



ForestrySA

ANNUAL REPORT 2009-10



BUSINESS HIGHLIGHTS



HIGHLIGHTS	2009-10	2008-09	Measure
Economic			
Sales / Income	132.9	115.0	\$m
Profit from trading before revaluation of standing timber	46.2	30.2	\$m
Profit margin	34.8	26.3	%
Sales per FTE	611	491	\$'000
Sales			
Total sawlog sold from all plantations	1,325	1,058	m ³ '000
Total pulpwood sold from all plantations	555	672	m ³ '000
Assets employed			
Non-current	1,228	1,127	\$m
Current	147	129	\$m
Total	1,375	1,256	\$m
Environment			
Certification	AS 4708 (AFS) ISO 14001	AS 4708 (AFS) ISO 14001 ISO 9001	
Social			
FTE employed (average for the year)	205.9	219.6	
Lost Time Injury Frequency Rate	11.7	10.3	

Table #1 : Business highlights

For further information please visit www.forestrysa.com.au.

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**South Australian Forestry Corporation
Annual Report 2009-10**

ISBN 978-0-7308-7405-8

ISSN 1832- 732X

ABN 57 969 474 679

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BUSINESS PROFILE

01





CHAIRMAN'S REPORT

John Ross
CHAIRMAN
ForestrySA

As this report illustrates, the year in review has been a successful one for ForestrySA and its shareholders.

Pessimism about trading conditions for our industry during a global financial crisis has proved unfounded, borne out by increased production, sales and profit. The dividend paid to Government is the largest derived from a single year's earnings since incorporation in 2001.

Last year I noted the current ownership framework and operating model was a catalyst for stability within the industry. My confidence in that notion continues to increase and I believe that while much of ForestrySA's potential has been latent given the long term nature of its investment and production cycle, we are now seeing the inherent strength of our planning, assets and skilled personnel being realised.

The spectre of privatisation has again been raised with the recent sale of the state-owned forests in Queensland. This, in the context of the divestment strategy being reviewed by the South Australian Department of Treasury and Finance (DTF) following the Treasurer's statement of 19 December 2008, brings into sharp focus the important role ForestrySA has in contributing to the state and regional economies.

At the time of writing, the results of the DTF review are not known; our Executive has assisted Treasury officers and consultants to gather information and we await the consultation implicit in the Treasurer's statement to clarify our future status.

Water policy and how primary industries compete for groundwater remains a contentious matter. The National Water Initiative establishes principles which need to be applied by state jurisdictions. Initial investigations and proposals are the responsibility of regional Natural Resources Management Boards - their recommendations to the Minister for Water if assented to create the legislative framework for allocation and licensing administered by Department for Water.

Clearly, the vital nature of such policy demands adequate consultation with user groups and that what it agrees to, reflects an equitable and sustainable sharing of the resource. It is equally clear that uncertainty about water allocations is an impediment to investment in our industry.

Similarly, the quality of regional road and rail infrastructure is an important element in attracting investment and supporting existing industry. The responsibility for this falls to state and national jurisdictions constrained, all too frequently, by short electoral cycles that inhibit longer term planning considerations.

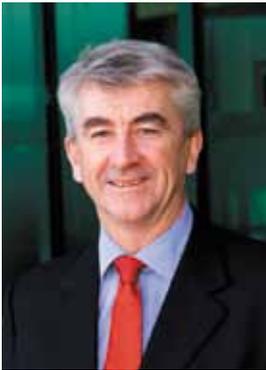
The ForestrySA Board is conscious of the need for a government business enterprise to be competitive. In meeting that test it must constantly evaluate its performance in the three regions of the state it operates in and direct its investment and energy to the most profitable region. The Green Triangle region's superior profitability and potential for future expansion compared with the Mount Lofty Ranges, where scale, social, environmental and topographical issues compound to lower returns, makes the choice simple, if it were not for agreement with stakeholders about an exit strategy from the Ranges.

While the Mid North / Bundaleer forest region is not a large financial contributor to our business, it does not pose the social or environmental issues faced in the Ranges and its historical significance as the starting place of ForestrySA will be sufficient reason for its continuation.

A staged exit from the Mount Lofty region needs to be explored and any future expansion directed to the Green Triangle region, where soils and climate are conducive to *Pinus radiata* plantation production of premium quality and yield. A by-product of such expansion would be increased employment in a region apropos the current population debate that has the infrastructure and resources to support a much larger population.

Following the South Australian March State Election, the Hon. Michael O'Brien MP was appointed Minister for Agriculture, Forests and Fisheries. We welcome him to this role for his enthusiasm and interest, and thank his predecessor the Hon. Paul Caica MP for his advocacy and support.

I wish to record my appreciation of the dedication of Board members, Executives and staff for their harmonious collaboration to produce the results reported here.



CHIEF EXECUTIVE'S REPORT

Brian Farmer
CHIEF EXECUTIVE
ForestrySA

The framing of our business goals for 2009-10 were established during 2008-09 in the shadow of disappointing results and perceptions of further difficult economic conditions in the coming year. To achieve the goals established required appropriate decisions to be taken by the Board and management. As a result, considerable cost savings, capital expenditure reduction and additional revenue sources provided, in the end, a very satisfactory business result.

ForestrySA's dividend paid to Government increased to \$31m. The dividend was generated by increasing sales to \$126m and constraining expenses to \$83m.

The practical and revenue benefits of exporting a proportion of our log supply were tremendously valuable. Export provided additional work to keep harvest and transport contractors fully occupied during difficult economic circumstances. Export of lower grade logs ensured the local sawmills received overall improved log quality providing the opportunity for better grade recovery within the control of timber processors.

ForestrySA realised additional revenue from several additional short term domestic log sales and increased log supply from our forests.

A clear strategic exercise to improve our understanding of the forest resource in order to maximise the allowable cut without risking long term supply was conducted during 2009-10. As a result, the Board endorsed the principle of increasing the allowable cut of sawlog to 1.1m cubic metres per annum and applying a more flexible silvicultural strategy. This decision to increase the level of harvest will have significant flow on economic benefits in terms of jobs, timber processing activity and returns to the Government, without impacting future log supply arrangements. The increased harvest in 2009-10 generated some \$5m in additional payments to contractors compared with budget.

ForestrySA will go to market later in 2010 with additional log supplies, arising from retiring contracts. A key ambition of ForestrySA is to drive industry development that minimises the risk to ForestrySA in regard to log price, in the short and long term. Our customers expect us to produce quality logs from sustainably managed forests in suitable quantities at reasonable prices. ForestrySA also recognises that a key competitor for our product is imported timber products produced in very efficient and well managed sawmills and paper mills elsewhere. As such, both ForestrySA and our industry need scale, quality and efficient processing capacity to remain price competitive. ForestrySA will run a significant

revenue risk if supply arrangements do not consider the productive capacity and risks that may be inherent with potential customers.

Despite a tightening of operating expenditure, ForestrySA has continued investment in new land and new plantations. Some 800 ha of new softwood plantations will be established in the winter of 2010, compared with approximately 567 ha in 2009. ForestrySA's growth strategy aims to increase regional softwood sawlog production by 1m cubic metres per annum in the long term. Significant opportunities exist at the present time for ForestrySA to increase its area of land under forest management and to develop the necessary softwood plantings.

It is important to recognise the achievement of the ForestrySA team in improving our results and a number of our business practices and knowledge. It is, however, important that we continue to better understand our cost drivers, revenue opportunities and forest capacity so as to continue to improve our results and risk management practices. It is encouraging when employees engage and develop new ideas, skills and methods and we see these results in the forest.

ForestrySA continues the hard work of maintaining a range of certifications including sustainable forest management certification under the international PEFC standard. This year we also underwent a major audit in regard to WorkCover and our "self insured" status remains in place. I acknowledge and thank staff for their endeavours in their contributions to maintaining high standards as audited by independent parties.

ForestrySA continues to support projects and sponsor local communities across a wide range of cultural, educational, charity and sporting endeavours. The sponsorship support ranges from direct cash and much in kind work through visits and speakers. Our key ongoing sponsorships are with the Mount Gambier Riddoch Art Gallery, the Belalie Arts Society in the Mid North and AusTimber 2012. Many of our smaller, but none-the-less important, sponsorships are through staff promoted charities.

This year ForestrySA has redeveloped its Strategic Plan with an emphasis on capturing greater value from the business. Productivity from the forest, the workplace and our customers remain important agenda items as do our people, our safety and our values. The prospects for the business remain strong, provided that we continue to grow and develop our effective management practices.

STRATEGIC PLAN 2010-13



During 2009-10, the Board approved a revised strategic plan for the business. The broad goals are set out below. The purpose of the strategic plan is to provide a framework for all

our business planning and activity, as well as a series of key performance measures. The new plan will take effect on 1 July 2010.

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 #2 : Strategic Plan 2010-13

SIGNIFICANT ACHIEVEMENTS 2009-10



ECONOMIC

Better Business Practices

- ▶ Improved dividend position for shareholder.
- ▶ Implemented a new Chart of Accounts and upgraded financial reporting to facilitate performance improvement and enhance decision making and governance.
- ▶ Positive findings and feedback from WorkCover evaluation of Occupational Health, Safety and Injury Management processes.

Growth

- ▶ Annual Allowable Cut in the Green Triangle increased from 1.04m to 1.1m cubic metres per annum.
- ▶ 567 ha of new radiata pine plantation established in 2009.
- ▶ 264 ha of radiata pine plantation purchased.

Customers, Markets, Products

- ▶ Additional Sawlog and Pulplug sales achieved in Green Triangle to improve sales volume and revenue in a difficult market environment.
- ▶ Supplied commercial LiDAR forest productivity assessments.

Operations

- ▶ Reached in-principle agreement for new Enterprise Agreement, including integrated classification structure.
- ▶ Fire preparedness and response resulted in no productive plantation lost from wildfires.
- ▶ Increased capacity of containerised nursery to 1 million seedlings.
- ▶ Established stage two of Peweena radiata pine seed orchard.
- ▶ Funding received through Federal Government's Productivity Places Program, for skills training for the Green Triangle timber industry.

Research and Innovation

- ▶ Implemented LiDAR-based forest productivity reports.
- ▶ Trialled terrestrial LiDAR and manual tree mapping systems for improved log product prediction.
- ▶ Developed and implemented systems for acquiring tree harvester and site establishment machinery data.
- ▶ Developed and implemented mobile computing systems.
- ▶ Organised precision forestry conference with international attendees.
- ▶ Initiated national herbicide research cooperative.
- ▶ Utilised overlapping features inventory to better understand log options for Green Triangle.
- ▶ Improved log yield determinations for Green Triangle.

ENVIRONMENTAL

Sustainability and Certification

- ▶ AS 4708 (AFS) and ISO 14001 certifications maintained.
- ▶ Completed Mount Burr Forest Management Plan.
- ▶ Completed forest health surveys.

SOCIAL

Culture

- ▶ "Take 5" safety awareness program developed and implemented.

Community

- ▶ Major sponsorship commitment and support for AusTimber 2012.
- ▶ Renewed commitment to the Bundaleer Forest Weekend 2011.
- ▶ Continued sponsorship and support of the 2012 ForestrySA Wood Sculpture Competition.
- ▶ Provided advice, reports and field days to fulfil forestry development-related community service obligations.
- ▶ Assisted in the reconstructed 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.

SOUTH AUSTRALIAN FORESTRY CORPORATION BOARD AND GOVERNANCE



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

John Ross AM (Chairperson)

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

Kathryn Adams B.Sc.Agr (Hons), LL.M., M.Bus., M.Env.Stud., Grad Dip Leg Pract, Prof Cert Arbitration, FAICD

Ms Kathryn Adams is an Agricultural Scientist and a lawyer. She has extensive experience in R&D 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 a 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 BEc, FCA, FAICD

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

Graham Foreman BEc

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

Julie Meeking Obst BA, LLB, MBA

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

SOUTH AUSTRALIAN FORESTRY CORPORATION BOARD AND GOVERNANCE CONT



ForestrySA Board from L-R: Graham Foreman, Kathryn Adams, John Ross (Chairman), Stephen Duncan and Julie Meeking Obst.

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	12	12
Stephen Duncan	11	12
Graham Foreman	11	12
Julie Meeking Obst	10	12
Diana Lloyd (to 31 December 2009)	6	6
Kathryn Adams (appointed 1 January 2010)	6	6

Table #3 : 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

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

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

Audit Committee

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

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

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

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

The Committee also liaised with 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 Committee Meetings

Members	Meetings Attended	Eligible for Attendance
Stephen Duncan (Chair)	4	4
Diana Lloyd (to 31 December 2009)	1	1
Kathryn Adams (appointed 1 Jan 2010)	3	3
Melody Abbott-Economou (to 31 December 2009)	1	1
Julian Robertson (appointed 26 February 2010)	3	3

Table #4 : Audit Committee meetings

Review Committee

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

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

Review Committee Meetings

Members	Meetings Attended	Meetings Held
Graham Foreman (Chair)	3	3
Julie Meeking Obst	3	3
John Ross	3	3

Table #5 : 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 the Australian Forestry Standard (AS 4708) and ISO 14001 (International Environmental Management Standard).

EXECUTIVE STRUCTURE (AS AT JUNE 2010)



**ForestrySA
Chief Executive**

BRIAN FARMER

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

**Finance and
Information Services**

WAYNE MATERNE

- ▶ Accounting
- ▶ Finance
- ▶ Information Systems
- ▶ Company Secretary

**Planning and
Development**

JIM O'HEHIR

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

Operations

ISLAY ROBERTSON

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

Human Resources

PETER FUSS

- ▶ Human Resources
- ▶ Industrial / Employee Relations
- ▶ Occupational Health, Safety and Welfare

ECONOMIC

02



Processed timber.
Carter Holt Harvey, Mount Gambier.

HIGHLIGHTS



HIGHLIGHTS	Indicator	2009-10	2008-09	Measure
Return to Government	Dividends and tax expense	44.8	23.2	\$m
	Return on equity (incl. revaluations)	11.5	9.3	%
Customer satisfaction	Open and fair tendering system	Yes	Yes	
	Significant complaints	0	1	
Ethics in business	Taxes paid	13.0	8.0	\$m
	Prevention of fraud	No cases detected	No cases detected	
Marketing and Sales	Volume of timber harvested from ForestrySA plantations	1,761	1,613	m3 '000
	Proportion of softwood logs sold as sawlog or plylog	56	51	%
Productivity	Land available for timber production	93,746	93,343	ha
	Plantation established (new and replanted)	3,287	3,307	ha
	Survival rate of newly planted stock - Green Triangle and Ranges	86.3	88	%

Table #6 : Economic highlights

ECONOMIC OUTLOOK



ForestrySA has three key business drivers:

- ▶ Housing construction and other construction;
- ▶ Renovation; and
- ▶ Pulpwood paper products.

Cyclical changes in demand for each of these drivers means the business of ForestrySA can fluctuate. Demand levels for each of ForestrySA's log products is not uniform as a function of the range of products going to each of these different market places. The overall level of demand for ForestrySA log product is influenced by the level of activity in each of these markets, the availability of substitutes and import competition.

Despite a difficult market during 2009-10, ForestrySA managed to generate alternate sales for a full range of products. These additional sales underpinned a strong result.

For 2010-11, ForestrySA has framed a sales budget in an environment of cautious optimism in the housing and renovations market. However ongoing challenges in the pulp and paper industry, both domestically and internationally, temper expectations.

Sales to traditional customers are anticipated to remain flat in line with a slow economy. Fortunately ForestrySA anticipates that alternate markets for a range of products will continue and that these will underpin ongoing profitability of the business.

ForestrySA will continue to seek to invest in softwood plantation expansion through improved utilisation of the existing land asset and through ongoing land purchase in South Australia and Victoria. ForestrySA maintains a long term view with respect to expansion, driving investment and regional development.

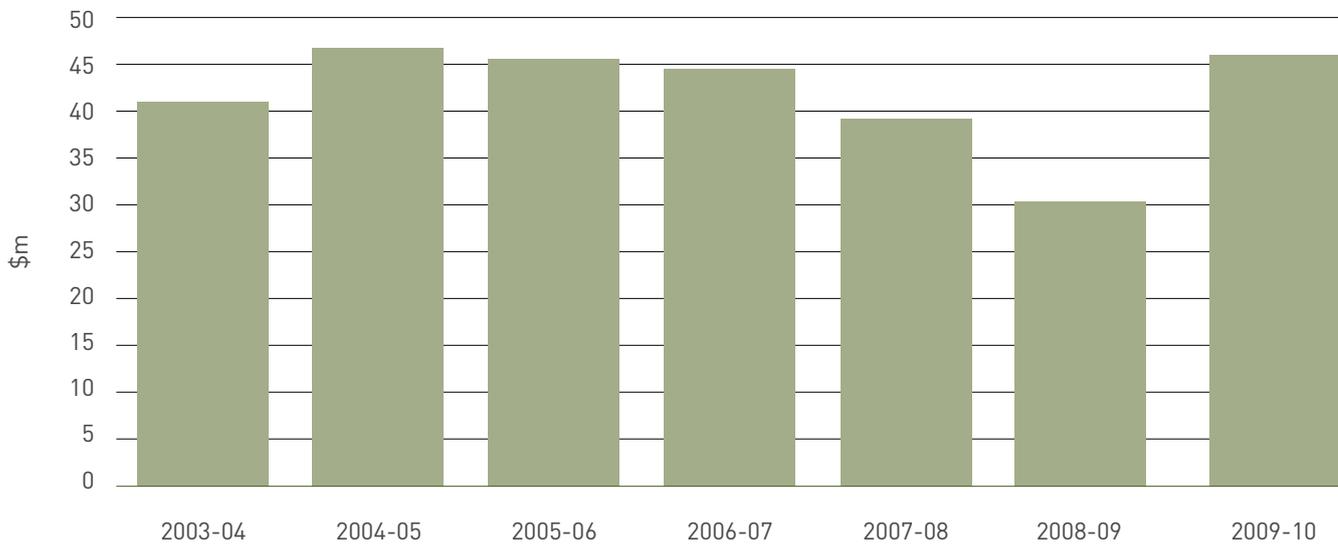
Opportunities related to a carbon market have yet to materialise. While ForestrySA sees itself as a potential participant in the carbon business, this matter will only resolve itself when the carbon regulatory environment both nationally and internationally, is determined. ForestrySA is working with its industry association to achieve a suitable regulatory operating environment in the carbon market.

ForestrySA continues to assess opportunities to set its cost structure in a manner to protect the asset from fire and disease and to ensure optimal growth of plantations. ForestrySA will continue to review its fire protection efforts in 2010-11 noting a range of external impacts and advice.

FINANCIAL OVERVIEW



TRADING PROFIT BEFORE REVALUATION OF STANDING TIMBER



TOTAL REVENUE

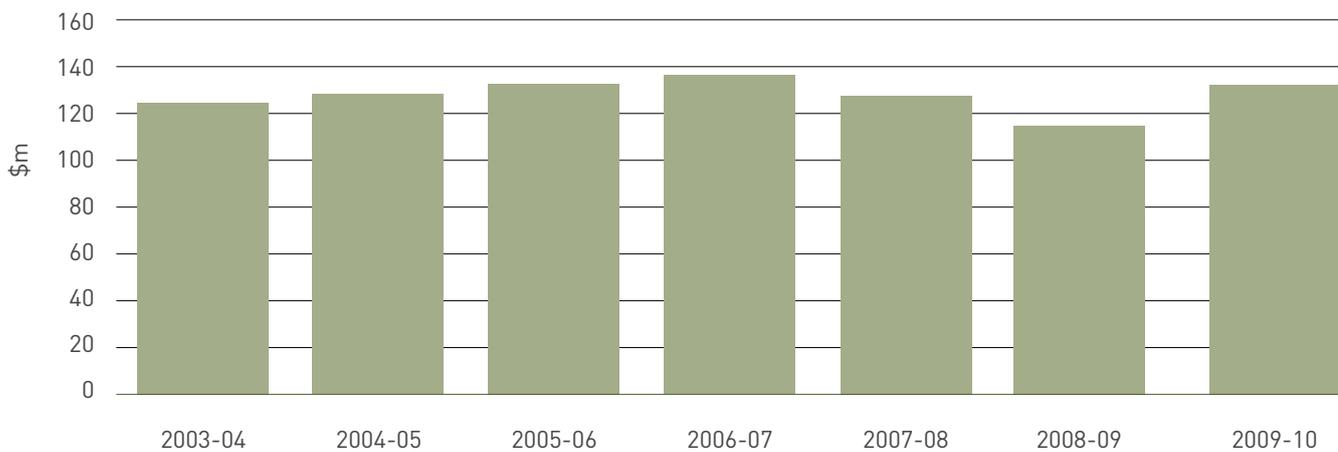


Figure #1 : Trading profit and total revenue

MARKETING AND SALES



In early 2009 the 2009-10 fiscal year was shaping up as a difficult year for the Australian economy, for the housing industry in particular and for the timber industry which relies upon both.

The Australian Government federal initiative to boost first home owners grants had ended, was replaced by the Australian Government low income housing initiative. Interest rates were beginning to rise against a backdrop of further economic uncertainty.

Budgets were framed around an anticipated weak market and several marketing initiatives were developed to ensure commitments to customers and contractors could be met.

Two specific initiatives were implemented. To ensure harvest and transport commitments would be met and as a means to improve sawlog quality to existing customers, ForestrySA entered into a short term arrangement to export lower quality logs through the Port of Portland in Victoria. ForestrySA also negotiated a number of short term sales of sawlog to one local customer.

As it eventuated the Australian economy and housing and timber industry performed better than initially expected.

Throughout the year a range of other marketing initiatives were also embarked upon.

In the Green Triangle two key exercises were conducted to shape a Future Log Marketing Strategy.

For the first time ForestrySA conducted a product based inventory of its Green Triangle region forests to better understand the future log product resource available from the forest. ForestrySA then reviewed its harvest strategy and by targeting a preferred sawlog diameter range resolved to marginally reduce average clearfall age to increase the overall availability of sawlog by 10% to 1.1m cubic metres per annum. Arising from this initiative, ForestrySA is working toward marketing additional sawlog in 2010-11.

In the Mount Lofty Ranges, ForestrySA continues to seek marketing opportunities for small diameter sawlog and pulpwood and residues. Domestic and export prospects for biofuel products, chip for pulp/paper, and log for sawing or peeling have been explored with limited success. 2010-11 will see some limited export of log.

With the proximity of the Mount Lofty Ranges to a large urban population (Adelaide) and a multitude of industries, the biofuel option to generate heat or power, or both, continues to languish in the absence of an Australian Government renewable energy regulatory framework that recognises heat production for manufacturing processes from renewable plantation fuels.

SALES OUTCOMES

With scaling down, then closure of the Carter Holt Harvey Nangwarry LVL Mill, sales of plylog by ForestrySA declined by 65% to 46,080 cubic metres.

Fortunately the alternative market for such log is sawn timber and log otherwise sold as plylog was diverted to sawmills.

With the marketing initiatives described above, despite flat or reduced sales to some customers, overall sawlog and plylog sales increased over the previous year by 20% to 986,834 cubic metres.

Recovery log (lower quality and/or shorter sawlog) sales improved by 45% to 323,345 cubic metres.

Sales of preservation log (fence posts / strainers / rails) nearly halved from the previous year to 45,299 cubic metres reflecting the combined impacts of the global financial crisis, drought and issues within the viticultural industry.

Finally, sales of pulp log also declined as a consequence of a difficult domestic market and a very difficult export chip market. Both were offset by a targeted re-entry into the export log market.

Overall sales were well ahead of the previous year. With uncut volumes (still on the stump) from 2008-09 and a new harvest strategy, ForestrySA is planning to market significant volumes of sawlog in 2010-11.

TOTAL LOG PRODUCT



From ForestrySA plantations

Total volume sold (m3)	2009-10	2008-09
Sawlog	940,754	687,590
Plylog	46,080	134,058
Recovery log	323,345	222,273
Total log	1,310,179	1,043,921
Pulpwood	271,344	341,394
Preservation	45,299	70,441
Chip	134,135	157,654
Total pulp	450,778	569,489
TOTAL	1,760,957	1,613,410

From all plantations

Total volume sold (m3)	2009-10	2008-09
Sawlog	953,185	697,054
Plylog	46,399	134,159
Recovery log	325,677	227,232
Total log	1,325,261	1,058,445
Pulpwood	358,220	435,951
Preservation	46,321	72,460
Chip	150,152	163,912
Total pulp	555,053	672,323
TOTAL	1,880,314	1,730,768

Table #7 : Total log product

PLANTATION MANAGEMENT

ForestrySA manages in excess of 93,000 ha of plantation lands, principally *Pinus radiata* softwood. During the past 12 months ForestrySA has continued with its program of land purchase along with progressively liquidating stocks of other species in favour of *Pinus radiata*.

A total of 3,287 ha of *Pinus radiata* was planted in 2009, with 2,964 ha in the Green Triangle region including 567 ha of new plantations primarily in Victoria and 323 ha of replant in the Ranges region.

A gradient of normal to drier than normal summer and autumn conditions extend from the south to the north of the ForestrySA estate, and consequently the overall survival rate of the new plantings in 2009 was slightly lower than the target rate. Areas that are insufficiently stocked will be replanted or have some remedial treatment during the 2010 planting season.

Total forecast planting area for 2010 is 2,791 ha including 799 ha of new plantings arising from the acquisition of new land.

Mid-rotation nutrition continues to be a priority, with a focus on the optimisation of fertiliser use combined with plantation thinning regimes to maximise production without compromising wood quality. Very high prices for fertiliser in 2008 resulted in a rationalised program for that year. With the onset of the Global Financial Crisis, fertiliser prices slumped, allowing ForestrySA to resume its full program for 2009. ForestrySA continues to focus on all aspects of this program to ensure maximum returns on this significant investment are realised. During the 2009-10 period over 11,400 ha of plantation received an application of solid fertiliser.

PLANTATION MANAGEMENT CONT



The control of noxious weeds continues to be a focus across plantation and native forests. A number of strategies are utilised 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.

Many processes related to operations have been streamlined with the use of an "Operations Plan" workflow system. This assists in ensuring that all aspects of the Australian Forestry Standard (AFS) are incorporated and actioned accordingly. This includes the identification of indigenous, heritage and biological values, allowing appropriate buffering or setbacks to be established. The plans also ensure that communication is maintained both internally and externally with stakeholders.

ForestrySA's nursery, based at Glencoe, produced approximately 4m open-rooted seedlings and cuttings for the 2010 planting season and another 0.5m containerised seedlings primarily for ForestrySA use. The use of a new paddock for open-rooted seedling production within the nursery produced poor seedling results for 2010 requiring ForestrySA to source some planting stock externally for the 2010 planting season, the first such event in many years. Production of containerised seedlings increased as an alternative to open-rooted seedlings and will increase again in 2011.

PLANTATION ESTABLISHMENT

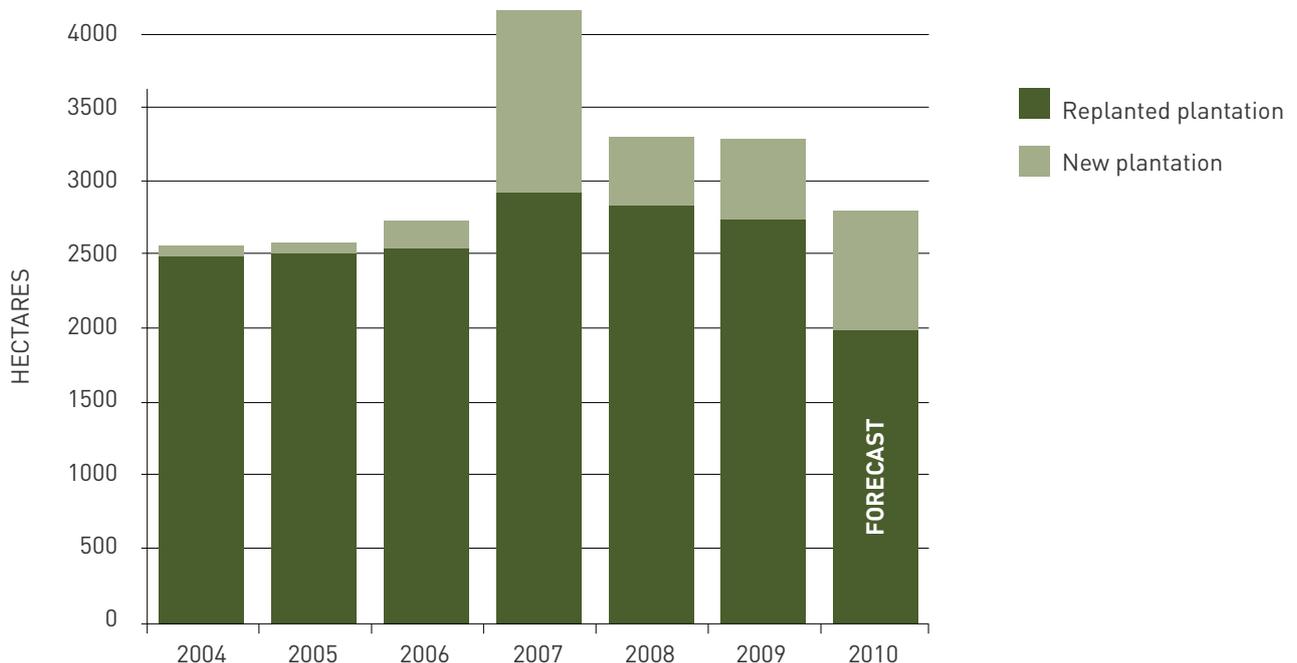


Figure #2 : Plantation establishment

FOREST STATISTICS



	2010	2009
Standing plantation area	Hectares	Hectares
Pinus radiata	85,513	83,801
Other	2,176	2,258
TOTAL	87,688	86,059
Owned land area		
Plantation ¹	93,746	93,343
Non-forest ²	16,539	16,579
Proclaimed native forest reserves (NFR)	15,994	15,994
Natural features ³	9,422	9,237
TOTAL	135,701	135,153

Table #8 : Forest statistics

¹ Includes land available for plantation

² Includes firebreaks and roads

³ Includes native vegetation, watercourses and swamps outside of NFR

PLANTATION RESOURCE PLANNING



In 2009-10, new forest inventory techniques were introduced to enrich the information produced by conventional ForestrySA resource assessment approaches. The New Zealand developed Overlapping Feature Inventory involves detailed assessments of quality attributes of tree stems providing the necessary data to extract detailed forest product mix information. In the Green Triangle, 60 sites were inventoried using this technology with the assistance of New Zealand company Interpine. ForestrySA developed a method to extrapolate the results to the remainder of the Green Triangle resource; to project the results forward through time and to integrate this information within the existing ForestrySA Yield Regulation System.

The objective of this product inventory was to quantify the product quality profile of the Green Triangle forests and to learn more about the proportions of high value products available in a resource that is rapidly changing as a result of decreasing rotation length. The inventory confirmed other sources of evidence that as rotation length decreases from rotations of high 30s to 40s in age, the proportion of low value products such as recovery log, pulp and chip decrease.

Concurrent with this inventory, a review of rotation length was conducted. Log production and cash flows were simulated as a function of site productivity and clear felling age. Alternative rotation lengths were evaluated for criteria related to the supply of preferred wood products and financial returns to identify an optimum rotation length given the existing business objectives.

The information gleaned from this project, together with the results of the product inventory, were brought together to review the level of the Allowable Annual Cut for the Green Triangle region.

ForestrySA has made good use of the availability of new technology by using Light Detection and Ranging (LiDAR) data for assessing plantation productivity in place of a completely ground based manual method. The results of the first airborne LiDAR-based site quality survey were evaluated. The evaluation indicated that the survey met ForestrySA's precision expectations. Analysis of the field sampling design revealed significant scope for reduction in field data collection. These findings were applied in the survey of the 2001 plantations resulting in further cost savings for no loss of precision.

FOREST FIRE PROTECTION



Drought conditions experienced during the previous three fire seasons were lessened by normal rainfall during the winter and spring of 2009. The 2009-10 fire season was considerably milder as a consequence. Wildfires were attended commencing September 2009 through to April 2010. ForestrySA attended a total of 39 fires, with nine of these being on ForestrySA land and with only minimal productive plantation being burnt.

Forecast conditions exceeded a Forest Fire Danger Index of 50 on nine occasions in the Green Triangle and Mount Lofty Ranges regions while, Catastrophic fire weather conditions were forecast on two occasions in the Mid North.

ForestrySA resources were heavily deployed on 22 January 2010 with storms associated with a very slow moving trough causing fires in both the Mount Lofty Ranges and in the Green Triangle. Two fires were declared major incidents, one at Second Valley and one nearby, which were hard to extinguish due to the terrain and fuel loads. Considerable use of aircraft was made at these fires including the Aircrane working from the ForestrySA airstrip at Second Valley. On the same day in the Green Triangle, five fires at Wattle Range in pasture, agricultural crops and eucalypt plantation were contained during extended action by ForestrySA, Department of Environment and Natural Resources (DENR), Private Forest Growers and the Country Fire Service (CFS).

Commitments made in the spring of 2009 resulted in a significant increase in the areas of prescribed burning of native forest. An early start to autumn rainfall resulted in limited burns. This year, the program was integrated with the resources of other agencies in the Mount Lofty Ranges through the formation of the Mount Lofty Ranges Fire Cooperative comprising ForestrySA, SA Water and DENR.

ForestrySA continued to operate the Green Triangle fire tower network. The towers were utilised on days of Forest Fire Danger Index (FFDI) 12 and above, a total for the 2009-10 season of 97 days, including one period from late December to early February of 41 consecutive days.

Extensive fire prevention measures including firebreak and roadside slashing to reduce fuel loadings in all Regions, and the continued development and maintenance of strategic fuel management zones throughout the Green Triangle plantations and protection zones around townships contributed to community fire protection.

Automatic despatch of first attack suppression forces ensures a minimum of two ForestrySA fire appliances on scene within 15 minutes on days of FFDI 35+ in central forest areas in the Green Triangle region and a similar approach in the Mount Lofty Ranges ensures rapid response to any reported incident.

ForestrySA on-ground fire crews continue to meet the international standard for fire fitness as used by other land management agencies throughout Australia, and are trained to CFS Bushfire Fire Fighting Level 1 and Suppress Wildfire standard as minimum requirements. The crews also complete on an annual basis ForestrySA Plantation Fire Fighting training.

ForestrySA is a leader at all levels of the rural wildfire community with representation on relevant committees at local, State and National levels. ForestrySA also works closely with Volunteer Fire Services in South Australia and Victoria, the Forest Owners Conference and the Bureau of Meteorology to ensure that all aspects of fire prevention, fire management and fire recovery are addressed. ForestrySA contributes to incident management at the highest levels within the CFS and considers significant improvements in fire prevention outcomes will be achieved through increased and effective interaction with the community, with other forest growers and through cooperative efforts with other fire, forest and land management agencies.

ENVIRONMENT

03



Lake Edward, Green Triangle

HIGHLIGHTS



Highlights	Indicator	2009-10	2008-09	Measure
Global Carbon Cycles	Carbon sequestration (compliant Kyoto Forests)	326,137	286,430	tonnes of carbon
Biodiversity	Rare, endangered or vulnerable plant and animal species in Native Forest Reserves by region - Green Triangle	365 ¹	364	
	Rare, endangered or vulnerable plant and animal species in Native Forest Reserves by region - Ranges	243 ²	211	
	Biodiversity Corridors	56	56	ha
Energy Use	Electricity consumption	487,383	511,054	Kwh
	ForestrySA Total Energy Use *	28,982	29,621	Gj
	ForestrySA Total GHG Emissions *	1,642	2,475	tonnes of CO ₂ e
Water Conservation	Area of watercourse and wetland buffer zones	225	203	ha
Compliance	EPA notifiable incidents	2	0	
	AS 4708 (Australian Forestry Standard)	Yes	Yes	Certification
	ISO 14001	Yes	Yes	Certification

Table #9 : Environment highlights

* Refer to the Energy Efficiency Action Plan on page 75 of this report

¹ Honan Mint (*Mentha atrolilacin*) described new mint known currently only to occur in Honan Native Forest Reserve

² Native flora species list numbers in the Mid North increased by 30% following Spring 2009 botanical survey in Northern Forests

RESEARCH



RESEARCH

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

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

Research highlights in 2009-10 included:

- ▶ ForestrySA was the lead agency in the establishment of the Australian Forest Industry Herbicide Research Consortium. This research cooperative is designed to maintain and increase the productive capacity of the Australian Forest Industry by ensuring the continued availability of effective, environmentally and socially acceptable chemical control options for weeds, pests and diseases. This is achieved by coordinating the forestry specific pesticide research effort, developing and promoting industry best practice and providing considered scientific advice to the public, regulators, legislators and industry. The cooperative is made up of 17 public and private plantation growers representing all states and territories of the commonwealth, five chemical manufacturers, peak industry bodies and independent researchers. The cooperative is funded by a combination of industry contributions and matching funding from the Forest and Wood Products Australia. ForestrySA is the South Australian industry representative on the managing steering committee of the cooperative and has been appointed the research provider for trials established in the Green Triangle region.

The biological control agent, *Diaretus essigellae*, for the Monterey Pine Aphid, *Essigella californica*, has been released at several strategic sites in the Green Triangle. More releases are planned for 2010-11. It is too early to tell if establishment has been successful.

- ▶ A young age fertiliser response prediction tool was developed using data from the ForestrySA young age growth plot measurement program, fertiliser records, the Bureau of Meteorology 30 year average rainfall isohyets and the ForestrySA soils and site productivity geographic data bases. The tool provides a probability table of young age fertiliser response based upon growth plot data collected from plantations established between 1993 and 2006 using soil type, soil characteristics and rainfall zones. Recommendations from the young age fertiliser response tool have been used by ForestrySA for its 2010 fertiliser program.
- ▶ As part of its CSO commitments, ForestrySA hosted two field days to present recent forest research results. Plantation managers from Gunns, Green Triangle Forest Products, Elders Forestry, Great Southern Plantations, Macquarie Investments, Department of Primary Industries Victoria and Hancock Victorian Plantations as well as forestry consultants, farm foresters and lecturers from the South West College of TAFE and Southern Cross University, and the tree seed company SeedEnergy attended. The field days included visits to: a contract research trial where chemical rates for the control of post harvesting coppice emergence was being investigated; containerised versus open rooted planting stock performance trials; alternative herbicide prescription growth performance and costing modelling; PIRSA Forestry community service obligation funded research projects, including coppice control of Tasmanian blue gum at harvesting; and, radiata pine genetic performance trials.
- ▶ A series of trials established within the Green Triangle Region to compare the performance of containerised seedlings, open rooted seedlings and cuttings of radiata pine planting stock were reported on. The trial results were analysed for tree survival and growth during the plantation establishment phase across a range of soil types, rainfall zones and site preparation methods. The recommendations from these trials have been incorporated into ForestrySA's Forest Management System to maximise planting stock survival.

FOREST HEALTH



Annual forest health surveys have been conducted using a refined version of the Digital Aerial Sketchmapping software developed by ForestrySA. This software is now being trialled in Australia and in New Zealand.

A new South Australian Plant Health Act came into effect on 1 August 2009. ForestrySA has obtained Import Verification Compliance Arrangement accreditation as an importer of plant material as per requirements under the new Act. This is of particular importance to support the movement of tree nursery stock into South Australia.

ForestrySA is involved, together with the National Sirex Coordination Committee (NSCC) and Charles Sturt University, in a national project "Protecting Australia's pine plantations from climate change and exotic pests". This project is investigating the distribution of Ips in different bioclimatic regions and the Ips/Sirex interaction. This work is funded by the NSCC and an Australian Research Council grant.

SOCIAL AND COMMUNITY

04



Bundaleer Forest Weekend. ForestrySA is a major sponsor of the biennial event, held in the historic Bundaleer Forest.

HIGHLIGHTS



HIGHLIGHTS	Indicator	2009-10	2008-09	Measure
Community engagement	Contributions to programs by volunteer and community participants	35,036	43,887	Hours
	Forest visitors recorded	148,848	146,154	
Community support	Sponsorship program	30,770	68,613	\$

Table #10 : Social and community highlights

SPONSORSHIP AND MAJOR COMMUNITY EVENTS



Recipient	Event / cause
AusTimber 2012	Major sponsorship
ForestrySA Wood Sculpture Competition	Riddoch Art Gallery, 2012
Timber Communities Australia	Corporate membership
The Future of Forestry and Forest Science Conference 2010	Bronze sponsorship
City of Mount Gambier	Family Fun Day 2010
Gottstein Trust	Patron
Stephanie Slotegraaf	Youth Parliament Program participant
Christmas Party for Special Children 2009	Sponsorship for two South East children to attend event in Adelaide
Mount Gambier Breast Cancer Awareness Group	Sponsorship for 2009 fundraising luncheon
Mount Gambier Hoo Hoo Club 214	2009 Timber Industry Golf Day
ForestrySA Friends of the Forest	ForestrySA staff Relay for Life Team Mount Gambier 2010
Friends of Native Wildlife SE	Donation to Mount Gambier-based community group
Give Me 5 for Kids campaign	Funds raised for children's hospital wards in the South East

Table #11 : Direct sponsorship 2009-10

COMMUNITY FORESTRY



ForestrySA's mission not only recognises the commercial and environmental value of its forests but also their social importance for present and future generations of South Australians. ForestrySA demonstrates its corporate responsibility through its Australian Forestry Standard (AFS) certification and commitment to a broad range of social obligations through the Community Forestry Program¹. This program provides a range of (non-commercial) services to the community including protection and enhancement of biodiversity, cultural and heritage values, public access and recreation activities, and community engagement and participation.

NATIVE FOREST MANAGEMENT

ForestrySA manages approximately 16,000 ha of Native Forest Reserves gazetted under the *Forestry Act (1950)* and a further 9,300 ha of other native vegetation areas, mostly embedded in the ForestrySA plantation estate. These are managed to maintain their conservation values.

ForestrySA is active in a number of biodiversity conservation initiatives both nationally and at a state level, including the "No species loss - natural conservation strategy for South Australia". Vegetation surveys conducted in 2009-10 in the Ranges, including the Northern Forests, have now identified 243 flora species with conservation ratings (an increase of approximately 15% over 2008-09), and 721 different flora species in total. This represents a significant increase in the number of known species present in ForestrySA native forest reserves. Also in 2009-10 a new mint *Mentha atrolilacina* (Honan Mint) was discovered and described: currently known to occur in Honans' Native Forest Reserve, in the South East of South Australia.

COMMUNITY USE OF FOREST RESERVES

ForestrySA is committed to the provision of a range of high quality services to enhance visitor enjoyment and appreciation of South Australia's forests. Recreational use of forest reserves is 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, picnicking, camping, cycling, cave diving, horse riding and motor sport events.

The Valley Lake Wildlife Park Rehabilitation Plan produced in 2009-10 was a significant departure from previous planning documents, focussing on a key tourist asset in the Green Triangle. This was a partnership between ForestrySA and the local Mount Gambier City Council to develop a framework for a rehabilitation work that could be largely undertaken through the engagement of community groups. The result will be the renewal of one of the region's prime tourist attractions. This will become a platform for increasing public awareness of the importance of sustainable forest management and biodiversity conservation across the whole of the lower south east of South Australia.

In October 2009, the Mount Burr Forest Management Plan was released by the Minister for Forests. This is the second in a series of management plans, which represent an integrated, landscape approached to all the management activities that occur on ForestrySA land. The Penola and Mount Gambier Forest Management Plans are now drafted and ready for public consultation.

¹ Funded by the Department of Treasury and Finance through a Service Level Agreement with PIRSA Forestry

COMMUNITY FORESTRY CONT



CULTURAL AND HERITAGE MANAGEMENT

Cultural heritage includes aspects of the past and present that we want to share with future generations. It includes significant artefacts and places that provide connections between people and events and ForestrySA land.

Preserving and conserving heritage on ForestrySA land is largely accomplished through our community engagement program. This program helps overcome a number of the challenges associated with the protection and maintenance of cultural assets, especially historic buildings.

In 2009-10 ForestrySA undertook several restoration activities. The Bundaleer Cottage, which provides a significant backdrop to the Biannual Bundaleer Forest weekend, has undergone further work, including the stabilisation of the stable. The Old Wirrabara Office and outbuildings have also seen upgrades, including the completion of the nursery walking trail.

COMMUNITY ENGAGEMENT AND PARTICIPATION

The community engagement program involves working collaboratively with groups and individuals in the management of native vegetation, heritage and recreational sites and ForestrySA's forest reserves.

In 2009-10, volunteers and community program participants contributed more than 35,000 hours of their time to improve the social values and environmental services of the State's forest reserves. This involved 44 different groups and equated to more than 18.6 full time equivalents.

The new National Green Jobs Corp accredited training and environmental work experience program made significant contributions and now accounts for more 30% of the total hours. Youth justice teams in the Mid North and Mount Lofty ranges have been instrumental in the completion of Chalks Waterhole Boardwalk and a number of other projects.

Ongoing school partnership programs in the Green Triangle with Grant High, Millicent High, Glenburnie and Newberry Park Primary Schools have led to the restoration work on the Dry Creek Stage coach building, native fish breeding and indigenous plant propagation programs. ForestrySA congratulates the schools on their commitment and success in making a real difference to conservation outcomes.

COMMUNITY FORESTRY CONT



Community Forestry Program

Community Forestry Program	Agreed Performance Measures	2009-10	2008-09
1. Public Access and Recreation	Number of visitors to forests ¹	148,848	146,154
	Number of permits issued (by category)	3,617 ²	3,762 ³
	Number of forest events	325	316
	Number of compliance enforcements	109	179
	Visitor facility planning, development and upgrade updates	7	7
	Ranger FTE delivered	7	7
2. Biodiversity and Heritage	Number of Forest Management Plans completed/reviewed/scheduled	1 completed (Mount Burr) 2 drafted (Penola & Gambier)	1 completed (Northern Forests) 1 drafted (Mount Burr)
	Number of field days, tours and presentations to the public providing information and interpretation of natural history and forest management	5	6
3. Community Engagement and Participation	Number of volunteer groups actively engaged	44	63
	Volunteer hours recorded	35,036	43,887
	Number of forest education programs supported	12	50

Table #12 : Community Forestry Program

¹ Forest visitor data is based on a number of strategically located traffic counters established in 1998-99, and assumes 3.02 occupants per vehicle. Overall visitation in the Mount Lofty Ranges is significantly higher than that recorded. Visitation to the Second Valley, Mid North and Green Triangle forests is not recorded.

² Camping 1745, firewood collection 614, fossicking 412, caving 377, horse riding 353, other 116. Total 3,617

³ Incorrectly reported in 2008-09 as 12,668

FINANCIAL REPORT

05



Tissue production.
Kimberly-Clark Australia, Millicent.

STATEMENT OF COMPREHENSIVE INCOME

SOUTH AUSTRALIAN FORESTRY CORPORATION

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$'000	2009 \$'000
Income			
Sales - Timber products		125,746	107,769
Revenues from SA Government	5(i)	3,258	3,170
Interest	5(i)	2,152	2,292
Other	5(i)	1,671	1,754
Net gain from the disposal of non-current assets	5(ii)	111	-
Total income		132,938	114,985
Expenditure			
Employee benefits	7	(16,027)	(15,953)
Contractors		(43,310)	(42,193)
Wood purchases		(4,179)	(3,965)
Depreciation and amortisation	5(iii), 15, 16	(2,465)	(2,332)
Council rates		(1,344)	(1,257)
Finance costs	5(iii)	(2,494)	(2,474)
Materials		(4,545)	(5,457)
Equipment and vehicle costs		(3,066)	(3,239)
Other		(5,109)	(5,265)
Net loss from the disposal of non-current assets	5(ii)	-	(168)
Revaluation decrement on non-current assets		(4,157)	(2,480)
Total expenses		(86,696)	(84,783)
Trading profit before revaluation of standing timber			
Net change in value of standing timber	14	80,581	70,484
Profit before income tax equivalent			
Income tax equivalent expense	2 (g), 6	(13,737)	(7,931)
Net profit after income tax equivalent	9(ii)	113,086	92,755
Other comprehensive income			
Land revaluation recorded in asset revaluation surplus		38,658	19,397
Total comprehensive income		151,744	112,152

Table #13 : Statement of comprehensive income

The net profit 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 2010

	Note	2010 \$'000	2009 \$'000
Current assets			
Cash and cash equivalents	9	12,941	45,830
Other financial assets	10	27,836	-
Receivables	11	20,266	15,360
Inventories	12	445	264
Standing timber	14	85,181	67,848
Assets classified as held for sale	13	243	340
Total current assets		146,912	129,642
Non-current assets			
Standing timber	14	682,588	618,138
Property, plant and equipment	15	544,847	508,307
Intangible assets	16	749	405
Total non-current assets		1,228,184	1,126,850
Total assets		1,375,096	1,256,492
Current liabilities			
Payables	17	7,898	8,395
Employee benefits	18	1,961	1,550
Interest bearing loans	19	2,926	2,781
Tax liabilities	6	2,858	2,086
Deferred income	20	1,028	1,269
Other provisions	21	111	95
Total current liabilities		16,782	16,176
Non-current liabilities			
Payables	17	477	444
Employee benefits	18	2,520	2,395
Interest bearing loans	19	30,626	33,539
Deferred income	20	316	330
Other provisions	21	358	268
Total non-current liabilities		34,297	36,976
Total liabilities		51,079	53,152
Net assets		1,324,017	1,203,340
Equity			
Contributed capital		4,984	4,984
Reserves		1,231,440	1,111,676
Retained earnings		87,593	86,680
Total equity		1,324,017	1,203,340

Table #14 : 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 2010

	Note	2009/10 Inflows (Outflows) \$'000	2008/09 Inflows (Outflows) \$'000
Cash flows from operating activities			
Receipts from customers		123,706	106,401
Payments to suppliers and employees		(78,119)	(75,442)
Finance costs		(2,495)	(2,474)
Interest received		2,187	2,439
Receipts from SA Government		2,081	3,150
GST receipts on sales		13,022	11,393
GST payments on purchases		(6,132)	(6,210)
GST remitted to Australian Taxation Office		(6,867)	(5,190)
Income tax equivalent paid	6	(12,965)	(7,955)
Net cash flows from operating activities	9 (ii)	34,418	26,112
Cash flows from investing activities			
Investment in other financial assets		(27,836)	-
Purchase of property, plant & equipment, incl land and timber		(6,227)	(10,979)
Purchase of intangible assets		(334)	(345)
Proceeds from sale of assets		926	451
Net cash flows from investing activities		(33,471)	(10,873)
Cash flows from financing activities			
Proceeds from borrowings		-	7,023
Repayment of borrowings		(2,769)	(2,520)
Dividend paid		(31,067)	(15,232)
Net cash flows from financing activities		(33,836)	(10,729)
Net (decrease)/increase in cash held		(32,889)	4,510
Cash and cash equivalents at the beginning of the period		45,830	41,320
Cash and cash equivalents at the end of the period	9 (i)	12,941	45,830

Table #15 : Statement of cash flows

STATEMENT OF CHANGES IN EQUITY

SOUTH AUSTRALIAN FORESTRY CORPORATION

FOR THE YEAR ENDED 30 JUNE 2010

	Contributed capital \$'000	Asset revaluation surplus \$'000	Standing timber reserve \$'000	Fire insurance fund reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2008	4,984	421,943	582,539	12,775	84,179	1,106,420
Gain on revaluation of property, plant and equipment	-	19,397	-	-	-	19,397
Net income/expense recognised directly in equity	-	19,397	-	-	-	19,397
Net profit for the period	-	-	-	-	92,755	92,755
Total comprehensive income for 2008-09	-	19,397	-	-	92,755	112,152
Dividend	-	-	-	-	(15,232)	(15,232)
Transfers to/(from) equity	-	(11)	70,443	4,590	(75,022)	-
Total change for the period	-	19,386	70,443	4,590	2,501	96,920
Balance at 30 June 2009	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 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
Balance at 30 June 2010	4,984	480,014	733,563	17,863	87,593	1,324,017

Table #16 : 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 2010

1. CORPORATE INFORMATION

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

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

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

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

- ▶ community use of forests;
- ▶ native forest management; and
- ▶ community protection (including fire protection).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 2010. 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 \$100,000 or more (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

The financial 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 Policy Statement or Australian Accounting Standard has required a change.

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

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

(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 2010. The Corporation has assessed the impact of the new and amended Standards and Interpretations and considers there will be no impact on the accounting policies or the financial statements of the Corporation.

(f) Foreign Currency Transactions and Balances

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

(g) Taxes

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

Income Tax Equivalent

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

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.

(h) Income and Expenses

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

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

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Revenue from sales - timber products is derived from the provision of goods and services to customers.

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

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

Finance costs are recognised as an expense 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. Harvested log stocks represent timber harvested for sale and are disclosed as a current asset.

(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 forests, the master database was last updated as at June 2009, affecting the standing timber valuation as at 30 June 2010. For the Mount Lofty Ranges forests the master database was last updated in 2008, affecting the standing timber valuation as at 30 June 2008, while for the Mid North forest the master database was last updated in 2006, affecting the standing timber valuation as at 30 June 2006.

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

There is inherent uncertainty in the standing volume estimate and resultant standing timber valuation 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.

iv. Revaluation

Land has been revalued as at 30 June 2010, whilst buildings and structures were revalued as at 30 June 2006, in accordance with APF III Asset Accounting Framework. Assets in the other asset classes are deemed to have been revalued to their fair values immediately following recognition at cost.

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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 2009 and 2010 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 a individual asset basis.

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

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

Any revaluation increment is credited to the asset revaluation 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 #17 : Depreciation/amortisation for non-current assets

vi. Crown Land

The value of Crown land amounts to \$479 million (2009: \$438 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 and employment on-costs.

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

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

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

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

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

SAFC makes contributions to several superannuation schemes. These contributions are treated as an expense when they 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 and a half years of service (2009: six and a half years) by an employee as the benchmark at which a liability for long service leave is recognised.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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(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 86% of transactions for the financial year (2009: 79%) 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	2010 \$ '000	2009 \$ '000
Community Service Obligation funding ¹	1	2,852	2,799
Government Radio Network funding		385	350
Deferred revenues from SA Government		21	21
Revenues from SA Government		3,258	3,170
Interest received or receivable			
Interest received or receivable related to cash balances ¹		2,073	2,226
Interest received or receivable related to trade receivables		79	66
Interest revenue		2,152	2,292
Other operating revenue			
Other revenue from non-SA Government entities		1,671	1,754
Other revenue		1,671	1,754

¹ 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.

¹ To/from SA Government entities

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

	Note	2010 \$ '000	2009 \$ '000
Land and buildings			
Net proceeds from disposal		444	(7)
Less net book value of assets disposed	15	(289)	(11)
Net gain/(loss) from disposal of land and buildings		155	(18)
Plant and equipment			
Net proceeds from disposal		179	458
Less net book value of assets disposed	15	(186)	(608)
Net gain/(loss) from disposal of plant and equipment		(7)	(150)
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		926	451
Less net book value of assets disposed		(815)	(619)
Net gain/(loss) from disposal of total assets		111	(168)

Table #18 : Revenue, other income and expenses

NOTES TO THE FINANCIAL STATEMENTS

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5. REVENUE, OTHER INCOME AND EXPENSE CONT.

(iii) Charging as expenses:

	Note	2010 \$ '000	2009 \$ '000
Harvesting & transport costs		37,366	36,073
Interest and guarantee fee paid or payable ¹	19	2,494	2,474
Depreciation of non-current assets	15	2,311	2,259
Amortisation	16	154	73
Rental expense on property operating leases		104	110
Consultants ²		5	28
Total other expenses related to SA Government entities		3,361	2,815

Table #18: Revenue, other income and expenses cont.

¹ to/from SA Government entities

² includes payments to one (2009: two) 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 2010 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).

	2010 \$ '000	2009 \$ '000
Prima facie tax equivalent at 30% of trading profit before revaluation of standing timber ¹ less fire insurance fund contributions ²	13,737	7,931
Income tax expense	13,737	7,931

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

² The contributions to the fire insurance fund, which equate to \$451,000 (2009: \$3.8 million) are treated as expenses for tax equivalent purposes.

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

	2010 \$ '000	2009 \$ '000
Income tax equivalent expense	13,737	7,931
Paid during financial year related to financial year	(10,879)	(5,845)
Income tax equivalent payable as at 30 June	2,858	2,086

Table #19 : Income tax equivalents

7. EMPLOYEE BENEFITS

	2010 \$ '000	2009 \$ '000
Salaries and wages	11,755	12,221
Long service leave	535	507
Annual leave	971	1,019
Employment on-costs - superannuation	1,750	1,532
Employment on-costs - other	1,016	674
	16,027	15,953
Targeted voluntary separation packages (TVSPs)		
Amount paid to these employees, included in the above amounts		
TVSP	195	-
Annual leave and long service leave balance paid	33	-
	228	-
Number of employees who were paid TVSPs during the reporting period.		
	2	-

Table #20 : Employee benefits

8. AUDITORS' REMUNERATION

	2010 \$ '000	2009 \$ '000
Amount received, or due and receivable, by the auditors for auditing the accounts	106	107
	106	107

Table #21 : Auditors' remuneration

9. CASH AND CASH EQUIVALENTS

	2010 \$ '000	2009 \$ '000
Cash	1	1
Deposit account - SAFC	12,940	28,509
Fire insurance fund	-	17,320
	12,941	45,830

Table #22 : Cash and cash equivalents

Fire insurance fund

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

Cash Flows

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

	2010 \$ '000	2009 \$ '000
Cash and cash equivalents as per statement of financial position	12,941	45,830
Cash and cash equivalents as per statement of cash flows	12,941	45,830

Table #23 : Cash flows

NOTES TO THE FINANCIAL STATEMENTS

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9. CASH AND CASH EQUIVALENTS CONT.

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

	2010 \$ '000	2009 \$ '000
Net profit after income tax equivalent	113,086	92,755
Other reconciling movements		
Net change in value of standing timber - attributable to fire	-	41
Net change in value of standing timber - other	(80,581)	(70,484)
Loss on revaluation of land	4,157	2,480
Depreciation and amortisation	2,464	2,332
Doubtful debts	-	-
Other asset transactions	(265)	-
Loss/(gain) on sale of assets	(111)	168
	(74,336)	(65,463)
Changes in operating assets and liabilities		
(Increase)/decrease in debtors	(4,812)	(3,142)
(Increase)/decrease in GST receivable	(4)	(84)
(Increase)/decrease in interest receivable	34	146
(Increase)/decrease in other debtors & prepayments	(128)	(47)
(Increase)/decrease in inventories	(180)	343
(Decrease)/increase in trade creditors	(512)	1,453
(Decrease)/increase in GST payable	28	78
(Decrease)/increase in employee provisions	728	206
(Decrease)/increase in income tax equivalent payable	772	(24)
(Decrease)/increase in other creditors	(258)	(109)
Net cash flows from changes in operating balances	(4,332)	(1,180)
Net cash flows from operating activities	34,418	26,112

Table #23 : Cash flows cont.

10. OTHER FINANCIAL ASSETS

	2010 \$ '000	2009 \$ '000
General account term deposit	10,000	-
Fire insurance fund term deposit	17,836	-
	27,836	-

Table #24 : Other financial assets

The other financial assets comprise of term deposits with the South Australian Government Financing Authority with a maturity of more than three months and less than or equal to 12 months.

11. RECEIVABLES

	2010 \$ '000	2009 \$ '000
CURRENT		
Trade receivables	19,172	15,163
Less doubtful debts	-	(20)
Other receivables	789	-
Accrued revenue	166	130
Prepayments	139	87
	20,266	15,360

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 2010 SAFC had \$5.4 million outstanding greater than 30 days (2009: \$1.8 million). These amounts have subsequently been received.

	2010 \$ '000	2009 \$ '000
SA Government receivables		
Trade debtors	25	-
Other than trade receivables	946	120
	971	120
Non SA Government receivables		
Trade debtors	19,147	15,143
Other than trade receivables	148	97
	19,295	15,240

Table #25 : Receivables

12. INVENTORIES

	2010 \$ '000	2009 \$ '000
CURRENT		
Roading rubble	91	-
Materials and stores	354	264
	445	264

Table #26 : Inventories

13. ASSETS CLASSIFIED AS HELD FOR SALE

	2010 \$ '000	2009 \$ '000
Non-current assets classified as held for sale		
Land and buildings	243	150
Plant and equipment	-	190
	243	340

Table #27 : Assets classified as held for sale

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION
FOR THE YEAR ENDED 30 JUNE 2010

14. STANDING TIMBER

	2010 \$'000	2009 \$'000
Opening balance	685,986	614,811
New plantings	5,432	3,115
Harvesting	(77,961)	(64,655)
Inventory update increase	10,172	-
Physical changes (i.e. growth)	72,488	61,791
Price changes	70,450	70,233
Net change recorded in statement of comprehensive income	80,581	70,484
New standing timber acquisitions	1,202	732
Loss due to fire	-	(41)
Closing balance	767,769	685,986

The standing timber comprises the following:

Fair Value	2010 \$'000	2009 \$'000
Mature forest	719,545	639,136
Young forest	48,224	46,850
Total fair value	767,769	685,986

Volume	2010 '000 m ³	2009 '000 m ³
Mature forest	19,021	18,532
Young forest	984	934
Total volume	20,005	19,466

Area	2010 ha	2009 ha
Mature forest	61,674	61,097
Young forest	26,014	24,962
Total area	87,688	86,059

	2010 \$'000	2009 \$'000
CURRENT ASSET		
Current portion of standing timber valuation	85,181	67,848
NON-CURRENT ASSET		
Non-current portion of standing timber valuation	682,588	618,138

Table #28 : Standing timber

15. PROPERTY, PLANT AND EQUIPMENT

	Land \$'000	Buildings and structures \$'000	Roads and land improvements \$'000	Plant and equipment \$'000	Total \$'000
Year ended 30 June 2010					
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
At 1 July 2009					
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
At 30 June 2010					
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
Year ended 30 June 2009					
As at 1 July 2008, net of accumulated depreciation and impairment	453,718	10,194	4,216	15,835	483,963
Additions	7,100	289	581	2,526	10,496
Disposals	-	(11)	-	(608)	(619)
Assets reclassified to assets held for sale	-	-	-	(190)	(190)
Revaluation increments	19,481	-	-	-	19,481
Revaluation decrements	(2,565)	-	-	-	(2,565)
Depreciation charge for the year	-	(353)	(308)	(1,598)	(2,259)
Net of accumulated depreciation and impairment	477,734	10,119	4,489	15,965	508,307
At 1 July 2008					
Cost or fair value	453,718	10,873	7,078	26,577	498,246
Accumulated depreciation and impairment	-	(679)	(2,862)	(10,742)	(14,283)
Net carrying amount	453,718	10,194	4,216	15,835	483,963
At 30 June 2009					
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

Table #29 : Property, plant and equipment

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION

FOR THE YEAR ENDED 30 JUNE 2010

15. PROPERTY, PLANT AND EQUIPMENT CONT.

Revaluation of land and buildings and structures

SAFC uses the services of the Valuer-General in SA and local government shires in Victoria to determine the fair value of its land. Fair value is determined by reference to market-based evidence, which is the 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 2010 (2009: 30 June 2009).

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

Fair value of roads and land improvements and plant and equipment

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

If land and buildings and structures were measured using the cost model the carrying amounts would be as follows:

	Land \$'000	Buildings and structures \$'000	Roads and land improvements \$'000	Plant and equipment \$'000	Total \$'000
At 30 June 2010					
Cost	46,221	8,323	8,314	27,192	90,050
Accumulated depreciation and impairment	-	(3,975)	(3,486)	(10,863)	(18,324)
Net carrying amount	46,221	4,348	4,828	16,329	71,726
At 30 June 2009					
Cost	44,576	8,390	7,660	26,411	87,037
Accumulated depreciation and impairment	-	(3,733)	(3,171)	(10,446)	(17,350)
Net carrying amount	44,576	4,657	4,489	15,965	69,687

Table #29 : Property, plant and equipment cont.

The carrying value of plant and equipment held under finance leases at 30 June 2010 is nil (2009: nil).

Leasehold improvements are included in plant and equipment.

Included in the roads and land improvements and plant and equipment at 30 June 2010 and 30 June 2009 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 2010.

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.

	2010 \$ '000	2009 \$ '000
COMPUTER SOFTWARE		
As at 1 July, net of accumulated amortisation and impairment	405	402
Additions	285	76
Amortisation charge for the year	(154)	(73)
Total computer software, net of accumulated amortisation and impairment	536	405
At 30 June 2010		
Cost or fair value	1,681	
Accumulated amortisation and impairment	(1,145)	
Net carrying amount	536	
At 30 June 2009		
Cost or fair value		1,395
Accumulated amortisation and impairment		(990)
Net carrying amount		405
WATER LICENCES		
As at 1 July, net of accumulated amortisation and impairment	-	-
Additions	213	-
Amortisation charge for the year	-	-
Total water licences, net of accumulated amortisation and impairment	213	-
At 30 June 2010		
Cost or fair value	213	
Accumulated amortisation and impairment	-	
Net carrying amount	213	
At 30 June 2009		
Cost or fair value		-
Accumulated amortisation and impairment		-
Net carrying amount		-

Table #30 : Intangible assets

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION
FOR THE YEAR ENDED 30 JUNE 2010

17. PAYABLES

	2010 \$ '000	2009 \$ '000
CURRENT		
Trade payables	6,656	7,251
Accrued expenses	917	841
Employee benefit on-costs	325	303
	7,898	8,395
NON-CURRENT		
Employee benefit on-costs	477	444
	477	444
SA GOVERNMENT PAYABLES		
Trade payables	270	413
Accrued expenses	193	107
	463	520

Table #31 : Payables

18. EMPLOYEE BENEFITS

	2010 \$ '000	2009 \$ '000
CURRENT		
Accrued salaries and wages	763	311
Long service leave	431	422
Annual leave	767	761
Other payables - superannuation	-	56
	1,961	1,550
NON-CURRENT		
Long service leave	2,520	2,395
	2,520	2,395

Table #32 : Employee benefits

The total current and non-current employee benefits and employee benefit on-costs for 2010 is \$5.3 million (2009: \$4.7 million). Employee benefit related on-costs are disclosed as payables.

19. INTEREST BEARING LOANS

	2010 \$ '000	2009 \$ '000
CURRENT		
Unsecured ¹	2,926	2,781
	2,926	2,781
NON-CURRENT		
Unsecured ¹	30,626	33,539
	30,626	33,539

Table #33 : Interest bearing loans

¹ 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 (2009: 18 March 2019).

20. DEFERRED INCOME

	2010 \$ '000	2009 \$ '000
CURRENT		
Deferred income	1,028	1,269
	1,028	1,269
NON-CURRENT		
Deferred income	316	330
	316	330
SA GOVERNMENT DEFERRED INCOME		
Deferred income	235	256

Table #34 : Deferred income

21. OTHER PROVISIONS

	2010 \$ '000	2009 \$ '000
CURRENT		
Workers compensation	111	95
	111	95
Opening balance	95	124
Payments	(82)	(87)
Increments in provision	98	58
Closing balance	111	95
NON-CURRENT		
Workers compensation	358	268
	358	268
Opening balance	268	314
Increments/(decrements) in provision	90	(46)
Closing balance	358	268

Table #35 : Other provisions

The provision is recognised to reflect unsettled workers compensation claims based on an actuarial assessment

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION

FOR THE YEAR ENDED 30 JUNE 2010

22. EQUITY

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

Since 2006 the requirements of the ownership framework for SAFC indicate that SAFC shall pay an annual contribution to Government consisting of a dividend calculated as 90 percent of after tax profit, adjusted for Standing Timber revaluation gains and losses and approved contributions to the Fire Insurance Fund, plus an income tax equivalent payment. SAFC declared dividends of \$31.1 million (2009: \$15.2 million). This included an adjustment for prior year underpaid dividends of \$155,000 (2009: prior year overpayment of \$1.3 million). Based on the above agreement SAFC will include an adjustment reducing the 2010-11 interim dividend by \$2.1 million. In accordance with AASB 110 Events after the Reporting Period this amount has not been recognised in the 2009-10 financial statements.

23. COMMITMENTS AND CONTINGENCIES

a) Commitments

	2010 \$ '000	2009 \$ '000
i) Operating lease commitments		
Non cancellable operating leases contracted for but not capitalised in the accounts :		
Due not later than one year	623	912
Due later than one year but not later than five years	307	880
Total operating lease commitments	930	1,792

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

	2010 \$ '000	2009 \$ '000
ii) Remuneration commitments		
Due not later than one year	3,147	3,409
Due later than one year but not later than five years	1,983	3,329
Total remuneration commitments	5,130	6,738

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.

	2010 \$ '000	2009 \$ '000
iii) Other commitments		
Due not later than one year	27,463	21,826
Due later than one year but not later than five years	35,919	47,661
Total other commitments	63,382	69,487

Table #36 : 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 - SA 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 \$478,000 (2009: \$224,000) 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.

24. EXECUTIVE DISCLOSURES

a) Details of key management personnel

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

b) Compensation of key management personnel

	2010 \$ '000	2009 \$ '000
Short term employee benefits paid or due and payable to or on behalf of key management personnel	842	831
Superannuation benefits paid or due and payable to or on behalf of key management personnel	88	75
Total	930	906

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

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

	2010 Number	2009 Number
\$100,000 - \$109,999	2	2
\$110,000 - \$119,999	1	1
\$120,000 - \$129,999	2	4
\$130,000 - \$139,999	3	-
\$140,000 - \$149,999	1	1
\$180,000 - \$189,999	1	1
\$200,000 - \$209,999	1	1
\$240,000 - \$249,999	1	-
\$250,000 - \$259,999	-	1
Employee remuneration	\$'000	\$'000
Income paid or due and payable to or on behalf of employees whose income was \$100,000 or more.	1,768	1,604

Table #37 : Executive disclosures

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION

FOR THE YEAR ENDED 30 JUNE 2010

25. DIRECTORS AND RELATED PARTY DISCLOSURES

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

K. Adams	appointed 1 January 2010
S. Duncan	
G. Foreman	
D. Lloyd	to 31 December 2009
J. Meeking Obst	
J. Ross - Chairman	

Transactions between SAFC and its directors are made at arms' length. There have been no such transactions in the financial year (2009: nil).

	2010 \$ '000	2009 \$ '000
Director's remuneration		
Income paid or due and payable to or on behalf of directors, excluding superannuation benefits	198	203
Superannuation benefits paid or due and payable to or on behalf of directors	18	19
Total	216	222

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

	Number	Number
\$10,000 - \$19,999	2	-
\$30,000 - \$39,999	1	1
\$40,000 - \$49,999	2	3
\$50,000 - \$59,999	1	1

Table #38 : Directors and related party disclosures

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

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 86% of transactions for the financial year were transactions with the six largest of SAFC's customers (2009: 79%).

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 2010 SAFC has no direct exposure to foreign currencies.

(iii) Interest rate risk exposures

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

In addition to the interest rate SAFC paid a guarantee fee to SAFA of 0.75% on the daily balance of the outstanding loan amounts (2009: 0.64%). The guarantee fee from 1 July 2010 is 1.50%.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION
FOR THE YEAR ENDED 30 JUNE 2010

26. FINANCIAL INSTRUMENTS CONT.

	Floating rate \$'000	Non-interest bearing \$'000	Fixed interest maturing			2010 Total \$'000	2009 Total \$'000
			1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000		
Financial assets:							
Cash and cash equivalents	12,941	-	-	-	-	12,941	45,830
Other financial assets	-	-	27,836	-	-	27,836	-
Receivables ¹	5,337	14,790	-	-	-	20,127	15,273
	18,278	14,790	27,836	-	-	60,904	61,103
Weighted average interest rate	7.03%		4.46%	-	-		
Financial liabilities:							
Interest bearing loans ²	3,398	-	4,821	21,480	13,279	42,978	47,679
Payables ³	-	7,573	-	-	-	7,573	8,092
	3,398	7,573	4,821	21,480	13,279	50,551	55,771
Weighted average interest rate, including guarantee fee	7.02%		7.84%	7.87%	8.25%		
Net financial assets/ (liabilities)	14,880	7,217	23,015	(21,480)	(13,279)	10,353	5,332

Table #39 : Financial instruments

¹Other than prepayments

²Based on contractual undiscounted cash flows

³Other than employee on-costs

26. FINANCIAL INSTRUMENTS CONT.

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

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

	Carrying amount		Net fair value	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Financial liabilities				
Interest bearing loans	33,552	36,320	34,975	37,265

Table #39 : Financial instruments cont.

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

Interest bearing loans with a carrying value of \$33.6 million (2009: \$36.3 million) are recorded at the nominal principal amount to be settled. This is below their net fair value of \$35 million (2009: \$37.3 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

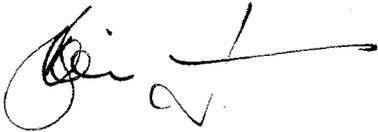
Certification of the Financial Statements

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

- Complies with relevant Treasurer's instructions issued under section 41 of the *Public Finance and Audit Act 1987* and relevant Australian accounting standards;
- Are in accordance with the accounts and records of the SAFC; and
- Presents a true and fair view of the financial position of the SAFC as at 30 June 2010 and the results of its operation and cash flows for the financial year.

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

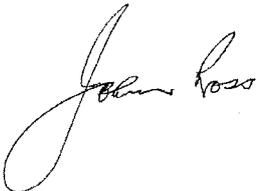
Signed in accordance with a resolution of the Board members.



Brian Farmer
CHIEF EXECUTIVE
SOUTH AUSTRALIAN FORESTRY CORPORATION
24 September 2010



Wayne Materne
CHIEF FINANCIAL OFFICER
SOUTH AUSTRALIAN FORESTRY CORPORATION
24 September 2010



John Ross
CHAIRMAN
SOUTH AUSTRALIAN FORESTRY CORPORATION
24 September 2010

INDEPENDENT AUDIT REPORT

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To The Chairman 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 statements of the South Australian Forestry Corporation for the financial year ended 30 June 2010. The financial statements comprise:

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

The responsibility of the members of the South Australian Forestry Corporation Board for the financial statements

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

Auditor's responsibility

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

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

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

INDEPENDENT AUDIT REPORT CONT

Auditor's opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the South Australian Forestry Corporation as at 30 June 2010, 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
27 September 2010

STATUTORY INFORMATION

06



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LEGISLATION ADMINISTERED BY FORESTRYSA

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

KEY INITIATIVES AND TARGETS FOR 2009-10

1. Better business:

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

- ▶ Heads of Agency Fire Management Agreement signed (Mount Lofty Ranges).
- ▶ New accounting and reporting structure implemented (July 2009).
- ▶ Annual Allowable Cut Review completed, including improved value proposal.

2. Growth:

Sustainably and profitably grow the business in the Green Triangle and improve performance in the Mount Lofty Ranges.

- ▶ Short-term export pulp log agreement signed.
- ▶ Minor land purchases made. Future land purchase investigations ongoing.
- ▶ Water secured for 133 ha replant of Wandilo Pasture Strip.

3. Research and innovation:

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

- ▶ Herbicide, genetics and fertiliser trials established to ensure maximum growth.
- ▶ Forest health survey complete (2009) and supporting GIS systems established.
- ▶ Biological control agent for Californian Pine Aphid released.

4. Culture:

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

- ▶ AFS Certification maintained.
- ▶ Positive feedback from Workcover evaluation.
- ▶ Cultural Change program ongoing.

5. Capability and knowledge transfer:

Secure a knowledgeable workforce and an informed community.

- ▶ Compliance and Risk Registers updated.

FORESTRYSA AND THE SA STRATEGIC PLAN

South Australia Strategic Plan (SASP)	Measure or Actions by ForestrySA
Increase the satisfaction of South Australians with government services by 10% by 2010, maintaining or exceeding that level of satisfaction thereafter (Growing Prosperity T1.7)	Customer focus is included in ForestrySA's strategic plan.
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. (Building Communities T5.2)	Two of five members of the South Australian Forestry Corporation Board are women (40%).
Maintain the high level of volunteering in South Australia at 50% participation rate or higher (Building Communities T5.6)	Community engagement program contributed 35,036 hours representing 44 different groups.
Increase the number of attendances at selected arts activities by 40% by 2014. (Fostering Creativity and Innovation T4.4)	ForestrySA sponsors the Riddoch Art Gallery Wood Sculpture Competition and the Bundaleer Forest Weekend, encouraging regional arts activities.
Lose no known native species as a result of human impacts. (Attaining Sustainability T3.1)	Several new species previously not recorded in native forest reserves in the Northern forests, one new species in Green Triangle have been identified.
By 2010 have five well established biodiversity corridors aimed at maximising ecological outcomes particularly in the face of climate change. (Attaining Sustainability T3.2)	ForestrySA has a 25 year plan to establish 25 corridors linking fragmented native vegetation (target 74.4 ha). To date 57.4 ha of biodiversity corridors have been established.
Achieve the nationally agreed target of a 40% reduction in injury by 2012. (Improved Wellbeing T2.11)	Total number of reported injuries reduced by 8% from 2008-09. LTIFR increased to 11.7.
Improve the overall wellbeing of Aboriginal South Australians. (Expanding Opportunity T6.1)	ForestrySA recognises and protects Aboriginal heritage on its land.
Increase the participation of Aboriginal people in the South Australian public sector, spread across all classifications and agencies, to 2% by 2010 and maintain or better those levels through to 2014. (Expanding Opportunity T6.24)	The percentage of Aboriginal direct employees is 0.51%.

Table #41 : ForestrySA and the SA Strategic Plan

FREEDOM OF INFORMATION STATEMENT

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

Agency Structure and Functions

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

Information Summary

Types of documents held by ForestrySA

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

Documents Available Free of Charge

Available from 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 \$28.75. Additional charges may be levied to process your request. If you are able to prove that you are financially disadvantaged, all fees will be waived. This charge is determined by the Freedom of Information (Fees and Charges) Regulations 2003 and is subject to change. Please consult these regulations before submitting requests.

Contact Officer

Freedom of Information inquiries addressed to:

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

ACCOUNT PAYMENT PERFORMANCE

PARTICULARS	Number of accounts paid	Percentage of accounts paid (by number)	Value of accounts paid \$'000	Percentage of accounts paid (by value)
Paid by Due Date	9,437	83.4%	79,477	90.5%
Paid late but paid within 30 days or less of the due date	1,503	13.3%	6,372	7.3%
Paid more than 30 days from the due date	376	3.3%	1,973	2.2%
TOTAL	11,316	100.0%	87,822	100.0%

Table #42 : Account payment performance

USE OF CONSULTANTS

	Firm	Description	Expenditure
Consultancy below \$10,000	1 consultant	n/a	\$4,700
Consultancy between \$10,000 - \$50,000	-	-	\$0
Consultancies over \$50,000	-	-	\$0
TOTAL			\$4,700

Table #43 : Use of consultants

EMPLOYEE NUMBERS, GENDER AND STATUS

Total employees	
Persons (as at 30 June)	197
FTE (as at 30 June)	192.1

Employees by gender	% Persons	% FTEs
Male	76.65	78.4
Female	23.35	21.6

Number of Persons During the 2009-10 Financial Year	
Separated from the agency	49
Recruited to the agency	30

Persons at 30 June 2010	
On Leave Without Pay	3

Employees by Salary Bracket			
Salary Bracket	Male	Female	Total
\$0 - \$49,199	71	17	88
\$49,200 - \$62,499	29	16	45
\$62,500 - \$80,099	33	11	44
\$80,100 - \$100,999	8	2	10
\$101,000+	10	-	10
TOTAL	151	46	197

Status of Employees in Current Position					
FTEs	Ongoing	Short-term Contract	Long-term Contract	Other (Casual)	Total
Male	121.60	3	26	0	150.60
Female	27.46	3	10	1	41.46
TOTAL	149.06	6	36	1	192.06

Table #44 : Employee numbers, gender and status

EMPLOYEE NUMBERS, GENDER AND STATUS CONT

Persons	Ongoing	Short-term Contract	Long-term Contract	Other (Casual)	Total
Male	123	2	26	0	151
Female	31	3	11	1	46
TOTAL	154	5	37	1	197

Table #44 : 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	-
EGM/CFO	-	-	1	-	3	-	-	-	4	-
TOTAL	-	-	1	-	4	-	-	-	5	-

Table #45 : Executives by gender, class and status

LEAVE MANAGEMENT

Average Days Leave Per Full Time Equivalent Employee		
Leave Type	2009-10	2008-09
Sick Leave	7.125	6.21
Family Carer's Leave	0.146	1.26
Miscellaneous Special Leave	1.619	1.89

Table #46 : Leave management

ABORIGINAL AND/OR TORRES STRAIT ISLANDER EMPLOYEES

Salary Bracket	Aboriginal Employees	Total Employees	% Aboriginal Employees	Target*
\$0 - \$49,199	1	88	1.14	2%
\$49,200 - \$62,499	0	45	0	2%
\$62,500 - \$80,099	0	44	0	2%
\$80,100 - \$100,999	0	10	0	2%
\$101,000 +	0	10	0	2%
TOTAL	1	197	0.51	2%

Table #47 : Aboriginal and/or Torres Strait Islander employees. * Target from SASP

CULTURAL AND LINGUISTIC DIVERSITY

	Male	Female	Total	% Agency	SA Community*
Employees born overseas	19	5	24	12.18	20.3%
Employees who speak language(s) other than English at home	1	0	1	0.51	16.6%

Table #48 : Cultural and linguistic diversity.

* Benchmarks from Australian Bureau of Statistics Publication Basic Community Profile (SA) 2006 Census.

EMPLOYEES BY AGE BRACKET, BY GENDER

Age Bracket	Male	Female	Total	% of Total	2009 Workforce Benchmark* [%]
15-19	0	0	0	0	6.5
20-24	2	5	7	3.55	10.3
25-29	7	4	11	5.58	11.1
30-34	11	12	23	11.68	10.7
35-39	20	3	23	11.68	11.7
40-44	8	7	15	7.61	11.4
45-49	35	7	42	21.32	11.9
50-54	21	3	24	12.18	10.3
55-59	35	4	39	19.80	8.2
60-64	9	1	10	5.08	5.3
65+	3	0	3	1.52	2.6
TOTAL	151	46	197	100	100.0

Table #49 : Employees by age bracket, by gender

* Source: Australian Bureau of Statistics Australian Demographic Statistics (SA) May 2010.

VOLUNTARY FLEXIBLE WORKING ARRANGEMENTS BY GENDER

	Male	Female	Total
Purchased leave	0	0	0
Flexitime	81	40	121
Compressed weeks	0	0	0
Part time	1	12	13
Job share	0	0	0
Working from home	0	1	1

Table #50 : Voluntary flexible working arrangements by gender

ORGANISATIONAL DEVELOPMENT

Consistent with the ForestrySA Strategic Plan a range of organisational development activities were undertaken during 2009-10.

They included:

- ▶ The negotiation of a new Enterprise Agreement which includes a new integrated classification structure.
- ▶ Ongoing Leadership and Management Development.
- ▶ Enhancements to the Performance Development System.

PERFORMANCE DEVELOPMENT

	% Total 2009-10	% Total 2008-09
Performance Development Review within the past 12 months - All Employees	75	74
Performance Development Review within the last 12 months - Senior Managers	100	100
Performance Development Review within the last 12 months - Salary Staff	100	100
No review – All employees	25	26

Table #51 : Performance development

TRAINING AND DEVELOPMENT EXPENDITURE

Total Training and Development Expenditure	\$170,043.53
Total Leadership and Management Expenditure	\$119,791.62

Table #52 : Training development and expenditure

ACCREDITED TRAINING PACKAGES BY CLASSIFICATION

Classification	Number of Accredited Training Packages 2009-10	Number of Accredited Training Packages 2008-09
ASO 1-8	25	41
FMW 1-8	31	91
PSO 1-5	23	38
OPS 1-7	29	59

Table #53 : Accredited training packages by classification

EQUAL EMPLOYMENT OPPORTUNITY PROGRAMS

ForestrySA ensures that 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 intranet based Human Resource and Injury Management Manuals continue to support the Human Resources function within ForestrySA with their 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.

They include:

- ▶ The ForestrySA Fair Treatment Program 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.
- ▶ Staff members returning to work from injury to be provided with the support and necessary resources to undertake the requirements of their positions.

- ▶ All Injury Management claims and associated activities are managed by ForestrySA Injury Management staff. Relevant Equity and diversity principles have been 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 that business activities and supporting procedures do not discriminate against people with disabilities.

EMPLOYEES WITH ONGOING DISABILITIES REQUIRING WORKPLACE ADAPTATION

Male	Female	Total	% of ForestrySA 2009-10	% of ForestrySA 2008-09
1	1	2	0.98	0.92

Table #54 : Employees with ongoing disabilities requiring workplace adaptation

OCCUPATIONAL HEALTH, SAFETY, WELFARE AND INJURY MANAGEMENT

Following WorkCover's 2008 gap analysis, an evaluation was completed by WorkCover in April 2010 to review and establish the adequacy of ForestrySA's Occupational Health, Safety and Welfare (OHSW) and Injury Management (IM) systems against the WorkCover Standards, legislation and other relevant requirements including the Code of Practice for Crown Self-insured Employers. ForestrySA was awaiting finalisation of the formal audit report as at 30 June 2010. Outcomes identified for improvement will be undertaken during 2010-11.

The Forest Safety Committee (FSC) continued its focus on injury prevention programs. A major focus was on driving as the exposure in terms of people involved and time spent on this task has identified this as an area of high risk.

A sub-committee was formed and that group undertook a review of incidents from previous years and other driving related near misses. Along with raising the general awareness of driving hazards, a complete new training program was trialled and adopted.

The Safe Behaviour Observation (SBO) program is continuing throughout our organisation and is a documented methodology for checking tasks being completed and ensuring unsafe behaviours are challenged. A review of the SBO templates has taken place and improvements will be introduced during 2010-11 to further enhance the program.

The FSC also introduced a risk management program, "Take 5". This program partners the SBO program well and is a simple concept that formalises the recognition of normal subconscious risk assessment that is done prior to starting a task. In summary the steps in this program involves:

- ▶ **Step 1:** Stop, step back, observe.
- ▶ **Step 2:** Walk through task.
- ▶ **Step 3:** Identify hazards.
- ▶ **Step 4:** Control and communicate.
- ▶ **Step 5:** Proceed only if safe.

The FSC had an emphasis on fostering a culture of interdependence. Interdependence is the idea of "all people accepting personal responsibility and working together for the safety and wellbeing of themselves and others".

It means that everyone is responsible and accountable for the actions of themselves and others and from an OHS&W perspective means simply - "take care of yourself and your work colleagues".

Health and wellbeing continues to be an important aspect of ForestrySA's business. Along with continuing support for employees involved in fun runs and ride to work days, ForestrySA incorporated the fire season testing requirements into the health and wellbeing program. The Corporate Health Group is the provider of this program, with participation compulsory for all employees involved in fire season activities and voluntary for those those not directly involved. Along with health screenings, the program offers monthly health tips and newsletters offering extensive information on health topics.

A focus on the importance of early intervention and reporting of work related injuries continued throughout the year. Seven claims for compensation were lodged and a historic low of five claims remained open at the end of the financial year.

The Employee Assistance Program continued to provide support to our employees. More than 20 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

		2009-10	2008-09
1	OHS legislative requirements		
	Notifiable occurrences pursuant to OHS&W Regulations Division 6.6	0	0
	Notifiable injuries pursuant to OHS&W Regulations Division 6.6	1	1
	Notices served pursuant to OHS&W Act s35, s39 and s40 (default, improvement and prohibition notices)	Nil	Nil
2	Injury Management legislative requirements		
	Employees who participated in a rehabilitation programs	5	8
	Employees rehabilitated and reassigned to alternate duties	0	3
	Employees rehabilitated back to their original work	3	1
	Number of open claims as at 30 June	5	9
	Workers compensation expenditure over gross annual remuneration (%)	6.40%	5.32%
3	Number of claims		
	Number of new workers compensation claims in the financial year	7	13
	Fatalities (F)	0	0
	Medical treatment only (MTO)	3	9
	Lost time injuries (LTI)	4	4
	Total number of whole working days lost	505	465
4	Cost of workers compensation		
	Cost of new claims for financial year	\$20,532	\$35,276
	Cost of all claims excluding lump sum payments	\$181,080	\$265,832
	Amount paid for lump sum payments (under the WRC Act)		
	Section 42	\$815,409	\$490,000
	Section 43	\$23,770	\$121,977
	Section 44	-	-
	Total amount recovered from external sources (s54)	-	-
	Budget allocation for workers compensation	\$282,000	\$234,000
5	Trends		
	Injury frequency rate for new lost-time injury/disease for each million hours worked	11.65	10.34
	Most frequent cause (mechanism) of injury	Body Stressing	Body Stressing, Falls, Trips & Slips, Sound & Pressure
	Most expensive cause (mechanism) of injury	Body Stressing	Body Stressing
6	Meeting the organisation's strategic targets		
	Number of New Claims		
	Target	0	8
	Result	7	13
	Expenditure on Workers Compensation		
	Target	\$282,000	\$234,000
	Result	\$1,020,259	\$877,809
	Injury Frequency Rate		
	Target	0	0
	Result	11.65	10.34
	Safe Behaviour Observations (SBOs) completed per month per worksite		
	Target	2	2
	Result	1.4	1

Table #55 : Occupational health, safety, welfare and injury management

WHISTLEBLOWERS PROTECTION ACT 1993

On no occasion was a matter of public interest disclosed to a ForestrySA officer under the Whistleblowers Protection Act 1993.

ENERGY EFFICIENCY ACTION PLAN

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

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

Energy consumption calculations in the following table include electricity, natural gas and vehicle fleet fuels. The 2009-10 portfolio target reduction is 15% of base year 2000-01.

NOTE: The emission factors for GHG calculations were updated with reference to the July 2010 National Greenhouse Accounts Factors. Changes include a reduced focus to direct Corporate emissions which show an apparent reduction compared to 2008-09 figures. Actual consumption figures are relatively stable except for gas and petrol, which show a 43% and 29% reduction respectively.

ForestrySA's direct emissions are well below the National Greenhouse and Energy Reporting requirements of 87.5 kt CO₂e.

	Energy Use (Gj)	GHG Emissions (tonnes CO ₂ e)	Expenditure
Base Year 2000-01 ForestrySA Total	36,942	3,192	\$840,880
2009-10 ForestrySA Total	28,982	1,645	\$940,722
2009-10 ForestrySA Target	31,401	2,713	NA
Final Target (2014)	27,707	2,394	NA

Table #56 : Performance against annual energy use targets

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; and
- ▶ Supports the Triple Bottom Line approach of integrating social, environmental and financial perspectives.

FOREST MANAGEMENT SYSTEM CONT.

Significant Achievements:

- ▶ Went to market for a provider of external audit services;
- ▶ Conducted chemical store inspection training;
- ▶ Review of vermin control procedures;
- ▶ Controlled document consolidation and rationalisation;
- ▶ Review of the ForestrySA compliance register;
- ▶ Accreditation to assure imported plant material under the Plant Health Act 2009;
- ▶ Hosted the FMS Network meeting attended by various forestry companies;
- ▶ Assessment of fire resistance level of interior walls between chemical and flammable stores;
- ▶ Cancellation of ISO 9001 certification.

SUSTAINABLE FOREST MANAGEMENT POLICY

ForestrySA is a government business enterprise which manages plantation and native forests and provides forestry services for the benefit of the people and economy of South Australia. ForestrySA is committed to sustainable forest management and a safe environment for employees. ForestrySA is committed to comply with relevant legislative requirements, standards and codes.

ForestrySA's Sustainable Forest Management Policy seeks to:

- ▶ Provide the framework for Sustainable Forest Management practices, processes and systems;
- ▶ Avoid negative impact on the environment and to optimise all forest values;
- ▶ Continually improve the quality of products and services offered while ensuring the expectations of all customers, stakeholders and the community are considered;
- ▶ Protect the health, safety and welfare of all persons involved in ForestrySA activities; and
- ▶ Promote and improve the delivery of Injury Management and Occupational Health Safety and Welfare by developing 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 whilst 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; and
- ▶ Use internal and/or external expertise when required.

Specifically, we will:

- ▶ Maintain a Forest Management System compatible with appropriate standards to ensure the continual improvement of products and services;

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	2009-10		2008-09	
		Consumption	Expenditure (\$)	Consumption	Expenditure
Electricity	kwh	487,383	125,172	511,054	\$124,598
Water	kl	2,740	7,884	2,597	\$4,490
Paper	ream	964	7,051	1,307	\$8,452

Table #57 : GoGo action plan achievements 2009-10

REGIONAL IMPACT ASSESSMENT STATEMENTS

No regional impact assessment statements were prepared by ForestrySA in 2009-10.

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 #58 : 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.

GLOSSARY

AFS	Australian Forestry Standard - Identifies accepted specifications for sustainable forest management to enable independent assessment and certification to AS 4708
Allowable cut	Quantity of log product/s approved for sale by the South Australian Forestry Corporation Board
Biodiversity	Includes genetic diversity, reflecting the diversity within each species (species diversity and the variety of species) and ecosystem diversity (the diversity different communities formed by living organisms and the relationships between them)
Biodiversity corridor	Strip of native vegetation retained or established to link remnant native vegetation areas to allow wildlife to move from one area to another
Catastrophic fire danger: Code Red	The most serious Fire Danger Rating. Part of a new rating system which came into effect for extreme fire weather conditions in October 2009. <ul style="list-style-type: none"> ▶ Severe fire danger indicated when FFDI/Grass Fire Danger Index (GFDI) is between 50 and 74. ▶ Extreme fire danger indicated when FFDI/GFDI is between 75 and 99. ▶ Catastrophic (Code Red) fire danger indicated when FFDI/GFDI is 100+.
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
Chip	Small, uniform pieces of wood produced from logs. Woodchipping is the first stage of processing pulpwood into paper and fibreboard.
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
DASM	Digital Aerial Sketch Mapping. Technology developed by ForestrySA
DENR	Department of Environment and Natural Resources
DFW	Department for Water
DTF	Department of Treasury and Finance
EPA	Environment Protection Authority
FFDI	Forest Fire Danger Index
FTE	Full Time Equivalent
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
ha	Hectare/s

Hardwood	Timber from broad-leaved flowering trees irrespective of physical hardness. Includes eucalypts, wattles and most rainforest species
ISO 14001	The international standard for Environmental Management Systems. It formalises methods for reviewing, reporting, documenting, monitoring and training in environmental management practices
LiDAR	Light Detection and Ranging. A remote sensing technology adapted by ForestrySA to assess the productivity of forest plantations
LTIFR	Lost Time Injury Frequency Rate. Refers to the number of incidents per million working hours incurred where the injured employee is off work for the whole of the following day
Native forest	Forest consisting of native tree and other species that are endemic to South Australia
Native forest reserve (NFR)	An area of proclaimed Forest Reserve that has been further proclaimed as a Native Forest Reserve under the Forestry Act 1950 specifically for the conservation of native flora and fauna
NRM	Natural Resources Management
NSCC	National Sirex Coordination Committee
OHS&W	Occupational, Health, Safety and Welfare
PEFC	Programme for the Endorsement of Forest Certification Schemes
PIRSA	Primary Industries and Resources SA
Plylog	A log for processing into plywood
Prescribed burning	The planned use of fire in a predetermined area, with an intensity and rate of spread designed to achieve specific results: including promoting biological diversity, reducing the volume of flammable fuels
Preservation roundwood	Logs below sawlog quality but suitable for manufacturing posts and poles
Pulpwood	Logs below sawlog quality but suitable for manufacturing pulp, paper and panel products
Salvage logging	Logging carried out on areas damaged by fire, disease or storm
Sawlog	A log for processing into sawn timber
Silviculture	The cultivation of forest including both native forest and plantations
Site quality	A measure of the wood producing capacity of a radiata pine plantation under circumstances of full site occupancy and representative silviculture
Softwood	Timber of coniferous or cone-bearing trees irrespective of physical hardness. Includes radiata pine
Standing 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
Yield regulation	Predicting and managing the volume of timber to be harvested from a plantation at one time
Woodchipping	The process of producing small, uniform pieces of wood (woodchips) from logs. This is the first stage of processing pulpwood into paper and fibreboard

Table #59 : Glossary



SOUTH AUSTRALIAN FORESTRY CORPORATION HEAD OFFICE

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COVER PHOTO: Pine plantation, native forest reserve and biodiversity corridor, Green Triangle