

# ForestrySA

ANNUAL REPORT 2012-13



# About ForestrySA

ForestrySA manages more than 95,000 hectares of primarily softwood plantation in the Green Triangle and Ranges regions of South Australia.

This valuable timber resource is managed on behalf of plantation owner OneFortyOne Plantations in the Green Triangle and the South Australian Government in the Mount Lofty Ranges and Mid North.

In line with its role as a commercial forest manager, ForestrySA's main focus is the production of log and chip, which is used to produce sawn timber, pulp, paper and posts.

An annual replanting program ensures sustainable production into the future.

ForestrySA also manages some 23,000 hectares of Native Forest Reserves across South Australia for conservation. No logging or commercial timber production is undertaken in these forest reserves. These forest areas, along with others located within commercial plantations, are widely used and valued by the community for recreational activities such as hiking, horse riding, camping and large-scale events such as music festivals and car rallies.

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

To find out more, visit [www.forestrysa.com](http://www.forestrysa.com).



# CONTENTS

	PAGE
About ForestrySA	
Contents	
Tables and figures	
Chairman's report	1
Chief Executive's report	2
South Australian Forestry Corporation Board and Governance	3
Executive structure	5
Marketing conditions	5
Total log product	6
Sales outcomes	6
Plantation management	7
Forest statistics	7
Plantation resource planning	8
Forest fire protection	8
Forest health	8
Research	8
Environment and community highlights	9
Sponsorship and major community events we support	9
Community forestry	10
Financial statements	11
Notes to the financial statements	15
Certification of the financial report	39
Independent Audit Report	40
Statutory information: Contents	42
Glossary	51

## South Australian Forestry Corporation Annual Report 2012-13

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South Australian Forestry Corporation 2013

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# TABLES AND FIGURES

TABLE	PAGE
1. Board meetings	4
2. Audit and Risk Committee meetings	4
3. Review Committee meetings	4
4. Total log product	6
5. Forest statistics	7
6. Environment and community highlights	9
7. Sponsorship and major community events	9
8. Community forestry	10
9. Statement of comprehensive income	11
10. Statement of financial position	12
11. Statement of cash flows	13
12. Statement of changes in equity	14
13. Revenue, other income and expenses	21
14. Income tax equivalent	23
15. Employee benefits	23
16. Auditors' remuneration	24
17. Cash and cash equivalents	24
18. Cash flows	24
19. Receivables	25
20. Inventories	26
21. Assets classified as held for sale	26
22. Assets classified as held for distribution to owner	27
23. Standing timber	27
24. Property, plant and equipment	29
25. Intangible assets	30
26. Payables	31
27. Employee benefits	31
28. Interest bearing loans	32
29. Deferred income	32
30. Other provisions	33
31. Liabilities classified as held for distribution to owner	33
32. Commitments and contingencies	34
33. Executive disclosures	35
34. Directors and related party disclosures	36
35. Financial instruments	37

TABLE	PAGE
36. Statutory information - contents	42
37. ForestrySA and South Australia's Strategic Plan	43
38. Consultants	43
39. Employee numbers, gender and status	44
40. Overseas travel	44
41. Executives by gender, classification and status	45
42. Workforce diversity	45
43. Employees by age bracket, by gender	45
44. Cultural and linguistic diversity	45
45. Employees with ongoing disabilities	46
46. Flexible working arrangements	46
47. Leave management	46
48. Performance development	46
49. Accredited training packages	47
50. GoGo Action Plan	47
51. Account payment performance	47
52. Asbestos management	48
53. Training and development expenditure	48
54. Energy Efficiency Action Plan	48
55. Occupational Health, Safety and Injury Management	49
56. Contractual arrangements	50
57. Glossary	51

# CHAIRMAN'S REPORT



**Ian Kowalick**  
Chairman  
FORESTRYSA

In my initial report last year, I noted an extraordinary and challenging year for the business. This year was similar for ForestrySA due to the transition to the Forward Sale arrangements for the management of the Green Triangle forests, combined with very difficult market conditions.

The Forward Sale of the Green Triangle rotations was negotiated by the South Australian Government then completed early in the financial year. Subsequently, much of the business effort by ForestrySA was focused on transitioning to the new management service provider role. The process of the sale and the transition to the new business model has been very demanding of many staff and I thank all of ForestrySA staff for their efforts.

Similarly, I thank The Campbell Group and OneFortyOne Plantations Pty Ltd for their efforts to understand the business they have purchased and to engage with ForestrySA staff.

While the sale process has been contentious in the South East of the state, the uncertainty that has arisen has driven some constructive introspection and a review of future strategies in the community. This has facilitated a focus and some funding by Government on re-investment in processing capacity to meet future market needs.

Often, out of uncertainty, comes entrepreneurship and innovation, especially in regional communities. There now appears to be an improving housing and timber market which will support many of the initiatives that are now arising. These will in turn benefit both the whole community and the Green Triangle plantations.

The ForestrySA Board is spending much time considering the future of the service model and what options may apply beyond the initial five year Plantation Management Agreement for ForestrySA. It is clear that ForestrySA must structure itself into operating units reflecting the different business it now owns and manages. The business has commenced a major re-investment in IT systems to facilitate this process and to ensure it can continue to meet its reporting obligations to Government and OneFortyOne Plantations Pty Ltd.

A very difficult timber market and the most difficult fire season in many years further challenged the business through the year, particularly in the Mount Lofty Ranges and Mid North forests. This has required a significant re-focus of management upon future strategies to drive sustainable and commercial outcomes from these forests. As well as re-structuring log sales, pre-commercial thinning and re-establishment programmes have been ramped-up.

Finally I would like to thank Kathryn Adams, who resigned as a Board Director at the end of the year, for her efforts over the past four years.

I would also like to acknowledge the contribution of Chief Executive Islay Robertson who announced his resignation on 16 August. Islay leaves ForestrySA with the best wishes of the Board for his future career in forestry. He is held in high regard by the Board for his leadership and integrity during a major transition to a new business model at ForestrySA.

# CHIEF EXECUTIVE'S REPORT



**Islay Robertson**  
Chief Executive  
FORESTRYSA

October 2012 marked a major shift in the business of ForestrySA.

The asset base changed, the revenue stream from logs sales in the Green Triangle ceased and new revenues arising from ForestrySA's role as a management service provider commenced.

Further, in the 2013 financial year, wildfire in the Mid North, closure of Brownwood Panels and restructuring of other Mount Lofty Ranges sawmills also impacted revenues. The changes to the ForestrySA accounts have been significant.

During the year, just over \$1 billion of Green Triangle forest and land assets were distributed to Government as a result of the forward sale. The fire insurance fund was dissolved and all outstanding loans were either repaid or transferred. Debts associated with business failures in the Green Triangle and Mount Lofty Ranges were written-off. With the closure of the Kimberly-Clark Australia pulpmill, settlement was reached to terminate the associated pulpwood log supply agreement.

Full year operating profit recorded for the business amounted to \$11.3 million.

Management service fees, community service obligation funding and cash reserves supported the continuing businesses of management service provision and Native Forest Reserve management in the Green Triangle following the forward sale. The process of re-shaping these businesses has begun and will continue for some time yet.

In the Mid North, wildfire in the Bundaleer forests resulted in a major fire salvage effort.

The combination of these events placed pressure on both sales volumes and margins. These compounding impacts upon the overall performance of the Mount Lofty Ranges and Mid North forests will abate over the next year. Further, reducing interest rates domestically will gradually flow through to increased timber and log sales over the coming year. In the global market place, a lower Australian dollar and positive signs of increased timber sales in North America at or near pre-GFC prices reinforce that improvement in domestic markets is likely.

As my last annual report for ForestrySA, I would like to thank past and present Board members for their support and especially thank all ForestrySA staff during my tenure as Chief Executive for their efforts to manage and grow the business and secure a sale outcome of the Green Triangle assets for Government. The Green Triangle region is and will continue to remain the premier plantation forestry region of Australia.

# SOUTH AUSTRALIAN FORESTRY CORPORATION BOARD AND GOVERNANCE

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

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

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

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

The Board consists of five independent, non-executive Directors including the Chairman. The current Board has been appointed from 1 January 2012 until 31 December 2014 (Alice McCleary was appointed from 26 April 2012 until 31 December 2014).



**Ian Kowalick**  
*BSc (Hons), BEc (Chairman)*

Ian has tertiary qualifications in Engineering, Science and Economics. He has had a diverse employment background in the private and public sectors. Ian is Chair of Arafura Resources Ltd and Playford Capital Pty Ltd, a Councillor of the University of Adelaide and Chair of the Finance Committee.



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

Kathryn is an Agricultural Scientist and a lawyer. She has extensive experience in research and development investment for agribusiness and in business management, and has held senior executive positions in government and business. Kathryn is currently on a number of agribusiness boards, is 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.



**Mark Darras**  
*BA, LLB, LLM, BEd*

Mark is a Company Director and commercial lawyer, advising companies on infrastructure and commercial issues. Mark is a Special Counsel with Sparke Helmore Lawyers, Chairman of Amanie Advisors and the Telecommunications Universal Service Management Agency (TUSMA). He is also a member of the Takeovers Panel.



**Alice McCleary**  
*DUniv, BEc, FCA, FTIA, FAICD*

Alice is a professional company director with a background in chartered accounting and corporate taxation. She sits on the board of a number of listed and unlisted companies including Archer Exploration Ltd, private hospital group ACHA, and is Chairman of UraniumSA Ltd. She is also the Australian representative on the International Ethics Standards Board for Accountants, based in New York. Previous appointments include Deputy Chancellor of UniSA and membership of the Takeovers Panel.



**Julie Obst**  
*BA, LLB, MBA*

Julie is a business consultant and commercial advisor with extensive management experience in finance and industry. She has served as a director of numerous organisations over many years, and is a member of the Board of COTA SA.

# SOUTH AUSTRALIAN FORESTRY CORPORATION BOARD AND GOVERNANCE CONTINUED

## 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 and ethical 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 July 2012 – June 2013	Meetings attended	Eligible for attendance
Ian Kowalick (Chairman)	12	12
Julie Obst	12	12
Kathryn Adams	12	12
Mark Darras	11	12
Alice McCleary	12	12

Table #1 - 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 and Risk Committee
- South Australian Forestry Corporation Review Committee (this was dissolved on 30 June 2013)

### Audit and Risk Committee

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

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

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

In addition, the Audit and Risk Committee has the responsibility to review ForestrySA's annual financial statements to ensure that the

statements represent a fair and true view of the affairs of ForestrySA consistent with the requirements of accounting standards and statutory reporting requirements and to provide the Board with assurance of the reliability of financial information and financial reports.

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

### Audit and Risk Committee meetings

Members July 2012 – June 2013	Meetings attended	Eligible for attendance
Alice McCleary (Chair)	5	5
Ian Kowalick	5	5
Kathryn Adams	4	5
Anne Alford (Board Observer until end of 2012)	3	3
David Meier (Board Observer as of 25 March 2013)	2	2

Table #2 - Audit and Risk Committee meetings

### Review Committee (dissolved 30 June 2013)

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

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

### Review Committee meetings

Members July 2012 – June 2013	Meetings attended	Eligible for attendance
Julie Obst (Chair)	4	4
Ian Kowalick	4	4
Mark Darras	3	4

Table #3 - 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.

# EXECUTIVE STRUCTURE AS AT 30 JUNE 2013



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

## Chief Executive

- Strategic planning
- Communication and representation
- Human resources



**Adrian Hatch**  
Dip Forestry, BSc  
Forestry

## General Manager Commercial

- Sales and marketing
- Harvest
- Transport
- Market development



**Wayne Materne**  
BAcc, FCPA, GAICD

## Chief Financial Officer

- Accounting
- Finance
- Information systems
- Company Secretary



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

## General Manager Planning and Development

- Resource planning
- Research and development
- Operations MLR / MN
- Forest Management System
- Records



**Greg Saunter**  
BSc Forestry, Grad Dip  
GIS and Remote Sensing,  
Grad Dip Business Admin

## General Manager Operations

- Establishment
- Operations administration
- Fire management
- Conservation and recreation
- Geographical information systems

## MARKETING CONDITIONS

The difficult trading conditions which were described in 2011-12 continued into 2012-13, but showed signs of improvement later in the year as a result of an improved trading environment. Subdued domestic demand caused by the strength of the Australian dollar - in conjunction with negative sentiment in Northern European countries - contributed to the increase in volumes of imported structural lumber.

Low interest rates have not yet flowed into new dwelling commencements and as a result, structural sawlog volume sales continued to trend downwards.

Results were varied for other industry segments. Sales of sawlog for semi-structural, treated and pallet products improved during the course of the year, principally for Green Triangle customers.

The Forward Sale of ForestrySA's Green Triangle plantation estate was completed on 17 October 2012. As a result, ForestrySA's sales for the Green Triangle region were realised within the period from 1 July 2012 to 17 October 2012. The sales for the Mount Lofty Ranges and Mid North estates were realised over the entire financial year. As a result, the overall ForestrySA sales volumes for the 2012-13 financial year were reduced.

In the Mount Lofty Ranges, the impact of reduced sales was compounded by business failure of Brownwood Panels and delays in the development of the new SA Pine drymill. This development is now proceeding with significant investment in new processing equipment.

The difficult market was responsible for a 30% drop in total sales volumes for Mount Lofty Ranges and Mid North.

Interestingly, while demand for sawlog reduced, demand for roundwood for treatment into posts, rails and strainers increased.

It appears that confidence within the rural sector has improved, leading to increased demand overall and particularly within the viticulture sector. Harvesting required to meet this demand was critical in maintaining a number of thinning operations.

# TOTAL LOG PRODUCT

Product	Green Triangle		Mount Lofty Ranges		Mid North	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Sawlog	247,845	739,915	59,461	72,021	12,146	2,547
Plylog	-	-	9,413	19,558	869	1,069
Recovery log	16,192	65,191	35,228	50,216	10,980	20,727
Poles	7,615	6,335	-	-	-	-
<b>TOTAL LOG</b>	<b>271,652</b>	<b>811,441</b>	<b>104,102</b>	<b>141,795</b>	<b>23,995</b>	<b>24,343</b>
Pulpwood	19,750	107,613	-	17,151	257	366
Preservation	17,480	58,908	3,201	-	76	24
Chip	34,074	170,246	-	3,075	-	-
<b>TOTAL PULP &amp; PRES</b>	<b>71,304</b>	<b>336,767</b>	<b>3,201</b>	<b>20,226</b>	<b>333</b>	<b>390</b>
<b>TOTAL</b>	<b>342,956</b>	<b>1,148,208</b>	<b>107,303</b>	<b>162,021</b>	<b>24,328</b>	<b>24,733</b>

Table #4 - Total log product

Note: The data above reflects ForestrySA's plantation management agreement with OneFortyOne Plantations which became effective on 18 October 2012.

## SALES OUTCOMES

### MOUNT LOFTY RANGES AND MID NORTH

Total log volume sales in the Mount Lofty Ranges and Mid North reduced by 23%. Reduced plylog sales following the closure of Brownwood Panels operations in January 2012 contributed largely to this result.

In the Mid North, the necessity to salvage burnt log was challenging, successful sales of the fire affected timber mitigated the reduced overall demand for sawlog and as such, the reduction in sawlog sales was least affected of all products.

Lack of lower grade pulp and chip markets was most evident in the Mount Lofty Ranges, with a significant reduction in these sales. This was offset somewhat with renewed interest in preservation products.

### GREEN TRIANGLE

As previously highlighted, Green Triangle sales were only realised from 1 July 2012 to 17 October 2012, due to the plantation management agreement with OneFortyOne Plantations, which became effective on 18 October 2012.

During this time, a new wood sales agreement for transmission poles to Western Australia was implemented, achieving a high net log revenue return to ForestrySA.

Volume comparisons between previous years and this financial year would not be meaningful due to the reduced reporting period. The ratio of products sold during the period reflects an 11% increase in the sales of sawlog and recovery log, with an 11% reduction in pulp and chip wood.

## PLANTATION MANAGEMENT

ForestrySA continues to manage in excess of 95,000 ha of plantation lands, principally Radiata pine softwood. A total of 2,575 ha of pine was planted during 2012: 2,331 ha in the Green Triangle region and 244 ha in the Ranges.

Winter rainfall was generally closer to average than many of the seasons over the past decade, but a prolonged dry period from spring through to autumn impacted some establishment areas. Insufficiently stocked areas were scheduled for remedial treatment during the 2013 planting season.

Mid-rotation nutrition remains a priority, with a focus on the optimisation of fertiliser use combined with plantation thinning regimes to maximise production without compromising wood quality.

Fertiliser prices have steadied, allowing ForestrySA to again undertake a full program for 2012. ForestrySA continues to focus on all aspects of this program to ensure maximum returns on this significant investment are realised.

The integrated control of noxious weeds across plantation and native forests remains an ongoing program, but continues to be compounded by the introduction of numerous exotic species often as the result of the dumping of garden waste in the forests.

A number of strategies are used to maximise this effort, including the use of biological controls, selective herbicides and manual techniques combined with a monitoring program to assist in focusing future work.

The focus of conducting operations through planning and record keeping help to ensure that all aspects of the Australian Forestry Standard (AS 4708) are met while protecting indigenous, heritage and biological values across the estate by undertaking appropriate buffering or setbacks where required.

## FOREST STATISTICS

	At 30 June 2013 (ha)	At 30 June 2012 (ha)
<b>Standing plantation area</b>		
Radiata pine	12,321	87,536
Other	1,177	1,921
<b>TOTAL</b>	<b>13,498</b>	<b>89,457</b>
<b>Natural features area</b>		
Proclaimed Native Forest Reserves	16,005	15,994
Natural features	6,969	10,470
<b>TOTAL</b>	<b>22,974</b>	<b>26,464</b>
<b>Owned land area</b>		
Plantation <sup>(1)</sup>	15,146	95,337
Natural features	22,974	26,464
Non-forest <sup>(2)</sup>	4,239	14,678
<b>TOTAL</b>	<b>42,359</b>	<b>136,479</b>

Table #5 - Forest statistics

Note: The data above reflects ForestrySA's plantation management agreement with OneFortyOne Plantations which became effective on 18 October 2012. It also excludes the Murray Lands' Hundreds of Monarto and Mobilong which were transferred to the Minister for Sustainability, Environment and Conservation.

<sup>(1)</sup> Includes land available for plantation, but not planted as at 30 June 2013

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

## PLANTATION RESOURCE PLANNING

ForestrySA provides one of the two research teams in the Forest and Wood Products Australia funded project to develop an airborne LiDAR based pre-harvesting system. This is a collaborative project with Hancock Victoria Plantations, NSW Forest Corporation, Hancock Queensland Plantations, Forest and Wood Products Corporation and Timberlands as partners.

The objective is to develop a cost effective alternative to current field based inventory that integrates well with the resource planning infrastructure that is already in place. Six months into the two-year project the collaborating companies have agreed on a blueprint for a LiDAR based system, which both research teams are now working towards.

Significant market driven change took place in the Mount Lofty Ranges necessitating evaluation of alternative resource management options, including the commencement of a substantial export

program that would create a much needed market for early thinning products, as well as a destination for the largest sawlog for which a local market had ceased to exist. Pre-commercial thinning and post thinning fertiliser is also being considered to enhance the health and commercial state of the resource.

In late 2012, a project was commenced to update the resource database for the Mid North region for long term wood supply analysis purposes. This involved capturing of field inventory data, including overlapping feature inventory data for product modelling. However in January 2013 a wildfire affected a significant portion of the Bundaleer forest. Work is still ongoing to quantify the full impact of this fire from a resource perspective.

## FOREST FIRE PROTECTION

Dry conditions in both the Green Triangle, Mount Lofty Ranges and Mid North contributed to a busier than average fire season in terms of the number of fires attended and the area of land burnt. Rainfall was well below average in all regions from September until April.

ForestrySA fire crews attended 79 fires for the season, including 29 fires on private land or land managed by other agencies. Almost 1,500ha of forest reserve was burnt, including 1,075ha of Native Forest Reserve.

ForestrySA employees continued to contribute to South Australian and interstate fire management through their participation in Level 3 incident management teams.

ForestrySA personnel filled IMT roles at the Port Lincoln fire (November 2012), Marcollat (December 2012), Kentbruck Victoria (January 2013) and Taratap and Tilley Swamp (February 2013).

Almost 300ha of native forest was treated by prescribed burns during spring and autumn, which was less than the 500ha treated in 2011-12 due to the prolonged dry conditions. Prescribed burns reduce the hazard in areas of native forest and contribute to biodiversity conservation objectives.

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

## FOREST HEALTH

The forest industry depends on having healthy forests. Systems of regular monitoring and reporting, along with day to day staff vigilance, continued to ensure that significant forest health issues were recognised early and any remedial actions rapidly put into place.

Biological control programs remain in place for the Sirex Woodwasp and the Monterey Pine Aphid. Although the active wasp release component (the parasitoid *Diaeretus essigellae*) of the latter program concluded during the year, monitoring for establishment of the wasp will continue.

Sirex numbers remained low and both insect pests caused little damage in 2012-13.

The fungal disease *Diplodia pinea* has been reported in a number of areas but not at the levels detected in 2011-12.

Harvesting of merchantable trees affected in that outbreak has commenced as part of normal management. An increased program of nematode inoculation took place this year to counter a possible increase in Sirex attack in trees dying from Diplodia infection.

## RESEARCH

Improving the growth, wood quality and health of radiata pine plantations and the performance of subsequent products in service is a key aim of ForestrySA. Research programs are conducted that improve the understanding and knowledge that achieves this aim. This includes ensuring social and environmental performance is maintained at a high level.

Research highlights for 2012-13 include:

- Establishment of a genetics demonstration at Penola Forest Reserve comparing deployment seed lots and unimproved material from Australia and New Zealand, as well as advanced generation families from the Southern Tree Breeding Association's breeding program.

- A new set of Australian Plantation Industry Herbicide Research Consortium trials was established using both radiata pine and blue gum.
- ForestrySA again participated in the national Scientists in Schools program conducted with Mount Gambier High School with a program involving 12 ForestrySA staff members and covered a range of topics - FireKing design, LiDAR, soil classification, and water quality measurement for the Pygmy Perch recovery program.

## ENVIRONMENT AND COMMUNITY HIGHLIGHTS

Highlights	Indicator	2012-13	2011-12	Measure
Global carbon cycles	Carbon sequestration (compliant Kyoto Forests)	545,195	516,922	Tonnes of carbon
Energy use <i>Refer to Energy Efficiency Action Plan on page 48 of this report</i>	Electricity consumption	463,211	487,226	Kwh
	ForestrySA total energy use	25,875	27,924	Gj
	ForestrySA total greenhouse gas emissions	1,477	1,585	Tonnes of CO <sub>2</sub> e
Water conservation	Area of watercourse and wetland buffer zones	97 <sup>(1)</sup>	278	ha
Compliance	EPA notifiable incidents	0	0	
	AS 4708 (Australian Forestry Standard)	Yes	Yes	Certification
Community engagement	Contributions to programs by volunteer and community participants	35,000 (approx)	35,000 (approx)	Hours
	Forest visitors recorded	188,696	145,000	People

Table #6 - Environment and community highlights

<sup>(1)</sup> Excludes areas affected by the land management agreement with OneFortyOne Plantations

## SPONSORSHIP AND MAJOR COMMUNITY EVENTS WE SUPPORT

Recipient	Event / cause
Belalie Arts Society	Bundaleer Festival 2013 held in the Bundaleer Forest
Pines Enduro 2012	Off road racing event held in the Mount Burr Forest
Timber Communities Australia	Annual donation
Mount Gambier Timber Industry Club	National JIV Hoo Hoo Convention 2013
Mount Gambier Cycling and Triathlon Club	Sponsorship of inaugural Junior Cycling Classic 2012
Kongorong Cricket Club	Donation to assist installation of new cricket nets
Adrian Castle	Leukaemia fundraiser
Mount Gambier Breast Cancer Awareness Group	Breast Cancer fundraising luncheon
Wirrabara Publican's Golf Day 2012	Royal Flying Doctor Service fundraiser
Nangwarry Forestry and Logging Museum	Sponsor
Bike SA	Kona Dirty Weekend 2013
Gottstein Trust	Patron

Table #7 - Sponsorship and major community events

# COMMUNITY FORESTRY

Performance measures	2012-13	2011-12
Forest visitors (recorded)	188,696	145,000
Permits issued	13,449	11,639
Forest events	289	367
Ranger FTE delivered	7	7
Field days, tours and presentations to the public providing information and interpretation of natural history and forest management	13	5
Groups actively engaged	40	18
Community engagement hours recorded	35,000 (approx)	35,000 (approx)
Forest education programs supported	8	6

Table #8 - Community forestry

## COMMUNITY SERVICE OBLIGATIONS

As a South Australian Government business enterprise, ForestrySA is mandated under the South Australian Forestry Corporation Charter to undertake a number of non-commercial activities.

ForestrySA receives a Community Service Obligation (CSO) contribution to fund the delivery of these activities managed through an administrative agreement with PIRSA. CSO activities include native forest management, community use of forest reserves, forest industry development and community fire protection.

## NATIVE FOREST MANAGEMENT

Throughout the year, ForestrySA employees and contractors have continued to undertake works to remove pest plants and animals from priority sites within the 23,000 ha of native forest managed by ForestrySA.

Pest plant and animal control works are undertaken to maintain the biodiversity value of forest reserves. A wide range of native plants and animals are found within the ForestrySA managed areas of native forest. These reserves contribute significantly to biodiversity conservation in South Australia.

## COMMUNITY USE OF FOREST RESERVES

Forest Reserves continue to provide a wide range of recreational opportunities for local communities. Camping, horse riding, walking and mountain biking are popular activities.

During May 2013, three major community events took place in the Mount Crawford Forest, attracting an estimated 15,000 visitors to the area. The events included:

**Kona Dirty Weekend:** Run by BikeSA, this event has been held annually since 2001. The competition is a 24-hour endurance event for mountain bikes held in the Cudlee Creek Forest. This year's event attracted 316 competitors and an estimated 2,500 spectators.

**Birdwood Farm Day:** This is a major community event run by students, staff and parents of the Birdwood Primary School at Chalks Campground. Over 8,000 visitors attended the day.

**The 13th Scouts RallySA Car Rally:** Held in late May, the event is a round of the Australian Rally Championship. An estimated 5,000 people attended the weekend-long competition.

## FOREST INDUSTRY DEVELOPMENT

ForestrySA uses CSO funding to undertake forestry-related research and to disseminate information for the benefit of South Australia and the forestry industry, including forestry demonstration and gene conservation trials.

ForestrySA coordinated a research field day focussing on Eucalypt coppice control, operational use of LiDAR, applications for mobile GIS in forestry, the Weedchem database and herbicide research consortium trial results.

Research projects undertaken in 2012-13 included:

- Establishment of Guadalupe and Cedros radiata pine provenance gene conservation plantings
- Ongoing management of Eucalypt species performance and Gumeracha climate change trials
- Review of regional landuse data sets

## COMMUNITY FIRE PROTECTION

ForestrySA operates seven fire towers in the Green Triangle region, for early fire detection. Due to the dry conditions experienced over the 2012-13 fire season, the towers were occupied on 112 days - a higher than average number of days.

ForestrySA fire crews attended 79 fires for the season, including 29 fires on private land or land managed by other agencies.

Seven prescribed burns totalling 292ha were completed during spring and autumn. Prescribed burns reduce the hazard in areas of native forest, help to protect adjoining assets and contribute to biodiversity conservation objectives.

ForestrySA is a member of three fire cooperatives in the South East, Southern Flinders and Mount Lofty Ranges regions. The cooperatives were formed in 2009 and are comprised of ForestrySA, CFS, DEWNR and SA Water. The agencies work together to develop and implement integrated prescribed burning programs, and to deliver integrated bushfire response arrangements.

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED JUNE 2013

	Note	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
<b>Income</b>			
Sales - timber products		54,120	88,762
Sales - management services		9,998	170
Revenues from SA Government	5(i)	8,028	3,356
Interest	5(ii)	1,607	2,445
Other income	5(iii)	17,837	1,194
Net gain from the disposal of non-current assets	5(iv)	-	7
<b>Total income</b>		<b>91,590</b>	<b>95,934</b>
<b>Expenditure</b>			
Employee benefits	7	(16,425)	(17,152)
Contractors		(18,223)	(39,238)
Wood purchases		(21,283)	(239)
Depreciation and amortisation	5(v), 15, 16	(2,105)	(2,554)
Finance costs	5(v)	(1,814)	(2,664)
Materials		(4,743)	(3,733)
Equipment and vehicle costs		(3,314)	(3,243)
Council rates		(1,655)	(1,572)
Other expenditure	5(vi)	(8,062)	(4,209)
Net loss from the disposal of non-current assets	5(iv)	(2,645)	-
Net revaluation decrement on non-current assets	15	-	(3,224)
<b>Total expenses</b>		<b>(80,269)</b>	<b>(77,828)</b>
<b>Trading profit before revaluation of standing timber</b>		<b>11,321</b>	<b>18,106</b>
Net change in value of standing timber	14	(15,365)	(45,567)
<b>Profit/(loss) before income tax equivalent</b>		<b>(4,044)</b>	<b>(27,461)</b>
Income tax equivalent expense	6	-	(5,332)
<b>Net profit/(loss) after income tax equivalent</b>	9(ii)	<b>(4,044)</b>	<b>(32,793)</b>
<b>Other comprehensive income</b>			
Land revaluation recorded in asset revaluation surplus	15	-	(10,410)
Buildings and structures revaluation recorded in asset revaluation surplus	15	-	-
<b>Total comprehensive income/(loss)</b>		<b>(4,044)</b>	<b>(43,203)</b>

Table #9 - Statement of comprehensive income

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

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

# STATEMENT OF FINANCIAL POSITION

FOR THE SOUTH AUSTRALIAN FORESTRY CORPORATION AS AT JUNE 2013

	Note	2013 \$'000	2012 \$'000
<b>Current assets</b>			
Cash and cash equivalents	9	15,366	43,014
Receivables	10	10,836	12,129
Inventories	11	543	2,039
Standing timber	14	8,134	20,884
Assets classified as held for sale	12	1,077	177
Assets classified as held for distribution	13	-	1,032,776
<b>Total current assets</b>		<b>35,956</b>	<b>1,111,019</b>
<b>Non-current assets</b>			
Standing timber	14	63,835	60,478
Property, plant and equipment	15	102,211	106,517
Intangible assets	16	320	288
<b>Total non-current assets</b>		<b>166,366</b>	<b>167,283</b>
<b>Total assets</b>		<b>202,322</b>	<b>1,278,302</b>
<b>Current liabilities</b>			
Payables	17	6,776	5,520
Employee benefits	18	2,140	1,875
Interest bearing loans	19	-	1,383
Tax liabilities	6	-	501
Deferred income	20	173	854
Other provisions	21	240	262
Liabilities classified as held for distribution	22	-	23,638
<b>Total current liabilities</b>		<b>9,329</b>	<b>34,033</b>
<b>Non-current liabilities</b>			
Payables	17	560	564
Employee benefits	18	3,033	3,080
Interest bearing loans	19	-	8,706
Deferred income	20	679	666
Other provisions	21	985	1,013
<b>Total non-current liabilities</b>		<b>5,257</b>	<b>14,029</b>
<b>Total liabilities</b>		<b>14,586</b>	<b>48,062</b>
<b>Net assets</b>		<b>187,736</b>	<b>1,230,240</b>
<b>Equity</b>			
Contributed capital		-	4,984
Reserves		145,358	1,132,017
Retained earnings		42,378	93,239
<b>Total equity</b>		<b>187,736</b>	<b>1,230,240</b>

Table #10 - Statement of financial position

The total equity is attributable to the South Australian Government as owner.

# STATEMENT OF CASH FLOWS

FOR THE SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED JUNE 2013

	Note	2012/13 Inflows (Outflows) \$'000	2011/12 Inflows (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		84,458	96,574
Payments to suppliers and employees		(72,171)	(70,713)
Finance costs		(1,814)	(2,664)
Interest received		1,724	2,517
Receipts from SA Government		7,598	2,913
GST receipts on sales		9,461	9,323
GST payments on purchases		(5,491)	(5,241)
GST remitted to Australian Taxation Office		(4,320)	(4,321)
Income tax equivalents paid	6	(501)	(8,822)
<b>Net cash flows from operating activities</b>	9 (ii)	18,944	19,566
<b>Cash flows from investing activities</b>			
Purchase of property, timber, plant and equipment		(861)	(4,085)
Purchase of intangible assets		(196)	(122)
Proceeds from sale of assets		267	100
<b>Net cash flows from investing activities</b>		(790)	(4,107)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	4,166
Repayment of borrowings		(11,291)	(7,179)
Repayment of equity		(4,984)	-
Dividend paid		(29,527)	(14,187)
<b>Net cash flows from financing activities</b>		(45,802)	(17,200)
<b>Net increase/(decrease) in cash held</b>		(27,648)	(1,741)
<b>Cash and cash equivalents at the beginning of the period</b>		43,014	44,755
<b>Cash and cash equivalents at the end of the period</b>	9 (i)	15,366	43,014

Table #11 - Statement of cash flows

# STATEMENT OF CHANGES IN EQUITY

FOR THE SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED JUNE 2013

	Contributed capital \$'000	Asset revaluation surplus \$'000	Standing timber reserve \$'000	Fire insurance fund reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Balance at 30 June 2011</b>	<b>4,984</b>	<b>485,642</b>	<b>683,392</b>	<b>18,566</b>	<b>95,046</b>	<b>1,287,630</b>
Gain/(loss) on revaluation of property, plant and equipment	-	(10,410)	-	-	-	(10,410)
<b>Net income/expense recognised directly in equity</b>	<b>-</b>	<b>(10,410)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,410)</b>
Net profit / (loss) for the period	-	-	-	-	(32,793)	(32,793)
<b>Total comprehensive income for 2011-12</b>	<b>-</b>	<b>(10,410)</b>	<b>-</b>	<b>-</b>	<b>(32,793)</b>	<b>(43,203)</b>
Dividend	-	-	-	-	(14,187)	(14,187)
Transfers to/(from) equity	-	(2)	(45,567)	396	45,173	-
<b>Total change for the period</b>	<b>-</b>	<b>(10,412)</b>	<b>(45,567)</b>	<b>396</b>	<b>(1,807)</b>	<b>(57,390)</b>
<b>Balance at 30 June 2012</b>	<b>4,984</b>	<b>475,230</b>	<b>637,825</b>	<b>18,962</b>	<b>93,239</b>	<b>1,230,240</b>
Gain on revaluation of property, plant and equipment	-	-	-	-	-	-
<b>Net income/expense recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net profit / (loss) for the period	-	-	-	-	(4,044)	(4,044)
<b>Total comprehensive income for 2012-13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,044)</b>	<b>(4,044)</b>
Dividend	-	-	-	(18,962)	(10,565)	(29,527)
Repayment of Contributed Capital	(4,984)	-	-	-	-	(4,984)
Distribution to the SA Government as owner	-	(396,864)	(555,468)	-	(51,617)	(1,003,949)
Transfers to/(from) equity	-	-	(15,365)	-	15,365	-
<b>Total change for the period</b>	<b>(4,984)</b>	<b>(396,864)</b>	<b>(570,833)</b>	<b>(18,962)</b>	<b>(50,861)</b>	<b>(1,042,504)</b>
<b>Balance at 30 June 2013</b>	<b>-</b>	<b>78,366</b>	<b>66,992</b>	<b>-</b>	<b>42,378</b>	<b>187,736</b>

Table #12 - Statement of changes in equity

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

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

### 1 CORPORATE INFORMATION

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

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

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

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

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

#### Forward sale of harvesting rights

At 17 October 2012, the SA Government finalised the forward sale of SAFC's harvesting rights in the Green Triangle region to The Campbell Group based in the United States. OneFortyOne Plantations Pty Ltd (OFO) was then formed in Australia to manage these plantations. These changes have some significant impacts on SAFC's business, including:

- Land, roads and standing timber recognised at 30 June 2012 as awaiting distribution to owner was assigned to the Treasurer of SA on 17 October 2012. This included the Glencoe Nursery land which was not recognised in assets classified as held for sale as at 30 June 2012. These assets are located in the Green Triangle region. The Treasurer has leased the land and roads to OFO for commercial forestry operations for a term of 70 years with an option for a further 35 years. The standing timber on this land was sold by the Treasurer to OFO.
- Land, roads and standing timber remaining under the control of SAFC are located in the Mount Lofty Ranges and the Mid North of the State and a few smaller parcels in the Green Triangle region.
- At 30 June 2012, SAFC had a balance of SAFA loans of \$33.7 million. Of these loans \$23.6 million related to loans for land purchases and recognised as liabilities classified as held for distribution to owner. The loans were re-assigned to the Treasurer effective on 18 October 2012 under a Loan Assumption Deed. The remaining \$10.1 million of loans, related to the financing of SAFC's building and plant and equipment, were fully repaid by SAFC in 2013.
- Under the Glencoe Nursery Assignment Deed certain assets of the Glencoe Nursery were assigned by SAFC to OFO directly (not via the Treasurer) and thus are recognised as a loss on disposal of non-

current assets in the Statement of Comprehensive Income, while any loss on disposal of current assets is recognised under other expenses.

- Since the sale of the Glencoe Nursery, SAFC purchases seedlings from OFO at costs as defined in Glencoe Nursery Supply Agreement.
- Novation of Harvesting and Transport contracts in the Green Triangle region from SAFC to OFO since 17 October 2012.
- Novation of sales contracts in the Green Triangle region from SAFC to OFO since 17 October 2012. A number of customers novated after this date, while one customer's contract has not been novated. SAFC accounts for unnovated sales contracts as SAFC sales and wood purchases.
- SAFC is an agent for the Treasurer responsible for the Plantation Management Agreement (PMA).
- Under the Memorandum of Administrative Arrangements SAFC is required to perform the obligations of the Manager (Treasurer) in accordance with the PMA.
- Under the PMA SAFC manages the silviculture operations for OFO in return for a fee comprising two components:
  - I. Direct charges. Whilst some silviculture expenses are paid directly by OFO there are other such expenses incurred and paid by SAFC on behalf of OFO. These expenses are recognised as expenses of SAFC in the Statement of Comprehensive Income. Those expenses that can be recovered from OFO under the PMA are shown as management service fees
  - II. General Overhead Charges (GOC) which are paid by OFO to the Treasurer and passed onto SAFC and shown as revenue from Government until March 13 quarter. This arrangement has been changed in June 13 quarter, SAFC received GOC directly from OFO.
- Operations Deed between the Treasurer and OFO requires the performance, among other things, of specified fire management functions.
- SAFC will require funding from SA Government for ongoing discharge of its Community Service Obligations (particularly fire response) and the performance of its obligation under the PMA as negotiated by the Treasurer as part of the forward sale.

### 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*.

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 2013. 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 the 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

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

basis.

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

The preparation of the financial statements requires compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the Accounting Policy Statements require the following note disclosures that have been included in these financial statements:

- i. revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100,000 for separate identification of these items applies;
- ii. expenses incurred as a result of engaging consultants;
- iii. employee targeted voluntary separation package information; and
- iv. employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

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

## (c) Comparative information

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

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

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

## (d) Rounding

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

## (e) New and revised accounting standards

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 2013. SAFC has assessed the impact of the new and amended Standards and Interpretations and considers there will be no impact on the accounting policies or the financial statements of SAFC.

## (f) Taxation

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

### i. Income tax equivalent

SAFC is an income tax exempt body. As SAFC engages in trading activities in competition with private sector enterprises, a payment in lieu of income tax is paid to the South Australian Government consolidated account. The tax calculation method is prescribed by Treasurer's Instruction 22 and the tax equivalent payment is calculated on the Accounting Profits Model. The Department of Treasury and Finance provided SAFC with a ruling that excludes gains and losses relating to standing timber revaluations and in prior periods allowed deduction of approved contributions to the Fire Insurance Fund from the accounting profit used to calculate the income tax equivalent payment.

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

### ii. Goods and Services Tax (GST)

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

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

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

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

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

## (g) Income

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

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

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

Interest revenue is recorded on an accrual basis. Interest is

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

calculated on the average daily balance of the account.

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

## (h) Expenses

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

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

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

## (i) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. SAFC has a regular operating cycle of 12 months. Standing timber that is expected to be harvested within 12 months after the reporting date has been classified as a current asset, while the standing timber that is expected to be harvested more than 12 months after the reporting date has been classified as a non-current asset. Other 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 12 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) 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.

## (l) Inventories

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

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

## (m) Standing timber

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. SAFC has determined the fair value of the existing mix of forest products based on market conditions over the 12 months preceding balance date and has calculated the weighted average return for each diameter class, after deducting direct costs incurred in realising those returns. In the Mid North the market conditions over a six month period (June to December 2012) were used to avoid the non-representative sales of fire damaged timber which was sold in the last six months of the financial year. 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 applied to trees up to 9 years old in the Green Triangle region, and applies to 10 years old trees 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, after allowing for standing timber acquired and purchased standing timber harvested, is recognised in the Statement of Comprehensive Income as the net change in value of standing timber. All forest expenditure is recognised as an expense in the year the expenditure is incurred.

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 Mount Lofty Ranges and Mid North forests the master database was last updated as at December 2012, affecting the standing timber valuation as at 30 June 2013. (For the Green Triangle forest the master

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

database was updated as at June 2012, affecting the standing timber valuation as at 30 June 2012.)

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.

The method used to value standing timber assumes all timber assets which are a marketable size are sold at 30 June 2013 at fair value less estimated point-of-sale costs. There is inherent uncertainty in the standing volume estimate and resultant standing timber valuation. This is endemic to all forest valuations and best practice methodology is used to generate reliable forward timber estimates.

## (n) Property, plant and equipment

### i. Recognition and measurement

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

SAFC individually capitalises all non-current physical assets with a value of \$1,000 or greater, and a low value pool is created for assets between \$300 and \$1,000. Where an asset comprises significant components with differing useful lives, those components are recorded separately.

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 2012, whilst buildings and structures were revalued as at 30 June 2011, in accordance with APF III *Asset Accounting Framework*. Assets in the other asset classes are deemed to have been revalued to their fair values immediately following recognition at cost.

The basis of the revaluation of land is the current site value of the unimproved land. In accordance with this policy, land was revalued in 2012 using valuations provided by the Valuer-General and/or local shires. In accordance with APF III APS 3.8, SAFC has elected to take revaluation adjustments to the asset revaluation surplus on an individual asset basis.

At least every five years, an independent valuation appraisal of SAFC's buildings and structures will be performed. However, if at any time management considers that the carrying amount of an asset class materially differs from its fair value, then the asset class will be revalued regardless of when the last valuation took place. SAFC undertook an independent valuation appraisal of its buildings and structures in June 2011.

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

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

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

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

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

### v. Depreciation and amortisation of non-current assets

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

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 or for distribution to owner 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	25-60
Leasehold improvements	Straight line	life of lease
Roads and land improvements	Straight line	20-25
Plant and equipment	Straight line	3-25

## vi. Crown land

The value of Crown land amounts to \$77 million (2012: \$485 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*.

## (o) Intangible assets

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

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

All research and development costs that do not meet the

capitalisation criteria outlined in AASB 138 *Intangible Assets* are expensed.

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

## (p) Trade and other payables

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

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

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

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received. All amounts are measured at their nominal amount and are normally settled within 30 days after invoice date.

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.

## (q) Employee benefits

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

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

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.

The liability for long service leave is measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with duration that match, as closely as possible, the estimated future cash outflows.

## (r) 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.

## (s) Leases

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

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

## (t) 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 (w)). In addition, SAFC is self-insured for workers compensation.

## (u) 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.

## (v) Contributed equity

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

## (w) Fire Insurance Fund and reserve

Cabinet approved SAFC to self-insure for the risk associated with major fire losses of forest from 1 October 2004 and SAFC set up a fund for this purpose at that date. The Fire Insurance Fund has been created as part of SAFC's self-insurance policy. SAFC's annual lump sum contributions to the Fire Insurance Fund are quarantined for both tax equivalent payments and dividend purposes.

The use of the Fire Insurance Fund available cash balance was restricted to fund annual fire losses to the plantation of greater than \$250,000. These funds provided cash for clearing, re-establishment and associated costs.

During the 2013 financial year the Fire Insurance Fund was returned to the owner of SAFC by way of a special dividend.

## (x) 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, up to and including 2013, 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 80% of transactions for the financial year (2012: 72%) 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.

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

## 5 REVENUE, OTHER INCOME AND EXPENSES

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

### (i) Revenues from SA Government

	Note	2013 \$'000	2012 \$'000
Community Service Obligation funding <sup>(1)</sup>	1	3,093	2,965
Other revenues from SA Government		4,537	-
Government Radio Network funding		369	365
Deferred revenues from SA Government		29	26
<b>Revenues from SA Government</b>		<b>8,028</b>	<b>3,356</b>

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

### (ii) Interest received or receivable

	Note	2013 \$'000	2012 \$'000
Interest received or receivable related to cash balances <sup>(1)</sup>		1,444	2,230
Interest received or receivable related to trade receivables		163	215
<b><sup>(1)</sup> Interest revenue</b>		<b>1,607</b>	<b>2,445</b>

### (iii) Other income

	Note	2013 \$'000	2012 \$'000
Contract settlement		15,411	-
Other revenue from non SA Government entities		2,426	1,194
<b>Other revenues</b>		<b>17,837</b>	<b>1,194</b>

Table #13- Revenue, other income and expenses

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

## (iv) Net gain/(loss) from disposal of assets

	Note	2013 \$'000	2012 \$'000
Land and buildings			
Net proceeds/(expenses) from disposal		(2)	(2)
Less net book value of assets disposed	15	(438)	-
Net gain/(loss) from disposal of land and buildings		(440)	(2)
Plant and equipment			
Net proceeds from disposal		269	102
Less net book value of assets disposed	15	(2,474)	(93)
Net gain/(loss) from disposal of plant and equipment		(2,205)	9
Total assets			
Net proceeds from disposal		267	100
Less net book value of assets disposed		(2,912)	(93)
Net gain/(loss) from disposal of total assets		(2,645)	7

## (v) Charging as expenses

	Note	2013 \$'000	2012 \$'000
Harvesting and transport costs		12,275	33,716
Interest and guarantee fee paid or payable <sup>(1)</sup>	19	1,814	2,664
Depreciation of non-current assets	15	1,949	2,310
Amortisation	16	156	244
Rental expense on property operating leases		43	39
Consultants <sup>(2)</sup>		55	28
Total other expenses related to SA Government entities		2,267	3,071

<sup>(1)</sup> to/from SA Government entities <sup>(2)</sup> includes payments to one (2012: one) consultant

## (vi) Other expenditure

	Note	2013 \$'000	2012 \$'000
Net gain/(loss) from disposal of current assets		1,104	-
Contract Settlement		3,144	-
Doubtful debt provision/write down	10	1,297	182
Other		2,517	4,027
		8,062	4,209

Table #13 - Revenue, other income and expenses continued.

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

## 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 2013 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).

	2013 \$'000	2012 \$'000
Prima facie tax equivalent at 30% of trading profit before revaluation of standing timber <sup>(1)</sup> less fire insurance fund contributions <sup>(2)</sup> , with no refund or receivable for negative tax equivalent amount	-	5,332

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

<sup>2</sup> The contributions to the fire insurance fund, which equate to \$35,000 (2012: \$334,000) are treated as expenses for tax equivalent purposes.

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

	2013 \$'000	2012 \$'000
Income tax expense	-	5,332
Paid during financial year related to financial year	-	(4,831)
Income tax equivalent payable as at 30 June	-	501

Table #14 - Income tax equivalents

## 7 EMPLOYEE BENEFITS

	2013 \$'000	2012 \$'000
Salaries and wages	12,435	12,536
Long service leave	269	974
Retention leave	84	-
Annual leave	1,015	1,042
Employment on-costs - superannuation	1,877	1,861
TVSP	-	-
Employment on-costs - other	745	739
	16,425	17,152

Table #15 - Employee benefits

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

## 8 AUDITORS' REMUNERATION

	2013 \$'000	2012 \$'000
Amount received, or due and receivable, by the auditors for auditing the accounts	124	119
	124	119

Table #16 - Auditors' remuneration

The Auditor-General's Department provided no other services to SAFC.

## 9 CASH AND CASH EQUIVALENTS

	2013 \$'000	2012 \$'000
Cash	2	2
Deposit account	15,364	24,054
Fire insurance fund	-	18,958
	15,366	43,014

Table #17 - Cash and cash equivalents

### Fire insurance fund

The fire insurance fund's assets were in a cash management fund, available at call.

### Cash flows

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

	2013 \$'000	2012 \$'000
Cash and cash equivalents as per statement of financial position	15,366	43,014
Cash and cash equivalents as per statement of cash flows	15,366	43,014

Table #18 - Cash flows

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

	2013 \$'000	2012 \$'000
Net profit/(loss) after income tax equivalents	(4,044)	(32,793)
<b>Other reconciling movements</b>		
Net change in value of standing timber - harvested purchased timber	-	-
Net change in value of standing timber - other	15,365	45,567
Loss on revaluation of land	-	3,224
Depreciation and amortisation	2,106	2,555
Other asset transactions	(23)	-
Net loss/(gain) on disposal of current and non-current assets	2,594	(7)
	20,042	51,339

Table #18 - Cash flows continued

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

## 9 CASH AND CASH EQUIVALENTS CONTINUED

	2013 \$'000	2012 \$'000
<b>Changes in operating assets and liabilities</b>		
(Increase)/Decrease in debtors	4,719	6,068
(Increase)/Decrease in GST receivable	(72)	178
(Increase)/Decrease in interest receivable	117	72
(Increase)/Decrease in other debtors & prepayments	(3,543)	(113)
(Increase)/Decrease in inventories	1,494	(190)
(Decrease)/Increase in trade creditors	1,749	(2,791)
(Decrease)/Increase in GST payable	(301)	(417)
(Decrease)/Increase in employee provisions	168	1,433
(Decrease)/Increase in income tax equivalent payable	(501)	(3,491)
(Decrease)/Increase in other creditors	(884)	271
<b>Net cash flows from changes in operating balances</b>	<b>2,946</b>	<b>1,020</b>
<b>Net cash flows from operating activities</b>	<b>18,944</b>	<b>19,566</b>

Table #18 - Cash flows continued

## 10 RECEIVABLES

	Note	2013 \$'000	2012 \$'000
<b>CURRENT</b>			
Trade receivables		8,306	11,726
Less doubtful debts		(24)	(182)
Other receivables		2,259	-
Accrued revenue		43	171
Prepayments		252	438
Less receivables classified as held for distribution to owner	13	-	(24)
		10,836	12,129

Table #19 - Receivables

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 27.

As at 30 June 2013 \$2.8 million of trade receivables were overdue (2012: \$3.9 million).

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

## 10 RECEIVABLES CONTINUED

	2013 \$'000	2012 \$'000
SA Government receivables		
Trade debtors	388	13
Other than trade receivables	36	128
	424	141
Non SA Government receivables		
Trade debtors	7,894	11,532
Other than trade receivables	2,518	456
	10,412	11,988

Table #19 - Receivables continued

	Note	2013 \$'000	2012 \$'000
Movement in the allowance for doubtful debts as at 1 July		(182)	-
Increase/(decrease) in allowance	5 (vi)	(1,297)	(182)
Amounts written off		1,455	-
Amounts recovered during the year		-	-
Total allowance for doubtful debts		(24)	(182)

Table #19 - Receivables continued

## 11 INVENTORIES

	2013 \$'000	2012 \$'000
CURRENT		
Roading rubble	52	156
Materials and stores	491	793
Nursery stock - trees	-	1,090
	543	2,039

Table #20 - Inventories

## 12 ASSETS CLASSIFIED AS HELD FOR SALE

	Note	2013 \$'000	2012 \$'000
Non-current assets classified as held for sale			
Land and buildings, property, plant and equipment		1,077	756
Less assets held for sale classified as held for distribution to owner	13	-	(579)
		1,077	177

Table #21 - Assets classified as held for sale

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

## 13 ASSETS CLASSIFIED AS HELD FOR DISTRIBUTION TO OWNER

	Note	2013 \$'000	2012 \$'000
<b>Current assets classified as held for distribution to owner</b>			
Receivables	10	-	24
Assets classified as held for sale	12	-	579
Standing timber	14	-	593,666
<b>Non-current assets classified as held for distribution to owner</b>			
Property, plant and equipment	15	-	438,182
Water licences	16	-	325
		-	1,032,776

Table #22 - Assets classified as held for distribution to owner

### Proposed distribution of assets and liabilities to SAFC's owner and forward sale of forest rotations

The South Australian (SA) Government announced on 17 October 2012 that the forward sale of three forest rotations in the Green Triangle was completed.

As part of the sale process SAFC distributed all relevant assets and liabilities to its owner at book value.

The SA Government entered into contractual arrangements with the new plantation owner, OneFortyOne Plantations Pty Ltd, whereby the Green Triangle standing timber was sold, land is leased and other associated arrangements are entered into.

In these financial statements SAFC therefore classified and presented the assets and liabilities that were expected to be involved in these transactions as "held for distribution to owner" as at 30 June 2012, in accordance with AASB5 *Non-current Assets Held for Sale and Discontinued Operations*.

## 14 STANDING TIMBER

	Note	2013 \$'000	2012 \$'000
Opening balance		81,362	720,595
New plantings		936	5,542
Harvesting		(18,252)	(59,665)
Volume adjustments		4,496	80,081
Loss due to fire		(2,335)	(156)
Price changes		(210)	(71,369)
Net change recorded in statement of comprehensive income		(15,365)	45,567
<b>Closing balance before distribution to owner</b>		<b>65,997</b>	<b>675,028</b>
Less standing timber classified as held for distribution to owner		5,972	(593,666)
<b>Closing balance after distribution to owner</b>		<b>71,969</b>	<b>81,362</b>

Table #23 - Standing timber

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

## 14 STANDING TIMBER CONTINUED

The standing timber comprises the following:

Fair Value	Note	2013 \$ '000	2012 \$ '000
Standing timber classified as held for distribution to owner	13	-	593,666
Standing timber as held to maturity		71,969	81,362
<b>Total fair value</b>		<b>71,969</b>	<b>675,028</b>
Mature forest		64,830	627,654
Young forest		7,139	47,374
<b>Total fair value</b>		<b>71,969</b>	<b>675,028</b>

Volume	Note	2013 '000 m <sup>3</sup>	2012 '000 m <sup>3</sup>
Mature forest		2,740	19,900
Young forest		88	1,032
<b>Total volume</b>		<b>2,828</b>	<b>20,932</b>

Area	Note	2013 ha	2012 ha
Mature forest		10,619	63,415
Young forest		2,879	26,042
<b>Total area</b>		<b>13,498</b>	<b>89,457</b>

	Note	2013 \$'000	2012 \$'000
<b>CURRENT ASSET</b>			
Current portion of standing timber valuation		8,134	67,226
Less current standing timber classified as held for distribution to owner	13	-	(46,342)
		8,134	20,884
<b>NON-CURRENT ASSET</b>			
Non-current portion of standing timber valuation		63,835	607,802
Less non-current standing timber classified as held for distribution to owner	13	-	(547,324)
		63,835	60,478

Table #23 - Standing timber continued

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

## 15 PROPERTY, PLANT AND EQUIPMENT

	Land \$ '000	Buildings and structures \$ '000	Roads and land improvements \$ '000	Plant and equipment \$ '000	Total \$ '000
<b>Year ended 30 June 2013</b>					
As at 1 July 2012, net of accumulated depreciation and impairment	77,344	12,122	2,322	14,729	106,517
Additions/transfers	-	51	281	530	862
Disposals	-	(389)	(49)	(2,474)	(2,912)
Assets reclassified to assets held for sale	-	-	-	-	-
Assets reclassified to distribution to owner	(336)	-	29	-	(307)
Revaluation increments	-	-	-	-	-
Revaluation decrements	-	-	-	-	-
Depreciation charge for the year	-	(512)	(200)	(1,237)	(1,949)
Transfers within asset classes	-	-	-	-	-
Net of accumulated depreciation and impairment	77,008	11,272	2,383	11,548	102,211
<b>At 30 June 2013</b>					
Cost or fair value	77,008	12,287	4,371	22,786	116,452
Accumulated depreciation and impairment	-	(1,015)	(1,988)	(11,238)	(14,241)
Net carrying amount	77,008	11,272	2,383	11,548	102,211
<b>Year ended 30 June 2012</b>					
As at 1 July 2011, net of accumulated depreciation and impairment	524,564	12,546	5,139	14,929	557,178
Additions/transfers	1,624	119	524	1,297	3,564
Disposals	-	-	-	(93)	(93)
Assets reclassified to assets held for sale	(5)	-	-	(1)	(6)
Assets reclassified to distribution to owner	(435,205)	(7)	(2,970)	-	(438,182)
Revaluation increments	1,960	-	-	-	1,960
Revaluation decrements	(15,594)	-	-	-	(15,594)
Depreciation charge for the year	-	(536)	(371)	(1,403)	(2,310)
Transfers within asset classes	-	-	-	-	-
Net of accumulated depreciation and impairment	77,344	12,122	2,322	14,729	106,517
<b>At 30 June 2012</b>					
Cost or fair value	77,344	12,664	4,182	26,969	121,159
Accumulated depreciation and impairment	-	(542)	(1,860)	(12,240)	(14,642)
Net carrying amount	77,344	12,122	2,322	14,729	106,517

Table #24 - Property, plant and equipment

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

## 15 PROPERTY, PLANT AND EQUIPMENT CONTINUED

### 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 knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. The effective date of the land revaluations is 30 June 2012.

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

### Impairment

There were no indications of impairment of roads and land improvements and plant and equipment assets at 30 June 2013.

## 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.

	Note	2013 \$ '000	2012 \$ '000
<b>COMPUTER SOFTWARE</b>			
As at 1 July, net of accumulated amortisation and impairment		288	419
Additions		188	113
Amortisation charge for the year		(156)	(244)
<b>Total computer software, net of accumulated amortisation and impairment</b>		<b>320</b>	<b>288</b>
<b>COMPUTER SOFTWARE</b>			
Cost or fair value		2,110	1,921
Accumulated amortisation and impairment		(1,790)	(1,633)
<b>Net carrying amount</b>		<b>320</b>	<b>288</b>
<b>WATER LICENCES</b>			
As at 1 July, net of accumulated amortisation and impairment		-	325
Additions		-	-
Less non-current assets classified as held for distribution to owner	13	-	(325)
<b>Total water licences, net of accumulated amortisation and impairment</b>		<b>-</b>	<b>-</b>

Table #25 - Intangible assets

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

## 17 PAYABLES

	2013 \$ '000	2012 \$ '000
<b>CURRENT</b>		
Trade payables	6,276	4,460
Accrued expenses	122	672
Employee benefit on-costs	374	387
Paid parental leave scheme payable	4	1
	6,776	5,520
<b>NON-CURRENT</b>		
Employee benefit on-costs	560	564
	560	564
<b>SA Government payables (included under payables above)</b>		
Trade payables	352	214
Accrued expenses	150	328
	502	542

Table #26 - Payables

## 18 EMPLOYEE BENEFITS

	2013 \$ '000	2012 \$ '000
<b>CURRENT</b>		
Accrued salaries and wages	823	590
Long service leave	474	495
Retention leave	70	-
Annual leave	773	790
	2,140	1,875
<b>NON-CURRENT</b>		
Long service leave	3,033	3,080
	3,033	3,080

Table #27 - Employee benefits

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

## 19 INTEREST BEARING LOANS

	Note	2013 \$ '000	2012 \$ '000
<b>CURRENT</b>			
Unsecured <sup>(1)</sup>		-	9,162
Less interest bearing loans classified as held for distribution to owner	22	-	(7,779)
		-	1,383
<b>NON-CURRENT</b>			
Unsecured <sup>(1)</sup>		-	24,514
Less interest bearing loans classified as held for distribution to owner	22	-	(15,808)
		-	8,706

Table #28 - Interest bearing loans

<sup>(1)</sup> SAFC's loans were provided by the South Australian Government Financing Authority and were 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 27.

A total of \$23.6 million of loans were distributed to SAFC's owner during the reporting year (refer to note 22). The other loans were repaid to the South Australian Government Financing Authority during the reporting year.

## 20 DEFERRED INCOME

	Note	2013 \$ '000	2012 \$ '000
<b>CURRENT</b>			
Deferred income		173	905
Less payables classified as held for distribution to owner	22	-	(51)
		173	854
<b>NON-CURRENT</b>			
Deferred income		679	666
		679	666
<b>SA GOVERNMENT DEFERRED INCOME (included under deferred income above)</b>			
Deferred income		682	757
		682	757

Table #29 - Deferred income

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

## 21 OTHER PROVISIONS

	2013 \$ '000	2012 \$ '000
<b>CURRENT</b>		
Workers compensation	240	262
	240	262
Opening balance	262	123
Payments	(115)	(189)
Increments in provision	93	328
Closing balance	240	262
<b>NON-CURRENT</b>		
Workers compensation	985	1,013
	985	1,013
Opening balance	1,013	414
Payments	-	-
Increments/(decrements) in provision	(28)	599
Closing balance	985	1,013

Table #30 - Other provisions

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

## 22 LIABILITIES CLASSIFIED AS HELD FOR DISTRIBUTION TO OWNER

	Note	2013 \$ '000	2012 \$ '000
<b>Current liabilities classified as held for distribution to owner</b>			
Interest bearing loans	19	-	23,587
Other payables - deferred income	20	-	51
		-	23,638

Table #31 - Liabilities classified as held for a distribution to owner

Refer to note 13 regarding the Distribution of assets and liabilities to SAFC's owner and forward sale of forest rotations.

## 23 EQUITY

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

Since 2006 the requirements of the ownership framework for SAFC indicate that SAFC shall pay an annual contribution to Government consisting of a dividend calculated as 90% 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 a special dividend of \$29.5 million for 2013. No other dividend was declared for 2013. In 2012 a dividend of \$14.2 million was declared, including an adjustment for prior year underpaid dividends of \$1.4 million. Due to the change in the nature of SAFC's major revenue sources as a result of the forward sale, the expectation is that SAFC will not be paying dividends in the future.

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

## 24 COMMITMENTS AND CONTINGENCIES

### a) Commitments

	2013 \$ '000	2012 \$ '000
<b>(i) Operating lease commitments</b>		
Non cancellable operating leases contracted for but not capitalised in the accounts:		
Due not later than one year	688	651
Due later than one year but not later than five years	422	688
Total operating lease commitments	1,110	1,339
These operating lease commitments are not recognised in the financial report as liabilities.		
<b>(ii) Remuneration commitments</b>		
Due not later than one year	3,967	3,652
Due later than one year but not later than five years	5,589	8,562
Total remuneration commitments	9,556	12,214
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.		
<b>(iii) Other commitments</b>		
Due not later than one year	3,563	27,827
Due later than one year but not later than five years	10,687	75,501
Total other commitments	14,250	103,328

Table #32 - 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 - 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 2013 of a \$6.7 million actuarially assessed funding deficit relating to defined benefit members employed by SAFC as at 30 June 2012, requiring additional contributions over 15 years. The previous 2009 actuarial assessment indicated a deficit of \$5.7 million. In addition to regular contributions in relation to current superannuation benefits SAFC has expensed \$561,000 (2012: \$517,000) being the amount payable during the current financial year in relation to the benefit funding deficit. A liability has not been recognised for the remaining balance.

### c) Contingent Assets

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

#### South Australia Productivity Places Existing Workers Program

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

SAFC holds cash until the registered training organisation has delivered the required training objectives. In 2013 SAFC held no cash (2012: nil).

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

## 24 COMMITMENTS AND CONTINGENCIES CONTINUED

	2013 \$ '000	2012 \$ '000
Summary of cash flows		
Cash at beginning of year	-	59
Net funds received/(paid)	-	(59)
Cash at end of year	-	-

Table #32 - Commitments and contingencies continued

## 25 EXECUTIVE DISCLOSURES

### (a) Details of key management personnel

Executive	
A. Hatch	General Manager - Commercial
W.G. Materne	Chief Financial Officer
J.F. O'Hehir	General Manager - Planning and Development
D.I. Robertson	Chief Executive
G.K. Saunder	General Manager - Operations

### (b) Compensation of key management personnel

	2013 \$ '000	2012 \$ '000
Short term employee benefits paid or due and payable to or on behalf of key management personnel	914	879
Superannuation benefits paid or due and payable to or on behalf of key management personnel	90	84
Total	1,004	963

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

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

	2013 Number	2012 Number
\$134,013 - \$138,032	-	2
\$138,033 - \$148,032	1	1
\$148,033 - \$158,032	2	3
\$158,033 - \$168,032	2	-
\$168,033 - \$178,032	-	1
\$188,033 - \$198,032	1	-
\$218,033 - \$228,032	-	1
\$228,033 - \$238,032	1	-
\$258,033 - \$268,032	-	1
\$268,033 - \$278,032	1	-
Total number of employees	8	9

Table #33 - Executive disclosures

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

## 25 EXECUTIVE DISCLOSURES CONTINUED

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, fringe benefit tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$1.5 million (2012: \$1.5 million).

## 26 DIRECTORS AND RELATED PARTY DISCLOSURES

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

I.J. Kowalick - Chairman
K.H. Adams
A. Darras
A. McCleary
J. Obst

Table #34 - Directors and related party disclosures

Transactions between SAFC and its Directors are made at arm's length. There have been no such transactions in the financial year (2012: nil).

	2013 \$ '000	2012 \$ '000
Director's remuneration		
Income paid or due and payable to or on behalf of Directors, excluding superannuation benefits	203	188
Superannuation benefits paid or due and payable to or on behalf of Directors	18	17
Total	221	205

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

	2013 Number	2012 Number
\$0,000 - \$9,999	-	1
\$10,000 - \$19,999	-	1
\$20,000 - \$29,999	-	3
\$30,000 - \$39,999	2	1
\$40,000 - \$49,999	2	2
\$50,000 - \$59,999	-	-
\$60,000 - \$69,999	1	-
Total number of Directors	5	8

Table #34 - Directors and related party disclosures cont

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

## 27 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 80% of transactions for the financial year were transactions with the six largest of SAFC's customers (2012: 72%).

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 24).
- Interest is charged on overdue balances.

### (ii) Foreign currency risk exposures

As at 30 June 2013 SAFC has no direct exposure to foreign currencies.

### (iii) Interest rate risk exposures

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

In addition to the interest rate SAFC paid a guarantee fee to SAFA of 1.50% on the daily balance of the outstanding loan amounts (2012: 1.50%).

	Floating rate \$'000	Non-interest bearing \$'000	Fixed interest maturing			2013 Total \$'000	2012 Total \$'000
			1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000		
<b>Financial assets:</b>							
Cash and cash equivalents	15,366	-	-	-	-	15,366	43,014
Receivables <sup>(1)</sup>	-	10,584	-	-	-	10,584	11,716
	15,366	10,584	-	-	-	25,950	54,730
<b>Financial liabilities:</b>							
Interest bearing loans <sup>(2)</sup>	-	-	-	-	-	-	39,287
Payables <sup>(3)</sup>	-	6,398	-	-	-	6,398	5,133
	-	6,398	-	-	-	6,398	44,420
<b>Net Financial assets/(liabilities)</b>	<b>15,366</b>	<b>4,186</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,552</b>	<b>10,310</b>

Table #35 - Financial instruments

<sup>(1)</sup> Other than prepayments

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

## 27 FINANCIAL INSTRUMENTS CONTINUED

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	
	2013 \$ '000	2012 \$ '000	2013 \$ '000	2012 \$ '000
<b>Financial liabilities</b>				
Interest bearing loans	-	33,676	-	33,394

Table #35 - Financial instruments continued

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

Interest bearing loans with a carrying value of nil (2012: \$33.7 million) are recorded at the nominal principal amount to be settled. This is equal to their net fair value of nil (2012: above the net fair value of \$33.4 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 STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

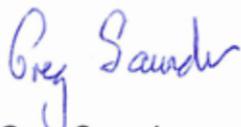
### Certification of the Financial Statements

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

- Comply with the relevant Treasurer's Instructions issued under Section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian accounting standards;
- The valuation of standing complies with Australian accounting standards based on the standing timber's fair value less point-of-sale costs at harvest;
- Are in accordance with the accounts and records of SAFC; and
- Present a true and fair view of the financial position of the SAFC as at 30 June 2013 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 authority will be able to pay its debts as and when they become due and payable, with the continued support of the SA Government to maintain the current community service obligations and subsidy payments.

Signed in accordance with a resolution of the Board Members



Greg Saunder  
**ACTING CHIEF EXECUTIVE**  
**SOUTH AUSTRALIAN FORESTRY CORPORATION**  
19 September 2013



Jerome Coleman  
**CHIEF FINANCIAL OFFICER**  
**SOUTH AUSTRALIAN FORESTRY CORPORATION**  
19 September 2013



Ian Kowalick  
**CHAIRMAN**  
**SOUTH AUSTRALIAN FORESTRY CORPORATION**  
19 September 2013



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

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 32(4) of the *Public Corporations Act 1993*, I have audited the accompanying financial report of the South Australian Forestry Corporation for the financial year ended 30 June 2013. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2013
- a Statement of Financial Position as at 30 June 2013
- a Statement of Changes in Equity for the year ended 30 June 2013
- a Statement of Cash Flows for the year ended 30 June 2013
- notes to and forming part of the financial statements
- a Certificate from the Chairman, the Acting Chief Executive and the Chief Financial Officer.

**The Board's Responsibility for the Financial Report**

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

**Auditor's Responsibility**

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

# INDEPENDENT AUDIT REPORT CONTINUED

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

## **Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of the South Australian Forestry Corporation as at 30 June 2013, 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**  
23 September 2013

# STATUTORY INFORMATION: CONTENTS

CONTENTS	PAGE
ForestrySA and South Australia's Strategic Plan	43
Regional Impact Assessment statements	43
Consultants	43
Employee numbers, gender and status	44
Overseas travel	44
Executives by gender, classification and status	45
Workforce diversity	45
Employees by age bracket, by gender	45
Cultural and linguistic diversity	45
Employees with ongoing disabilities	46
Flexible working arrangements	46
Leave management	46
Employment opportunity programs	46
Performance development	46
Accredited training packages	47
GoGo Action Plan	47
Disability Action Plan	47
Account payment performance	47
Whistleblowers Protection Act 1993	48
Asbestos management	48
Training and development expenditure	48
Energy Efficiency Action Plan	48
Occupational Health, Safety and Injury Management	49
Contractual arrangements	50
Glossary	51

Table #36 - Statutory information: Contents

# FORESTRYSA AND SOUTH AUSTRALIA'S STRATEGIC PLAN

South Australia's Strategic Plan (SASP)	Measure or actions by ForestrySA
Increase the vibrancy of the South Australian arts industry by increasing attendance at selected arts activities by 150% by 2020. (T3 Cultural vibrancy – arts activities)	ForestrySA provided in-kind sponsorship and support to the Bundaleer Festival 2013 and Riddoch Art Gallery
Maintain a high level of formal and informal volunteering in South Australia at 70% participation rate or higher. (T24 Volunteering)	ForestrySA recorded approximately 35,000 hours of volunteer participation during 2012-13
Increase the number of women on all State Government boards and committees to 50% on average by 2014, and maintain thereafter by ensuring that 50% of women are appointed, on average, each quarter. (T30 Boards and committees)	Three of the five ForestrySA Board members are women
Increase the number of women chairing State Government boards and committees to 50% by 2014. (T31 Chairs of boards and committees)	The two ForestrySA Board sub committees are chaired by women
Achieve the Kyoto target by limiting the State's greenhouse gas emissions to 108% of 1990 levels during 2008-2012, as a first step towards reducing emissions by 60% (to 40% of 1990 levels) by 2050. (T59 Greenhouse gas emissions reduction)	Carbon sequestered by 2012-13 in ForestrySA's Kyoto-compliant plantations was 545,195 tonnes. Sequestered carbon in ForestrySA plantations has increased significantly over the last 10 years
Improve the energy efficiency of government buildings by 30% by 2020. Milestone of 25% by 2014. (T61 Energy efficiency – government buildings)	ForestrySA's total energy use was reduced by 2049 GJ during 2012-13. ForestrySA's Mount Gambier Head Office building is rated "5 Star Green Star – Office Design" by the Green Building Council of Australia.
Develop regional climate change adaptation plans in all State Government regions by 2016. (T62 Climate change adaptation)	ForestrySA is on the steering committee of a FWPA funded three-year CSIRO project that aims to develop industry capacity to examine risks and impacts of climatic variability, through predictions of changing risk and impact over the next 20 – 50 years, development of tools for site or regional assessment and examination of adaptive strategies to manage risk and impact.
Lose no native species as a result of human impacts. (T69 Lose no species)	None lost.
Increase participation in nature conservation activities by 25% by 2015. (T72 Nature conservation)	In 2010, ForestrySA achieved a total of 16,253 volunteer hours devoted to "participation in nature conservation activities". These activities were undertaken in the Mount Lofty, Wirrabara, Mount Burr, Mount Gambier and Penola native vegetation conservation areas. In 2012-13, ForestrySA achieved an estimated 35,000 volunteer hours within its native conservation areas.

Table 37 - ForestrySA and South Australia's Strategic Plan

## REGIONAL IMPACT ASSESSMENT STATEMENTS

No Regional Impact Assessment Statements were prepared by ForestrySA during 2012-13.

## CONSULTANTS

	Consultant	Purpose of consultancy	Number	Total
Value below \$10,000	-	-	-	-
Value \$10,000 - \$50,000	-	-	-	-
Value above \$50,000	\$60,565	ICT systems review	1	\$60,565

Table #38 - Consultants

## EMPLOYEE NUMBERS, GENDER AND STATUS

Total employees					
Persons (as at 30 June 2013)			177		
FTEs (as at 30 June 2013)			173.1		
Gender		% persons	% FTEs		
Male		77	78.5		
Female		23	21.5		
Persons during 2012-13					
Separated from ForestrySA			49		
Recruited to ForestrySA			41		
Persons at 30 June 2013					
On leave without pay			1		
Employees by salary bracket	Male	Female	Total		
\$0 - \$53,199	54	14	68		
\$53,200 - \$67,699	33	19	52		
\$67,700 - \$86,599	26	6	32		
\$86,600 - \$109,299	10	2	12		
\$109,300+	13	0	13		
TOTAL	136	41	177		
Status of employees in current position 2012-13					
FTEs	Ongoing	Short-term contract	Long-term contract	Other (casual)	Total
Male	95	14	26.9	0	135.9
Female	24.6	4	8.6	0	37.2
TOTAL	119.6	18	35.5	0	173.1
Persons	Ongoing	Short-term contract	Long-term contract	Other (casual)	Total
Male	95	14	27	0	136
Female	27	4	10	0	41
TOTAL	122	18	37	0	177

Table #39 - Employee numbers, gender and status

## OVERSEAS TRAVEL

Employees	Destination	Reason for travel	Cost to ForestrySA
1	Portland, Oregon, USA	Meetings with major customer	\$9,000

Table #40 - Overseas travel

## EXECUTIVES BY GENDER, CLASSIFICATION AND STATUS

Term tenured		Term untenured		Total	
Male	Female	Male	Female	Male	Female
1	0	4	0	5	0

Table #41 - Executives by gender, classification and status

## WORKFORCE DIVERSITY

Aboriginal and / or Torres Strait Islander employees					
Salary bracket	Aboriginal / Torres Strait Islander employees	Total employees	% Aboriginal/Torres Strait Islander employees	Target (%)*	
\$0 - \$53,199	1	68	1.4	2	
\$53,200 - \$67,699	0	52	0	2	
\$67,700 - \$86,599	0	32	0	2	
\$86,600 - \$109,299	0	12	0	2	
\$109,300+	0	13	0	2	
TOTAL	1	177	0.6	2	

Table #42 - Workforce diversity

\*Target from SASP

## EMPLOYEES BY AGE BRACKET, BY GENDER

Age bracket	Male	Female	Total	% of total	2013 Workforce Benchmark (%)*
15-19	1	0	1	0.6	6.2
20-24	1	1	2	1.1	9.7
25-29	4	8	12	6.8	10.9
30-34	11	6	17	9.6	9.8
35-39	10	7	17	9.6	10.1
40-44	22	3	25	14.1	11.8
45-49	13	5	18	10.2	11.2
50-54	31	6	37	20.9	11.3
55-59	20	3	23	12.9	9.0
60-64	22	2	24	13.6	6.1
65+	1	0	1	0.6	3.7
TOTAL	136	41	177	100	100.0

Table #43 - Employees by age bracket by gender

\*Source: Australian Bureau of Statistics Australian Demographic Statistics, 6291.0.55.001 Labour Force Status (ST LM8) by sex, age, state, marital status – employed – total from Feb78 Supertable, South Australia at February 2013.

## CULTURAL AND LINGUISTIC DIVERSITY

	Male	Female	Total	% of ForestrySA	SA Community (%)*
Number of employees born overseas	22	5	27	15.3	22.1
Number of employees who speak language(s) other than English at home	1	0	1	0.56	14.4

Table #44 - Cultural and linguistic diversity

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

## EMPLOYEES WITH ONGOING DISABILITIES

Disability	Male	Female	Total	% of ForestrySA
Disability requiring workplace adaptation	0	1	1	0.6
Physical	0	0	0	0
Intellectual	0	0	0	0
Sensory	0	0	0	0
Psychological / psychiatric	0	0	0	0

Table #45 - Employees with ongoing disabilities

## FLEXIBLE WORKING ARRANGEMENTS

	Male	Female	Total
Purchased leave	0	0	0
Flexitime	108	33	141
Compressed weeks	0	0	0
Part-time	1	12	13
Job share	0	0	0
Working from home	0	1	1

Table #46 - Flexible working arrangements

## LEAVE MANAGEMENT

Leave type (Average days' leave per Full Time Equivalent employee)	2012-13	2011-12
Sick leave	6.3	6.6
Family carer's leave	1.2	1.2
Miscellaneous special leave	0.7	0.4

Table #47 - Leave management

## 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 which continue to promote and encourage Vocational Education opportunities within the Timber industry.

The ForestrySA 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.

## PERFORMANCE DEVELOPMENT

Documented review of individual performance. Employees with:	Total
A review within the past 12 months	166
A review older than 12 months	2
No review	9

Table #48 - Performance development

## LEGISLATION ADMINISTERED BY FORESTRYSA

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

## ACCREDITED TRAINING PACKAGES

Employee classification	ForestrySA staff
Level 1	0
Level 2	9
Level 3	13
Level 4	10
Level 5	5
Level 6	9
Level 7	2
Level 8	3
Level 9	1
Level 10	0
Level 11	0
TOTAL	52

Table #49 - Accredited training packages

## GOGO ACTION PLAN

The GoGo Action Plan provides a framework for South Australian Government Agencies to progress greening programs.

The GoGo plan builds upon the Government Energy Efficiency Action Plan.

Priority areas include energy management, water conservation and waste management.

	Unit	2012-13		2011-12	
		Consumption	Expenditure (\$)	Consumption	Expenditure (\$)
Electricity	kwh	463,211	158,307	487,226	143,173
Water	kl	1,854	8,679	4,572	12,330
Paper	ream	546	4,282	946	7,143

Table #50 - Greening of Government Operations

## DISABILITY ACTION PLAN

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

The ForestrySA Fair Treatment Program continues to promote equity and diversity within the workplace and to raise the level of awareness and reinforce the strong commitment to a workplace culture which fosters an environment free from all forms of bullying, harassment and discriminatory behaviours.

Employees returning to work from injury are provided with the support and necessary resources to undertake the requirements of their positions.

All Injury Management claims and associated activities are managed in accordance with relevant equity and diversity principles, which are incorporated into all policies and practices relating to these activities. All return to work plans, alternate duties and rehabilitation plans are supported by the respective standards.

ForestrySA ensures that business activities and supporting procedures do not discriminate against people with disabilities.

## ACCOUNT PAYMENT PERFORMANCE

Particulars	Number of accounts paid	% of accounts paid (by number)	Value of accounts paid (\$'000)	% of accounts paid (by value)
Paid by due date	7,925	89.76	58,453	92.62
Paid late but paid within 30 days or less of the due date	655	7.42	3,828	6.07
Paid more than 30 days from the due date	249	2.82	829	1.31
TOTAL	8,829	100.00	63,110	100.00

Table #51 - Account payment performance

# WHISTLEBLOWERS PROTECTION ACT 1993

On no occasion during 2012-13 were matters of public interest disclosed to the ForestrySA Responsible Officer appointed under the *Whistleblowers Protection Act 1993*.

## 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	2	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 WHS Regulations 422) has been removed
6	1	1	Further information required	These sites not yet categorised

Table #52 - Asbestos management

### Definitions

#### Category

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

#### Number of sites in category

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

#### Category description

Indicates the recommended action corresponding to the lowest item performance score (recorded in the asbestos register by a competent person, as per *WHS Regulations 2012*).

#### Interpretation

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

## TRAINING AND DEVELOPMENT EXPENDITURE

Training and development	Expenditure (\$)	% of total salary expenditure
Total training and development expenditure	402,123	2.4
Total leadership and management development expenditure	23,627	0.1

Table #53 - Training and development expenditure

## ENERGY EFFICIENCY ACTION PLAN

ForestrySA is required to report performance against annual energy efficiency targets under the government's Energy Efficiency Action Plan. The plan includes Target 61: Energy Efficiency – government buildings: Improve the energy efficiency of government buildings by 30% by 2020 (baseline 2000-01), milestone of 25% by 2014.

Energy consumption calculations in the following table include electricity, natural gas and vehicle fleet fuels. The 2012-13 portfolio target reduction is 22.5% of base year 2000-01. The emission factors for GHG calculations reference the July 2010 National Greenhouse Accounts Factors.

	Energy use (GJ)	GHG emissions (kg CO <sub>2</sub> e)	Business measure (GJ/FTE)
Base year 2000-01 ForestrySA total	36,942	3,192	150.17 (FTE=246)
2012-13 ForestrySA total	25,875	1,477	149.80 (FTE=173)
2012-13 ForestrySA target	28,630	2,474	116.38
Final target (for 2014)	27,707	2,394	112.63

Table #54 - Energy Efficiency Action Plan

# OCCUPATIONAL HEALTH, SAFETY AND INJURY MANAGEMENT

## WORK HEALTH AND SAFETY

ForestrySA continues to demonstrate commitment in managing Work Health and Safety (WHS). We endeavour to improve the culture and climate of the organisation through continuous improvement in all programs including promoting interdependence, leadership and Executive engagement.

The Forest Safety Committee continued to develop, monitor and evaluate injury and incident prevention programs throughout the organisation during 2012-13, while also ensuring that existing programs continue to be invigorated and supported. The annual Work Health and Safety (WHS) and Injury Management (IM) questionnaire provided positive results in regards to employees understanding their WHS and IM responsibilities, and applying those responsibilities in the workplace.

The ForestrySA Executive actively demonstrates its involvement and commitment to WHS by monitoring, reviewing, challenging and participating in the organisations WHS programs. Executive worksite reviews, regular communication with key stakeholders and involvement in incident investigations are key areas which involve all Executive members.

Continuing to improve the WHS and IM culture at ForestrySA will ensure the systems and processes are adopted by all who use them.

## INJURY MANAGEMENT

A focus on the importance of early intervention and reporting of work

related injuries continued throughout 2012-13, with education programs run at each worksite.

A total of 18 claims for compensation were lodged and seven remained open at the end of the financial year. A total of 12 lost time injuries were sustained, and a further two employees underwent surgery which resulted in lost time for claims made prior to this financial year. There was a duration rate of 22.5 days/claim.

The Employee Assistance Program continued to provide support to our employees with 19 employees and family members accessing the program for a range of services such as confidential counseling and physiotherapy. Assistance was also provided to help employees suffering non-work related injuries to return to and/or remain in the work place.

ForestrySA is continuing to work in partnership with WorkCover following achievement of Superior Performance for Self-Insurers.

While claim numbers and severity rates have risen this year, ForestrySA's focus on continual improvement and a holistic approach to claims management is supported by key stakeholders. This is maintained by a positive safety culture which has been established through communication and a shared perception of all employees and the importance of safety in our business.

Senior level engagement in the promotion, monitoring and review of our system and its performance, sends a positive message to all employees.

1 Work Health and Safety prosecution, notices and corrective action taken		2012-13	
	Number of notifiable incidents pursuant to <i>WHS Act</i> Part		0
	Number of notices served pursuant to <i>WHS Act</i> Section 90, Section 191 and Section 195 (provisional improvement, improvement and prohibition notices)		0
2 Gross workers compensation expenditure		2012-13	2011-12
	Income maintenance	\$55,793	\$43,202
	Lump sum settlements - redemptions - Sect. 42 (before third party recovery)	\$0	\$295,746*
	Lump sum settlements - permanent disability - Sect. 43	\$26,514	\$30,427
	Medical/hospital costs	\$84,017	\$90,212
	Other costs associated with injury management	\$54,632	\$45,309
	Total claims expenditure	\$220,956	\$183,537*
	Budget allocation for workers compensation	\$453,714	\$494,500
	Workers compensation expenditure over gross annual remuneration	1.3%	1.1%
3 Workers Compensation Claims		2012-13	2011-12
	New workers compensation claims in the financial year	18	15
	Medical expenses only (MEO)	6	10
	Lost time injuries (LTI) (new claims only)	12	5
	Number of open claims at 30 June	7	7
	Total number of whole working days lost	270	269

Table #55 - Occupational Health, Safety and Injury Management

\* Third party recovery in 2011-12 of \$278,808

# OCCUPATIONAL HEALTH, SAFETY AND INJURY MANAGEMENT

## CONTINUED

4 Workers Compensation claim trends		2012-13	2011-12
Severity of compensable injuries (number of days lost divided by number of lost time claims)		22.5	14.98
Injury frequency rate for new lost-time injury/disease for each million hours worked		40.15	20.95
Most frequent cause (mechanism) of injury		Long term exposure to sounds	Body stressing
Most expensive cause (mechanism) of injury		Long term exposure to sound	Body stressing

5 Meeting Safety Performance Targets	Base 2009-10	Performance: 12 months to 30 June 2013			Final target
		Actual	National target	Variation	
Workplace facilities	0	0	0	0	0
New workplace injury claims	10	18	9	10	8

6 Rehabilitation and return to work	Base 2009-10	Performance: 12 months to 30 June 2013			Final target
		Actual	National target	Variation	
Early assessment within two days	100%	100%	80%	20%	80%
Early intervention within five days	100%	100%	90%	10%	90%
LTI have 10 business days or less lost time	66.67%	75%	60%	15%	60%

Table #55 - Occupational Health, Safety and Injury Management

## CONTRACTUAL ARRANGEMENTS

Proponent	Function	Estimated contract value 2012-13	Contract term
Harvestco Hills Pty Ltd	Harvest and transport	\$6m	5 years

Table #56 - Contractual arrangements

# GLOSSARY

Australian Forestry Standard (AFS)	The internationally recognised forestry standard (AS 4708) to which ForestrySA is certified
Biodiversity	Includes genetic diversity, reflecting the diversity within each species (species diversity and the variety of species) and ecosystem diversity (the diversity of different communities formed by living organisms and the relationships between them)
Carbon sequestration	The process by which trees and other plants take up carbon dioxide from the atmosphere and store it as organic carbon in leaves, branches, stems and roots. Plants sequester carbon dioxide as part of the growing process
CFS	Country Fire Service
CSIRO	Commonwealth Scientific and Industrial Research Organisation
Conservation	The management of the natural environment to ensure its survival. A term covering preservation, maintenance, restoration and enhancement of the environment
CSO	Community Service Obligation
DEWNR	Department of Environment, Water and Natural Resources
DTF	Department of Treasury and Finance
FireKing	A robust frontline fire truck. ForestrySA maintains a fleet of 15 of these vehicles for use across all forest regions
FSC	Forest Safety Committee
FTE	Full Time Equivalent (employee)
FMS	Forest Management System. This system 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 <i>Forestry Act 1950</i> for long-term intent, to be managed for production, recreational, scientific, aesthetic, and environmental or protection purposes
FWPA	Forest and Wood Products Australia
GIS	Geographic Information Systems
ha	Hectare/s
Hardwood	Timber from broad-leaved flowering trees irrespective of physical hardness. Includes eucalypts, wattles and most rainforest species
ICT	Information and Communications Technology
IM	Injury Management
IMT	Incident Management Team
LiDAR	Light Detection and Ranging. A remote sensing technology adapted by ForestrySA to assess the productivity of forest plantations
LTIFR	Lost Time Injury Frequency Rate. Refers to the number of incidents per million working hours incurred where the injured employee is off work for the whole of the following day
Native forest	Forest consisting of native tree and other species that are endemic to South Australia
Native Forest Reserve	An area of proclaimed Forest Reserve that has been further proclaimed as a Native Forest Reserve under the <i>Forestry Act 1950</i> specifically for the conservation of native flora and fauna
OFO	OneFortyOne Plantations Pty Ltd
OHS&W	Occupational Health, Safety and Welfare

PIRSA	Department of Primary Industries and Resources South Australia
Prescribed burning	The planned use of fire in a predetermined area, with an intensity and rate of spread designed to achieve specific results, including promoting biological diversity, reducing the volume of flammable fuels
Pulpwood	Logs below sawlog quality but suitable for manufacturing pulp, paper and panel products
Recovery log	Short length, small diameter sawlog
SAFC	South Australian Forestry Corporation
SASP	South Australia's Strategic Plan
Sawlog	A log for processing into sawn timber
Silviculture	The cultivation of forest including both native forest and plantations
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
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
TVSP	Targeted Voluntary Separation Package
Watercourse and wetland buffer zone	An area of land designed to protect a wetland or watercourse
WHS	Work Health and Safety

Table #57 - Glossary

