreciation and impairment	-	(10)	(3,688)	(11,569)	(15,267)
Net carrying amount	524,564	12,546	5,139	14,929	557,178
<b>Year ended 30 June 2010</b>					
As at 1 July 2009, net of accumulated depreciation and impairment	477,734	10,119	4,489	15,965	508,307
Additions	1,935	89	660	2,164	4,848
Disposals	(266)	(23)	(3)	(183)	(475)
Assets reclassified to assets held for sale	(23)	-	-	-	(23)
Revaluation increments	44,535	-	-	-	44,535
Revaluation decrements	(10,034)	-	-	-	(10,034)
Depreciation charge for the year	-	(376)	(318)	(1,617)	(2,311)
Net of accumulated depreciation and impairment	513,881	9,809	4,828	16,329	544,847

Table #30 : Property, plant and equipment

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2011

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

	Land \$'000	Buildings and structures \$'000	Roads and land improvements \$'000	Plant and equipment \$'000	Total \$'000
<b>At 1 July 2009</b>					
Cost or fair value	477,734	11,149	7,660	26,411	522,954
Accumulated depreciation and impairment	-	(1,030)	(3,171)	(10,446)	(14,647)
Net carrying amount	477,734	10,119	4,489	15,965	508,307
<b>At 30 June 2010</b>					
Cost or fair value	513,881	11,089	8,314	27,192	560,476
Accumulated depreciation and impairment	-	(1,280)	(3,486)	(10,863)	(15,629)
Net carrying amount	513,881	9,809	4,828	16,329	544,847

Table #30 : Property, plant and equipment cont.

#### Revaluation of land and buildings and structures

SAFC uses the services of the Valuer-General in South Australia 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 amount for which the asset could be exchanged between a 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 2011 (2010: 30 June 2010).

In 2011 SAFC engaged Herron Todd White, an accredited independent valuer, to determine the fair value of its buildings and structures. The effective date of the revaluations is 30 June 2011.

#### 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 \$1million. 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 improvements \$'000	Plant and equipment \$'000	Total \$'000
<b>At 30 June 2011</b>					
Cost	53,381	8,554	8,827	26,498	97,260
Accumulated depreciation and impairment	(8,500)	(1,334)	(3,688)	(11,569)	(25,091)
Net carrying amount	44,881	7,220	5,139	14,929	72,169
<b>At 30 June 2010</b>					
Cost	46,726	8,443	8,314	27,192	90,675
Accumulated depreciation and impairment	(7,923)	(1,280)	(3,486)	(10,863)	(23,552)
Net carrying amount	38,803	7,163	4,828	16,329	67,123

Table #30 : Property, plant and equipment cont.

## 15. PROPERTY, PLANT AND EQUIPMENT CONT.

The carrying value of plant and equipment held under finance leases at 30 June 2011 is nil (2010: nil).

Leasehold improvements are included in plant and equipment.

Included in the roads and land improvements and plant and equipment at 30 June 2011 and 30 June 2010 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 2011.

## 16. INTANGIBLE ASSETS

The intangible assets consist of software for operational systems and water licences.

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

	2011 \$ '000	2010 \$ '000
<b>Computer software</b>		
As at 1 July, net of accumulated amortisation and impairment	536	405
Additions	127	285
Amortisation charge for the year	(244)	(154)
<b>Total computer software, net of accumulated amortisation and impairment</b>	<b>419</b>	<b>536</b>
<b>Computer software</b>		
Cost or fair value	1,808	1,681
Accumulated amortisation and impairment	(1,389)	(1,145)
<b>Net carrying amount</b>	<b>419</b>	<b>536</b>
<b>Water licences</b>		
As at 1 July, net of accumulated amortisation and impairment	213	-
Additions	112	213
<b>Total water licences, net of accumulated amortisation and impairment</b>	<b>325</b>	<b>213</b>
<b>Water licences</b>		
Cost or fair value	325	213
Accumulated amortisation and impairment	-	-
<b>Net carrying amount</b>	<b>325</b>	<b>213</b>

Table #31 : Intangible assets

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION  
FOR THE YEAR ENDED 30 JUNE 2011

## 17. PAYABLES

	2011 \$ '000	2010 \$ '000
<b>CURRENT</b>		
Trade payables	7,444	6,656
Accrued expenses	737	904
Deposits held	59	22
Employee benefit on-costs	353	325
	8,593	7,907
<b>NON-CURRENT</b>		
Employee benefit on-costs	491	477
	491	477
<b>SA Government Payables (included under payables above)</b>		
Trade payables	256	270
Accrued expenses	212	193
	468	463

Table #32 : Payables

## 18. EMPLOYEE BENEFITS

	2011 \$ '000	2010 \$ '000
<b>CURRENT</b>		
Accrued salaries and wages	505	776
Long service leave	448	431
Annual leave	781	767
	1,734	1,974
<b>NON-CURRENT</b>		
Long service leave	2,602	2,520
	2,602	2,520

Table #33 : Employee benefits

The total current and non-current employee benefits and employee benefit on-costs for 2011 is \$5.2 million (2010: \$5.3 million). Employee benefit related on-costs are disclosed as payables.

## 19. INTEREST BEARING LOANS

	2011 \$ '000	2010 \$ '000
<b>CURRENT</b>		
Unsecured <sup>1</sup>	7,172	2,926
	7,172	2,926
<b>NON-CURRENT</b>		
Unsecured <sup>1</sup>	29,517	30,626
	29,517	30,626

Table #34 : Interest bearing loans

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

Details of the fair value of SAFC's interest bearing liabilities, maturity analysis and analysis of interest rate risk are set out in note 26.

Repayments of principal and interest are due monthly with the final payment due on 18 March 2019 (2010: 18 March 2019).

## 20. DEFERRED INCOME

	2011 \$ '000	2010 \$ '000
<b>CURRENT</b>		
Deferred income	841	1,006
	841	1,006
<b>NON-CURRENT</b>		
Deferred income	605	316
	605	316
<b>SA GOVERNMENT DEFERRED INCOME (included under deferred income above)</b>		
Deferred income	214	235
	214	235

Table #35 : Deferred income

## 21. OTHER PROVISIONS

	2011 \$ '000	2010 \$ '000
<b>CURRENT</b>		
Workers compensation	123	111
	123	111
Opening balance	111	95
Payments	(111)	(95)
Increments in provision	123	111
Closing balance	123	111
<b>NON-CURRENT</b>		
Workers compensation	414	358
	414	358
Opening balance	358	268
Payments	(200)	(827)
Increments/(decrements) in provision	256	917
Closing balance	414	358

Table #36 : Other provisions

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.

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2011

#### 22. EQUITY

Equity represents the residual interest in the net assets of SAFC. The South Australian Government holds the equity interest in SAFC 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 standing timber revaluation gains and losses and approved contributions to the Fire Insurance Fund, plus an income tax equivalent payment. SAFC declared dividends of \$26.5 million (2010: \$31.1 million). This included an adjustment for prior year overpaid dividends of \$2.1 million (2010: prior year underpayment of \$155,000). Based on the above agreement SAFC will include an adjustment increasing the 2011-12 interim dividend by \$1.4 million. In accordance with AASB 110 *Events after the Reporting Period* this amount has not been recognised in the 2010-11 financial statements.

#### 23. COMMITMENTS AND CONTINGENCIES

##### a) Commitments

	2011 \$ '000	2010 \$ '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	523	623
Due later than one year but not later than five years	336	307
Total operating lease commitments	859	930

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

	2011 \$ '000	2010 \$ '000
<b>ii) Remuneration commitments</b>		
Due not later than one year	3,460	3,147
Due later than one year but not later than five years	6,042	1,983
Total remuneration commitments	9,502	5,130

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.

	2011 \$ '000	2010 \$ '000
<b>iii) Other commitments</b>		
Due not later than one year	24,231	27,463
Due later than one year but not later than five years	21,119	35,919
Total other commitments	45,350	63,382

Table #37 : Commitments and contingencies

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

### Defined benefit plans - South Australian 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 2009 of a \$5.7 million actuarially assessed funding deficit relating to defined benefit members employed by SAFC as at 30 June 2009, requiring additional contributions over 15 years. The previous 2006 actuarial assessment indicated a deficit of \$2.5 million. In addition to regular contributions in relation to current superannuation benefits SAFC has expensed \$497,000 (2010: \$478,000) being the amount payable during the current financial year in relation to the benefit funding deficit. 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.

### South Australia Productivity Places Existing Workers Program

SAFC administers a training scheme on behalf of the Minister for Employment, Training and Further Education. The program aims to reduce skill shortages and to increase the number of people with qualifications.

SAFC holds cash until the registered training organisation has delivered the required training objectives. In 2011 SAFC held \$59,000 in cash (2010: \$22,000).

	2011 \$ '000	2010 \$ '000
<b>Summary of cash flows</b>		
Cash at beginning of year	22	-
Net funds received/(paid)	37	22
Cash at end of year	59	22

Table #37 : Commitments and contingencies cont.

## 24. EXECUTIVE DISCLOSURES

### a) Details of key management personnel

EXECUTIVE	
B. Farmer	Chief Executive (to 5 November 2010)
P. Fuss	Executive General Manager - Human Resources (to 24 September 2010)
A. Hatch	General Manager - Sales (appointed 1 January 2011), previously Manager Sales GT
W. Materne	Chief Financial Officer
J. O'Hehir	General Manager - Planning and Development
I. Robertson	Chief Executive (appointed 6 November 2010), Executive General Manager - Operations (to 5 November 2010)
G. Saunder	General Manager - Operations (appointed 1 January 2011), previously Manager Operations GT

### b) Compensation of key management personnel

	2011 \$ '000	2010 \$ '000
Short term employee benefits paid or due and payable to or on behalf of key management personnel	900	842
Superannuation benefits paid or due and payable to or on behalf of key management personnel	93	88
Total	993	930

Table #38 : Executive disclosures

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2011

#### 24. EXECUTIVE DISCLOSURES CONT.

##### c) Compensation of employees whose income was over the base executive remuneration level

The number of employees whose income was within the following bands:

	2011 Number	2010 Number
\$127,500 - \$130,699*	-	1
\$130,700 - \$140,699	2	2
\$140,700 - \$150,699	2	1
\$150,700 - \$160,699	1	-
\$180,700 - \$190,699	-	1
\$190,700 - \$200,699	1	-
\$200,700 - \$210,699	-	1
\$230,700 - \$240,699	1	-
\$240,700 - \$250,699	-	1
Total number of employees	7	7

Table #38 : Executive disclosures cont.

\* this band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2010.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, fringe benefit tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$1.1 million (2010: \$1.2 million).

In accordance with the revised Accounting Policy Framework II *General Purpose Financial Statements Framework*, the SAFC has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than \$100,000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 7 for 2011 and 5 for 2010.

#### 25. DIRECTORS AND RELATED PARTY DISCLOSURES

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

K. Adams
S. Duncan
G. Foreman
J. Obst
J. Ross - Chairman

Table #39 : Directors and related party disclosures

Transactions between SAFC and its directors are made at arms length. There have been no such transactions in the financial year (2010: nil).

## 25. DIRECTORS AND RELATED PARTY DISCLOSURES CONT.

	2011 \$ '000	2010 \$ '000
Director's remuneration		
Income paid or due and payable to or on behalf of directors, excluding superannuation benefits	198	198
Superannuation benefits paid or due and payable to or on behalf of directors	18	18
Total	216	216

The number of directors whose income was within the following bands:

	2011 Number	2010 Number
\$10,000 - \$19,999	-	2
\$30,000 - \$39,999	2	1
\$40,000 - \$49,999	2	2
\$50,000 - \$59,999	1	1

Table #39 : Directors and related party disclosures cont.

## 26. 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 82% of transactions for the financial year were transactions with the six largest of SAFC's customers (2010: 86%).

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 23).
- ▶ interest is charged on overdue balances.

### (ii) Foreign currency risk exposures

As at 30 June 2011 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 1.50% on the daily balance of the outstanding loan amounts (2010: 0.75%). The guarantee fee from 1 July 2011 is 1.50%.

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION  
FOR THE YEAR ENDED 30 JUNE 2011

## 26. FINANCIAL INSTRUMENTS CONT.

	Floating rate \$'000	Non-interest bearing \$'000	Fixed interest maturing			2011 Total \$'000	2010 Total \$'000
			1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000		
Financial assets:							
Cash and cash equivalents	44,755	-	-	-	-	44,755	12,941
Other financial assets	-	-	-	-	-	-	27,836
Receivables <sup>1</sup>	3,568	14,226	-	-	-	17,794	20,127
	48,323	14,226	-	-	-	62,549	60,904
Weighted average interest rate	5.44%		-	-	-		
Financial liabilities:							
Interest bearing loans <sup>2</sup>	3,259	-	8,993	21,795	9,870	43,917	42,978
Payables <sup>3</sup>	-	8,182	-	-	-	8,182	7,560
	3,259	8,182	8,993	21,795	9,870	52,099	50,538
Weighted average interest rate, including guarantee fee	7.15%		7.79%	7.49%	8.29%		
<b>Net financial assets/ (liabilities)</b>	45,064	6,044	(8,993)	(21,795)	(9,870)	10,450	10,366

Table #40: Financial instruments

<sup>1</sup>Other than prepayments

<sup>2</sup>Based on contractual undiscounted cash flows

<sup>3</sup>Other than employee on-costs

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.

## 26. FINANCIAL INSTRUMENTS CONT.

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

	Carrying amount		Net fair value	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Financial liabilities</b>				
Interest bearing loans	36,689	33,552	35,834	34,975

Table #40 : Financial instruments cont.

### (iv) Financial liabilities carried at an amount in excess of net fair value

Interest bearing loans with a carrying value of \$36.7 million (2010: \$33.6 million) are recorded at the nominal principal amount to be settled. This is above their net fair value of \$35.8 million (2010: \$35.0 million).

### (v) Net fair value of financial assets and liabilities

The net fair value of cash, trade receivables (excluding 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):-

- Comply 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
- Present a true and fair view of the financial position of the SAFC as at 30 June 2011 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.

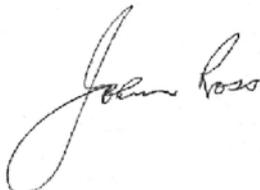
Signed in accordance with a resolution of the Board members.



Islay Robertson  
**CHIEF EXECUTIVE**  
**SOUTH AUSTRALIAN FORESTRY CORPORATION**  
26 August 2011



Wayne Materne  
**CHIEF FINANCIAL OFFICER**  
**SOUTH AUSTRALIAN FORESTRY CORPORATION**  
26 August 2011



John Ross  
**CHAIRMAN**  
**SOUTH AUSTRALIAN FORESTRY CORPORATION**  
26 August 2011

# INDEPENDENT AUDIT REPORT

## INDEPENDENT AUDITOR'S REPORT



Government of South Australia  
Auditor-General's Department

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State Administration Centre  
200 Victoria Square  
Adelaide SA 5000  
DX 56208  
Victoria Square  
Tel +61 8 8226 9600  
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ABN 33 327 061 410  
audgens@ambh.se.gov.au  
www.audit.sa.gov.au

### To the Chairman of the Board South Australian Forestry Corporation

As required by section 31 of the *Public Finance and Audit Act 1987* and subsection 32(4) of the *Public Corporations Act 1993*, I have audited the accompanying financial report of the South Australian Forestry Corporation for the financial year ended 30 June 2011. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2011
- a Statement of Financial Position as at 30 June 2011
- a Statement of Changes in Equity for the year ended 30 June 2011
- a Statement of Cash Flows for the year ended 30 June 2011
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairman of the Board, the Chief Executive and the Chief Financial Officer.

### The Board's responsibility for the Financial Report

The Directors of the Board are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Directors of the Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial report 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 comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 Directors of the Board, as well as the overall presentation of the financial report.

# INDEPENDENT AUDIT REPORT CONT

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

## **Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of the South Australian Forestry Corporation as at 30 June 2011, 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**  
26 September 2011

STATUTORY INFORMATION

05



Log truck, Green Triangle

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Table #41 : Statutory information

# FORESTRYSA AND SOUTH AUSTRALIA'S STRATEGIC PLAN

South Australia's Strategic Plan (SASP)	Measure or actions by ForestrySA
Achieve the lowest number of working days lost per thousand employees of any state in Australia by 2014. <b>(T1.4 Industrial relations)</b>	No days lost to industrial action.
Increase the satisfaction of South Australians with government services by 10% by 2010, maintaining or exceeding that level of satisfaction thereafter. <b>(T1.7 Performance in the public sector)</b>	Customer focus is included in the ForestrySA Strategic Plan.
Achieve the nationally agreed target of 40% reduction in injury by 2012. <b>(T2.11 Greater safety at work)</b>	Total number of reported injuries reduced by 15.5% from 2009-10. LTIFR decreased to 10.3.
Lose no known native species as a result of human impacts. <b>(T3.1 Lose no species)</b>	None lost.
By 2010 have five well-established biodiversity corridors aimed at maximising ecological outcomes particularly in the face of climate change. <b>(T3.2 Land biodiversity)</b>	ForestrySA has a 25 year plan to establish 25 biodiversity corridors (74.4 ha) linking pockets of native vegetation. So far 58 ha has been established.
Achieve the Kyoto target by limiting the state's greenhouse gas emissions to 108% of 1990 levels during 2008-2012, as a first step towards reducing emissions by 60% of 1990 levels by 2050. <b>(T3.5 Greenhouse gas emissions reduction)</b>	Almost all of South Australia's decrease in emissions is attributable to land use change and forestry (SASA 2010 Progress Report).
South Australia's water resources are managed within sustainable limits by 2018. <b>(T3.9 Sustainable water supply)</b>	ForestrySA operates under the Australian Forestry Standard (AS 4708), requiring all operations to be conducted sustainably.
Improve the energy efficiency of government buildings by 25% from 2000-01 levels by 2014. <b>(T3.13 Energy efficiency - government buildings)</b>	ForestrySA Head Office is the only 5 star rated green building in the South East of South Australia.
Increase the number of attendances at selected arts activities by 40% by 2014. <b>(T4.4 Cultural engagement - arts activities)</b>	ForestrySA provides ongoing sponsorship and support of the Bundaleer Festival 2011 and Riddoch Art Gallery.
Aboriginal cultural studies included in school curriculum by 2014 with involvement of Aboriginal people in design and delivery. <b>(T4.5 Understanding of Aboriginal culture)</b>	ForestrySA helped establish the meeting place garden at Millicent High School, providing a forum for indigenous activities and performances.
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>(T5.1 Boards and committees)</b>	Two of five ForestrySA Board members are women.
Maintain the high level of volunteering in South Australia at 50% participation rate or higher. <b>(T5.6 Volunteering)</b>	More than 35,000 volunteer hours are recorded annually through ForestrySA's community engagement program. ForestrySA also actively supports staff members in community endeavours.

Table #42 : ForestrySA and South Australia's Strategic Plan

# FREEDOM OF INFORMATION STATEMENT

(AS REQUIRED BY FREEDOM OF INFORMATION ACT 1991, SECTION 9 INCLUDING THE INFORMATION SUMMARY)

## Structure and functions of ForestrySA

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 from [www.forestrysa.com.au](http://www.forestrysa.com.au), or by calling (08) 8724 2888.

- ▶ 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 \$29.50. 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 should be addressed to:

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

# ACCOUNT PAYMENT PERFORMANCE

PARTICULARS	Number of accounts paid	% accounts paid (by number)	Value of accounts paid \$'000	% accounts paid (by value)
Paid by due date	9,152	86.9	78,469	94.6
Paid late but paid within 30 days or less of the due date	1,081	10.3	3,942	4.8
Paid more than 30 days from the due date	298	2.8	533	0.6
<b>TOTAL</b>	<b>10,531</b>	<b>100.0</b>	<b>82,944</b>	<b>100.0</b>

Table #43 : Account payment performance

# CONSULTANTS

	Firm	Description	Expenditure
Consultancy below \$10,000	-	-	\$0
Consultancy between \$10,000 - \$50,000	-	-	\$0
Consultancies over \$50,000	Forme Forest Industry Consultants	Review of harvest and transport arrangements	\$53,213
<b>TOTAL</b>			<b>\$53,213</b>

Table #44 : Consultants

# EMPLOYEE NUMBERS, GENDER AND STATUS

Total employees	
Persons (as at 30 June 2011)	186
FTE (as at 30 June 2011)	180.4

Employees by gender	% persons	% FTEs
Male	76.9	78.1
Female	23.1	21.9

Number of persons during 2010-11	
Separated from ForestrySA	46
Recruited to ForestrySA	35

Persons at 30 June 2011	
On leave without pay	0

Employees by salary bracket			
Salary bracket	Male	Female	Total
\$0 - \$50,399	63	18	81
\$50,400 - \$64,099	28	15	43
\$64,100 - \$82,099	30	8	38
\$82,100 - \$103,599	11	2	13
\$103,600+	11	-	11
<b>TOTAL</b>	<b>143</b>	<b>43</b>	<b>186</b>

Table #45 : Employee numbers, gender and status

# EMPLOYEE NUMBERS, GENDER AND STATUS CONT

Status of employees in current position (2010-11)					
FTEs	Ongoing	Short-term contract	Long-term contract	Other (casual)	Total
Male	109	8	24	0	141
Female	30.2	0.8	8.4	0	39.4
<b>TOTAL</b>	<b>139.2</b>	<b>8.8</b>	<b>32.4</b>	<b>0</b>	<b>180.4</b>

Persons	Ongoing	Short-term contract	Long-term contract	Other (casual)	Total
Male	111	8	24	0	143
Female	33	1	9	0	43
<b>TOTAL</b>	<b>144</b>	<b>9</b>	<b>33</b>	<b>0</b>	<b>186</b>

Table #45 : Employee numbers, gender and status cont.

# EXECUTIVES BY GENDER, CLASSIFICATION AND STATUS

Classification	Ongoing		Tenured contract		Untenured contract		Other (casual)		Total	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Chief Executive	-	-	-	-	1	-	-	-	1	-
GM/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 #46 : Executives by gender, class and status

# LEAVE MANAGEMENT

Average days leave per full time equivalent employee		
Leave Type	2010-11	2009-10
Sick Leave	8.9	7.1
Family Carer's Leave	1.6	1.5
Miscellaneous Special Leave	1.3	1.6

Table #47 : Leave management

# WORKFORCE DIVERSITY

Aboriginal and/or Torres Strait Islander employees (2010-11)				
Salary Bracket	Aboriginal/Torres Strait Islander employees	Total employees	% Aboriginal/Torres Strait Islander employees	Target (%)*
\$0 - \$50,399	1	81	1.2	2
\$50,400 - \$64,099	0	43	0	2
\$64,100 - \$82,099	0	38	0	2
\$82,100 - \$103,599	0	13	0	2
\$103,600+	0	11	0	2
<b>TOTAL</b>	<b>1</b>	<b>186</b>	<b>0.5</b>	<b>2</b>

Table #48 : Workforce diversity

\* Target from SASP

# CULTURAL AND LINGUISTIC DIVERSITY

	Male	Female	Total	% ForestrySA	% SA Community*
Number of employees born overseas	21	5	26	14.0	20.3
Employees who speak language(s) other than English at home	2	0	2	1.1	16.6

Table #49 : Cultural and linguistic diversity

\* Benchmarks from ABS Publication Basic Community Profile (SA) Cat No. 2001.0, 2006 census.

# EMPLOYEES BY AGE BRACKET, BY GENDER

Age Bracket	Male	Female	Total	% of total	2011 Workforce Benchmark (%)*
15-19	0	0	0	0	6.4
20-24	3	2	5	2.7	10.4
25-29	6	6	12	6.5	11.0
30-34	9	9	18	9.7	10.1
35-39	18	4	22	11.8	10.3
40-44	14	6	20	10.7	11.0
45-49	29	6	35	18.8	11.5
50-54	21	5	26	14.0	11.4
55-59	27	3	30	16.1	9.4
60-64	14	2	16	8.6	5.5
65+	2	0	2	1.1	3.0
<b>TOTAL</b>	<b>143</b>	<b>43</b>	<b>186</b>	<b>100</b>	<b>100.0</b>

Table #50 : Employees by age bracket, by gender

\* Source: Australian Bureau of Statistics Australian Demographic Statistics.

# FLEXIBLE WORKING ARRANGEMENTS

	Male	Female	Total
Purchased leave	0	0	0
Banked time	119	34	153
Compressed weeks	0	0	0
Part time	0	10	10
Job share	0	0	0
Working from home	0	1	1

Table #51 : Flexible working arrangements

# ORGANISATIONAL DEVELOPMENT

A range of activities were undertaken during 2010-11, some of which built on the development strategies from previous years, while new processes and activities were implemented. These include, but are not limited to:

- ▶ A restructure of the Executive Group and subsequent realignment of reporting relationships.
- ▶ The implementation of the revised Performance Development System which is now extended to all employees.
- ▶ The enhancement of a succession plan, including strategies that have been adopted.
- ▶ Continued devolvement of responsibilities to front line managers to prepare them for promotional opportunities.
- ▶ The coordination of an industry wide training and development initiative under the Productivity Places Program for 55 forest industry employees to gain qualifications at Certificate III and Certificate IV level.
- ▶ Implementation of a new Enterprise Agreement that provides for progression of Forest Maintenance Workers through the Classification levels based on gaining job skills and competencies.
- ▶ Continued use of the ForestrySA Education Assistance Program to allow approved employees to gain qualifications at Bachelor, Degree or Masters levels. This program had nine participants throughout the year.

# PERFORMANCE DEVELOPMENT

Employees with...	% total workforce
A review within the past 12 months	75
A review older than 12 months	0
No review	25

Table #52 : Performance development

Please note: Effective 1 July 2011, all employees will participate in ForestrySA's Performance Development System.

# LEGISLATION ADMINISTERED BY FORESTRYSA

- ▶ Forestry Act 1950 (including the Forestry Regulations 2005)
- ▶ South Australian Forestry Corporation Act 2000

# ACCREDITED TRAINING PACKAGES BY CLASSIFICATION

Classification	Number of accredited training packages
Level 1	0
Level 2	14
Level 3	13
Level 4	10
Level 5	16
Level 6	6

Classification	Number of accredited training packages
Level 7	3
Level 8	3
Level 9	0
Level 10	1
Level 11	1

Table #53 : Accredited training packages by classification

## EMPLOYMENT OPPORTUNITY PROGRAMS

ForestrySA ensures its recruitment and selection processes do not discriminate against any applicant.

ForestrySA remains an active participant in the Forest Industry Training Network in Mount Gambier and ForestWorks at a national level. These networks include industry and training providers continue to promote and encourage vocational education opportunities within the timber industry incorporating school-based traineeships in regional South Australia.

The ForestrySA Human Resource and Injury Management manuals continue to support the Human Resources function within ForestrySA, providing comprehensive detail and inclusion of all Disability Discrimination Act 1992 and Equal Opportunity Act 1991 requirements.

## DISABILITY ACTION PLAN

ForestrySA has a number of processes and procedures in place to ensure equity for people with disabilities.

- ▶ The ForestrySA Fair Treatment Program, which continues to promote equity and diversity within the workplace and to raise the level of awareness and reinforce the strong commitment to a workplace culture which fosters an environment free from all forms of bullying, harassment and discriminatory behaviours.
- ▶ Employees returning to work from injury are provided with the support and necessary resources to undertake the requirements of their positions.
- ▶ All Injury Management claims and associated activities are managed in accordance with relevant equity and diversity principles, which are incorporated into all policies and practices relating to these activities. All return to work plans, alternate duties and rehabilitation plans are supported by the respective standards.
- ▶ ForestrySA ensures business activities and supporting procedures do not discriminate against people with disabilities.

## WHISTLEBLOWERS PROTECTION ACT 1993

On no occasion were matters of public interest disclosed to the ForestrySA Responsible Officer appointed under the Whistleblowers Protection Act 1993 during 2010-11.

# EMPLOYEES WITH ONGOING DISABILITIES

(ACCORDING TO COMMONWEALTH DDA DEFINITION)

Disability type	Male	Female	Total	% ForestrySA 2010-11
Disability requiring workplace adaptation	1	1	2	1.1
Physical				
Intellectual				
Sensory				
Psychological / psychiatric				

Table #54 : Employees with ongoing disabilities

## 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 #55 : Asbestos management

### 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.

# LEADERSHIP AND MANAGEMENT TRAINING EXPENDITURE

Training and development	\$ total cost	% total salary expenditure
Total training and development expenditure	\$568,253	3.7
Total Leadership and Management Expenditure	\$187,366	1.2

Table #56 : Leadership and management training expenditure

## OCCUPATIONAL HEALTH, SAFETY, WELFARE AND INJURY MANAGEMENT

ForestrySA's commitment to Occupational Health, Safety, Welfare and Injury Management (OHSW & IM) is demonstrated by management through a number of programs which ensure:

- ▶ There is an efficient and effective Forest Safety Committee (FSC), which is comprised of Safety Officer, Forest Management System (FMS) representative, management representatives and employee representatives.
- ▶ The FSC has an action plan that is reviewed and developed in conjunction with reportable objectives and targets.
- ▶ Information and consultation occurs regularly through the ForestrySA Information Brief, Worksite Communication Meetings, Safety Alerts, annual surveys and meetings with specific workgroups across all districts and includes external contractors;
- ▶ Internal/external OHS&W and IM training occurs.
- ▶ Harvesting and transport contractor OHS&W and performance is supported and monitored through audits with mentoring help available;
- ▶ There is support and training for internal auditors, FSC and health and safety representatives to undertake their duties;
- ▶ There is reward and recognition for safety initiatives/ideas and employee achievements;
- ▶ Promotion and measuring of a positive OHS&W and IM culture occurs;
- ▶ There is funding and support to various wellbeing programs, including:

- ▶ Annual flu vaccination program;
- ▶ Annual hearing tests;
- ▶ Annual health screen evaluations;
- ▶ Active community team challenge
- ▶ Sponsorship for employees in various events;
- ▶ Employee Assistance Program
- ▶ Health and Wellbeing newsletters.

In recognition of this commitment, ForestrySA was the first South Australian Government agency to achieve Level 2 status under the WorkCover Self-Insurance Evaluation. With WorkCover, ForestrySA has identified further improvements to work towards achieving Level 3 "Gold" status and if successful would be the first SA Government Agency to achieve this level.

A focus on the importance of early intervention and reporting of work related injuries continued throughout the year. A total of 13 claims for compensation were lodged and eight remained open at the end of the financial year. Three lost time injuries were sustained, with all three employees rehabilitated and returning to their normal duties. There was a duration rate of 21.92 days per claim.

The ForestrySA Employee Assistance Program continued to provide support to ForestrySA employees. More than 27 employees and family members accessed the program for a range of services such as confidential counselling and physiotherapy. Assistance was also provided to help employees suffering non-work related injuries to return to and/or remain in the work place.

# OCCUPATIONAL HEALTH, SAFETY, WELFARE AND INJURY MANAGEMENT CONT

		2010-11	2009-10
<b>1</b>	<b>OHS legislative requirements</b>		
	Notifiable occurrences pursuant to OHS&W Regulations Division 6.6	0	0
	Notifiable injuries pursuant to OHS&W Regulations Division 6.6	0	1
	Notices served pursuant to OHS&W Act s35, s39 and s40 (default, improvement and prohibition notices)	0	0
<b>2</b>	<b>Rehabilitation</b>		
	Employees who participated in a rehabilitation programs	5	5
	Employees rehabilitated and reassigned to alternate duties	1	0
	Employees rehabilitated back to their original work	4	3
	Early assessment for rehabilitation within two days – (target 80%)	100%	100%
	Early intervention within five days - (target 80%)	100%	100%
	Return to work within five business days - (target 75%)	0	25%
<b>3</b>	<b>Number of claims</b>		
	New workers compensation claims in the financial year	13	7
	Fatalities	0	0
	Medical treatment only	10	3
	Lost time injuries	3	4
	Days lost new claims	65.8	62
	Number of open claims as at 30 June	8	5
	Whole working days lost	323	505
<b>4</b>	<b>Cost of workers compensation</b>		
	Income maintenance	\$47,394	\$57,520
	Amount paid for lump sum payments (under Workers Rehabilitation and Compensation Act)	\$185,000	\$815,409
	Section 42		
	Section 43	\$74,352	\$23,770
	Section 44	0	0
	Total amount recovered from external sources (s54)	0	0
	Medical and rehabilitation costs combined and other costs (excluding lump sum payments)	\$114,272	\$181,080
	Budget allocation for workers compensation	\$423,000	\$282,000
	Total Expenditure	\$373,624	\$1,020,259
	Workers compensation expenditure over gross annual remuneration	2.4%	6.4%
<b>5</b>	<b>Trends</b>		
	Severity of compensable injuries (number of days lost divided by number of lost time claims)	21.9	10.8
	Injury frequency rate for new lost-time injury/disease for each million hours worked	10.3	11.7
	Most frequent cause (mechanism) of injury	Body stressing	Body stressing
	Most expensive cause (mechanism) of injury	Body stressing	Body stressing
<b>6</b>	<b>Meeting the organisation's strategic targets</b>		
	New claims	Target	0
		Result	13
			7

# OCCUPATIONAL HEALTH, SAFETY, WELFARE AND INJURY MANAGEMENT CONT

		2010-11	2009-10
<b>6</b>	<b>Meeting the organisation's strategic targets cont.</b>		
Injury Frequency Rate	Target	0	0
	Result	10.3	11.7
Safe Behaviour Observations completed per month per worksite	Target	2	2
	Result	1.3	1.4

Table #57 : Occupational Health, Safety, Welfare and Injury Management

## FOREST MANAGEMENT SYSTEM

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 environment and sustainable forest practice requirements for Environment (ISO 14001) and the Australian Forestry Standard (AS 4708).

The Forest Management System:

- ▶ 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.
- ▶ Applies to the total area of land under ForestrySA management control.
- ▶ Is the collection of all processes that enable ForestrySA to fulfil its obligations to its owner, customers, stakeholders, contractors and employees.
- ▶ Ensures continual improvement in efficiency, consistency and effectiveness.
- ▶ Provides a structure that integrates the various aspects of the business including environment and safety management systems and facilitates better communication.
- ▶ Supports the triple bottom line approach of integrating social, environmental and financial perspectives.

Significant achievements:

- ▶ Recertified to AS 4708 Australian Forestry Standard.
- ▶ Recertified to ISO 14001 Environmental Management Systems.
- ▶ Review and restructure of the ForestrySA compliance register.
- ▶ Review and restructure of the ForestrySA risk register.
- ▶ Revision of management system documentation.
- ▶ Enhanced the controlled document database and reporting.
- ▶ Continued controlled document consolidation and rationalisation.
- ▶ Provided management system training and awareness;
- ▶ Reinvigorated the internal audit program.
- ▶ Conducted legislative compliance audits.
- ▶ Provided record management training and awareness.
- ▶ Identified improvements to the electronic document and records management system.
- ▶ Developed a chemical store checklist and an OHS compliance checklist.

## OVERSEAS TRAVEL

Employees	Destination	Reason for travel	Total cost to ForestrySA
1	Germany	Silvilaser 2010 Conference, University of Freiburg	\$1,151

Table #58 : Overseas travel

# 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 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.
- ▶ Target to reduce consumption by 25% by 2014.

Energy consumption calculations in the following table include electricity, natural gas and vehicle fleet fuels. The 2010-11 portfolio target reduction is 17.5% of base year 2000-01.

The emission factors for greenhouse gas calculations reference the July 2010 National Greenhouse Accounts Factors.

	Energy use (Gj)	GHG emissions (tonnes CO <sub>2</sub> e)	Expenditure (\$)
Base year 2000-01 ForestrySA total	36,942	3,192	840,880
2010-11 ForestrySA total	28,917	1,609	1,002,179
2010-11 ForestrySA target	30,477	2,633	NA
Final target (2014)	27,707	2,394	NA

Table #59 : Performance against annual energy use targets

# 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	2010-11		2009-10	
		Consumption	Expenditure (\$)	Consumption	Expenditure (\$)
Electricity	kwh	438,388	116,176	487,383	125,172
Water	kl	5,750	17,621	2,740	7,884
Paper	ream	1,050	7,720	964	7,051

Table #60 : GoGo Action Plan achievements

# SUSTAINABLE FOREST MANAGEMENT POLICY

ForestrySA manages plantation and native forests and provides forestry services for the benefit of the people and economy of South Australia.

ForestrySA is committed to sustainable forest management, a safe environment for employees and 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, systems and review.
  - ▶ Optimise environmental, economic, social and cultural values of forests and lands.
  - ▶ 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.
  - ▶ Promote and improve the delivery of Injury Management and Occupational Health Safety and Welfare by developing an interdependent safety culture, complying with legislation, allocating appropriate resources, reducing risk and consulting with employees and external stakeholders.
- ▶ 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 while ensuring environmentally, socially and culturally responsible outcomes.
  - ▶ Provide recreational, educational and community use opportunities that are compatible with commercial operations.
  - ▶ 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.
  - ▶ Use internal and/or external expertise when required.

ForestrySA will:

- ▶ Maintain a Forest Management System compatible with appropriate standards to ensure a systematic approach to forest management and the continual improvement of products and services.

## REGIONAL IMPACT ASSESSMENT STATEMENTS

No Regional Impact Assessment Statements were prepared by ForestrySA in 2010-11.

## CONTRACTUAL ARRANGEMENTS

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

# 06

## GLOSSARY

A3P	Australian Plantation Products and Paper Industry Council
AFPA	Australian Forest Products Association
AFS - AS 4708	Australian Forestry Standard - Identifies accepted specifications for sustainable forest management to enable independent assessment and certification to AS 4708
ALS	Airborne Laser Scanning
ARC	Australian Research Council
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
CSIRO	Commonwealth Scientific and Industrial Research Organisation
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
CSO	Community Service Obligation
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
DENR	Department of Environment and Natural Resources
DTF	Department of Treasury and Finance
EPA	Environment Protection Authority
Eucalypts	Plants of the genus Eucalyptus
FFDI	Forest Fire Danger Index
FSC	Forest Safety Committee
FTE	Full Time Equivalent (employee)
FMS	Forest Management System. The FMS covers all processes involved in the management and protection of native forests, the provision of services to private forestry and establishment, and the maintenance and harvesting of the plantation estate

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
FWPA	Forest and Wood Products Australia
GIS	Geographic Information Systems
GTRPC	Green Triangle Regional Plantation Committee
ha	Hectare/s
Hardwood	Timber from broad-leaved flowering trees irrespective of physical hardness. Includes eucalypts, wattles and most rainforest species
IM	Injury Management
ISO 14001	The international standard for Environmental Management Systems. It formalises methods for reviewing, reporting, documenting, monitoring and training in environmental management practices
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
NAFI	National Association of Forest Industries
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
OHS&W	Occupational, Health, Safety and Welfare
PIRSA	Department of 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
SAFC	South Australian Forestry Corporation
Salvage logging	Logging carried out on areas damaged by fire, disease or storm
SASP	South Australia's Strategic Plan
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. 1 indicates best site quality, 7 indicates poorest
Softwood	Timber of coniferous or cone-bearing trees irrespective of physical hardness. Includes radiata pine
Standing plantation	The area of standing plantation less areas that have been clear felled
Sustainable yield	The level of commercial 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
TLS	Terrestrial Laser Scanning
TVSP	Targeted Voluntary Separation Package
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
Yield regulation	Predicting and managing the volume of timber to be harvested from a plantation at one time

Table #61 : Glossary



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